



SONERI BANK LIMITED

Annual Report 2009



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CORPORATE INFORMATION

Board Of Directors

Chairman

Mr. Alauddin Feerasta

Chief Executive Officer

Mr. Safarali K. Lakhani

Directors

Mr. Nooruddin Feerasta
Mr. Inam Elahi
Mr. S. Ali Zafar
Mr. Abdul Hayee
Mr. Shahid Anwar (NIT Nominee)
Mr. Manzoor Ahmed (NIT Nominee)

Audit Committee

Mr. Nooruddin Feerasta (Chairman)
Mr. S. Ali Zafar (Member)
Mr. Shahid Anwar (Member)
Mr. Abdul Hayee (Member/Secretary)

Company Secretary

Mr. Abdul Hayee

REGISTERED OFFICE

RUPALI HOUSE 241-242, UPPER MALL SCHEME,
ANAND ROAD, LAHORE - 54000



Auditors

A.F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Manan Associates, Advocates

REGISTRAR AND SHARE TRANSFER AGENT

THK ASSOCIATES (PRIVATE) LTD.,
GROUND FLOOR,
STATE LIFE BUILDING NO.3,
DR. ZIAUDDIN AHMED ROAD
KARACHI-75530

UAN: (021) 111 000-322

FAX: (021) 565 5595



Chairman's

Review

I am pleased to present the eighteenth Annual Report and audited accounts of your bank for the year ended 31 December 2009.

The global financial markets faced extreme turbulence throughout 2009, with a partial sign of stability towards the end. This had a spill over effect on market and investor confidence in many developing countries including Pakistan as banking system and assets and securities markets came under periods of stress.

Pakistan economy was also affected by stagnancy in growth, resulting in a real GDP growth of 2% against targeted 4.1%, increasing defaults and issues of national security. The discount rate dropped from 15 % to 12.5% resting stable during the last quarter.

However, the prudent liquidity management of Soneri Bank enabled it to stand through these hardships maintaining a comfortable level of Advances to Deposits ratio and Capital Adequacy Ratio. The major reason for decline in profitability was aggressive provisioning against doubtful / classified debts which in turn will have the upshot of improving the future profitability of the bank.

After the implementation of new core Banking Software in all the branches the Bank is on the move to refine its centralized reporting architecture through the implementation of new

internationally recognized reporting systems mainly focused at risk based reporting.

The introduction of Internet Banking to its customers is a sign that the bank believes in serving its customers the best way with all the branches operating online and our telephone banking facility, ATM / Debit Card, Instant Account inquiries and SWIFT online communications already providing the best suite of services. Further more we are constantly working on developing other alternative delivery channels to meet the needs of our clients.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained Bank's long term and short term entity ratings at "AA-" and "A1+" respectively and "A+" for the Term Finance Certificates. These ratings denote a very strong capacity for the timely payment of financial commitments.

I wish to place on record my sincere thanks to the Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for extending their support and continued guidance. I also take this opportunity to thank our valued customers for their trust and support and also to all our staff members for their devotion and commendable performance.

ALAUDDIN FEERASTA

Chairman

Lahore: 24 February 2010

Directors' Report to Shareholders

Your Directors feel pleasure in presenting the eighteenth Annual Report of the Bank together with Audited Accounts and Auditors' Report thereon for the year ended 31 December 2009. The Bank's financial results are as follows:

		(Rupees in '000)
PROFIT FOR THE YEAR BEFORE TAXATION		190,413
PROVISION FOR TAXATION	-CURRENT	321,000
	-PRIOR YEARS	-
	-DEFERRED	(275,942)
		<u>45,058</u>
PROFIT FOR THE YEAR AFTER TAXATION		145,355
UN-APPROPRIATED PROFIT BROUGHT FORWARD		834,650
TRANSFER FROM SURPLUS ON REVALUATION OF FIXED ASSETS – NET OF TAX		70,474
PROFIT AVAILABLE FOR APPROPRIATION		<u>1,050,479</u>
EARNINGS PER SHARE - BASIC / DILUTED		(RUPEES) <u>0.29</u>

FINANCIAL STATEMENTS

The financial statements of the Bank have been audited and approved without qualification by the auditors of the Bank, M/s. KPMG Taseer Hadi & Co., Chartered Accountants.

No material changes and commitments affecting the financial position of your Bank have occurred between the end of the financial year to which these financial statements relate and the date of the Directors' Report.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

(i) In compliance with the Code of Corporate Governance, the Board of Directors states that:

- The financial statements present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable to banks in Pakistan, and as stated in note 3 to the financial statements, have been followed in the preparation of the financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

(ii) Board meetings

Seven Board meetings were held during the year 2009. Attendance by each director is as follows:

Name of Director	Meetings attended
Mr. Alauddin Feerasta	7
Mr. Safarali K. Lakhani (President/ Chief Executive Officer)	6
Mr. Nooruddin Feerasta	6
Mr. Abdul Hayee	7
Mr. Inam Elahi	6
Mr. S. Ali Zafar	3
Mr. Manzoor Ahmed	7
Mr. Shahid Anwar	6

Leave of absence was granted to directors by the Board who could not attend some of the meetings.

(iii) Summarised operating and financial data for the last six years

	Year ended 31 December					
	2009	2008	2007	2006	2005	2004
	(Rupees in '000)					
Investments – net	29,537,179	14,053,177	19,181,562	16,724,253	16,390,624	13,982,828
Advances – net	48,727,103	47,575,364	40,154,449	35,412,248	32,052,544	24,375,905
Deposits and other accounts	73,548,226	61,634,491	60,150,128	53,000,647	47,605,508	37,383,756
Profit before taxation	190,413	953,233	1,476,685	1,448,901	1,400,032	1,046,566
Profit after taxation	145,355	701,041	1,000,334	985,298	920,233	648,380
Net assets	7,803,201	7,113,047	6,610,479	5,611,903	4,389,659	3,043,308
Earnings per share						
– Basic / Diluted (Rs.)	0.29	1.40	2.43	2.39	3.08	3.92

(iv) Statement of investments of provident and gratuity funds

The Bank operates approved funded provident and gratuity fund schemes covering all its permanent employees. The investment balances are as follows:

	31 December 2009 (Un-audited)	31 December 2008 (Audited)
	(Rupees in ' 000)	
Amount of investments of Provident Fund	109,201	144,373
Amount of investments of Gratuity Fund	72,963	82,448

(v) Future outlook

During the year 2010 the Bank has plans to expand its network of branches with focus on small and medium size business to enhance its market share for better results.

(vi) The information regarding trading in the shares of the Bank by its Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary appears on page 71.

RISK MANAGEMENT FRAMEWORK

The Bank has put in place a robust and structured risk management system & architecture that is overseen by a Board level Risk Management Committee (RMC). Our Risk Management Strategy is based on the effective identification and assessment of enterprise-wide risks and planning for their management, mitigation and control. The risk management process at Soneri Bank Limited (SBL) is continuously evolving to maximize value for all our stakeholders by achieving an appropriate trade-off between risk and returns.

The Bank has formulated its risk related policies in line with the Basel-II norms and on the basis of the guidelines issued by the State Bank of Pakistan (SBP) recognizing the need to effectively identify measure, monitor and control various risks in view of their implications on the Bank's business growth and financial soundness.

The Bank has put in place a Business Continuity Planning (BCP) Policy and rolled out an Operational Risk Management (ORM) plan that includes operational policies and procedures for all critical processes of the Bank to identify, assess, control and report operational risks and to quantify potential losses. The Bank has also set up an operationalised Disaster Recovery Centre for its Core Banking Operations.

As part of the Basel-II implementation, the Bank has upgraded and put in place a comprehensive Internal Credit Risk Rating System under which all the borrowers' accounts are rated on various parameters. An in-house developed Credit Risk Rating Framework comprising of risk rating models for existing as well as entry level borrowers recognizes the classes of assets as desired under SBP Internal Credit Risk Rating and Basel -II mechanism. Various aspects of the credit risk, like asset concentration, norms for industry exposure, prudential limits and various financial parameters, substantial exposure limits, standards for collaterals and review of portfolio system was further streamlined for focused attention on improvement in asset quality.

Mid-office/Market & Liquidity Risk Department of the Bank was strengthened and its functions were made broad based for an effective monitoring of market and liquidity risk.

The Bank is using Assets and Liabilities Management (ALM) system for studying and analyzing the interest rate sensitivity, maturity and liquidity analysis of assets and liabilities, profit planning, stress testing results and overall balance sheet management on a regular basis.

The Bank has made substantial investment in new systems and during the year, the Bank has acquired the licensing of internationally well known Enterprise Risk Management (ERM) System and Anti Money laundering (AML) Solution, namely "SAS" which will help the Bank in automation and further improvement of its risk management and also lead to the implementation of advanced approaches of Basel-II.

The Bank's risk appetite sets out the level of risk the Bank is willing to take in pursuit of its business objectives and earning volatility across all business lines. It is calibrated against our broad financial targets, including income and impairment targets, dividend coverage and capital levels.

Awareness of Basel -II and Risk Management norms among staff is continuously being enhanced through regular training.

RIGHT SHARES ISSUE

In order to meet the Minimum Capital Requirement (MCR) of the State Bank of Pakistan, the Board of Directors in its meeting held on 21 November 2009 had approved to issue 20 Right Shares for every 100 shares held i.e. 20% at par of Rs.10/- each.

AUDITORS

The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for re-appointment. The audit committee of the Board has recommended their re-appointment.

BOARD OF DIRECTORS

Since last election held on 29 March 2008, there has been no change in composition of the Board of Directors.

PATTERN OF SHARE HOLDING

A statement showing the pattern of share holding in the Bank as at 31 December 2009 appears on page 69.

STAFF

The Board would like to record its appreciation for loyalty, devotion and hardwork of the officers and staff of the Bank at all levels.

ALAUDDIN FEERASTA

Chairman

Lahore: 24 February 2010

Statement of Compliance

WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

Soneri Bank Limited

Soneri Bank Limited

Year ended: 31 December 2009

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37, Chapter XIII and section 36 of Chapter XI of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Code of Corporate Governance. The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes seven non-executive directors including one independent director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including our Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC. No director in the Board is a member of any stock exchanges in Pakistan and hence the question of declaring any of our directors' as a defaulter by any stock exchange does not arise.
4. No casual vacancies occurred in the Board during the year 2009. The present Board of Directors of the Bank was elected on 29 March 2008 in the Annual General Meeting of the shareholders.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. Materiality level has also been set by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer has been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are aware about their fiduciary responsibilities and most of them have attended formal orientation courses.
10. During the year the existing senior executive of the bank was re-designated by the Board as Chief Financial Officer of the Bank on the same terms & conditions. The re-designation was duly recommended by the Chief Executive Officer of the Bank. Subsequent to the year end, a new company secretary was appointed by the Board of Directors in its meeting held on 24th February 2010 on the terms and conditions as recommended by the Chief Executive Officer of the Bank.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises four members and all the four members are non-executive directors including chairman of the committee.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been framed by the Board and the audit committee operates within the defined terms of reference.
17. The Board has set-up an effective internal audit department.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

SAFAR ALI K. LAKHANI
President / Chief Executive Officer

Lahore: 24 February 2010

Soneri Bank Limited

Year ended: 31 December 2009

The Board of Directors acknowledge their responsibilities for ensuring that an adequate and effective internal control system covering all aspects of our banking operations is in existence and vigorously followed by senior management.

