BARCLAYS BANK PLC – PAKISTAN BRANCHES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

A member firm of
PRICEWATERHOUSECOOPERS

A.F. FERGUSON & CO.

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the annexed statement of financial position of the Pakistan Branches of Barclays Bank PLC, incorporated in England and Wales with limited liability (the Bank), as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2010, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984);

(b) in our opinion:

 (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984) and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

 (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

(c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2010 and its true balance of the loss, its comprehensive loss, its cash flows and changes in equity for the year ended December 31, 2010; 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.

AFFerguson & Co
Chartered Accountants
Engagement Partner: **Salman Hussain**
Dated: March 29, 2011
Karachi

BARCLAYS BANK PLC - PAKISTAN BRANCHES

(Incorporated in England and Wales with limited liability)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	6	2,912,164	2,434,134
Balances with other banks	7	2,189,397	1,517,901
Lendings to financial institutions	8	1,646,369	5,857,743
Investments - net	9	21,014,371	11,625,172
Advances - net	10	17,436,859	18,033,785
Operating fixed assets	11	928,091	1,451,343
Deferred tax assets - net	12	1,501,850	1,068,551
Other assets	13	651,594	554,098
		48,280,695	42,542,727
LIABILITIES			
Bills payable	15	402,249	317,339
Borrowings	16	7,193,234	2,988,707
Deposits and other accounts	17	32,301,878	29,920,456
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,915,282	2,470,625
		41,812,643	35,697,127
NET ASSETS		6,468,052	6,845,600
REPRESENTED BY			
Head office capital account	19	9,756,756	9,320,564
Reserves		-	-
Accumulated losses		(3,279,855)	(2,480,542)
		6,476,901	6,840,022
(Deficit) / surplus on revaluation of assets - net of tax	20	(8,849)	5,578
		6,468,052	6,845,600
CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 42 form an integral part of these financial statements.

SHAZAD DADA
Chief Executive Officer

AAMIR JAHANGIR
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES

(Incorporated in England and Wales with limited liability)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
Mark-up / return / interest earned	23	4,391,663	3,336,395
Mark-up / return / interest expensed	24	2,756,649	2,112,925
Net mark-up / return / interest income		1,635,014	1,223,470
Provision against loans and advances - net	10.3	268,149	161,127
Provision for diminution in the value of investments		-	-
Bad debts written off directly		-	-
		268,149	161,127
Net mark-up / return / interest income after provisions		1,366,865	1,062,343
Non mark-up / interest income			
Fee, commission and brokerage income		177,352	114,603
Dividend income		-	-
Income from dealing in foreign currencies		187,487	67,265
(Loss) / gain on sale of securities - net	25	(4,854)	3,948
Unrealised gain on revaluation of investments classified as held for trading		-	-
Other income		-	-
Total non mark-up / interest income		359,985	185,816
		1,726,850	1,248,159
Non mark-up / interest expense			
Administrative expenses	26	2,484,133	3,975,517
Other provisions / write offs		-	-
Other charges	27	2,273	1,447
Total non mark-up / interest expense		2,486,406	3,976,964
		(759,556)	(2,728,805)
Extra ordinary / unusual items	28	(465,287)	385,122
Loss before taxation		(1,224,843)	(2,343,683)
Taxation - Current year		-	-
- Prior years		-	-
- Deferred	29	(425,530)	(672,555)
		(425,530)	(672,555)
Loss after taxation		(799,313)	(1,671,128)

The annexed notes 1 to 42 form an integral part of these financial statements.

SHAZAD DADA
Chief Executive Officer

AAMIR JAHANGIR
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	For the year ended December 31, 2010	December 31, 2009
	(Rupees in '000)	
Loss after taxation	(799,313)	(1,671,128)
Components of comprehensive income not reflected in equity		
(Deficit) / surplus on revaluation of available for sale securities - net of tax	(14,427)	4,071
Total comprehensive income / (loss)	(813,740)	(1,667,057)

The annexed notes 1 to 42 form an integral part of these financial statements.

SHAZAD DADA
Chief Executive Officer

AAMIR JAHANGIR
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	2010	2009
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,224,843)	(2,343,683)
Adjustments			
Depreciation	11.2	251,456	284,071
Amortisation	11.3	39,721	38,502
Provision against loans and advances - net	10.3	268,149	161,127
Loss / (gain) on sale of securities - net	25	4,854	(3,948)
Loss on disposal of fixed assets	26	1,237	83,716
Provision for loss on fixed assets	26	30,899	53,356
Impairment on capital work in progress	11.1	22,158	26,149
Extraordinary / unusual item	28	465,287	(385,122)
		1,083,761	257,851
		(141,082)	(2,085,832)
(Increase) / decrease in operating assets			
Lendings to financial institutions		4,211,374	(4,371,935)
Advances		328,777	(8,515,438)
Other assets (excluding advance taxation)		(93,620)	(222,163)
		4,446,531	(13,109,536)
Increase / (decrease) in operating liabilities			
Bills payable		84,910	60,749
Borrowings from financial institutions		4,204,527	512,552
Deposits		2,381,422	15,363,003
Other liabilities		(708,186)	1,820,549
		5,962,673	17,756,853
		10,268,122	2,561,485
Income taxes deducted at source		(3,876)	(7,063)
Net cash generated from operating activities		10,264,246	2,554,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(9,416,249)	(2,282,112)
Investment in fixed assets		(153,372)	(517,784)
Sale proceeds from disposal of fixed assets		18,709	15,263
Net cash used in investing activities		(9,550,912)	(2,784,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Remittances received from head office as capital		436,192	2,180,664
Net cash generated from financing activities		436,192	2,180,664
Increase in cash and cash equivalents during the year		1,149,526	1,950,453
Cash and cash equivalents at the beginning of the year		3,952,035	2,001,582
Cash and cash equivalents at the end of the year	32	**5,101,561**	**3,952,035**

The annexed notes 1 to 42 form an integral part of these financial statements.

SHAZAD DADA
Chief Executive Officer

AAMIR JAHANGIR
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Head office capital account	Accumulated losses	Share based payment contribution reserve	Total
	Rupees in '000			
Balances as at January 1, 2009	7,139,900	(809,414)	-	6,330,486
Changes in equity for 2009				
Remittances received from head office as capital	2,180,664	-	-	2,180,664
Loss after taxation for the year ended December 31, 2009	-	(1,671,128)	-	(1,671,128)
Other comprehensive income for the year	-	-	-	-
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	15,633	15,633
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(15,633)	(15,633)
Balance as at December 31, 2009	9,320,564	(2,480,542)	-	6,840,022
Changes in equity for 2010				
Remittance received from head office as capital	436,192	-	-	436,192
Loss after taxation for the year ended December 31, 2010	-	(799,313)	-	(799,313)
Other comprehensive income for the year	-	-	-	-
Contribution by Barclays Bank PLC in respect of share-based payments	-	-	25,230	25,230
Recharged balance payable to Barclays Bank PLC in respect of share-based payments	-	-	(25,230)	(25,230)
Balance as at December 31, 2010	9,756,756	(3,279,855)	-	6,476,901

The annexed notes 1 to 42 form an integral part of these financial statements.

SHAZAD DADA
Chief Executive Officer

Aamir Jahangir

AAMIR JAHANGIR
Chief Financial Officer

BARCLAYS BANK PLC - PAKISTAN BRANCHES
(Incorporated in England and Wales with limited liability)
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

1 STATUS AND NATURE OF BUSINESS

Barclays Bank PLC, Pakistan Branches (the Bank) operates as a branch of Barclays Bank PLC which is a foreign banking company incorporated and domiciled in England and Wales with limited liability (rated "AA-", Long term and "A-1+", Short term by Standard & Poor's) and is a member of Barclays PLC Group (rated "A+", Long term and "A-1", Short term by Standard & Poor's) which is the ultimate holding company. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates through 15 branches (2009: 15 branches) across Pakistan. The Bank commenced its operations on July 23, 2008. Its registered office in Pakistan is situated at Dawood Centre, M. T. Khan Road, Karachi.

2 BASIS OF PRESENTATION

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

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular Letter No. 10 dated August 26, 2002 till further instructions. Further, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' through its notification S.R.O 411(I)/2008 dated April 28, 2008. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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

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

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

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

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

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

IAS 27, "Consolidated and Separate Financial Statements" applicable for financial years beginning on or after July 1, 2009 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss account. The management of the Bank believes that presently this standard does not have any significant impact on the Bank's financial statements.

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

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

IFRS 3 (Revised), 'Business Combinations' applicable for financial years beginning on or after July 1, 2009 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. At present, the management believes that the aforementioned revision does not have any impact on the Bank's financial statements.

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

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

IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after July 1, 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The management of the Bank believes that presently this interpretation does not have any impact on the Bank's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or to have any significant effect on the Bank's operations and are, therefore, not disclosed in these financial statements.

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

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

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

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

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

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

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

3.4 **Early adoption of standards**

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

4 BASIS OF MEASUREMENT

4.1 **Accounting convention**

These financial statements have been prepared under the historical cost convention except for the measurement of certain investments and derivative financial instruments that have been carried at fair values.

4.2 **Critical accounting estimates and judgements**

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i)	Classification and provisioning against advances	Note 5.4 and 10
ii)	Useful lives and residual values of operating fixed assets	Note 5.5 and 11
iii)	Deferred taxation	Note 5.7 and 12
iv)	Fair value of derivative and other financial instruments	Note 36
v)	Assessment of impairment in respect of assets relating to retail operations	Note 28

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5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial institutions

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

(a) Sale of securities under repurchase agreements

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

(b) Purchase of securities under resale agreements

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

5.3 Investments

The Bank classifies its investments as follows:

(a) Held for trading

These are investments, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are investments with fixed or determinable payments and fixed maturities in respect of which the Bank has the positive intent and ability to hold till maturity.

(c) Available for sale

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

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

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

In accordance with the requirements of the State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of securities classified as 'available for sale', is taken to a separate account shown in the statement of financial position below equity. Surplus / (deficit) arising on revaluation of securities which are classified as 'held for trading', is taken to the profit and loss account. In accordance with the requirements specified by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost.

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

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Provision for diminution in the values of investments is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Gains or losses on disposal of investments during the year are taken to the profit and loss account.

5.4 Advances

Advances are stated net of specific and general provisions. Specific and general provisions against advances are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition to the minimum requirements as specified in the Prudential Regulation, the Bank also makes provision against consumer advances based on its internal policies. The net provision made / reversed during the year is charged to the profit and loss account and accumulated provision is netted-off against advances. Advances are written off when there are no realistic prospects of recovery.