Based on our review of the internal control system through various reports from internal audit department and statutory auditors as well as various policies, procedures and other matters presented for our review and approval, from time to time, we observed that adequate internal controls have been implemented, monitored and controlled.

ALAUDDIN FEERASTA

Chairman

Lahore: 24 February 2010

Statement of Internal Controls

Soueri Bank Limited

Year ended: 31 December 2009

Management of Soueri Bank Limited acknowledges its responsibility for establishing and maintaining a sound system of internal control to provide reasonable assurance to achieve the following objectives:

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

The existing internal controls encompass policies and procedures relating to all processes, products and activities of bank's operations. The internal control policies and procedures are being regularly reviewed by an independent internal audit department reporting directly to the Audit Committee of the Board of Directors.

Although, the bank's existing internal control framework provides essential support that is needed for the safe and sound banking operations, it has initiated review of its existing internal control system and for that purpose has adopted the COSO (Committee of Sponsoring Organization of Treadway Commission) Framework of internal controls. The Bank engaged an accounting firm for professional guidance, documenting and testing the existing key Processes and Controls in line with the requirements of SBP guidelines and international best practices.

SAFAR ALI K. LAKHANI

President/Chief Executive Officer

Lahore: 24 February 2010



Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance

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

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

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

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated 19 January 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2009.

Karachi : 24 February 2010

KPMG Taseer Hadi & Co.
Chartered Accountants



Auditors' Report to the Members

We have audited the annexed balance sheet of **Soneri Bank Limited** ("the Bank") as at 31 December 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 10 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes specified in note 4.4 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and its true balance of profit, its comprehensive income, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance. The financial statements of the Bank for the year ended 31 December 2008 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated 2 March 2009.

Karachi : 24 February 2010

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Balance Sheet

AS AT 31 DECEMBER 2009

Soneri Bank Limited

	Note	2009	2008
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	6,471,173	5,646,755
Balances with other banks	7	1,497,193	3,908,859
Lendings to financial and other institutions	8	2,755,377	3,990,269
Investments - net	9	29,537,179	14,053,177
Advances - net	10	48,737,163	47,575,364
Fixed assets	11	3,333,891	3,136,857
Deferred tax assets - net	12	108,429	125,843
Other assets - net	13	2,879,927	2,550,130
		<u>95,310,272</u>	<u>80,977,254</u>
LIABILITIES			
Bills payable	15	1,763,401	1,254,490
Borrowings	16	9,385,522	8,441,454
Deposits and other accounts	17	73,548,226	61,634,491
Sub-ordinated loans	18	1,197,840	1,198,320
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	-	-
Other liabilities	19	1,612,082	1,335,446
		<u>87,507,071</u>	<u>73,864,207</u>
NET ASSETS		<u>7,803,201</u>	<u>7,113,047</u>
REPRESENTED BY			
Share capital	20	5,019,351	4,114,222
Reserves		2,003,948	2,016,877
Unappropriated profit		158,278	824,650
		<u>7,181,577</u>	<u>6,965,749</u>
Surplus on revaluation of assets - net of tax	21	621,624	147,298
		<u>7,803,201</u>	<u>7,113,047</u>
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 44 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

Profit and Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009	2008
(Rupees in '000)			
Mark-up / return / interest earned	23	9,337,284	7,822,941
Mark-up / return / interest expensed	24	6,602,779	4,878,347
Net mark-up / return / interest income		2,734,505	2,944,594
Provision against non-performing loans and advances - net	10.3	1,312,121	1,240,746
Provision for diminution in the value of investments	9.3	321,222	25,000
Bad debts written off directly	10.5	-	196
		1,633,343	1,265,942
Net mark-up / return / interest income after provisions		1,101,162	1,678,652
Non mark-up / interest income			
Fee, commission and brokerage income		291,820	358,685
Dividend income		130,639	268,016
Income from dealing in foreign currencies		381,502	279,284
Loss on sale of securities - net	25	(10,805)	(238)
Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'		-	-
Other income	26	375,037	320,459
Total non-markup / interest income		1,168,193	1,226,206
		2,269,355	2,904,858
Non mark-up / interest expenses			
Administrative expenses	27	2,113,660	1,673,590
Provision against other assets - net	13.3	16,408	134,311
(Reversal) / provision against off-balance sheet obligations		(100,000)	100,000
Other charges	28	48,874	43,724
Total non-markup / interest expenses		2,078,942	1,951,625
Extra ordinary / unusual items		190,413	953,233
		-	-
Profit before taxation		190,413	953,233
Taxation - Current	29	321,000	697,000
- Prior years	29	-	(437)
- Deferred	29	(375,943)	(444,371)
		45,058	252,192
Profit after taxation		145,355	701,041
Unappropriated profit brought forward		834,650	238,775
Transfer from surplus on revaluation of fixed assets - net of tax		70,473	35,042
Profit available for appropriation		1,050,478	974,858
Basic and diluted earnings per share (Rupees)	30	0.29	Restated 1.40

The annexed notes 1 to 44 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

SONERI BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	(Rupees in '000)	
Profit after taxation for the year	145,355	701,041
Other comprehensive income	-	-
Total comprehensive income for the year	145,355	701,041

The annexed notes 1 to 44 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 (Rupees in '000)	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		190,413	953,233
Less: Dividend income		130,639	268,016
		59,774	685,217
Adjustments:			
Depreciation		427,377	238,960
Amortisation of intangible assets		10,054	8,271
Operating fixed assets written off directly		12	28
Provision for diminution in the value of investments		321,222	25,000
Provision against non-performing loans and advances		1,312,121	1,240,746
Provision against other assets		16,408	134,311
(Reversal) / provision against off-balance sheet obligations		(100,000)	100,000
Gain on sale of fixed assets		(5,818)	(9,486)
Bad debts written off directly		-	196
		1,981,376	1,738,026
		2,041,150	1,423,243
(Increase) / decrease in operating assets			
Lendings to financial and other institutions		1,334,892	(815,260)
Advances		(2,463,860)	(8,661,857)
Others assets (excluding advance taxation)		149,795	(808,695)
		(1,079,173)	(10,285,812)
Increase / (decrease) in operating liabilities			
Bills payable		508,905	(386,018)
Borrowings		944,008	2,575,983
Deposits and other accounts		11,913,735	1,484,363
Other liabilities (excluding current taxation)		376,636	272,176
		13,743,344	3,946,504
		14,705,321	(3,916,065)
Income tax paid		(812,634)	(584,083)
Net cash generated from / (used in) operating activities		13,892,687	(4,500,148)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available for sale securities		(13,788,420)	2,175,135
Net investments in held to maturity securities		(1,216,336)	2,077,049
Dividend received		126,276	260,997
Investments in operating fixed assets		(612,662)	(681,733)
Sale proceeds of property and equipment disposed-off		11,687	13,916
Net cash (outflow on) / inflow from investing activities		(15,479,455)	3,845,364
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of sub-ordinated loan		(480)	(480)
Net cash outflow on financing activities		(480)	(480)
Decrease in cash and cash equivalents		(1,587,248)	(655,264)
Cash and cash equivalents at beginning of the year		9,555,614	10,210,878
Cash and cash equivalents at end of the year	31	7,968,366	9,555,614

The annexed notes 1 to 44 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2009

Soneri Bank Limited

	Capital reserves			General reserve	Unappropriated profit (b)	Total	
	Share capital	Reserve for issue of bonus shares	Share premium				Statutory reserve (a)
(Rupees in '000)							
Balance as at 31 December 2007	4,114,222	-	1,405	1,269,054	606,210	238,775	6,229,666
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-
Total comprehensive income for the year ended 31 December 2008 - profit for the year	-	-	-	-	-	701,041	701,041
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	35,042	35,042
Transfer to statutory reserve	-	-	-	140,208	-	(140,208)	-
Balance as at 31 December 2008	4,114,222	-	1,405	1,409,262	606,210	834,650	6,965,749
Transactions with owners recognised directly in equity							
Transfer to reserve for issue of bonus shares	-	905,129	-	-	(42,000)	(863,129)	-
Issue of bonus shares	905,129	(905,129)	-	-	-	-	-
	905,129	-	-	-	(42,000)	(863,129)	-
Total comprehensive income for the year ended 31 December 2009 - profit for the year	-	-	-	-	-	145,355	145,355
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	70,473	70,473
Transfer to statutory reserve	-	-	-	29,071	-	(29,071)	-
Balance as at 31 December 2009	5,019,351	-	1,405	1,438,333	564,210	158,278	7,181,577

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

(b) As more fully explained in note 10.4 of these financial statements, the amount of Rs. 562,581 million net of tax as at December 31, 2009 represents additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders.

The annexed notes 1 to 44 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 STATUS AND NATURE OF BUSINESS

Sonari Bank Limited ("the Bank") was incorporated in Pakistan on 28 September 1991 as a public limited company under the Companies Ordinance, 1984 with registered office situated at Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates 154 branches including six Islamic banking branches (2008: 117 branches including six Islamic banking branches) in Pakistan.

- 1.1 In accordance with BSD Circular No. 07 dated 15 April 2009 the minimum paid up capital requirement (net of losses) of the Bank at 31 December 2009 is Rs. 6 billion. The paid up capital of the Bank at 31 December 2009 amounts to Rs 5,019 billion. This shortfall is being met through the proposed issue of right shares to be approved by the shareholders in the forthcoming Annual General Meeting as disclosed in note 43 of these financial statements.

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 purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branches of the Bank have been consolidated in these financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of the Islamic banking branches are disclosed in Annexure II to these financial statements.

3 STATEMENT OF COMPLIANCE

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

- 3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated 26, August 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

3.3 Standards or Interpretations not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosures in certain cases.

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

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

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

IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognized in the income statement. As the Bank does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Bank's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have an impact on the Bank's financial statements.

Amendment to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 01 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its financial statements.

Amendment to IAS 32 Financial Instruments: Presentation Classification of Rights Issues (effective for annual periods beginning on or after 01 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro-rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 01 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the Bank's financial statements.

Improvements to IFRSs 2008 - Amendments to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - (effective for annual periods beginning on or after 01 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on the Bank's Financial Statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value.

4.2 Critical accounting estimates and judgements

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

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4, 10.3 and 10.4)
- iii) income taxes (notes 4.3, 5.9, 22.6.1 and 29)
- iv) accounting for defined benefit plan (notes 5.11 and 33)
- v) depreciation, amortization methods and revaluation of operating fixed assets (note 5.5 and 11)
- vi) fair value of derivatives (Note 5.18.2)

4.3 The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off-balance sheet items is allowed up to a maximum of 1% of total advances. The amount of bad debts classified as OALEM (in agriculture) and Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 277.455 million.

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

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advice of its tax consultant has treated the FBR commitment as effective. Accordingly, the tax charge has been recognized on the basis of amendments agreed by FBR vide its above referred letter.

4.4 Changes in accounting policies

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

The Bank has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 01 January 2009. This standard required the Bank to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income.

The Bank has applied "IFRS 8 Operating Segments" from 01 January 2009. The Bank determines and presents operating segments based on the information that is internally provided to the President / Chief Executive Officer, who is the Bank's chief operating decision maker which is in detail and has been aggregated in line with the format issued by SBP. The new accounting policy disclosed in note 5.19 has no impact on segments previously disclosed.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the changes in accounting policies only affect presentation of financial statements, there is no impact on earnings per share.

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 the years presented, except as describe in note 4.4.

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial and other institutions

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

(a) Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements, as investments and the counter party liability is included in borrowings. The differential in sale and repurchase value is accrued on time proportion basis over the period of the contract and recorded as an expense.

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

(c) Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged on time proportion basis to the profit and loss account over the period of borrowings.

5.3 Investments

The Bank classifies its investments as follows:

(a) Held for trading

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

(b) Held to maturity

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

(c) Available for sale

These are investments, other than those in subsidiaries and associates, if any, 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 expensed in the profit and loss account.

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

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

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 quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account. Cost of investment is determined on weighted average basis.

In accordance with the BSD circular No. 14 dated 24 September 2004 issued by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

Unquoted equity securities excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates if any (which qualify for accounting under International Accounting Standard - 28) are carried at cost less impairment, if any.

Impairment loss in respect of investments charged as available for sale (except term finance certificates and held to maturity) is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an investment below its cost is also considered an objective evidence of impairment. Provisions for diminution in the value of term finance certificates, bonds and sukuk is made as per the Prudential Regulations issued by the State Bank of Pakistan. In case of impairment of available for sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit and loss account. For investments classified as held to maturity, the impairment loss is recognised in profit and loss account.

Profit / loss on sale of investments is credited / charged to the profit and loss account currently.

5.4 Advances

Advances are stated at cost less specific and general provisions. Specific provision for non performing advances is determined on the basis of the Prudential Regulations and the other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer financing portfolio is maintained as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery.

5.5 Fixed assets and depreciation

Owned

Property and equipment, other than freehold land and capital work-in-progress are stated at cost or revalued amount less accumulated depreciation and impairment losses, if any. Freehold land and capital work-in-progress are stated at cost or revalued amount less impairment losses, if any.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to the financial statements after taking into account residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Depreciation on additions is charged from the month the assets are available for use while in the case of assets disposed off, it is charged up to the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements 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.

Gains and losses on sale of fixed assets are charged / credited to the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Leased (under finance lease)

Assets held under finance lease, if any, are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

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

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and impairment losses, if any. Assets under ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised in income on accrual basis as and when the rental becomes due.

Impairment of operating fixed assets

The carrying amounts of the Bank's operating fixed assets are regularly reviewed to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Such losses are recognised directly in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

5.6 Operating leases

Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

5.7 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and 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 value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

5.8 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.9 Taxation

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account 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 between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. 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 substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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.

The Bank also recognises deferred tax asset / liability on deficit/surplus on revaluation of fixed assets and securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

5.10 Provisions

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

5.11 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. The cumulative unrecognised actuarial gains and losses at each valuation date are amortised over the average remaining working lives of the employees in excess of the higher of the following corridor limits at the end of the last reporting year:

- (i) 10% of the present value of the defined benefit obligation; and
- (ii) 10% of the fair value of the plan assets

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the scheme.

Defined contribution plan

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is five years.

5.12 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability in respect of unavailed leaves earned up to the date of balance sheet.

5.13 Borrowings / deposits and their cost

- Borrowings / deposits are recorded at the proceeds received.
- Borrowing / deposit costs are recognised as an expense in the period in which these are incurred using effective mark-up / interest rate method.

5.14 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognised on a time proportion basis using the effective yield on the instrument.
- Mark-up/return on classified advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by 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 income is recognised on accrual basis.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

5.15 Foreign currencies**(a) Foreign currency transactions**

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in the foreign currencies are expressed in rupee terms at the exchange rates ruling on the balance sheet date. Outstanding forward foreign exchange contracts and foreign bills purchased are valued at the forward rates applicable to the respective maturities. Exchange gains and losses are included in income.

(b) Functional and presentation currency

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

(c) Translation gains and losses

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

(d) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at the 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 date of the transaction.

5.16 Provision for guarantee claims and other off balance sheet obligations

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

5.17 Acceptances

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances are accounted for as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.18 Financial instruments**5.18.1 Financial assets and liabilities**

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

5.18.2 Derivative financial instruments

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

5.18.3 Off-setting

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

5.19 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the Bank are currently based in Pakistan, therefore, geographical segment is not relevant.

Business segments

a) Corporate finance

Corporate banking includes syndicated financing and services provided in connection with mergers and acquisition, underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

5.20 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriation which are required by law after the balance sheet date, are recognised as liability in the Bank's financial statements in the year in which these are approved.

5.21 Basic and diluted earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2009.

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2009 (Rupees in '000)	2008
	In hand			
	Local currency	6.1	2,184,159	1,354,312
	Foreign currencies		366,889	445,368
	In transit			
	Local currency		5,977	26,005
	Foreign currencies		-	26,605
	With State Bank of Pakistan in			
	Local currency current account	6.2	2,595,014	2,750,803
	Foreign currency current account	6.3	260,660	209,287
	Foreign currency deposit account against foreign currency deposits mobilised	6.4	832,301	633,566
	With National Bank of Pakistan in			
	Local currency current account		226,173	200,809
			<u>6,471,173</u>	<u>5,646,755</u>

- 6.1 This includes National Prize Bonds of Rs. 4.347 million (2008: Rs. 3.352 million).
- 6.2 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 as may be prescribed by SBP.
- 6.3 This represents foreign currency current account maintained with SBP as per their requirements.
- 6.4 This represents foreign currency cash reserve maintained with SBP at an amount equivalent to at least 20% of the Bank's foreign currency deposits mobilised under FE-25 scheme. Up to December 2008, 5% of the bank's foreign currency deposits mobilised under FE-25 scheme was non-remunerative and the remaining 15% was remunerative and the bank was entitled to earn a return at a rate declared by SBP on a monthly basis. However, with effect from January 2009, this remaining 15% was also made non-remunerative by SBP.

7	BALANCES WITH OTHER BANKS	Note	2009 (Rupees in '000)	2008
	In Pakistan			
	In current accounts		880,985	782,421
	In deposit accounts	7.1	400,016	80,000
	Outside Pakistan			
	In current accounts	7.2	216,192	3,046,438
			<u>1,497,193</u>	<u>3,908,859</u>

- 7.1 These deposits carry mark-up at rates ranging from 5.50% to 13.00% per annum (2008: 11.00 % to 11.35 % per annum) and have a maturity period of up to three months.
- 7.2 This includes Rs. 63,554 million (2008: Rs. 433,696 million) held in Automated Investment Plans. This balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

8	LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS	Note	2009 (Rupees in '000)	2008
	Call money lendings	8.2	1,600,000	3,200,000
	Repurchase agreement lendings	8.3	1,155,377	690,269
	Others - Letters of Placement (LOP)		-	100,000
			<u>2,755,377</u>	<u>3,990,269</u>
8.1	Particulars of lendings			
	In local currency		2,755,377	3,990,269
	In foreign currencies		-	-
			<u>2,755,377</u>	<u>3,990,269</u>

8.2 These represent lendings to various commercial banks in the inter bank money market. They carry mark-up at rates ranging from 12.35% to 12.90% per annum (2008: 15.75% to 16.00% per annum) and have a maturity period of upto two months.

8.3 Securities held as collateral against lendings to financial and other institutions

	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	1,155,377	-	1,155,377	689,257	-	689,257
Ordinary Shares	-	-	-	1,012	-	1,012
	<u>1,155,377</u>	<u>-</u>	<u>1,155,377</u>	<u>690,269</u>	<u>-</u>	<u>690,269</u>

8.3.1 The above lendings carry mark-up rates ranging from 12.15% to 12.40% per annum (2008: 14.90% to 67.41% per annum) and have a maturity period of upto one month.

9 INVESTMENTS

9.1 Investments by types

Note	2009			2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
Available for sale securities						
Market Treasury Bills	20,425,544	787,706	21,213,250	7,029,831	-	7,029,831
Pakistan Investment Bonds	2,176,194	-	2,176,194	2,203,260	-	2,203,260
Fully paid-up ordinary shares	240,713	-	240,713	533,337	-	533,337
Units of mutual funds	1,514,396	-	1,514,396	1,583,330	-	1,583,330
Fully paid-up preference shares	45,421	-	45,421	45,421	-	45,421
Shares received against settlement of CFS lendings	-	-	-	6,575	-	6,575
	<u>24,402,468</u>	<u>787,706</u>	<u>25,190,174</u>	<u>11,401,754</u>	<u>-</u>	<u>11,401,754</u>
Held to maturity securities						
Pakistan Investment Bonds	1,521,568	-	1,521,568	1,736,025	-	1,736,025
Certificates of Investments	-	-	-	225,000	-	225,000
Term Finance Certificates, Bonds and Sukuk	3,304,860	-	3,304,860	1,649,067	-	1,649,067
	<u>4,826,428</u>	<u>-</u>	<u>4,826,428</u>	<u>3,610,092</u>	<u>-</u>	<u>3,610,092</u>
Investments at cost	29,228,896	787,706	30,016,602	15,011,846	-	15,011,846
Less: Provision for diminution in the value of investments	9.3 (351,922)	-	(351,922)	(30,700)	-	(30,700)
Investments (net of provision)	28,876,974	787,706	29,664,680	14,981,146	-	14,981,146
Deficit on revaluation of available for sale securities	21.2 (121,715)	(5,786)	(127,501)	(927,969)	-	(927,969)
Total investments	<u>28,755,259</u>	<u>781,920</u>	<u>29,537,179</u>	<u>14,053,177</u>	<u>-</u>	<u>14,053,177</u>

9.2 Investments by segments	Note	2009 (Rupees in '000)	2008
Federal Government Securities			
- Market Treasury Bills		21,213,250	7,029,831
- Pakistan Investment Bonds	9.5	3,097,762	3,939,285
- Ijarah Sukuk		161,276	60,000
		25,072,288	11,029,116
Fully paid up ordinary shares of Rs. 10 each			
Listed companies			
- Fauji Fertilizer Company Limited [177,256 (2008: 170,368)]		15,656	18,852
- Pakistan Oilfields Limited [NIL (2008: 208,800)]		-	45,399
- Pakistan State Oil Company Limited [NIL (2008: 25,000)]		-	2,844
- Engro Chemical Pakistan Limited [280,000 (2008: 200,000)]		67,857	63,857
- Oil & Gas Development Company Limited (2008: 400,000)		-	40,390
- Askari Bank Limited [444,610 (2008: 675,688)]		24,015	45,620
- Pakistan Telecommunication Company Limited [275,000 (2008: NIL)]		5,157	-
- Al Ghazi Tractors Limited [NIL (2008: 30,000)]		-	7,065
- Thal Limited [209,600 (2008: 133,000)]		24,004	18,911
- Agrizano Industries Limited [66,120 (2008: 66,120)]		4,800	4,800
- United Bank Limited [38,500 (2008: 70,000)]		4,904	9,809
- The Hub Power Company Limited [200,000 (2008: NIL)]		5,869	-
- Arif Habib Limited [17,265 (2008: 13,812)]		3,030	3,030
- National Bank of Pakistan [162,000 (2008: 270,000)]		18,025	36,051
- Pakistan Petroleum Limited [NIL (2008: 715,000)]		-	157,227
- The Bank of Punjab [NIL (2008: 62,500)]		-	5,026
- Arif Habib Securities Limited [93,750 (2008: 93,750)]		13,495	13,495
- Fauji Fertilizer Bin Qasim Limited [300,000 (2008: 140,000)]		9,292	5,184
- Nishat Mills Limited [32,500 (2008: 65,000)]		3,893	7,785
- JS Bank Limited [250,000 (2008: 500,000)]		5,729	11,457
- PICIC Insurance Limited [NIL (2008: 69,158)]		-	692
- International Industries Limited [NIL (2008: 13,465)]		-	856
- Artistic Denim Mills Limited [100,000 (2008: 100,000)]		4,287	4,287
		240,713	533,337
Un-listed companies			
- Khushkhal Bank Limited [2,500,000 (2008: 2,500,000)] (President: Mr. M. Ghalib Nishtar)	9.6	25,000	25,000
- Pakistan Export Finance Guarantee Agency Limited [569,958 (2008: 569,958)] (Chief Executive: Mr. S. M. Zaem)	9.10	5,700	5,700
Fully paid up preference shares of Rs. 10 each			
Listed companies			
- Shakarganj Mills Limited [4,542,067 (2008: 4,542,067)]		45,421	45,421
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Listed Term Finance Certificates of Rs. 5,000 each			
- Faysal Bank Limited [6,000 (2007: 6,000)]		29,976	29,988
- Pak Arab Fertilizer Limited [5,000 (2008: 5,000)]		22,694	21,996
- Trust Leasing Limited [NIL (2008: 3,000)]		-	3,000
- Bank AL Habib Limited - I [5,000 (2008: 5,000)]		24,950	24,960
- Bank AL Habib Limited - II [8,000 (2008: 8,000)]		38,400	38,227
- United Bank Limited 1st issue [8,000 (2008: 8,000)]		39,923	39,939
- United Bank Limited 2nd issue [7,000 (2008: 7,000)]		34,994	34,995
- United Bank Limited 3rd issue [9,716 (2008: 9,716)]		48,522	48,541
- United Bank Limited 4th issue [5,000 (2008: 5,000)]		21,902	21,746
		261,361	263,392
Balance carried forward			