5.5 Operating fixed assets

Property and equipment

Operating fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of items.

Subsequent costs are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account in the period in which they are incurred.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and using the straight line method. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

Intangible assets

Intangible assets, having a finite useful life, are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual values, useful lives and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets that have an indefinite useful life, for example goodwill, are stated at cost less accumulated impairment losses, if any. They are not subject to amortisation and are tested annually for impairment.

Capital work in progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when assets become available for use.

5.6 Impairment

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying amount exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

5.7 Taxation

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

Current

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also recognises deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or subsequently enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised.

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

5.8 Provisions

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

5.9 Employee benefits

Short - term benefits

Short-term employee benefits, such as salaries, allowances, and other benefits, are accounted for on an accrual basis over the period for which employees have provided services. Bonuses are recognised to the extent that the Bank has a present obligation to its employees and can be measured reliably.

Defined contribution plan

The Bank has established a defined contribution plan for its permanent employees. A defined contribution plan is a plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay the benefits relating to employee service in the current and prior periods.

The Bank's share of contributions to defined contribution plan are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction on the future payments is available. Any contribution due at the balance sheet date is included as a liability.

5.10 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

b) Borrowing / deposits costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of that asset.

5.11 Revenue recognition

Advances and investments

Mark-up income on performing loans and advances and investments is recognised on a time proportion basis. Where loan and securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective interest rate method.

Interest or mark-up recoverable on non-performing advances and classified investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognised as permitted by the regulations of the State Bank of Pakistan, except where in the opinion of the management, it would not be prudent to do so.

Fee, commission and brokerage

Fee, brokerage and commission on letters of credit / guarantee and others are recognised on accrual basis.

5.12 Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

Translation gains and losses

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Commitments

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

5.13 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date at which the derivative contract is entered into and subsequently remeasured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets where fair value is positive and as liabilities where fair value is negative. Any changes in the fair value of derivative financial instruments are taken to the profit and loss account.

5.14 Off setting

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

5.15 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

5.16 Share based payments

The Bank engages in equity settled share-based payment transactions in respect of services received from certain employees. Under these plans, the shares of holding company (Barclays Bank PLC) are granted by the holding company to employees of the Bank. Pursuant to a separate agreement the Bank makes a cash settlement to the holding company for the value of the share-based incentive awards delivered to the Bank's employees under these plans.

The Bank recognises the fair value of the awards at grant date as compensation expense over the vesting period with a corresponding credit in equity as a capital contribution from the holding company. The amount payable to the holding company under the associated obligation is also recognised simultaneously over the vesting period by debiting the capital contribution in equity.

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Fair value of the shares awarded under the stock award program on the grant date is determined with reference to the price quoted on the London Stock Exchange.

	Note	2010	2009
		Rupees in '000	
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		384,603	348,076
Foreign currencies		264,927	299,977
		649,530	648,053
With State Bank of Pakistan in			
Local currency current account	6.1	1,247,462	988,859
Foreign currency current accounts	6.2 & 6.3	257,240	201,151
Foreign currency deposit account	6.4	757,885	596,009
		2,262,587	1,786,019
National Prize Bonds		47	62
		2,912,164	2,434,134

6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 This includes US Dollar settlement account maintained with the SBP amounting to Rs 4.612 million (2009: Rs 2.341 million).

6.3 This includes foreign currency cash reserve maintained with the SBP amounting to Rs 252.628 million (2009: Rs 198.810 million) equivalent to at least 5% of the Bank's foreign currency deposits in a non-remunerative account under BSD Circular No. 9 dated December 3, 2007.

6.4 This represents foreign currency cash reserve maintained with the SBP equivalent to at least 15% of the Bank's foreign currency deposits in a remunerative account, under BSD Circular No. 14 dated June 21, 2008. Profit rates on the deposit is prescribed by the SBP on a monthly basis. The State Bank of Pakistan has not remunerated these deposit amounts during the year.

	Note	2010	2009
		Rupees in '000	
7 BALANCES WITH OTHER BANKS			
Inside Pakistan			
- In current account	7.1	24,848	(2,176)
Outside Pakistan			
- In current accounts	7.2	2,164,549	1,520,077
		2,189,397	1,517,901

7.1 Balance as at December 31, 2009 represented book over draft balance.

7.2 This includes amount held under arrangements with banks whereby the balances are current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

	Note	2010	2009
		Rupees in '000	
8 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	1,646,369	2,900,000
Repurchase agreement lendings (Reverse Repo)	8.4	-	2,957,743
		1,646,369	5,857,743

8.1 Particulars of lendings to financial institutions	Note	2010	2009
		Rupees in '000	
In local currency		850,000	5,857,743
In foreign currency	8.3	796,369	-
		1,646,369	5,857,743

8.2 These are placements with various banks which carry mark-up at rates ranging from 0.49% to 12.83% per annum (2009: 12.25% to 12.90% per annum) and are due to mature latest by January 2011 (2009: January 2010).

8.3 This represents placement with Barclays Bank London which carry mark-up at the rate of 0.49% per annum having maturity in January 2011.

8.4 **Securities held as collateral against repurchase agreement lendings to financial institutions**

	2010			2009		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	-	-	-	2,957,743	-	2,957,743

9 INVESTMENTS - NET

9.1 **Investments by type**

	2010			2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000					
Available for sale investments						
Market Treasury Bills	17,072,761	2,713,249	19,786,010	10,385,024	-	10,385,024
Pakistan Investment Bonds	1,241,975	-	1,241,975	1,231,566	-	1,231,566
Investments at cost	18,314,736	2,713,249	21,027,985	11,616,590	-	11,616,590
Less: Provision for diminution in value of investments	-	-	-	-	-	-
Investments (net of provisions)	18,314,736	2,713,249	21,027,985	11,616,590	-	11,616,590
(Deficit) / surplus on revaluation of available for sale securities - net	(12,003)	(1,611)	(13,614)	8,582	-	8,582
Investments at market value	18,302,733	2,711,638	21,014,371	11,625,172	-	11,625,172

9.2 Investments by segment	Note	2010	2009
		Rupees in '000	
Federal Government Securities			
- Market Treasury Bills	9.2.1	19,781,762	10,394,078
- Pakistan Investment Bonds	9.2.2	1,232,609	1,231,094
		21,014,371	11,625,172

9.2.1 Market Treasury Bills are for a period of upto six months (2009: one year). The market yield ranges from 12.94% to 13.26% per annum (2009: 12.07% to 12.14% per annum) with maturities upto April 2011 (2009: June 2010).

9.2.2 Pakistan Investment Bonds are for a period of three years (2009: three years). The coupon rate is 11.25% per annum (2009: 11.25% per annum) with maturities upto August 2011 (2009: August 2011).

9.3 Market Treasury Bills amounting to Rs 9,000 million (2009: Rs 9,020 million) [having a fair value of Rs 8,929.769 million (2009: Rs 8,905.434 million)] and Pakistan Investment Bonds amounting to Rs 1,250 million (2009: Rs 1,250 million) [having fair value of Rs 1,232.609 million (2009: Rs 1,231.094 million)] have been deposited with the State Bank of Pakistan as per the requirements of Section 13(2) of the Banking Companies Ordinance, 1962. The remaining Market Treasury Bills are eligible for re-discounting with the State Bank of Pakistan.

10 ADVANCES - NET

	Note	2010	2009
		Rupees in '000	
Loans, cash credits, running finances, etc. - in Pakistan		16,957,924	17,539,208
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		56,557	437,677
Payable outside Pakistan		882,571	251,868
		939,128	689,545
Advances - gross		17,897,052	18,228,753
Provision against advances			
Specific provision against non-performing advances	10.3	(406,593)	(120,720)
General provision against advances	10.3	(53,600)	(74,248)
		(460,193)	(194,968)
Advances - net		17,436,859	18,033,785

10.1 Particulars of advances - gross of provisions

	2010	2009
In local currency	16,952,747	17,976,885
In foreign currencies	944,305	251,868
	17,897,052	18,228,753
Short term (upto one year)	16,222,439	15,312,060
Long term (over one year)	1,674,613	2,916,693
	17,897,052	18,228,753

10.2 Advances include Rs 612.471 million (2009: Rs 931.048 million) which have been placed under non-performing status as detailed below:

	As at December 31, 2010				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Category of classification					
Other assets especially mentioned	-	-	-	-	-
Substandard	120,303	-	120,303	30,076	30,076
Doubtful	231,302	-	231,302	115,651	115,651
Loss	260,866	-	260,866	260,866	260,866
	612,471	-	612,471	406,593	406,593

	As at December 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	Rupees in '000				
Category of classification					
Other assets especially mentioned	-	-	-	-	-
Substandard	797,107	-	797,107	11,778	11,778
Doubtful	49,998	-	49,998	24,999	24,999
Loss	83,943	-	83,943	83,943	83,943
	931,048	-	931,048	120,720	120,720

10.3 Particulars of provisions against advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000			Rupees in '000		
Opening balance	120,720	74,248	194,968	-	33,841	33,841
Charge for the year	288,797	-	288,797	120,720	40,407	161,127
Reversals	-	(20,648)	(20,648)	-	-	-
	288,797	(20,648)	268,149	120,720	40,407	161,127
Amounts written off	(2,924)	-	(2,924)	-	-	-
Closing balance	406,593	53,600	460,193	120,720	74,248	194,968

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10.3.1 Particulars of provision against advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000			Rupees in '000		
In local currency	406,593	53,600	460,193	120,720	74,248	194,968
In foreign currency	-	-	-	-	-	-
	406,593	53,600	460,193	120,720	74,248	194,968

10.3.2 General provision represents provision amounting to Rs 53.600 million (2009: Rs 74.248 million) held against consumer finance maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan.

10.4 Particulars of write-offs

	2010	2009
	Rupees in '000	
Against provisions	2,924	-
Directly charged to profit and loss account	-	-
	2,924	-
Write offs of Rs 500,000 and above	-	-
Write offs of below Rs 500,000	2,924	-
	2,924	-

10.5 Details of loan written off of Rs 500,000 and above

There have been no loan write offs or any other financial relief allowed to a person during the year ended December 31, 2010 of Rs 500,000 or above that require disclosure in terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962.