	Note	2009 (Rupees in '000)	2008
Balance brought forward		261,361	263,392
- Askari Bank Limited 1st Issue [5,000 (2008: 5,000)]		24,955	24,965
- Askari Bank Limited 2nd Issue [12,961 (2008: 12,961)]		64,701	64,727
- Askari Bank Limited 3rd Issue [7,000 (2008: NIL)]	9.7	35,000	-
- Jahangir Siddiqui & Company Limited 4th issue [4,000 (2008: 4,000)]		19,976	19,984
- Bank Alfalah Limited [3,000 (2008: 3,000)]		14,977	14,983
- Azgard Nine Limited [10,000 (2008: 10,000)]		37,449	45,783
- Standard Chartered Bank Pakistan Limited [5,000 (2008: 5,000)]		24,965	24,975
- IGI Investment Bank Limited [3,000 (2008: 3,000)]		7,497	11,246
- Pakistan Mobile Communication (Private) Limited [5,000 (2008: 5,000)]		24,965	24,975
- Wodcell Communication Limited [4,227 (2008: 4,227)]		14,079	21,118
- Allied Bank Limited 1st Issue [11,000 (2008: 11,000)]		52,969	52,708
- Allied Bank Limited 2nd Issue [12,973 (2008: 8,000)]		64,865	40,000
- Engro Chemical Pakistan Limited [10,000 (2008: 10,000)]		45,386	44,982
- Engro Chemical Pakistan Limited [6,325 (2008: NIL)]	9.7	31,625	-
- Escort Investment Bank Limited [2,000 (2008: 2,000)]		8,327	9,994
- JS-ABAMCO Financial Receivables Securitization Limited [5,000 (2008: 5,000)]		18,743	22,968
Un-listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified			
- Gianribwal Cement Limited [13,100 (2008: 8,000)]		65,115	39,992
- Bank Alfalah Limited- 4th Issue [10,000 (2008: NIL)]	9.8	50,000	-
- Oriv Leasing Pakistan Limited [1,500 units of Rs. 100,000 each (2008: 1,500)]		150,000	150,000
- Ayari Hotel Limited [25,000 (2008: 12,667)]		125,000	63,333
- Al Abbas Sugar Mills Limited [6,000 (2008: 6,000)]		23,988	29,988
- Power Holding (Private) Limited [252,400 (2008: NIL)]	9.8	1,262,000	-
- Crescent Steel & Allied Products Limited [NIL (2008: 8,000)]		-	5,000
- Dewan Farooque Spinning Mills Limited [5,000 (2008: 5,000)]		6,250	6,250
- Jahangir Siddiqui & Company Limited 2nd Issue [4 certificates of Rs. 5,000,000 each (2008: 4 certificates of Rs. 5,000,000 each)]		19,956	19,964
- Tandlianwala Sugar Mills Limited [5,000 (2008: 5,000)]		7,500	12,500
- Pakistan Mobile Communication (Private) Limited [NIL (2008: 10,000)]		-	10,000
- JDW Sugar Mills Limited [16,600 (2008: 16,600)]		83,000	83,000
Sukuk Bonds of Rs. 5,000 each, unless otherwise specified			
- Century Papers & Board Mills Limited [10,000 (2008: 10,000)]		50,000	50,000
- New Allied Electronics Industries (Private) Limited [20,000 (2008: 20,000)]		100,000	100,000
- Eden Housing Limited [10,000 (2008: 10,000)]		43,750	50,000
- Amreli Steel Private Limited [2,000,000 units of Rs. 25 each (2008: NIL)]	9.8	50,000	-
- Three Star Hosiery Mills Limited [5,100 (2008: NIL)]		25,132	-
- Liberty Power Tech Limited [410,600 certificates of Rs.100 each (2008: NIL)]		41,060	-
- House Building Finance Corporation Limited "A" [10,000 (2008: 10,000)]		45,000	50,000
- House Building Finance Corporation Limited "B" [3,000 (2008: 3,000)]		11,336	12,300
- Haq Babu Sugar Mills (Private) Limited [4,000 (2008: 4,000)]		20,000	20,000
- Sai Southern Gas Company Limited [20,000 (2008: 20,000)]		100,000	100,000
- Shahmural Sugar Mills Limited [25 certificates of Rs.1,000,000/- each (2008: 25 certificates of Rs.1,000,000/- each)]		25,000	25,000
- Pak Elektron Limited [10,000 (2008: 10,000)]		42,857	50,000
- WAPDA bonds [4,000 (2008: NIL)]	9.11	19,800	-
- WAPDA bonds [5,000 (2008: 5,000)]		25,000	25,000
		3,143,584	1,589,067
Others - Units of Mutual Funds			
Open ended			
- National Investment (Unit) Trust [6,244,841 (2008: 6,202,601)] (Managed by National Investment Trust Limited)		315,969	315,969
<i>Balance carried forward</i>		315,969	315,969

	2009 (Rupees in '000)	2008
Balance brought forward	315,969	315,969
- HBL Income Fund [NIL (2008: 447,088)] (Managed by HBL Asset Management Limited)	-	47,932
- First Habib Income Fund [100,000 (2008:100,000)] (Managed by Habib Asset Management Limited)	10,300	10,300
- MCB Dynamic Cash Fund [462,651 (2008: 2,429,075)] (Managed by MCB Asset Management Limited)	48,203	253,087
- Atlas Income Fund [NIL (2008: 190,851)] (Managed by Atlas Asset Management Limited)	-	100,000
- JS Income Fund [418,273 (2008: 898,811)] (Managed by JS Investments Limited)	44,236	95,058
- ABI Income Fund [29,488,474 (2008: 29,488,474)] (Managed by ABI Asset Management Company Limited)	300,000	300,000
- Faysal Saving Growth Fund [1,468,573 (2008: 1,468,573)] (Managed by Faysal Asset Management Limited)	150,000	150,000
- MCB Cash Management Optimizer Fund [500,000 (2008: NIL)] (Managed by MCB Asset Management Limited)	50,000	-
- NAFA Government Securities Liquid Fund [9,881,112 (2008: NIL)] (Managed by National Fullerton Asset Management Limited)	100,014	-
- Lakson Money Market Fund [1,988,957 (2008: NIL)] (Managed by Lakson Investments Limited)	200,060	-
- NIT Government Bond Fund [10,000,000 (2008: NIL)] (Managed by National Investment Trust Limited)	100,000	-
- NAFA Cash Fund [NIL (2008: 24,346,524)] (Managed by National Fullerton Asset Management Limited)	-	255,170
- Pakistan Cash Management Fund [996,556 (2008: NIL)] (Managed by Arif Habib Investment Limited)	50,000	-
- Reliance Income Fund [NIL (2008: 213,969)] (Managed by Noman Abid Investment Management Limited)	-	10,000
- Atlas Islamic Fund [20,967 (2008: 20,967)] (Managed by Atlas Asset Management Limited)	10,000	10,000
- UBL Liquidity Plus Fund [988,368 (2008: NIL)] (Managed by UBL Fund Managers Limited)	100,000	-
Closed-end		
- UTP Large Capital Fund [923,197 (2008: 923,197)]	9,192	9,192
- PICIC Growth Fund [40,000 (2008: 40,000)]	1,073	1,073
- Pakistan Premier Fund Limited [25,000 (2008: 25,000)]	327	327
- Pakistan Strategic Allocation Fund [2,520,000 (2008: 2,520,000)]	25,173	25,173
- PICIC Investment Fund [4,000 (2008: 4,000)]	49	49
	1,514,596	1,583,330

Note 2009 2008
(Rupees in '000)

Shares received against settlement of CFS lendings
(Ordinary shares of Rs 10/- each)

- Adamjee Insurance Company Limited [NIL (2008: 6,037)]
- Attock Refinery Limited [NIL (2008: 19,676)]
- D. G. Khan Cement Company Limited [NIL (2008: 144,301)]
- Others

-	660
-	1,266
-	3,293
-	1,356
-	6,575

Certificates of Investment

-	225,000
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Investments at cost

Less: Provision for diminution in the value of investments

30,016,602	15,011,846
9.3 (351,922)	(30,700)

Investments (net of provision)

(Deficit) / surplus on revaluation of available for sale securities

29,664,680	14,981,146
21.2 (127,501)	(927,969)

Total investments

29,537,179	14,053,177
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9.3 Particulars of provision for diminution in the value of investments

Opening balance

Charge for the year

Closing balance

30,700	5,700
321,222	25,000
351,922	30,700

9.3.1 Particulars of provision for diminution in the value of investments by type and segment

Available for sale securities

Listed companies including closed end fund

- Fully paid up ordinary shares of Rs. 10 each

82,677	-
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Unlisted companies

- Fully paid up ordinary shares of Rs. 10 each
- Pakistan Export Finance Guarantee Agency Limited

5,700	5,700
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Open ended mutual fund

127,062	-
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Held to maturity securities

Term Finance Certificated of Rs. 5,000/- each

- Gharibwal Cement Limited
- Dewan Farooque Spinning Mills Limited

32,733	-
3,750	-

Sukuk bonds of Rs. 5,000/- each

- New Allied Electronics Industries (Private) Limited

100,000	25,000
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351,922	30,700
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9.4 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

9.5 This includes securities having book value of Rs. 30,700 million (2008: Rs. 30,700 million) pledged with the State Bank of Pakistan and the National Bank of Pakistan as security to facilitate T. T. discounting facility to the branches of the Bank.