10.6 Particulars of loans and advances to executives or officers etc.

	2010			
	Balance as at January 1, 2010	Loans granted during the year	Loans repaid / transferred during the year	Balance as at December 31, 2010
	Rupees in '000			
Debts due by employees of the Bank or any of them either severally or jointly with any other persons				
- key management personnel	109,572	49,518	61,263	97,827
- executives	761,519	84,779	317,918	528,380
- other officers	138,260	36,035	84,217	90,078

	2009			
	Balance as at January 1, 2009	Loans granted during the year	Loans repaid during the year	Balance as at December 31, 2009
	Rupees in '000			
Debts due by employees of the Bank or any of them either severally or jointly with any other persons				
- key management personnel	60,980	71,583	22,991	109,572
- executives	507,430	413,117	159,028	761,519
- other officers	33,064	123,576	18,380	138,260

11 OPERATING FIXED ASSETS

	Note	2010	2009
		Rupees in '000	
Capital work-in-progress	11.1	68,851	104,633
Property and equipment	11.2	784,026	1,222,509
Intangible assets	11.3	75,214	124,201
		928,091	1,451,343

11.1 Capital work-in-progress

	2010	2009
Advances to suppliers	116,424	104,633
Impairment recognised during the year charged to:		
- extraordinary / unusual item	(25,415)	-
- administrative expenses	(22,158)	-
	(47,573)	-
	68,851	104,633

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11.2 Property and equipment

2010

	Cost			Accumulated depreciation			Impairment charged during the year (note 11.6)	Net book value as at December 31, 2010	Rate of depreciation % per annum
	As at January 1, 2010	Additions / (deletions)	As at December 31, 2010	As at January 1, 2010	Charge / (on deletions) / adjustment *	As at December 31, 2010			
	Rupees in '000								
Owned									
Lease hold improvements	504,104	45,879 (148,274)	401,709	62,147	49,558 (33,506) 675 *	78,874	-	322,835	10
Furniture and fixtures	156,468	2,414 (27,896)	130,986	40,479	29,402 (9,487) -	60,394	1,069	69,523	20
Electrical and office equipment	601,429	34,449 (70,392)	565,486	126,869	78,312 (25,528) 714 *	180,367	65,134	319,985	20
Computer equipment	315,471	20,774 (13,839)	322,406	134,165	88,458 (4,887) 509 *	218,745	35,449	68,712	20 - 33.33
Vehicles	17,088		17,088	8,391	5,726	14,117	-	2,971	33.33
	1,594,560	103,516 (260,401)	1,437,675	372,051	251,455 (73,408) 1,898 *	551,997	101,652	784,026	

2009

	Cost			Accumulated depreciation			Impairment charged during the year	Net book value as at December 31, 2009	Rate of depreciation % per annum
	As at January 1, 2009	Additions / (deletions) / (adjustments)**	As at December 31, 2009	As at January 1, 2009	Charge / (on deletions)	As at December 31, 2009			
	Rupees in '000								
Owned									
Lease hold improvements	488,276	91,622 (75,794)	504,104	19,064	49,351 (6,268)	62,147	-	441,957	10
Furniture and fixtures	129,897	38,011 (11,440)	156,468	8,074	34,299 (1,894)	40,479		115,989	20
Electrical and office equipment	560,922	118,434 (18,994) (58,933)**	601,429	42,585	87,463 (3,179)	126,869		474,560	20
Computer equipment	269,717	50,694 (4,940)	315,471	28,053	106,960 (848)	134,165		181,306	20 - 33.33
Vehicles	14,814	2,274	17,088	2,393	5,998	8,391		8,697	33.33
	1,463,626	301,035 (170,101)	1,594,560	100,169	284,071 (12,189)	372,051		1,222,509	

** These represented ATM machines purchased in 2008, however pursuant to a decision by the management, they had not been installed and had therefore been reclassified to capital work in progress.

11.3 Intangible assets

2010

	Cost			Accumulated amortisation			Impairment charged during the year (note 11.5)	Net book value as at December 31, 2010	Rate of amortisation % per annum
	As at January 1, 2010	Additions / (deletions)	As at December 31, 2010	As at January 1, 2010	Charge	As at December 31, 2010			
	Rupees in '000								
Computer software	189,971	38,065	228,036	65,770	39,721	105,491	47,331	75,214	20 - 33.33

2009

	Cost			Accumulated amortisation			Impairment charged during the year	Net book value as at December 31, 2009	Rate of amortisation % per annum
	As at January 1, 2009	Additions / (deletions)	As at December 31, 2009	As at January 1, 2009	Charge	As at December 31, 2009			
	Rupees in '000								
Computer software	14,211	175,760	189,971	1,119	64,651	65,770		124,201	20 - 33.33

11.4 Disposals of property and equipment during the year

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
	---------- Rupees in '000 ----------					
Lease hold improvements						
Civil works	13,289	2,518	10,771	875	Negotiations	Al-Qasim Traders
Civil works	41,907	6,538	35,369	3,766	Negotiations	Carpet Training Institute
Civil works	20,269	3,378	16,891	2,511	Negotiations	Virtual World
Civil works	61,895	18,922	42,973	-	Write-Off	Not applicable
Signage	8,653	1,586	7,067	-	Write-Off	Not applicable
Civil works	998	333	665	367	Negotiations	Anser Brother
Civil works	333	61	272	88	Negotiations	Zahid Brother
Civil works	930	170	760	356	Negotiations	Akhtar Hussain (Asian Salvage Co)
	148,274	33,506	114,768	7,963		
Furniture and fixtures						
Furniture	4,208	1,385	2,823	447	Negotiations	Al-Qasim Traders
Furniture	6,685	2,228	4,457	796	Negotiations	Carpet Training Institute
Furniture	4,625	1,520	3,105	712	Negotiations	Virtual World
Furniture	1,730	721	1,009	593	Negotiations	Bahadur Sher
Furniture	1,788	592	1,196	189	Negotiations	Al-Qasim Traders
Furniture	1,006	369	637	353	Negotiations	Anser Brother
Furniture	2,113	692	1,421	158	Negotiations	Carpet Training Institute
Furniture	1,277	468	809	380	Negotiations	Akhtar Hussain (Asian Salvage Co)
Furniture	2,333	751	1,582	248	Negotiations	Virtual World
Furniture	1,538	544	994	-	Write-Off	Not applicable
Furniture	593	217	376	124	Negotiations	Zahid Brothers
	27,896	9,487	18,409	4,000		
Electrical and office equipment						
Electrical and office equipment	9,591	3,221	6,370	2,666	Negotiations	Virtual World
Security equipment	24,280	8,197	16,083	1,766	Negotiations	Carpet Training Institute
Security equipment	26,758	10,944	15,814	-	Write-Off	Not applicable
Security equipment	1,294	442	852	95	Negotiations	Carpet Training Institute
Security equipment	868	285	583	274	Negotiations	Akhtar Hussain (Asian Salvage Co)
Security equipment	2,762	705	2,057	-	Write-Off	Not applicable
Electrical and office equipment	1,509	106	1,403	530	Negotiations	Anser Brothers
Electrical and office equipment	2,438	1,356	1,082	717	Negotiations	Akhtar Hussain (Asian Salvage Co)
Electrical and office equipment	696	197	499	76	Negotiations	Virtual World
Items having book value of less than Rs 250,000 or cost of less than Rs 1,000,000						
Mobile phones	196	75	121	130	Negotiations	Adamjee Insurance
	70,392	25,528	44,864	6,274		
Computer equipment						
Cabling work	1,883	586	1,297	198	Negotiations	Virtual World
Cabling work	8,021	2,239	5,782	-	Write-Off	Not applicable
Desktop	2,250	1,396	854	-	Write-Off	Not applicable
Network	1,131	370	761	-	Write-Off	Not applicable
Items having book value of less than Rs 250,000 or cost of less than Rs 1,000,000						
Laptop	329	225	104	202	Negotiations	Adamjee Insurance Company Limited
Network	225	71	154	72	Negotiations	Akhtar Hussain (Asian Salvage Co)
	13,839	4,887	8,952	472		
2010 - Total	260,401	73,408	186,993	18,709		
2009 - Total	111,168	12,189	98,979	15,263		

11.5 Impairment on intangible assets represents software having cost and net book value of Rs 61.044 million and Rs 47.331 million respectively which has been charged off as a result of restructuring of retail operations.

11.6 This represents impairment on assets consequent to management decision regarding curtailment of retail operations.

12 DEFERRED TAX ASSETS - NET

	Note	2010	2009
		Rupees in '000	
Deferred tax assets - net	12.1	1,501,850	1,068,551

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12.1	The balance of deferred tax asset comprises:	2010	2009
		Rupees in '000	
	Deductible temporary differences on		
	- provision against loans and advances	10,527	4,122
	- accumulated tax losses	1,603,366	1,361,269
	- impairment on assets	33,217	-
	- provision for fixed assets	10,815	-
	- unrealised deficit on revaluation of securities	4,765	-
		1,662,690	1,365,391
	Taxable temporary differences on		
	- accelerated tax depreciation	160,840	293,836
	- unrealised surplus on revaluation of securities	-	3,004
		160,840	296,840
		1,501,850	1,068,551

12.2 The Bank has recognised deferred tax asset amounting to Rs 1,603.366 million (2009: Rs 1,361.269 million) on accumulated tax losses. The management carries out periodic assessment to assess the benefit of these losses as the Bank would be able to set off the profit earned in future years against these carry forward losses. The amount of this benefit has been determined based on the projected financial statements of the Bank for the future periods. The determination of future taxable profit is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, kibor rates, growth of deposits and advances, investment returns, product mix of advances and potential provision against assets. Any significant change in the key assumptions may have an effect on the realisibility of the deferred tax asset.

13	OTHER ASSETS	Note	2010	2009
			Rupees in '000	
	Income / mark-up accrued in local currency		437,114	354,994
	Income / mark-up accrued in foreign currencies		939	-
			438,053	354,994
	Stationery and stamps on hand		744	1,676
	Advances, deposits and prepayments		159,676	181,731
	Advance taxation		11,118	7,242
	Unrealised gain on forward foreign exchange contracts		35,137	7,477
	Others		6,866	978
			651,594	554,098

14 CONTINGENT ASSETS

There are no contingent assets as at December 31, 2010.

15	BILLS PAYABLE	Note	2010	2009
	In Pakistan		281,033	267,709
	Outside Pakistan		121,216	49,630
			402,249	317,339
16	BORROWINGS			
	In Pakistan		7,193,234	2,986,232
	Outside Pakistan		-	2,475
			7,193,234	2,988,707
16.1	Particulars of borrowings with respect to currencies			
	In local currency		7,193,234	2,986,232
	In foreign currency		-	2,475
			7,193,234	2,988,707
16.2	Details of borrowings secured / unsecured			
	Secured			
	Borrowings from the State Bank of Pakistan under:			
	Export refinance scheme	16.3	4,282,701	2,886,232
	Repurchase agreement borrowings	16.4	2,710,533	-
			6,993,234	2,886,232
	Unsecured			
	Call borrowings	16.5	200,000	100,000
	Overdrawn nostro accounts		-	2,475
			7,193,234	2,988,707

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16.3 The Bank has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to its customers. As per the terms of the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting its current account maintained with SBP. These borrowings are repayable within six months upto June 2011 (2009: June 2010).

16.4 These repurchase agreement borrowings carry mark-up at the rates ranging from 13.00% to 14.00% per annum (2009: Nil) and are repayable latest by January 2011 (2009: Nil).

16.5 This call borrowing carries mark-up at 12.75% per annum (2009: 12.40% per annum) and is repayable in January 2011 (2009: January 2010).

	Note	2010	2009
		Rupees in '000	
17 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		17,712,464	15,216,429
Savings deposits		9,554,398	9,689,738
Current accounts – Non-remunerative		4,958,785	4,906,565
Margin accounts		37,146	98,909
		32,262,793	29,911,641
Financial institutions			
Non remunerative deposits		39,085	8,815
		32,301,878	29,920,456

17.1 Particulars of deposits with respect to currencies

In local currency		27,580,715	26,109,331
In foreign currencies		4,721,163	3,811,125
		32,301,878	29,920,456

18 OTHER LIABILITIES

	Note	2010	2009
Mark-up / return / interest payable in local currency		668,675	540,953
Mark-up / return / interest payable in foreign currencies		14	73
Accrued expenses		55,831	161,604
Unearned commission		6,158	23,045
Payable to affiliate for recharge in respect of specialist function cost and information technology infrastructure	18.1	376,296	821,570
Payable to affiliate for information technology related expenditure	18.2	232,032	526,489
Payable for acquisition of fixed assets		19,663	2,957
Unrealised loss on forward foreign exchange contracts		21,104	28,055
Taxes and excise duty payable		7,204	8,177
Payable in respect of employee compensation		254,185	312,121
Payable to Barclays Bank PLC in respect of share-based payments		40,863	15,633
Margin held against shipping guarantees		165,682	-
Others		67,575	29,948
		1,915,282	2,470,625

18.1 This represents costs payable to Barclays Emerging Markets Centre, Dubai in respect of information technology infrastructure support.

18.2 This represents cost payable to Barclays Global Retail Bank, Tech in respect of information technology infrastructure support.

	Note	2010	2009
		Rupees in '000	
19 HEAD OFFICE CAPITAL ACCOUNT			
Capital held as:			
Deposit of un-encumbered approved securities	19.1	9,756,756	9,320,564

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19.1 This represents amount deposited with the State Bank of Pakistan in the form of un-encumbered approved securities, as per the requirements of section 13(2) of the Banking Companies Ordinance, 1962. The details of these securities are as follows:

	2010			2009		
	Face value	Fair value	Maturity	Face value	Fair value	Maturity
	Rupees in '000			Rupees in '000		
Market Treasury Bills	9,000,000	8,929,769	Upto April 2011	9,020,000	8,905,434	Upto June 2010
Pakistan Investment Bonds	1,250,000	1,232,609	Upto August 2011	1,250,000	1,231,094	Upto August 2011

	2010	2009
	Rupees in '000	

20 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

20.1 (Deficit) / surplus on revaluation of securities - net of tax

	2010	2009
Market Treasury Bills	(4,248)	9,054
Pakistan Investment Bonds	(9,366)	(472)
	(13,614)	8,582
Related deferred tax asset / (liability)	4,765	(3,004)
	(8,849)	5,578

21 CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

	2010	2009
Contingent liabilities in respect of guarantees given favouring:		
- Government	-	-
- Banking companies and other financial institutions	-	-
Others	-	-
	-	-

21.2 Transaction-related contingent liabilities

	2010	2009
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
- Government	607,826	607,826
Banking companies and other financial institutions	11,287	-
- Others	443,452	571,063
	1,062,565	1,178,889

21.3 Trade-related contingent liabilities

	2010	2009
Contingent liabilities in respect of letters of credit opened favouring:		
- Government	68,896	130,402
Banking companies and other financial institutions	-	-
- Others	3,172,463	1,042,048
	3,241,359	1,172,450

21.4 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.5 Commitments in respect of forward exchange contracts

	2010	2009
	Rupees in '000	
Purchases	2,583,512	3,571,921
Sales	2,496,802	2,436,320

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21.6 **Commitments in respect of operating lease**

The Bank has obtained various offices, branches and other premises under operating lease arrangements. The leases have various terms, escalation and renewal rights. There are no contingent rents payable. The future minimum lease payment under operating leases are as follows:

	2010	2009
	Rupees in '000	
Not more than one year	53,528	62,389

	2010	2009
21.7 **Commitments for the acquisition of fixed assets**	52,319	4,388

22 **DERIVATIVE INSTRUMENTS**

"Derivative" means a type of financial contract the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivative also includes structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank enters into derivatives contracts for market making and for creating effective hedges to enable customers and the Bank to transfer, modify or reduce their interest rate and foreign exchange risks.

The Bank at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Bank's Treasury buys and sells Forward Exchange Contracts.

Forward Exchange Contracts:

Forward exchange contract is a product offered to customer backed by international trading contract. These customers use this product to hedge themselves from unfavorable movements in foreign currencies.

In order to mitigate this risk of adverse exchange rate movements the Bank hedges its exposure by taking forward position in the inter bank market. In addition to this, the exposure is also managed by matching the maturities and fixing the counter parties, dealers, intra-day and overnight limits.

	For the year ended December 31, 2010	December 31, 2009
23 **MARK-UP / RETURN / INTEREST EARNED**	Rupees in '000	
On loans and advances to		
- customers	2,162,648	1,611,237
On investments in		
- available for sale securities	1,992,985	1,351,532
On deposits with financial institutions	96,721	74,762
On securities purchased under resale agreements	139,309	298,864
	4,391,663	3,336,395
24 **MARK-UP / RETURN / INTEREST EXPENSED**		
On deposits	2,309,420	1,801,835
On securities sold under repurchase agreements	71,286	64,892
On other short term borrowings	290,698	133,335
Others	85,245	112,863
	2,756,649	2,112,925
25 **(LOSS) / GAIN ON SALE OF SECURITIES - NET**		
Federal Government Securities		
- Market Treasury Bills	(4,854)	7,999
- Pakistan Investment Bonds	-	(4,051)
	(4,854)	3,948

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26 ADMINISTRATIVE EXPENSES

	Note	For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
Personnel cost			
Salaries and allowances		1,001,043	1,189,392
Medical expenses		17,414	18,311
Other allowances		11,545	14,011
Charge in respect of employee retirement plans	34	43,450	77,928
		1,073,452	1,299,642
Premises cost			
Rent, taxes, insurance, electricity etc.		323,975	388,258
Depreciation		78,960	88,916
Security expenses		34,291	34,951
Repairs and maintenance		24,195	30,791
		461,421	542,916
Regional office / technology expenses			
Specialist functions cost		-	415,161
Technology and infrastructure support		-	430,643
		-	845,804
Other operating cost			
Expenses in respect of outsourced operation		18,546	52,063
Advertisement and publicity		15,119	42,202
Communications		102,709	232,680
Depreciation		172,496	195,155
Legal and professional charges		15,374	20,341
Banking service charge		1,488	2,094
Stationery and printing		32,016	40,353
Travelling		29,276	17,336
Repairs and maintenance		49,965	37,669
Insurance expense		22,199	19,286
Amortisation	11.3	39,721	38,502
Training and seminar		10,194	2,534
Office running expenses		144,996	155,489
Entertainment		2,849	285
Donations	26.1	9,724	6,656
Auditors' remuneration	26.2	5,692	5,014
Fees and subscriptions		1,365	6,343
Software expenses		194,851	221,453
Loss on disposal of fixed assets		1,237	83,716
Miscellaneous expenses		26,386	28,479
Provision for loss on fixed assets		30,899	53,356
Impairment on intangible assets		-	26,149
Impairment on capital work in progress	11.1	22,158	-
		949,260	1,287,155
		2,484,133	3,975,517

26.1 Donations

	Note	2010	2009
Lahore University of Management Science (School of Science and Engineering)		1,716	1,656
The Kidney Centre Post Graduate Training Institute		-	1,500
Health Oriented Preventive Education (HOPE)		3,500	3,500
Pak Red Crescent		1,000	-
Institute of Business Administration (IBA), Karachi		1,000	-
International Union of Conservation of Nature and Natural Resources		675	-
Memon Health & Education Foundation, Karachi	26.1.1	1,000	-
World Wide Fund		833	-
		9,724	6,656

26.1.1 The Chief Executive Officer of the Bank is a member of the management board of a project of Memon Health & Education Foundation, Karachi. Except for this, donations were not made to any donee in which the bank or an executive had any interest.

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		For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
26.2	**Auditors' remuneration**		
	Annual audit	1,100	800
	Fee for annual group reporting	-	500
	Half yearly review	350	300
	Others certifications	200	200
	Long form report on internal controls over financial reporting	500	-
	Audit of provident fund	75	75
	Taxation services	3,240	2,965
	Out of pocket expense	227	174
		5,692	5,014

26.3 The bank operates long term and short term cash award and bonus schemes for employees. Under the scheme the cash awards / bonus for executives including the Chief Executive Officer is determined on the basis of employee's evaluation, bank's performance during the year and completion of service period. The benefits accrued in the financial statements in respect of these schemes amounted to Rs 216.24 million (2009: 223.54 million).