	2009		2008	
	Amount	Rating	Amount	Rating
	(Rupees in '000)			
Balance brought forward	23,741,960		9,092,618	
Fully paid up preference shares of Rs. 20 each				
Fixed deposits				
- Shabqan Mills Limited	40,837	BBB-(1), A2(S)	46,329	BBB-(1), A2(S)
Units of Mutual Funds				
Open-ended				
- National Investments (Long Term)	183,908	5 Star	144,331	5 Star
- Pakistan Cash Management Fund	30,109	N/A	-	-
- MCB Cash Management Optimizer Fund	51,329	N/A	-	-
- Nifty Government Securities Fund	10,415	N/A	-	-
- LPI / Liquidity Plus Fund	10,431	N/A	-	-
- Iqbal Money Market Fund	211,533	N/A	-	-
- HFL Corporate Bond Fund	10,333	N/A	-	-
- HBL Income Fund	-	-	42,491	N/A
- First Habib Treasury Fund	10,322	N/A	8,341	N/A
- MCB Dynamic Cash Fund	47,851	N/A	239,729	N/A
- Aika Income Fund	-	-	31,160	4-Star (1), 5-Star (5)
- IS Income Fund	43,283	3-Star	90,624	5-Star
- AML Income Fund	295,175	A	307,167	A
- Kapsal Saving Growth Fund	151,130	A	152,135	A
- NARA Cash Fund	-	-	234,471	A
- Polaris Income Fund	-	-	8,928	N/A
- Aika Islamic Fund	10,239	N/A	3,438	N/A
Closed-end				
- IIT Large Capital Fund	4,247	4-Star	2,124	4-Star
- HFC Growth Fund	270	>A	224	N/A
- Pakistan Premier Fund Limited	119	3-Star (L), 1-Star (S)	31	5-Star (L), 1-Star (S)
- Pakistan Strategic Allocation Fund	11,189	4-Star	5,744	4-Star
- HFC Investment Fund	23	>A	8	N/A
Total	<u>24,852,934</u>		<u>10,479,285</u>	

L represents Long Term Rating
S represents Short Term Rating
N/A represents Not Available

	Note	2009	2008
		(Rupees in '000)	
10 ADVANCES			
Loans, cash credits, financing finances, etc.			
In Pakistan		46,594,828	45,197,476
Outside Pakistan		-	-
		<u>46,594,828</u>	<u>45,197,476</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,280,278	826,376
Payable outside Pakistan		4,064,333	3,441,110
		<u>5,344,613</u>	<u>4,267,486</u>
Advances - gross		<u>51,939,441</u>	<u>49,464,962</u>
Provision for non-performing advances	10.3	(3,212,338)	(1,889,598)
Advances - net of provision		<u>48,727,103</u>	<u>47,575,364</u>
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		<u>46,042,187</u>	<u>45,363,639</u>
 In foreign currencies		<u>5,897,254</u>	<u>4,101,323</u>
		<u>51,939,441</u>	<u>49,464,962</u>
10.1.2 Short Term (for upto one year)		<u>41,842,194</u>	<u>41,780,636</u>
 Long Term (for over one year)		<u>10,097,247</u>	<u>7,684,326</u>
		<u>51,939,441</u>	<u>49,464,962</u>

- 10.2 Advances include Rs. 5,002,417 million (2008: Rs. 3,190,077 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
GAEM*	993	-	993	-	-	-	-	-	-
Substandard	302,997	-	302,997	37,367	-	37,367	37,367	-	37,367
Doubtful	1,077,759	-	1,077,759	443,954	-	443,954	443,954	-	443,954
Loss	3,620,668	-	3,620,668	2,719,017	-	2,719,017	2,719,017	-	2,719,017
	<u>5,002,417</u>	<u>-</u>	<u>5,002,417</u>	<u>3,200,338</u>	<u>-</u>	<u>3,200,338</u>	<u>3,200,338</u>	<u>-</u>	<u>3,200,338</u>
	2008								
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
GAEM*	2,103	-	2,103	-	-	-	-	-	-
Substandard	691,694	-	691,694	117,954	-	117,954	117,954	-	117,954
Doubtful	1,166,242	-	1,166,242	423,607	-	423,607	423,607	-	423,607
Loss	1,330,038	-	1,330,038	1,326,037	-	1,326,037	1,326,037	-	1,326,037
	<u>3,190,077</u>	<u>-</u>	<u>3,190,077</u>	<u>1,860,598</u>	<u>-</u>	<u>1,860,598</u>	<u>1,860,598</u>	<u>-</u>	<u>1,860,598</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance only.

10.3 Particulars of provision against non-performing loans and advances

Note	2009				2008			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
Opening balance	1,869,598	20,000	-	1,889,598	631,229	19,546	-	650,775
Change for the year	1,494,302	-	-	1,494,302	1,659,642	454	-	1,660,096
Reversals	(174,381)	(8,000)	-	(182,381)	(414,350)	-	-	(414,350)
	1,320,121	(8,000)	-	1,312,121	1,246,392	454	-	1,246,846
Amount written off	10.5	(20,002)	-	(20,002)	(1,921)	-	-	(1,921)
Transfer	13.3	30,621	-	30,621	-	-	-	-
Closing balance	<u>3,200,338</u>	<u>12,000</u>	<u>-</u>	<u>3,212,338</u>	<u>1,860,598</u>	<u>20,000</u>	<u>-</u>	<u>1,880,598</u>

- 10.3.1 Provision against consumer financing represents provision maintained at an amount equal to 1.5% of the fully-secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential Regulations issued by the State Bank of Pakistan.

10.3.2 Particulars of provision against non-performing loans and advances

	2009				2008			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
In local currency	3,200,338	12,000	-	3,212,338	1,860,598	20,000	-	1,880,598
In foreign currencies	-	-	-	-	-	-	-	-
	<u>3,200,338</u>	<u>12,000</u>	<u>-</u>	<u>3,212,338</u>	<u>1,860,598</u>	<u>20,000</u>	<u>-</u>	<u>1,880,598</u>

10.4 Amendments in Prudential Regulations in respect of provisioning against non-performing loans

The State Bank of Pakistan vide BSD Circular No. 2 dated: 27 January 2009 introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances. During the year the said amendments were again revised by the State Bank of Pakistan vide BSD Circular No. 10 dated: 20 October 2009 by which the banks have been allowed to avail the benefit of 40% (instead of 30%) of forced sales value of pledged stocks and mortgaged commercial, residential and industrial properties (previously not allowed) held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from 31 December 2009. The impact on profitability arising from availing the benefit of forced sales value under the revised guidelines resulted in reduction of specific provisions against non-performing loans and advances of approximately Rs. 865,509 million.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of the State Bank of Pakistan, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at 31 December 2009 would have been lower by approximately Rs. 865,509 million. Further the net of tax profit, amounted to Rs. 562,581 million arising from availing the benefit of forced sale value is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

10.4.1 Although the Bank has made provision against its non-performing portfolio as per the category of the loan, however, the Bank still holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building and machinery, stock in trade, etc.

	Note	2009 (Rupees in '000)	2008
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.3	20,002	1,923
Directly charged to profit and loss account		-	196
		<u>20,002</u>	<u>2,119</u>
10.5.2 Write offs of Rs. 500,000 and above	10.6	19,608	1,923
Write offs of below Rs. 500,000		394	196
		<u>20,002</u>	<u>2,119</u>

10.6 Details of loan write offs of Rs. 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2008 is given at Annexure - I. However, this write off does not affect the Bank's right to recover the debts from these customers.

	2009 (Rupees in '000)	2008
10.7 Particulars of loans and advances to directors, associated companies, etc.		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons*		
Balance at beginning of the year	181,884	145,176
Loans granted during the year	32,699	77,064
Repayments	(66,441)	(40,356)
Balance at end of the year	<u>208,142</u>	<u>181,884</u>

* Represents loans given by the Bank to their executives and other employees as per the terms of their employment.

	Note	2009 (Rupees in '000)	2008
11 FIXED ASSETS			
Capital work-in-progress	11.1	196,356	184,004
Property and equipment	11.2	3,125,372	2,921,940
Intangible assets	11.3	12,163	20,913
		<u>3,333,891</u>	<u>3,126,857</u>
11.1 Capital work-in-progress			
Civil works		155,439	127,934
Advances to suppliers and contractors		36,383	25,550
Advance against purchase of premises		1,802	27,725
Consultant's fee and other charges		2,732	2,745
		<u>196,356</u>	<u>184,004</u>

11.2 Property and equipment

	2009										Rate of depreciation %	
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	At 01 January 2009	Additions / (deletions)	Reversal due to revaluation	Revaluation surplus	Adjustments	At 31 December 2009	At 01 January 2009	Charge for the year / (depreciation on derecognition)	Reversal due to revaluation	At 31 December 2009		Book value At 31 December 2009
(Rupees '000)												
Freehold land	86,087	-	-	-	-	86,087	-	-	-	-	86,087	-
Leasehold Land and buildings on leasehold land	2,108,391	71,687	-	-	37,681	2,126,967	-	202,701	-	202,701	1,918,001	3
Leasehold improvements	246,793	81,243	-	-	-	328,036	47,387	(3,748)	-	60,820	265,914	3
		(7,986)						(497)				
Furniture and fixtures	119,436	34,383	-	-	-	120,307	31,128	(6,273)	-	38,529	81,327	10-20
		(3,344)						(2,844)				
Electrical, office and computer equipment	814,780	296,337	-	-	-	1,814,940	424,051	(48,618)	-	562,223	555,715	10-20
		(12,177)						(10,162)				
Vehicles	128,274	42,373	-	-	-	188,369	74,821	(36,087)	-	94,194	93,970	20
		(12,183)						(10,749)				
Assets held under Qarni												
Motor Vehicles	10,363	31,468	-	-	-	61,831	194	7,650	-	7,844	33,987	Over the Qarni period
		-										
Plant and Machinery	38,178	18,386	-	-	-	56,877	2,901	(2,043)	-	17,944	38,743	
		-										
2009	3,233,737	349,016	-	-	37,681	4,194,370	601,317	477,377	-	1,064,148	3,192,373	
		(20,472)						(21,211)				
	2008										Rate of depreciation %	
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	At 01 January 2008	Additions / (deletions)	Reversal due to revaluation	Revaluation surplus	Transfers in / transfer out	At 31 December 2008	At 01 January 2008	Charge for the year / (depreciation on derecognition)	Reversal due to revaluation	At 31 December 2008		Book value At 31 December 2008
(Rupees '000)												
Freehold land	21,607	64,618	-	(2,191)	-	86,087	-	-	-	-	86,087	-
Leasehold Land and buildings on leasehold land	1,762,169	177,507	(279,191)	340,049	-	2,000,884	191,578	(82,613)	(279,191)	-	2,000,884	3
Leasehold improvements	170,452	76,343	-	-	-	246,793	31,708	(3,879)	-	47,387	199,208	3
								(1,689)				
Furniture and fixtures	91,115	29,138	-	-	-	118,476	43,938	(7,510)	-	31,128	68,348	10-20
		(1,897)						(1,689)				
Electrical, office and computer equipment	620,203	211,848	-	-	-	804,789	349,147	(60,401)	-	424,051	419,129	10-20
		(27,175)						(34,918)				
Vehicles	128,020	41,847	-	-	-	188,079	80,424	(24,291)	-	74,651	94,128	20
		(10,578)						(9,532)				
Assets held under Qarni												
Motor Vehicles	-	10,363	-	-	-	10,363	-	894	-	194	10,169	Over the Qarni period
Plant and Machinery	-	38,178	-	-	-	38,178	-	(2,061)	-	2,901	45,277	
2008	3,676,338	669,903	(279,191)	342,838	-	3,523,737	678,633	238,960	(279,191)	601,317	3,993,940	
		(28,248)						(22,626)				

11.2.1 The cost of fully depreciated property and equipment still in use amounted to Rs. 384,177 million (2008: Rs. 266,742 million).

11.2.2 During the year 2008 the Bank's leasehold land and buildings on leasehold land were revalued by M/s Harvester Services (Pvt) Limited (Valuation and Engineering Consultancy) on the basis of their professional assessment of the present market value. The revaluation resulted in a net surplus of Rs. 545,858 million over the book value which was incorporated in the books of the Bank on 31 December 2008.

Had there been no revaluation the carrying amount of revalued assets at 31 December 2009 would have been Rs. 920,642 million (2008: Rs. 940,099 million).

11.2.3 The Islamic banking branches of the Bank have entered into Ijarah transactions with customers during the year. The significant Ijarah transactions have been entered in respect of vehicles and machinery.

The Ijarah payments receivable from customers for each of the following period under the terms of respective arrangements are given below:

	2009	2008
	(Rupees in '000)	
Not later than one year	3,314	10,328
Later than one year but not later than five years	109,416	49,213
Later than five years	-	-
	<u>112,730</u>	<u>69,541</u>

11.2.4 Disposals / deletions of property and equipments with original cost or book value in excess of rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book value	Sale price / insurance proceeds	Mode of settlement / disposal	Particulars of buyers / insurance companies
Residential Improvements	212	270	-	Write off	
-----Rs-----	792	340		Write off	
WDV below Rs. 250,000 - each and cost of less than Rs. 1,000,000	199	191	199	Various	Various
	<u>1,706</u>	<u>809</u>	<u>199</u>		
Furniture and Fixtures					
-----Rs-----					
WDV below Rs. 750,000 - each and cost of less than Rs. 1,000,000	5,754	901	1,102	Various	Various
	<u>5,754</u>	<u>901</u>	<u>1,102</u>		
Electrical office and computer equipment					
-----Rs-----					
WDV below Rs. 250,000 - each and cost of less than Rs. 1,000,000	945	581	696	Insurance claim	ICI Insurance Company Limited
	11,212	1,154	1,712	Various	Various
	<u>12,157</u>	<u>1,735</u>	<u>2,308</u>		
Motor Vehicles					
-----Rs-----					
WDV below Rs. 250,000 - each and cost of less than Rs. 1,000,000	1,288	365	563	As per Sa. (sic) rules	Eastern Motor Vehicle DEP (Employee)
	848	310	310	Insurance claim	Adarsh Insurance Company Limited
	11,267	1,241	714	Various	Various
	<u>12,135</u>	<u>2,416</u>	<u>3,027</u>		
	<u>30,422</u>	<u>2,981</u>	<u>11,637</u>		

11.3 Intangible assets

	2009									
	Cost				Accumulated Amortisation				Net book value at December 31, 2009	Annual rate of amortisation %
	At 01 January 2009	Additions / (deletions)	Other adjustments	At 31 December 2009	At 01 January 2009	Charge for the year / (amortisation on deletion)	Other adjustments	At 31 December 2009		
Software	29,184	1,804	-	30,988	8,271	10,854	-	19,134	12,854	33.33
	(Rupees in '000)									
	2008									
	Cost				Accumulated Amortisation				Net book value at December 31, 2008	Annual rate of amortisation %
	At 01 January 2008	Additions / (deletions)	Other adjustments	At 31 December 2008	At 01 January 2008	Charge for the year / (amortisation on deletion)	Other adjustments	At 31 December 2008		

11.4 The additions mainly represent acquisition of a networking program amounting to Rs. 1,304 million (2008: Rs. 9 million) for support of the new software namely Sonaware.net.

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
12 DEFERRED TAX ASSETS - NET			
Deferred debits arising in respect of			
Provision for diminution in the value of investments		49,764	10,745
Provision against non-performing advances		704,042	434,281
Provision against off balance sheet obligation		-	35,000
Deficit on revaluation of securities	21.2	44,825	324,789
		798,431	804,795
Deferred credits arising due to			
Accelerated tax depreciation		310,656	274,848
Surplus on revaluation of fixed assets	21.1	379,346	404,104
		690,002	(678,852)
Deferred tax asset / (liability)		108,429	125,843
13 OTHER ASSETS			
Income / mark-up accrued in local currency		1,444,217	1,653,037
Income / mark-up accrued in foreign currency		21,695	4,180
Dividend receivable		16,460	8,236
Advances, deposits, advance rent and other prepayments		379,821	261,301
Unrealised gain on forward foreign exchange contracts		151,645	201,805
Receivable against Voluntary Continuous Funding System Mark-II square up Program		-	17,466
Branch adjustment account		117,358	-
Suspense account	13.3.1	150,175	109,477
Advance taxation (provisions less payments)		636,062	145,328
Stationery and stamps in hand		56,189	54,784
Due from the State Bank of Pakistan		6,548	95,860
Membership Card of Islamabad Stock Exchange (Guarantee) Limited	13.1	11,100	11,100
Amount due in respect of payment made for acquisition of premises at Faisalabad	13.2	6,272	4,881
Others		8,047	36,658
		3,009,497	2,693,613
Less: Provision held against other assets	13.3	(129,570)	(143,783)
Other assets (net of provision)		2,879,927	2,550,130

13.1 During the year 2008, the Bank was elected as member of the Islamabad Stock Exchange (Guarantee) Limited. The bank applied for permission to establish a subsidiary company for carrying out brokerage transactions during the year 2008. The application of the Bank was not accepted by the State Bank of Pakistan. The management intends to reapply for the permission during 2010 and is confident that permission will be granted.

13.2 This represents amount due in respect of a property purchased by the Bank for branch premises at Faisalabad in 2005. The transaction could not be executed due to dispute in the title of the seller. The Bank accordingly had initiated proceedings through National Accountability Bureau (NAB) for recovery of the amount paid by it to the seller. The seller under Voluntary Return (VR) had initially agreed to settle the amount in three installments and an amount of Rs. 12.012 million was received during the year 2007 in settlement of the two installments. The third installment is over due from the seller. Consequently, NAB has cancelled the VR and is in the process of initiating legal proceedings against the seller. However, during the year the bank has fully provided the outstanding amount.

		2009 (Rupees in '000)	2008 (Rupees in '000)
13.3 Provision against other assets			
Opening balance		143,783	9,472
Charge for the year	13.3.1	16,408	140,182
Reversal		-	(5,871)
		16,408	134,311
Transfer / Reversal	10.3	(30,621)	-
Closing balance		129,570	143,783

13.3.1 This includes provision of Rs. 119,180 million (2008: Rs. 101,648 million) in respect of fraud and forgery claims relating to cash embezzlement by certain employees of the Bank. In addition, provision against advances (note 10.3) made during the year also includes an amount of NIL (2008: Rs 31,166 million) in respect of advances to certain customers alleged to have been involved with such employees. The Bank has initiated legal proceedings against these employees and has also taken necessary steps to further strengthen the internal control system.

14 CONTINGENT ASSETS

There were no contingent assets as at the balance sheet date.

		2009	2008
		(Rupees in '000)	
15	BILLS PAYABLE		
	In Pakistan	1,763,401	1,254,496
	Outside Pakistan	-	-
		<u>1,763,401</u>	<u>1,254,496</u>
16	BORROWINGS		
	In Pakistan	9,226,869	6,048,530
	Outside Pakistan	158,653	2,392,924
		<u>9,385,522</u>	<u>8,441,454</u>
16.1	Particulars of borrowings with respect to currencies		
	In local currency	9,226,869	6,048,530
	In foreign currencies	158,653	2,392,924
		<u>9,385,522</u>	<u>8,441,454</u>
16.2	Details of borrowings secured / unsecured		
	Secured		
	Borrowings from the State Bank of Pakistan		
	Under export refinance scheme	16.2.1 6,933,989	5,138,047
	Long Term Financing facility for plant & machinery	16.2.2 193,269	85,875
	Long Term Finance - export oriented projects	16.2.3 824,246	843,608
	Repurchase agreement borrowings	775,365	-
		<u>8,726,869</u>	<u>6,048,530</u>
	Unsecured		
	Call borrowings	-	-
	Murabaha borrowings	16.2.4 500,000	-
	Overdrawn nostro accounts	158,653	2,392,924
		<u>658,653</u>	<u>2,392,924</u>
		<u>9,385,522</u>	<u>8,441,454</u>

16.2.1 The Bank has entered into agreement for financing with the State Bank of Pakistan (SBP) for extending Export Finance to customers. Borrowings under the Export Refinance Scheme of SBP carry interest at rates ranging from 5.00% to 7.00% per annum (2008: 5.00% to 6.50% per annum). These are secured against demand promissory notes.

16.2.2 This represents borrowing from SBP under scheme for Long Term Financing Facility at rates ranging from 7.20% to 7.70% per annum (2008: 6.50% to 7.00% per annum), and have varying long term maturities stipulated by SBP. Under the agreement, SBP has a right to recover the outstanding amount from the bank at the respective maturity date of each finance by directly debiting the current account of the bank maintained with SBP.

16.2.3 These borrowings have been obtained from SBP for providing financing facilities to customers for import of machinery, plant, equipment and accessories thereof (not manufactured locally) by export oriented units.

16.2.4 This represents borrowing from an Islamic Bank at the rate of 11.70% per annum (2008: NIL) and have a maturity period of upto six months.

		2009	2008
		(Rupees in '000)	
17	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Remunerative		
	Fixed deposits	31,556,518	26,276,181
	Savings deposits	27,870,081	22,703,260
	Non-Remunerative		
	Current Accounts	12,729,790	11,181,272
	Call deposits	159,388	131,130
	Margin deposits	657,183	818,956
	Others	126,760	198,246
		<u>73,099,720</u>	<u>61,308,045</u>
	Financial Institutions		
	Remunerative - savings deposits	448,228	325,168
	Remunerative - fixed deposits	-	-
	Non-remunerative current deposits	278	278
		<u>448,506</u>	<u>325,446</u>
		<u>73,548,226</u>	<u>61,634,491</u>

	2009	2008
	(Rupees in '000)	
17.1 Particulars of deposits		
In local currency	68,453,444	57,621,877
In foreign currencies	5,094,782	4,012,614
	<u>73,548,226</u>	<u>61,634,491</u>
18 SUB-ORDINATED LOANS - UNSECURED (NON-PARTICIPATORY)		
Listed Term Finance Certificates	1,197,840	1,198,320

18.1 Liability against Term Finance Certificates is stated at nominal amount. The liability is subordinated as to payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Rate of mark-up on the liability is based on the floating rate of six months KIBOR prevailing immediately preceding the date before the start of each six month period for the profit due at the end of the semi-annual period plus 1.60% (subject to no floor and cap) per annum payable semi-annually.