		Note	For the year ended December 31, 2010	December 31, 2009
			Rupees in '000	
27	**OTHER CHARGES**			
	Other miscellaneous charges		2,248	1,167
	Penalties imposed by the State Bank of Pakistan		25	280
			2,273	1,447
28	**EXTRA ORDINARY / UNUSUAL ITEMS**			
	Expenses relating to closure of retail asset origination	28.1	(465,287)	-
	Pre-commencement funding written back	28.2	-	385,122
			(465,287)	385,122

28.1 During the year the Bank has decided to curtail its retail segment operations in accordance with its long-term strategic move to achieve growth by focusing on the expansion of its commercial operations. The Bank has recognised certain expenses arising as a result of closure of retail asset originations, as detailed below:

	Note	For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
Loss on disposal of fixed assets - net		121,169	-
Impairment recognised over:			
- intangible assets	11.3	47,331	-
- tangible fixed assets	11.2	101,652	-
- capital work in progress	11.1	25,415	-
Software running expenses		80,734	-
Staff redundancy costs		69,565	-
Other running expenses		19,421	-
		465,287	-

28.1.1 The assessment of impairment has been made based on management's best estimate regarding the future recoverable amounts of these assets.

28.2 This represented pre-commencement funding from affiliate written back to income pursuant to regulatory restriction on repatriation of the balance.

		For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
29	**TAXATION**		
	Deferred tax charge for the year	(425,530)	(672,555)
		(425,530)	(672,555)
29.1	**Relationship between taxable charge and accounting loss**		
	Loss before taxation	(1,224,843)	(2,343,683)
	Tax calculated at the rate of 35% (2009: 35%)	(428,695)	(820,289)
	Tax effect of expenses that are not deductible	11,908	147,734
	Others	(8,743)	-
	Tax charge for the year	(425,530)	(672,555)

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29.2 Income tax returns for tax years 2009 and 2010 have been filed under self-assessment scheme and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001.

30 BASIC AND DILUTED EARNINGS PER SHARE

The Bank operates as a branch of a foreign entity and does not have share capital. Hence, no figures of basic and diluted earnings per share have been reported in these financial statements.

31 SHARE BASED PAYMENTS

Barclays Group operates share plans for the employees throughout the world. The plans applicable to employees of Pakistan operations are as follows:

Joiner's Share Award Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest at various stages upto four years. Participants do not pay to receive an award or to receive a release of shares.

Incentive Share Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest upon achieving continued services after three years. Participants do not pay to receive an award or to receive a release of shares.

Share Value Plan

Shares under this plan have been granted to participants in the form of a provisional allocation of Barclays Bank PLC shares which vest at various stages upto three years. Participants do not pay to receive an award or to receive a release of shares. The expense of the plan is being recognised in the books of Pakistan operations with effect from March 16, 2010.

	2010					
	Joiner's Share Award Plan		Incentive Share Plan		Share Value Plan	
	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP
Unvested shares at the beginning of the year	7,540	3.13	195,761	1.50	-	-
Awarded during the year	-	-	-	-	24,728	3.24
Vested during the year	4,511	3.13	-	-	-	-
Unvested shares at the end of the year	3,029	3.13	195,761	1.50	24,728	3.24

	2009					
	Joiner's Share Award Plan		Incentive Share Plan		Share Value Plan	
	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP	Number of shares	Weighted average share price, GBP
Unvested shares at the beginning of the year	14,989	3.13	-	-	-	-
Awarded during the year	-	-	195,761	1.50	-	-
Vested during the year	7,449	3.13	-	-	-	-
Unvested shares at the end of the year	7,540	3.13	195,761	1.50	-	-

32 CASH AND CASH EQUIVALENTS

	Note	2010	2009
		Rupees in '000	
Cash and balances with treasury banks	6	2,912,164	2,434,134
Balances with other banks	7	2,189,397	1,517,901
		5,101,561	3,952,035

33 STAFF STRENGTH

	2010	2009
	Number of employees	
Permanent	395	492
On contractual basis	-	-
Bank's own staff strength at the end of the year	395	492
Outsourced	297	710
Total number of employees at the end of the year	692	1,202

34 EMPLOYEE BENEFITS

34.1 Provident Fund

The Bank operates a contributory provident fund plan for its employees. The plan covers all permanent employees as at December 31, 2010. Contributions to the fund are made at 10% of basic salary both by the Bank and the employees.

	For the year ended December 31, 2010	December 31, 2009
	Rupees in '000	
Contribution by the Bank	35,217	41,447
Contribution by the employees	35,217	41,447
	70,434	82,894

34.2 **Other defined contribution plan**

During the year, the Bank has established a new defined contribution scheme covering all permanent employees. Under the scheme contributions are made only by the Bank at 8.33% of basic salary of the employee. During the year, the Bank has contributed Rs 58.928 million to the fund.

35 **COMPENSATION OF CHIEF EXECUTIVE OFFICER AND EXECUTIVES**

	Note	Chief Executive Officer	Executives	Country Head and Managing Director	Executives
		2010		2009	
		Rupees in '000			
Managerial remuneration	35.1	18,700	371,893	18,000	452,609
Contribution to defined contribution plan		3,061	43,662	3,299	54,764
Rent and house maintenance		6,900	1,197	6,000	2,195
Utilities		221	-	857	-
Medical		36	5,677	36	7,062
Conveyance		310	26,044	396	28,565
Relocation allowance		-	3,099	-	3,890
Other allowances		64	45,819	1,095	53,791
		29,292	497,391	29,683	602,876
Number of persons		2	184	1	247

35.1 The Chief Executive Officer is provided with free use of the Bank's car, household equipment and certain executives including the Chief Executive Officer are also entitled free memberships of clubs

35.2 In addition to the above, the Bank also provides share based payment benefits, long term and short term cash award / bonus incentives which are payable on completion of prescribed period of service and performance evaluation. Details regarding these arrangements are disclosed in Note 26.3 and 31 to these financial statements. During the year payment amounting to Rs 203.344 million (2009: 154.472 million) was made under these schemes.

36 **FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

The following table summarises the carrying amounts of on-balance sheet financial assets and liabilities and off-balance sheet financial instruments.

On-balance sheet financial instruments	Note	Carrying value	Fair value	Carrying value	Fair value
		2010		2009	
		Rupees in '000			
Assets					
Cash and balances with treasury banks	36.1	2,912,164	2,912,164	2,434,134	2,434,134
Balances with other banks	36.1	2,189,397	2,189,397	1,517,901	1,517,901
Lendings to financial institutions	36.1	1,646,369	1,646,369	5,857,743	5,857,743
Investments - net	36.2	21,014,371	21,014,371	11,625,172	11,625,172
Advances - net	36.3	17,436,859	17,029,923	18,033,785	17,514,918
Other assets	36.1	511,206	511,206	405,678	405,678
		45,710,366	45,303,430	39,874,413	39,355,546
Liabilities					
Bills payable	36.1	402,249	402,249	317,339	317,339
Borrowings	36.1	7,193,234	7,193,234	2,988,707	2,988,707
Deposits and other accounts	36.4	32,301,878	32,301,878	29,920,456	29,920,456
Other liabilities	36.1	1,915,282	1,915,282	2,470,625	2,470,625
		41,812,643	41,812,643	35,697,127	35,697,127

	Notional principal	Fair value	Notional principal	Fair value
	2010		2009	
	Rupees in '000			
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	2,583,512	(18,081)	3,571,921	(8,195)
Forward sale of foreign exchange	2,496,802	32,114	2,436,320	(12,383)

36.1 Fair value approximates carrying amount due to the short-term nature of these on-balance sheet financial assets and liabilities and off-balance sheet financial instruments.

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36.2 The fair value of investments are based on rates quoted in Reuters Pages (PKRV).

36.3 Except for staff advances, the fair value of advances approximates carrying value because the instruments are either short-term in nature or have interest rates that reprice frequently. Fair value of staff loans is lower as they are given at below-market interest rates in accordance with the terms of employment.

36.4 The fair value of deposits and other accounts approximates carrying value because they are short-term in nature.

37 SEGMENT DETAILS

The business activities of the Bank are confined to three segments i.e. trading and sales, retail banking and commercial banking. The products and services offered by these segments are as follows:

Trading and sales

Overall management of treasury operations of the Bank.

Retail banking

Deposits, mortgages, personal installment loans and business installment loans.

Commercial banking

Deposits, trade and lending activities for corporate enterprises.

	For the year ended December 31, 2010			
	Commercial banking	Trading and sales	Retail banking	Total
	Rupees in '000			
Net income / (loss) before provisions	472,913	2,217,964	(695,878)	1,994,999
Non mark-up / interest expense	744,523	315,571	1,694,461	2,754,555
Extraordinary / unusual item	-	-	(465,287)	(465,287)
Net income / (loss)	(271,610)	1,902,393	(2,855,626)	(1,224,843)
Segment return on assets (ROA) (%)	-1.60%	6.60%	-110.40%	
Segment cost of funds (%)	9.10%	6.78%	6.30%	

	As at December 31, 2010			
	Commercial banking	Trading and sales	Retail banking	Total
	Rupees in '000			
Segment assets	17,096,253	28,742,090	2,902,545	48,740,888
Segment non-performing advances	237,498	-	374,973	612,471
Segment provision required	143,748	-	316,445	460,193
Segment liabilities	19,840,355	3,047,777	18,924,511	41,812,643

	For the year ended December 31, 2009			
	Commercial banking	Trading and sales	Retail banking	Total
	Rupees in '000			
Net income / (loss) before provisions	56,123	1,571,095	(217,932)	1,409,286
Non mark-up / interest expense	1,088,007	380,993	2,669,091	4,138,091
Extraordinary income	167,214	109,993	107,915	385,122
Net income / (loss)	(864,670)	1,300,095	(2,779,108)	(2,343,683)
Segment return on assets (ROA) (%)	-5.10%	5.80%	-87.80%	
Segment cost of funds (%)	10.57%	8.39%	8.15%	

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	As at December 31, 2009			
	Commercial banking	Trading and sales	Retail banking	Total
	Rupees in '000			
Segment assets	17,137,681	22,265,025	3,334,989	42,737,695
Segment non-performing advances	799,998	-	131,050	931,048
Segment provision required	24,999	-	169,969	194,968
Segment liabilities	16,911,087	147,050	18,638,990	35,697,127

38 RELATED PARTY TRANSACTIONS

The Bank has related party relationship with other branches and direct and indirect subsidiaries of Barclays PLC Group, Barclays Bank PLC, employee benefit plans, and its key management personnel.

Transactions between the Bank and its related parties are carried out under normal course of business except for employee staff loans and provident fund, that are as per terms of agreement.

Balances as at year end	Note	2010	2009
		Rupees in '000	
Group			
Nostro balances with other branches of Barclays Bank PLC		2,039,703	1,472,516
Placements with Barclays Bank PLC	8.1	796,369	-
Accrued interest on placements with Barclays Bank PLC		32	-
Payable to affiliate for IT expenditure	18	232,032	526,489
Payable to affiliate for Services & Recharges	18	376,296	821,570
Payable to Barclays Bank PLC in respect of share-based payments	18	40,863	15,633
Key Management Personnel			
Loans and advances		97,827	109,572
Deposits		32,091	56,337
Others			
Deposits of staff retirement benefit fund		15,874	58,790
Accrued interest		-	4,385
Other receivables		7,713	13,246

Transactions during the year	Note	For the year ended December 31, 2010	December 31, 2009
		Rupees in '000	
Group			
Income for the year on			
- Nostro balances with other branches of Barclays Bank PLC		6,390	2,038
- Placements with Barclays Bank PLC		586	3,035
Interest expense for the year on deposits with Barclays Bank PLC		-	16,233
Recharged balance in respect of share-based payments		25,230	15,633
Intangible assets purchased		-	138,196
Additions to capital work in progress		48,711	-
Payment made for addition to capital work in progress		8,600	-
Expense for IT expenditure		-	430,643
Regional office expenses		-	415,161
Recharges to affiliate in respect of information technology infrastructure		338,514	392,249
Key Management Personnel			
Markup / interest / return earned		2,431	2,401
Markup / interest / return expensed		3,569	4,210
Salaries and benefits		221,402	254,103
Post-retirement benefits		11,147	10,645
Others			
Contributions to staff retirement benefit fund	34.1	35,217	41,447
Contributions to other staff retirement benefit fund	34.2	58,928	-

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39 CAPITAL ADEQUACY

39.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to generate adequate returns by pricing products and services commensurately with the level of risk. The Bank manages capital with the goal of optimally using its capital in relation to business development plans, market competitiveness and overall risk profile. The Bank aims to be compliant with the State Bank of Pakistan's directives on capital adequacy.

Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Bank against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum assigned capital (net of losses) for branches of foreign banks operating in Pakistan to be raised to Rs. 10 billion by the year ending December 31, 2013 in a phased manner requiring Rs. 7 billion assigned capital (net of losses) by the end of the financial year 2010. However, branches of foreign banks operating in Pakistan whose head office holds paid-up capital (free of losses) of at least US$ 300 million, have a CAR of 8% or minimum prescribed by home regulator and have prescribed number of branches, are allowed to maintain lower amount with prior approval of SBP. In this regard the Bank has obtained SBP's approval to maintain minimum required capital of Rs 6 billion (net of losses) effective December 31, 2010.

The head office capital (net of losses) of the Bank for the year ended December 31, 2010 stood at Rs 6.477 billion and is in compliance with the SBP requirement for the said financial year. In addition, the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank vide BSD Circular No. 07 dated April 15, 2009. The Bank's CAR as on December 31, 2010 was well above the required ratio.

The Bank's regulatory capital is analysed into two tiers:

Tier 1 capital, includes assigned capital, general reserves as per the financial statements after deductions for un-appropriated losses and deficit on revaluation of available for sale investments, if any.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25% risk weighted assets).

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view.

The allocation of capital between specific operations and activities is, to a large extent driven by the optimisation of the return achieved on the capital allocated. Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account is also taken of synergies with other operations and activities, etc. and the fit of the activity with the Bank's long-term strategic objectives. The Bank has complied with all externally imposed capital requirements through out the period. Further, there has been no material change in the Bank's management of capital during the period.

Basel II requirements on the ultimate holding company

In addition to the capital requirements imposed on the Bank by the SBP, Barclays PLC Group (the Group) is subject to the minimum capital requirements imposed by the Financial Services Authority (FSA) of the United Kingdom, following guidelines developed by the Basel Committee on Banking Supervision and implemented in the United Kingdom via European Union Directives. Under Basel II, effective from January 1, 2008, the Group has been granted approval by the FSA to adopt the advanced approaches to credit and operational risk management. The Group manages its capital resources to ensure that entities subject to local capital adequacy regulations in individual countries meet their minimum capital requirements.

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39.2 Capital Adequacy Ratio

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

Regulatory capital base	2010	2009
	Rupees in '000	
Tier I Capital		
Head office capital	9,756,756	9,320,564
Accumulated losses	(3,279,855)	(2,480,542)
	6,476,901	6,840,022
Less: Deductions		
Book value of intangible assets	130,769	124,201
Deficit on account of revaluation of investments held in AFS category	13,614	-
Total Tier I Capital	6,332,518	6,715,821
Tier II Capital		
General provisions (subject to 1.25% of total risk weighted assets)	53,600	74,248
Total Tier II Capital	53,600	74,248
Eligible Tier III Capital	-	-
Total regulatory capital (a)	6,386,118	6,790,069

Risk weighted exposures	2010		2009	
	Capital requirements	Risk weighted assets	Capital requirements	Risk weighted assets
Credit risk	Rupees in '000			
Portfolios subject to standardised approach				
On-balance sheet exposure				
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	692	6,918	-	2
Public Sector Entities	-	-	-	-
Banks / DFI	90,792	907,916	160,480	1,604,803
Corporate	1,244,257	12,442,570	1,301,606	13,016,064
Retail	60,258	602,575	81,301	813,010
Secured by residential property	31,240	312,396	44,084	440,840
Past due loans	15,638	156,375	4,688	46,875
Fixed assets	79,732	797,322	132,714	1,327,142
Other assets	171,234	1,712,335	126,766	1,267,655
Off-balance sheet non-market related exposure				
Direct credit substitutes	20,897	208,970	-	-
Performance related contingencies	28,450	284,501	27,725	346,565
Trade related contingencies	47,038	470,384	16,639	207,992
Off-balance sheet market related exposure	1,435	14,352	827	10,337
Market risk				
Foreign exchange risk	62,805	628,053	108,619	1,357,738
Operational risk	282,473	2,824,725	192,789	2,409,863
Total (b)	2,136,941	21,369,392	2,198,238	22,848,886

Capital Adequacy Ratio

		2010	2009
Total eligible regulatory capital held		6,386,118	6,790,069
Total risk weighted assets		21,369,392	22,848,886
Capital Adequacy Ratio	(a) / (b)	29.88	29.72

40 RISK MANAGEMENT

Risk management is a fundamental part of Bank's business activity and an essential component of its planning process. To keep risk management at the centre of the executive agenda, it is embedded in the everyday management of the business.

The Bank's risk management objectives are:

- To optimise risk / return decisions by taking them as closely as possible to the business, while establishing strong and independent review and challenge structures.

- To ensure that business growth plans are properly supported by effective risk infrastructure.

- To manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions.

40.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. It arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from the credit enhancement products it provides, such as financial guarantees, letters of credit, endorsements and acceptances. The Bank is also exposed to other credit risks arising from investments in debt securities, settlement balances and exposures to interbank counterparties.

40.1.1 Credit risk management objectives and policies

The granting of credit is one of the Bank's major sources of income and therefore carries one of its most significant risks. The Bank dedicates considerable resources to control credit risk effectively.

Bank has structured the responsibilities of credit risk management so that decisions are taken as close as possible to the business, whilst ensuring robust review and challenge of performance, risk infrastructure and strategic plans. The credit risk management team formulates risk policy and manages its implementation across the business.

Specific credit risk management objectives are:

- To gain a clear and accurate understanding and assessment of credit risk across the business, from the level of individual facilities up to the total portfolio.

- To control and plan the taking of credit risk, ensuring it is coherently priced across the business and avoiding undesirable concentrations.

- To support strategic growth and decision-making based on sound credit risk management principles and a pro-active approach to identifying and measuring new risks.

- To ensure a robust framework for the creation, use and ongoing monitoring of the Bank's credit risk measurement models.

40.1.2 Credit risk measurement

The principal objective of credit risk measurement is to produce the most accurate possible quantitative assessment of the credit risk to which the Bank is exposed, from the level of individual facilities up to the total portfolio. The Bank uses statistical modeling techniques throughout its business in its credit rating systems. These systems assist the Bank in frontline credit decisions on new commitments and in managing the portfolio of existing exposures. They enable a coherent approach to risk measurement across all credit exposures, retail and commercial. The key building blocks in the measurement system are the probability of customer default (PD), exposure in the event of default (EAD), and severity of loss-given-default (LGD).

The Bank may also incorporate credit ratings assigned by external credit assessment institutions, i.e. JCR-VIS Credit Rating Co. Limited and The Pakistan Credit Rating Agency Limited while making credit decisions.

The mapping of credit rating grades to credit quality description is as follows:

External rating	Internal rating	Credit quality description
AAA to BBB-	1 - 9	Strong
BB+ to B	10 - 18	Satisfactory
B- and lower	19 - 21	Weak / Substandard

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40.1.3 Credit risk mitigation, collateral, security, and other credit enhancements

The Bank uses a wide variety of techniques to reduce credit risk on its lending. The most important of these is performing an assessment of the ability of a borrower to service the proposed level of borrowing. The Bank's policy is to establish that loans are within the customer's capacity to repay, rather than to rely excessively on security.

Credit risk mitigation

The Bank actively manages its credit exposures. When weaknesses in exposures are detected – either in individual exposures or in groups of exposures – it takes action to mitigate the risks. Such actions may, for example, include; reducing the amounts outstanding (in discussion with the customers, clients or counterparties if appropriate).

The Bank maintains the diversification of its portfolio to avoid unwanted credit risk concentrations. Maximum exposure guidelines are in place relating to the exposures to any individual counterparty. These permit higher exposures to higher-rated borrowers than to lower-rated borrowers. They also distinguish between types of counterparty, for example, between sovereign governments, banks and corporations. Excesses are considered individually at the time of credit sanctioning, and are reviewed regularly.

Collateral and security

Collateral and security is an important mitigant of credit risk. The Bank routinely obtains collateral and security, such as in the case of a residential mortgage, a reverse repurchase agreement, or a commercial loan with a floating charge over book debts and inventories.

The Bank ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed. Before attaching value to collateral, businesses holding specific, agreed classes of collateral must ensure that they are holding a correctly perfected charge.

The principal collateral and security types are mortgages over residential properties, charges over business assets such as premises, stock and debtors, cash, and third party credit protection (i.e. guarantees). Valuation of the collateral and security taken is within agreed parameters. Before reliance is placed on third party protection in the form of bank, government or corporate guarantees, a credit assessment is undertaken.

40.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

For financial assets recognised on the balance sheet, the exposure to credit risk equals their carrying amount, except for cash and stamps on hand, which are not exposed to credit risk. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that Bank would have to pay if the guarantees were to be called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities, the maximum exposure to credit risk is the full amount of the committed facilities.