The major redemption will commence from 78th month of the issue in the following manner:-

Month	Redemption
- November 2011	25% of the issue amount
- May 2012	25% of the issue amount
- November 2012	25% of the issue amount
- May 2013	25% of the issue amount

	2009	2008
	(Rupees in '000)	
19 OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	1,328,890	794,282
Mark-up / return / interest payable in foreign currencies	7,514	182,793
Unearned commission and income on bills discounted	27,187	25,696
Accrued expenses	22,426	35,340
Branch adjustment account	-	35,378
Provision for employees' compensated absences	79,706	71,424
Provision against off balance sheet obligations	-	100,000
Others	146,350	90,532
	<u>1,612,092</u>	<u>1,335,446</u>

20 SHARE CAPITAL

20.1 Authorised capital

	2009	2008		2009	2008
	(Number of shares)			(Rupees in '000)	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10/- each	<u>10,000,000</u>	<u>10,000,000</u>	

20.2 Issued, subscribed and paid-up capital

	2009			2008			2009	2008
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
Number of shares								
Opening balance	86,738,533	324,683,678	411,422,211	86,738,533	324,683,678	411,422,211	4,114,222	4,114,222
Shares issued during the year	-	90,512,900	90,512,900	-	-	-	905,129	-
Closing balance	<u>86,738,533</u>	<u>415,196,578</u>	<u>501,935,111</u>	<u>86,738,533</u>	<u>324,683,678</u>	<u>411,422,211</u>	<u>5,019,351</u>	<u>4,114,222</u>

20.3 Major shareholders as at 31 December 2009 are as follows:

Name of shareholder	Number of shares held	Percentage of shareholding
National Investment (Unit) Trust	117,784,888	23.47%
Trustees - Alauddin Feerasta Trust	104,401,787	20.80%
Trustees - Feerasta Senior Trust	102,141,850	20.35%
Trustees - Aina Trust	51,095,892	10.18%
	<u>375,424,417</u>	<u>74.80%</u>

	Note	2009	2008
		(Rupees in '000)	
21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) on revaluation (net of tax) of:			
- fixed assets	21.1	704,500	750,478
- securities	21.2	(82,876)	(603,180)
		<u>621,624</u>	<u>147,298</u>
21.1 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation of fixed assets as at 01 January		1,154,582	662,635
Adjustment arising in respect of revaluation of fixed assets		37,684	545,858
Transferred to unappropriated profit in respect of incremental depreciation charge on related assets - net of deferred tax		(70,473)	(35,042)
Related deferred tax liability		(37,047)	(18,869)
		<u>(108,420)</u>	<u>(53,911)</u>
Surplus on revaluation of fixed assets as at 31 December		1,083,846	1,154,582
Less: Related deferred tax liability	12	(379,346)	(404,104)
		<u>704,500</u>	<u>750,478</u>
21.2 (Deficit) / surplus on revaluation of available for sale securities - net of tax			
Federal Government Securities		(127,013)	(385,846)
Quoted shares / closed end mutual funds		(2,731)	(321,295)
Others - open ended mutual funds		2,241	(220,828)
		<u>(127,503)</u>	<u>(927,969)</u>
Related deferred tax asset	12	44,625	324,789
		<u>(82,876)</u>	<u>(603,180)</u>
22 CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
Financial guarantees issued favouring:			
- Government		83,373	46,055
- Others		124,415	79,753
		<u>207,788</u>	<u>125,808</u>
22.2 Transaction-related contingent liabilities			
Guarantees issued favouring:			
- Government		3,779,518	2,761,650
- Financial institutions		22,383	73,292
- Others		2,021,997	1,546,577
		<u>5,823,898</u>	<u>4,381,499</u>
22.3 Trade-related contingent liabilities			
Letters of credit		11,032,838	9,085,086
Acceptances		3,427,639	3,296,707

		2009	2008
		(Rupees in '000)	
22.4	Commitments in respect of forward lending		
	Commitments to extend credit	266,000	400,000
	In addition, the bank has other commitments to extend credit that represent revocable commitments and will not attract any significant penalty or expense in case the facility is withdrawn unilaterally.		
22.5	Commitments in respect of forward exchange contracts	2009	2008
		(Rupees in '000)	
	Purchase		
	- From other banks	4,182,850	1,851,850
	- From customers	6,162,722	5,059,871
		10,345,572	6,911,721
	Sale		
	- To banks	8,715,941	5,896,217
	- To customers	-	7,115
		8,715,941	5,903,332
	The maturities of the above contracts are spread over a period of one year.		
22.6	Other Contingencies		
22.6.1	For the tax year 2008 the Bank had filed return under self assessment scheme as envisaged in section 120 of the Income Tax Ordinance, 2001. The income tax department have amended the said assessment under section 122(5 A) of the Income Tax Ordinance, 2001. The amended assessment order has been passed by adding disallowing certain expenses / deductions resulting in additional tax liability of Rs. 222.026 million. The Bank has filed appeal before the Commissioner of Income Tax (Appeals) on these disallowances. The bank and its tax advisor are of the view that the issues will be decided in bank's favour as and when the appeal is taken up for hearing by the appellate authority. Therefore no additional provision has been made in these financial statements.		
22.6.2	Claims against the bank not acknowledged as debts amounted to Rs. 11.5 million (2008 Rs. 28 millions).		
23	MARK-UP / RETURN / INTEREST EARNED	2009	2008
		(Rupees in '000)	
	On loans and advances to customers	6,334,629	5,804,278
	On investments:		
	- Available for sale securities	1,955,329	861,637
	- Held to maturity securities	320,829	456,387
	On deposits with financial institutions and the State Bank of Pakistan	14,061	178,913
	On securities purchased under resale agreements	217,037	253,296
	On call money lendings	313,386	262,237
	On placements with financial institutions	1,293	3,973
		9,337,284	7,822,941
24	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	3,871,221	4,367,385
	Securities sold under repurchase agreements	100,478	63,623
	Call borrowings	10,390	1,790
	Sub-ordinated Loans	185,818	150,351
	Borrowings from the State Bank of Pakistan under export re-finance scheme and export oriented projects	334,872	293,193
		4,492,779	4,876,347
25	(LOSS) / GAIN ON SALE OF SECURITIES - NET		
	Ordinary shares - Listed companies	(22,787)	34,828
	Mutual Fund units	(22,418)	(35,066)
	Other securities	34,400	-
		(10,805)	(128)
26	OTHER INCOME		
	Net profit on sale of property and equipment	5,818	9,486
	Rent on lockers	6,339	5,804
	Recovery of expenses from customers	57,515	49,281
	Service charges	148,432	147,762
	Rebate on bank charges on nostro accounts - net	38,817	44,307
	Income on fresh	34,072	10,497
	Miscellaneous	84,044	53,322
		375,037	326,459

	Note	2009	2008
		(Rupees in '000)	
27 ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		653,459	541,705
Charge for employees' compensated absences		21,351	26,285
Charge for defined benefit plan	33.7	28,110	19,843
Contribution to defined contribution plan	34	19,075	15,670
Non-executive directors' fees, allowances and other expenses		450	370
Rent, taxes, insurance, electricity, etc.		263,708	199,056
Legal and professional charges		23,894	24,524
Communications		72,300	73,516
Repairs and maintenance		34,212	29,622
Stationery and printing		41,656	36,444
Advertisement and publicity		15,983	31,509
Donations	27.1	5,830	1,830
Auditors' remuneration	27.2	1,587	1,706
Depreciation	11.2	427,377	238,960
Amortisation	11.3	10,054	8,271
Brokerage & commission		7,609	9,875
Automation expenses		139,237	107,602
Entertainment		43,066	33,878
Fees & subscription		25,255	19,220
Motor vehicles running expenses		43,242	43,445
Remittance charges		23,075	23,234
Service charges		104,334	73,513
Training expenses		7,422	11,729
Travelling expenses		26,521	27,644
Others		54,855	74,134
		<u>2,113,660</u>	<u>1,673,590</u>

27.1 This represents donation given to Karachi Education Initiative, Institute of Business Administration and Pakistan Centre for Philanthropy in which none of the Bank's directors or executives or their spouses had any interest.

	Note	2009	2008
		(Rupees in '000)	
27.2 Auditors' remuneration			
Audit fee		800	800
Fee for audit of provident and gratuity funds		-	51
Special certifications		170	245
Fee for half yearly review of financial statements		150	150
Out-of-pocket expenses		467	460
		<u>1,587</u>	<u>1,706</u>
28 OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan			
- on account of annual inspection		28,517	3,067
- on account of misreporting, non-compliance etc.		784	629
Operating fixed assets written-off		12	28
Workers welfare fund		18,000	40,000
Zakat paid		1,561	-
		<u>48,874</u>	<u>43,724</u>

		2009	2008	
		(Rupees in '000)		
29	TAXATION			
	For the year			
	Current	321,000	697,000	
	Deferred	(275,942)	(444,371)	
		45,058	252,629	
	For prior years			
	Current	-	(437)	
	Deferred	-	-	
		-	(437)	
		45,058	252,192	
29.1	Relationship between tax expense and accounting profit			
	Profit before taxation	190,413	953,233	
	Tax at the applicable tax rate of 35% (2008: 35%)	66,645	333,632	
	Income chargeable to tax at reduced rates	(32,660)	(67,004)	
	Tax effect due to prior year change - current	-	(437)	
	Tax effect on permanent differences	10,255	1,204	
	Others	818	(15,203)	
		45,058	252,192	
30	BASIC / DILUTED EARNINGS PER SHARE			
	Profit for the year after taxation	145,355	701,041	
		Number of shares		
	Weighted average number of ordinary shares	501,935,111	501,935,111	
		(Rupees)		
	Basic and diluted earnings per share	0.29	1.40	
31	CASH AND CASH EQUIVALENTS	Note		
			2009	
			2008	
			(Rupees in '000)	
	Cash and balances with treasury banks	6	6,471,173	5,646,755
	Balances with other banks	7	1,497,193	3,908,859
			7,968,366	9,555,614
32	STAFF STRENGTH			
			2009	2008
			(Numbers of employees)	
	Permanent		1,815	1,587
	Temporary / on contractual basis etc.		143	133
	Bank's own staff strength at the end of the year		1,958	1,720
	Outsourced	32.1	139	121
	Total staff strength at the end of the year		2,097	1,841
32.1	Outsourced represent employees hired by an outside contractor / agency and posted in the Bank to perform various tasks / activities of the Bank.			

33 DEFINED BENEFIT PLAN

33.1 General description

As mentioned in note 5.11, the Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of five years of service.

33.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at 31 December 2009 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 33.2 to 33.11 has been obtained from the actuarial valuation carried out as at 31 December 2009. The main assumptions used for actuarial valuation were as follows:

	2009	2008
- Discount rate	12.75%	14%
- Expected rate of increase in salaries	12.75%	14%
- Expected rate of return on investments	12.75%	14%
- Withdrawal rate before normal retirement age	"moderate"	"moderate"

33.3 Reconciliation of payable to defined benefit plan

	2009	2008
	(Rupees in '000)	
Present value of defined benefit obligations	185,129	151,788
Fair value of any plan assets	(147,142)	(114,894)
Net actuarial gains or losses not recognised	(37,987)	(36,894)
	-	-

The gratuity plan assets include a deposit maintained by the scheme with the Bank amounting to Rs. 78,500 million (2008: Rs. 28,884 million)

33.4 Movement in defined benefit obligation

	Gratuity Fund	
	2009	2008
	(Rupees in '000)	
Obligation at the beginning of the year	151,788	121,256
Current service cost	18,595	14,801
Interest cost	22,003	12,590
Benefits paid by the fund	(9,568)	(5,518)
Actuarial (gain) / loss on obligation	2,311	8,659
Obligation at the end of the year	185,129	151,788

33.5 Movement in fair value of plan assets

Fair value at the beginning of the year	114,894	87,656
Expected return on plan assets	14,299	9,337
Contribution by the Bank	28,110	19,843
Benefits paid by the fund	(9,568)	(5,518)
Actuarial gain / (loss) on plan assets	(593)	3,576
Fair value at the end of the year	147,142	114,894

	Note	2009 (Rupees in '000)	2008
33.6 Movement in payable to defined benefit plan			
Opening balance		-	-
Charge for the year	33.7	28,110	19,843
Bank's contribution to the fund made during the year		(28,110)	(19,843)
Closing balance		-	-
33.7 Charge for defined benefit plan			
Current service cost		18,595	14,801
Interest cost		22,003	12,590
Expected return on plan assets		(14,299)	(9,337)
Amortisation of (gain) / loss		1,811	1,789
	27	28,110	19,843
33.8 Actual return on plan assets		18,475	12,224
33.9 Five year data on surplus / deficit of the plan and experience adjustments			

	Gratuity Fund				
	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of defined benefit obligation	185,129	151,788	121,257	85,375	66,359
Fair value of plan assets	147,142	114,894	87,656	62,609	61,796
Surplus / (Deficit)	(37,987)	(36,894)	(33,601)	(17,766)	(4,563)
Experience adjustments on plan liabilities (loss) / (gain)	2,311	8,659	18,108	13,971	5,958
Experience adjustments on plan assets (loss) / (gain)	(4,176)	(3,576)	(1,504)	(2,849)	(3,584)

	Gratuity Fund			
	2009 (Rupees in '000)	(Percent)	2008 (Rupees in '000)	(Percent)
33.10 Components of plan assets as a percentage of total plan assets				
Government securities	5,329	3.62%	19,509	16.98%
Units of mutual funds	-	0.00%	7,537	6.56%
Others (including bank balances)	141,813	96.38%	87,848	76.46%
	147,142	100.00%	114,894	100.00%

As per the actuarial recommendations the expected return on plan assets was taken as 12.75% per annum. The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy.