40.1.5 Types of exposures and ECAIs used

Exposures	JCR-VIS	PACRA	S&P
Sovereigns other than PKR claims	-	-	-
Public sector entities	-	-	-
Banks	✓	✓	✓
Corporates	✓	✓	-

Credit exposures subject to standardised approach

Exposures	Rating category	Amount outstanding	Deduction CRM	Net amount
Corporate	1-2	4,413,414	-	4,413,414
	Unrated	11,026,081	24,739	11,001,342
Banks	1-5	4,226,227	-	4,226,227
	Unrated	151,965	-	151,965
Sovereigns	Not applicable	23,324,732	-	23,324,732
Public Sector Entities (PSEs)	Unrated	-	-	-
Other assets	Unrated	5,061,107	-	5,061,107
		48,203,526	24,739	48,178,787

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40.1.6 Concentration

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

In addition to analysis of credit risk concentration of advances, analysis is also presented for deposits and contingencies and commitments.

40.1.6.1 Segments by class of business

	2010					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Textile	8,061,075	45.04%	192,907	0.61%	293,648	6.82%
Chemical and pharmaceuticals	853,162	4.77%	496,917	1.54%	212,277	4.93%
Cement	1,408,881	7.87%	4,251	0.01%	457,814	10.64%
Sugar	629,807	3.52%	20,494	0.06%	-	0.00%
Footwear and leather garments	204,452	1.14%	19,261	0.06%	36,378	0.85%
Automobile and transportation equipment	-	0.00%	430,012	1.33%	508,263	11.81%
Electronics and electrical appliances	1,074,743	6.01%	103,109	0.32%	218,851	5.08%
Power (electricity), gas, water, sanitary	1,859	0.01%	650,439	2.01%	659,116	15.31%
Exports / imports	-	0.00%	5,192	0.02%	-	0.00%
Transport, storage and communication	52,213	0.29%	4,898,129	15.16%	320,064	7.44%
Financial	-	0.00%	46,484	0.14%	11,287	0.26%
Insurance	-	0.00%	304,315	0.94%	-	0.00%
Services	286,937	1.60%	2,824,807	8.75%	215,745	5.01%
Individuals	2,032,629	11.36%	14,591,729	45.17%	-	0.00%
Others	3,291,294	18.39%	7,713,832	23.88%	1,370,481	31.84%
	17,897,052	100.00%	32,301,878	100.00%	4,303,924	100.00%

	2009					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Textile	4,637,232	25.43%	210,476	0.71%	26,071	1.11%
Chemical and pharmaceuticals	3,114,565	17.09%	1,002,550	3.35%	16,385	0.70%
Cement	1,747,676	9.59%	21,655	0.07%	-	0.00%
Sugar	314,007	1.72%	197,301	0.66%	-	0.00%
Footwear and leather garments	155,910	0.86%	249,299	0.83%	-	0.00%
Automobile and transportation equipment	-	0.00%	219,206	0.73%	413,629	17.59%
Electronics and electrical appliances	1,149,387	6.31%	144,072	0.48%	260,681	11.09%
Power (electricity), gas, water, sanitary	-	0.00%	1,252,128	4.18%	738,228	31.39%
Exports / imports	-	0.00%	13,153	0.04%	-	0.00%
Transport, storage and communication	904,314	4.96%	3,980,517	13.31%	-	0.00%
Financial	-	0.00%	172,171	0.58%	-	0.00%
Insurance	-	0.00%	287,439	0.96%	-	0.00%
Services	682,727	3.75%	910,356	3.04%	116,345	4.95%
Individuals	2,445,796	13.42%	12,938,058	43.25%	-	0.00%
Others	3,077,139	16.87%	8,322,075	27.81%	780,000	33.17%
	18,228,753	100.00%	29,920,456	100.00%	2,351,339	100.00%

40.1.6.2 Segment by sector

	2010					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	-	0.00%	3,410,033	10.56%	676,721	15.70%
Private	17,897,052	100.00%	28,891,845	89.44%	3,627,203	84.30%
	17,897,052	100.00%	32,301,878	100.00%	4,303,924	100.00%

	2009					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	750,000	4.11%	6,620,201	22.13%	738,228	31.40%
Private	17,478,753	95.89%	23,300,255	77.87%	1,613,111	68.60%
	18,228,753	100.00%	29,920,456	100.00%	2,351,339	100.00%

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Textile	-	-	-	-
Chemical and pharmaceuticals	187,900	94,150	-	-
Cement	-	-	-	-
Sugar	-	-	-	-
Footwear and leather garments	-	-	-	-
Automobile and transportation equipment	-	-	-	-
Electronics and electrical appliances	-	-	-	-
Power (electricity), gas, water, sanitary	-	-	-	-
Exports / Imports	-	-	-	-
Transport, storage and communication	-	-	750,000	-
Financial	-	-	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	367,357	255,939	131,050	95,721
Others	57,214	56,504	49,998	24,999
	612,471	406,593	931,048	120,720

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

Public / Government	-	-	750,000	-
Private	612,471	406,593	181,048	120,720
	612,471	406,593	931,048	120,720

40.1.6.5 Geographical segment analysis

	2010			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000'-----			
Pakistan	(1,224,843)	48,280,695	6,468,052	4,303,924
	(1,224,843)	48,280,695	6,468,052	4,303,924

	2009			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-----Rupees in '000'-----			
Pakistan	(2,343,683)	42,542,777	6,845,600	2,351,339
	(2,343,683)	42,542,777	6,845,600	2,351,339

40.2 Market risk

Market risk is the risk arising from movements in market variables such as interest rates, exchange rates and equity indices. The Bank recognises market risk as the exposures created by potential changes in market prices and interest rates. Market risk exposures arise primarily from interest rate and foreign exchange related contracts. The bank has no exposure to equity or commodity risk.

Barclays market risk objectives are to:

- Understand and control market risk by robust measurement and the setting of position limits.
- Facilitate business growth within a controlled and transparent risk management framework.
- Minimise non-traded market risk.

Market risk is a principal risk of the Bank and its overall management takes place at Group level. Group Executive Committee (Exco) through the principal risk policy, has set out guidelines for managing the market risk and a market risk control framework has been established to meet the requirements of the principal risk policy. The Bank is required to manage its market risk in compliance with this framework. The market risk exposures are measured and monitored independently by the middle office function and reported accordingly to the Bank's Business and Risk Management both locally and at cluster and Group levels.

The Bank has established risk appetite and limits for all market risks. Group Market Risk will review and aggregate these limits, and propose overall Group market risk limits to the Board Risk Committee. Bank estimates its market risk using a Group Market Risk approved risk measurement method and reports its market risk exposures to Group Market Risk in agreed formats and at agreed frequencies. Bank provides assurance to Group Market Risk that their market risk capability is robust, their controls are effective and that the quality of data used for risk management purposes meets minimum standards.

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40.2.1 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

Interest rate risk arises from the provision of retail and wholesale banking products and services, as well as structural exposures within the Bank's statement of financial position. The techniques used to measure and control interest rate risk in the banking book include Annual Earnings at Risk, Daily Value at Risk and Stress Risk Limits.

The Bank's interest rate risk management policies ensure that the Bank is able to offset changes in market interest rates while maintaining its net interest margin. Investment in securities for liquidity management purposes is restricted to short-dated fixed-rate instruments to minimise interest rate risk therein. All loans except for personal loans and staff loans are based on variable prices with up to annual resets. Meanwhile the Bank aims to maintain the liability book with a mix of fixed-rate term deposits, non-interest bearing current and interest-bearing saving deposits.

40.2.1.1 Mismatch of interest rate sensitive assets and liabilities

2010

	Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk: Up to One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments	%	Rupees in '000										
Assets												
Cash and balances with treasury banks	0.00	2,912,164	757,885	-	-	-	-	-	-	-	-	2,154,279
Balances with other banks	0.00 - 1.46	2,189,397		-	-						-	2,189,397
Lendings to financial institutions	0.49 - 12.80	1,646,369	1,646,369					-	-		-	
Investments	12.01 - 13.2	21,014,371	10,561,439	4,512,453	4,807,870	1,232,609					-	-
Advances	0.00 - 35.00	17,436,858	9,533,156	3,083,438	3,083,050	767,608	261,274	251,612	100,039	133,828	360,510	62,294
Other assets	0.00	511,206			-	-	-	-	-	-	-	511,206
		45,710,366	21,798,889	7,595,891	7,890,920	2,000,217	261,274	251,612	100,039	133,828	360,510	4,917,176
Liabilities												
Bills payable	0.00	402,249	-	-	-	-	-	-	-	-	-	402,249
Borrowings	0.5 - 14.00	7,193,234	3,019,184	2,261,774	1,812,276		-		-		-	
Deposits and other accounts	0.01 - 12.85	32,321,678	14,663,254	7,330,347	3,703,829	1,569,432						5,035,016
Other liabilities	0.00	1,915,282	-	-	-	-	-	-	-	-	-	1,915,282
		41,812,543	17,682,438	9,592,121	5,616,105	1,569,432	-	-	-	-	-	7,352,547
On-balance sheet gap		3,897,723	4,116,451	(1,996,230)	2,274,825	430,785	261,274	251,612	100,039	133,828	360,510	(2,435,371)
Non-financial net assets		2,570,329										
Total net assets		6,468,052										
Off-balance sheet financial instruments												
Forward Foreign Exchange Contracts - Long position		2,583,512	1,474,079	873,896	235,534	-	-	-	-	-	-	-
Forward Foreign Exchange Contracts - Short position		2,496,802	1,826,077	219,225	451,500							
Off-balance sheet gap		86,710	(351,998)	654,674	(215,966)	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			3,764,453	(941,556)	2,058,859	430,785	261,274	251,612	100,039	133,828	360,510	(2,435,371)
Cumulative Yield/Interest Risk Sensitivity Gap			3,764,453	2,822,897	4,881,756	5,312,541	5,573,815	5,825,427	5,925,466	6,059,294	6,419,804	3,984,433

2009

	Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk: Up to One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	Non-interest bearing financial instruments
On-balance sheet financial instruments	%	Rupees in '000										
Assets												
Cash and balances with treasury banks	0.00	2,434,134	596,009					-	-	-	-	1,838,125
Balances with other banks	0.00 - 1.12	1,517,901										1,517,901
Lendings to financial institutions	12.1 - 12.9	5,657,743	5,173,606	584,137		-				-		
Investments	12.15 - 14.2	11,525,172	4,719,991	4,520,532	1,153,555		1,231,094					
Advances	0.00 - 35.00	18,033,786	11,370,994	2,321,924	2,457,404	364,005	264,034	318,897	309,909	158,716	489,100	[illegible]
Other assets	0.00	405,578	-	-	-	-	-	-	-	-	-	405,578
		39,874,413	21,860,600	7,426,593	3,610,959	364,005	1,495,128	318,897	309,935	158,716	489,100	3,840,476
Liabilities												
Bills payable	0.00	317,339				-	-	-	-	-	-	317,339
Borrowings	6.5 - 12.4	2,986,707	600,000	1,097,635	1,286,597							2,475
Deposits and other accounts	0.01 - 16.95	29,920,456	18,452,567	2,350,427	418,820	3,684,353						5,014,289
Other liabilities	0.00	2,470,625										2,470,625
		35,697,127	19,052,567	3,448,062	1,707,417	3,684,353						7,804,728
On-balance sheet gap		4,177,286	2,808,033	3,978,531	1,903,542	(3,320,348)	1,495,128	318,897	309,939	158,716	489,100	(3,964,252)
Non financial net assets		2,668,314										
Total net assets		6,845,600										
Off-balance sheet financial instruments												
Forward Foreign Exchange Contracts - Long position		3,571,921	2,270,221	428,300	873,400							
Forward Foreign Exchange Contracts - Short position		2,436,320	1,831,510	604,810								
Off-balance sheet gap		1,135,601	438,711	(176,510)	873,400							
Total Yield/Interest Risk Sensitivity Gap			3,246,744	3,802,021	2,776,942	(3,320,348)	1,495,128	318,897	309,939	158,716	489,100	(3,964,252)
Cumulative Yield/Interest Risk Sensitivity Gap			3,246,744	7,048,765	9,825,707	6,505,359	8,000,487	8,319,384	8,629,323	8,788,039	9,277,139	5,312,887

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

40.2.2 Foreign exchange risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. The Bank's principal foreign exchange related contracts include ready, spot, forward and swap foreign exchange contracts. Non-traded foreign exchange risk arises through the provision of banking products and services in foreign currency.

The objectives of foreign exchange risk management function is to minimise the adverse impact of foreign currency assets and liabilities mismatches and maximise the earnings observing the limits set by the Bank. The Bank manages its foreign exchange risks by matching its foreign currency assets and liabilities. The bank also monitors its net foreign currency exposure in accordance with regulatory limits i.e. Foreign Exchange Exposure limits (FEEL) limits set by the State Bank of Pakistan.

	2010			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	43,098,124	36,360,829	(102,756)	6,634,539
United States dollar	2,704,143	2,405,452	23	298,714
Great Britain pound	1,603,608	2,053,611	(159,274)	(609,277)
Euro	730,681	992,751	262,007	(63)
Other currencies	144,139	-	-	144,139
	48,280,695	41,812,643	-	6,468,052

	2009			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	39,676,843	30,469,633	(1,091,253)	8,115,957
United States dollar	2,125,670	2,200,644	158,398	83,424
Great Britain pound	452,983	1,112,450 *	658,699	(768)*
Euro	287,134	548,233	260,948	(151)
Other currencies	97	2,475	13,208	10,830
	42,542,727	34,333,435 *	-	8,209,292 *

* This excludes a balance of GBP 9.990 million (Rs 1,363.692 million), payable to group entities. The Bank had written to the State Bank of Pakistan seeking guidance / clarifications on the matter to efficiently manage the foreign exchange risk and currency exposure through opting forward buying in inter-bank market.

40.3 Equity risk

Equity risk is the risk arising from taking long or short positions, in the trading book, in the equities and all instruments that exhibit market behaviour similar to equities. The Bank does not maintain equity trading and therefore has no equity risk.

40.4 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfill commitments to lend.

Liquidity risk is managed by treasury under supervision of the Country's ALCO. Overall ALCO's framework is based on the Group's common terms of reference and policies along with adoption of good practices across the globe.

Bank's sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term. In addition, to avoid reliance on a particular set of customers or market sectors. The distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence.

The Bank also maintains a portfolio of highly marketable assets including government securities that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. The Bank accesses secured funding markets in these assets on a regular basis to ensure market access. The Bank does not rely entirely on committed funding lines for protection against unforeseen interruption to cash flow.

40.4.1 Maturities of assets and liabilities

The maturity profile set out below has been prepared on the basis of contractual maturities:

2010

	Total	Up to One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	2,917,164	2,917,164								
Balances with other banks	2,189,397	2,189,397					-	-		
Lendings to financial institutions	1,646,369	1,646,369					-			
Investments	21,014,571	10,061,439	4,912,453	4,807,870	1,232,609			-		
Advances	17,436,859	9,116,882	3,153,714	2,789,518	702,130	513,103	287,021	152,118	249,129	473,243
Other assets	651,594	534,603	15,735	44,004	28,645	28,607		-		
Fixed assets	928,091	21,111	42,160	132,091	109,870	204,656	162,169	152,543	103,541	
Deferred tax assets	1,501,850					-	1,501,850		-	
	48,280,695	26,481,966	8,124,062	7,773,463	2,073,204	746,366	1,951,040	304,661	352,670	473,243
Liabilities										
Bills payable	402,249	402,249	-	-				-		
Borrowings	7,193,234	3,019,184	2,261,774	1,912,276	-		-			
Deposits and other accounts*	37,301,878	19,698,270	7,330,347	3,703,829	1,569,432	-		-		
Other liabilities	1,915,282	1,915,282					-	-		
	41,812,643	25,034,965	9,592,121	5,616,105	1,569,432			-		
Net assets	6,468,052	1,446,981	(1,468,059)	2,157,378	503,772	746,366	1,951,040	304,661	352,670	473,243

Represented by

Head office capital account	9,756,756
Reserves	-
Accumulated losses	(3,279,855)
Deficit on revaluation of securities - net	(8,849)
	6,468,052

2009

	Total	Up to One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	2,434,134	2,434,134						-		
Balances with other banks	1,517,901	1,517,901	-	-			-			
Lendings to financial institutions	5,857,743	5,173,606	684,137	-		-	-			
Investments	11,625,172	4,719,991	4,520,532	1,153,555		1,231,094				
Advances	18,033,785	11,294,816	1,922,536	1,770,791	128,949	298,465	1,006,318	571,349	317,931	722,630
Other assets	554,098	443,667	42,871	36,110	15,243	15,850	357			
Fixed assets	1,451,343	29,733	62,726	89,205	178,410	326,801	303,205	273,639	185,624	
Deferred tax assets	1,068,551	-	-	-			1,068,551	-		
	42,542,727	25,613,848	7,232,802	3,049,661	322,602	1,874,210	2,378,431	844,988	503,555	722,630
Liabilities										
Bills payable	317,339	317,339	-			-	-	-	-	
Borrowings	2,988,707	602,475	1,097,635	1,288,597				-		
Deposits and other accounts*	29,920,456	23,466,856	7,350,477	418,820	3,684,353		-			
Other liabilities	2,470,625	2,464,618	42			5,965	-		-	
	35,697,127	26,851,288	3,448,104	1,707,417	3,684,353	5,965		-	-	
Net assets	6,845,600	(1,237,440)	3,784,698	1,342,244	(3,361,751)	1,868,245	2,378,431	844,988	503,555	722,630

Represented by:

Head office capital account	9,320,564
Reserves	-
Accumulated losses	(2,480,542)
Surplus on revaluation of securities - net	5,578
	6,845,600

* Includes current and saving deposits which have been classified as maturity upto one month. However, they are not expected to fall materially below their current level.

40.5 Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Banks 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.

Barclays has an Operational Risk framework, which is consistent with and part of the Bank's Internal Control and Assurance Framework. Minimum control requirements have been established for all key areas of identified risks. Responsibility for implementing and overseeing these policies is positioned throughout the organisation. The prime responsibility for the management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises.

Barclays uses various tools to manage operational risk such as:

- risk & control self assessments,
- key risk indicators,
- risk events.

Risk & control self assessment structure is ingrained in each business level which helps in ensuring identification of key risks, mitigating controls, testing of effective design and operation of these controls on a continuous basis by business units themselves along with monitoring of highlighted deficiencies and their remediation.

Key Risk Indicators (KRI) are used to actively monitor the key risks across various business units of the Bank.

Risk event reporting helps to identify circumstances where internal controls were not designed correctly or did not operate as intended and to reduce recurrence of such events through appropriate remediation actions.

Barclays adopts the Basic Indicator Approach (BIA) for calculating operational risk capital charge under Basel II framework. The capital charge is calculated by multiplying the average positive annual gross income of the Bank over the past three years by a fixed percentage of 15%.

Business Continuity and IT controls / system security

Business continuity management (BCM) is an integral part of Bank and has been rigorously deployed throughout the organisation. The main objective of BCM is to protect all stakeholders by minimising impact of a significant disruption, recover business in a controlled manner and ensure Business Continuity as an essential part of business planning and development.

Ownership for BCM is delegated to senior management across every function. With the BCM unit acting as a central resource, they have to ensure adequate awareness within their ranks as well as communicate their requirements for business continuity.

IT Security & IT Controls

The objective of IT Security is to ensure that the security applied to Bank's IT resources, whether internally or externally sourced, adequately safeguards and protects Bank's business interests and assets, supports its control requirements and maintains its reputation. When utilising IT resources it is, therefore, essential that Bank retains ownership and control of its information.

The key steps taken to achieve confidentiality, integrity and availability of information are by implementation the following IT Security Controls:

- System Monitoring
- Cryptography
- Logical Access Management
- Change & Patch Management
- Incident Management
- Electronic Communications IT Security Controls
- Secure External Transfer of Data
- Malicious Code IT Security Controls
- Network IT Security Controls
- Systems Support IT Security Controls

41 DATE OF AUTHORISATION

These financial statements were authorised for issue on 29 MAR 2011 by the management of the Bank.

42 GENERAL

42.1 Comparatives

Corresponding figures have been re-arranged and reclassified, wherever necessary, for better presentation. However, there are no material reclassifications to report in these financial statements, other than the following:

Note	Reclassification from component	Note	Reclassification to component	(Rupees '000)
N/A	Income from dealing in foreign currencies	24	Mark-up / return / interest expensed - others	112,863

42.2 Figures have been rounded off to the nearest thousand rupees.

SHAZAD DADA
Chief Executive Officer

AAMIR JAHANGIR
Chief Financial Officer