33.11 The expected gratuity expense for the next year commencing 01 January 2010 works out to Rs. 29,838 million.

34 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is five years. The contribution made by the Bank and its employees during the year amounted to Rs. 19,075 million each (2008: Rs. 15,670 million each). The number of employees as at 31 December 2009 eligible under the scheme were 1,292 (2008: 1,075 employees)

15 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		*Executives	
	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----					
Fee	-	-	450	370	-	-
Managerial remuneration	16,022	14,566	-	-	68,422	48,333
Charge for defined benefit plan	1,335	1,214	-	-	4,804	3,695
Contribution to defined contribution plan	1,335	1,334	-	-	4,762	3,276
Rent and lease maintenance	7,359	6,704	-	-	27,369	19,333
Utilities	157	148	-	-	6,842	4,833
Medical	-	-	-	-	4,252	2,851
Bonus, leave encashment and others	1,542	3,641	-	-	29,812	12,662
	<u>22,750</u>	<u>27,607</u>	<u>450</u>	<u>370</u>	<u>146,263</u>	<u>94,984</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>30</u>	<u>57</u>

* Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

The Bank also provides free use of the Bank's maintained cars to the chief executive and executives.

The aggregate amount charged to income for fee to directors and remuneration to other key management personnel were Rs. 0.450 million and Rs. 174.013 million (2008: Rs. 0.370 million and Rs. 122.591 million) respectively.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by banks as 'held to maturity'. These securities are being carried at amortised cost in order to comply with the requirements of BSD Circular No.14 dated 24 September 2004.

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 41 to these financial statements.

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

	2009		2008	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
36.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	<u>10,350,578</u>	<u>10,462,377</u>	<u>6,911,721</u>	<u>7,306,271</u>
Forward sale of foreign exchange	<u>8,715,945</u>	<u>8,681,095</u>	<u>5,903,333</u>	<u>6,006,077</u>

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	(Rupees in '000)				
31 December 2009					
Total income	545,165	912,981	1,202,418	7843,983	19,505,477
Total expenses	491,541	293,646	1,127,415	8,409,664	19,313,664
Net income / (loss)	53,624	619,335	75,003	(565,681)	190,813
Segment assets (Gross)	2,317,653	3,039,871	5,438,404	88,308,474	99,804,192
Segment non-performing loans	-	-	549,830	4,452,667	5,002,417
Segment provision required *	-	-	438,015	1,155,815	1,593,830
Segment liabilities	2,807,788	3,847,793	6,886,242	71,063,248	87,507,071
Segment return on net assets (RONA) (%)	(11)	(76)	(4)	(3)	2
Segment cost of funds (%)	5	3	11	6	6
31 December 2008					
Total income	209,171	722,079	1,210,636	6,827,261	9,099,147
Total expenses	161,365	211,337	1,075,589	6,648,423	8,195,614
Net income	47,806	510,742	135,047	178,838	953,233
Segment assets (Gross)	1,830,194	4,166,848	4,610,902	71,183,391	81,891,335
Segment non-performing loans	-	-	431,772	2,758,305	3,190,077
Segment provision required *	-	-	373,540	1,601,540	1,975,080
Segment liabilities	2,103,961	4,677,277	4,938,996	62,233,653	73,864,127
Segment return on net assets (RONA) (%)	(36)	(164)	(13)	2	13
Segment cost of funds (%)	6	2	16	7	7

* The provision against each segment represents provision held against advances, investments and other assets.

37.1 The above analysis includes allocation of items as per the approved mapping policy of the Bank.

38 TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

39 RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise related group companies, major share holders, directors and their close family members, staff retirement funds and key management personnel (including their associates).

Usual transactions with related parties include deposits, advances, acceptances and provision of other banking services are carried out in accordance with agreed terms. Transactions with executives are undertaken at terms in accordance with employment agreements and services rules and includes provision of advances on terms softer than those offered to the customers of the Bank. Contributions and accruals in respect of staff retirement benefit plan are made in accordance with the actuarial valuation / terms of the benefit plan as disclosed in notes 33 and 34. Remuneration to the key management personnel is disclosed in note 35 to these financial statements.

The details of transactions with related parties during the year are as follows:

	Key management personnel				Other related parties					
	Bank's Chief Executive / Executives		Directors & their close family members		Related group companies		Major Shareholders		Staff Retirement Funds	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
(Rupees in '000)										
Deposits										
At 1 January	14,026	10,258	225,612	217,041	285,141	529,042	894,387	238,845	88,012	111,387
Received during the year	325,281	220,655	1,395,722	980,375	14,341,239	15,013,574	251,398	332,260	339,294	128,469
Transfers	-	-	-	-	-	-	-	-	-	-
Received during the year	-	-	-	-	-	-	-	-	-	-
Withdrawn during the year	(224,701)	(216,887)	(1,352,256)	(582,704)	(12,998,219)	(15,257,475)	(236,820)	(78,731)	(194,507)	(151,708)
At 31 December	14,486	14,026	266,578	225,612	622,158	287,141	258,904	304,385	232,799	88,012
Profit / (incur) expenses on deposits	706	289	75,966	25,119	54,746	36,109	28,524	14,742	15,733	11,893

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

Debts due by key management personnel of the Bank or any of them either severally or jointly with any other persons:

	2009	2008
	(Rupees in '000)	
Advances		
Balance at beginning of the year	28,334	24,981
Loans granted during the year	42,731	19,763
Repayments	(14,335)	(16,410)
Balance at end of the year	<u>56,730</u>	<u>28,334</u>

These loans were given to key management personnel as per the terms of their employment. Mark-up on these advances amounts to Rs. 2,164 million (2008: Rs. 1,412 million)

40 CAPITAL ADEQUACY

40.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

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

- To be an appropriately capitalised institution, 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 15 April 2009 requires the minimum paid up capital (net of losses) for Banks to be raised to Rs. 10 billion by the year ending 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 6 billion paid up capital (net of losses) by the end of the financial year 2009. The paid up capital (net of losses) of the Bank for the year ended 31 December 2009 stood at Rs. 5,019.351 million. This shortfall is being met through the proposed issue of right shares as disclosed in note 43 of these financial statements. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent of the risk weighted exposure of the Bank as at 31 December 2009. The bank's CAR as at 31 December 2009 was approximately 12.75 percent of its risk weighted exposure.

Bank's regulatory capital analysed into two tiers

Tier 1 capital, includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiaries engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25 percent of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50 percent of the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 07 dated 15 April 2009. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk and market risk.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the Bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. There has been no material change in the Bank's management of capital during the period.

40.2 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy using Basel II standardised approach is presented below:

	2009	2008
	(Rupees in '000)	
Regulatory capital base		
Tier I capital		
Share capital	5,019,351	4,114,222
Share premium	1,405	1,405
Reserves	2,002,543	2,015,472
Unappropriated / unremitted profits (Net of Losses)	158,278	834,650
Minority in the equity of the subsidiaries	-	-
Innovative and other capital instruments (if any)	-	-
Less: Book value of goodwill and intangibles	(12,863)	(20,913)
Impairment on equity securities - net of tax not charged to profit and loss account	-	(323,643)
Calculation difference (expected losses vs eligible provisions)	-	-
Total Tier I Capital	7,169,414	6,621,193
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	718,704	958,656
General provisions subject to 1.25% of total risk weighted assets	(2,000)	20,000
Revaluation reserve (upto 45%)	430,355	326,837
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	-	-
Total Tier II capital	1,161,059	1,304,693
Eligible Tier III capital	-	-
Total regulatory capital	(a) 8,330,473	7,925,886

	2009		2008	
	Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
	Rupees in '000		Rupees in '000	

Portfolios subject to standardised approach (Simple Approach)

On-Balance Sheet Items:				
Sovereign and Central Banks	-	-	-	-
Public Sector Entities (PSEs)	167,683	1,676,848	5,092	63,650
Banks and Securities Firms	154,605	1,546,054	193,022	2,412,793
Corporates Portfolio	40.3 3,808,116	38,081,158	3,278,168	40,977,102
Retail Non Mortgages	40.3 286,977	2,869,770	195,927	2,449,083
Mortgages - Residential	10,361	103,612	8,561	107,007
Securitized Assets	-	-	-	-
Listed equities and regulatory capital issued by banks	75,552	755,515	54,686	683,578
Unlisted equity investments	3,750	37,500	3,000	37,500
Fixed Assets	332,173	3,321,728	248,476	3,145,944
Other Assets	138,585	1,385,850	87,444	1,093,048
Past Due Exposures	194,216	1,942,160	128,512	1,606,400
	5,172,020	51,720,195	4,202,888	52,536,105
Off balance sheet items:				
Non-Market Related:-				
Direct credit substitutes	40.4 312,028	3,120,275	1,873	23,411
Performance-related contingencies	40.4 140,068	1,400,675	102,090	1,276,128
Trade-related contingencies	40.4 180,674	1,806,744	146,310	1,828,877
Lending of securities or posting of securities as collateral	-	-	-	-
Other commitments	-	-	-	-
Other commitments with certain drawdown	26,600	266,000	32,000	400,000
	69,370	6,593,694	282,273	3,528,416

Risk-weighted exposures

		2009		2008	
		Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
		Rupees in '000		Rupees in '000	
Market related-					
Outstanding Interest rate contracts		-	-	-	-
Outstanding Foreign Exchange Contracts	40.5	23,152	238,520	43,090	538,623
		23,152	238,520	43,090	538,623
Portfolios subject to Internal Rating Based (IRB) Approach					
e.g. Corporate, Sovereign, Retail, Securitization etc.	N/A				
Equity Exposure Risk in the Banking Book					
Equity portfolio subject to market-based approaches					
Under simple risk weight method	N/A				
Under Internal models approach					
Equity portfolio subject to PD / LGD					
	N/A				
Market Risk					
Capital Requirement for portfolios subject to Standardized Approach					
Interest rate risk		3,637	48,463	4,870	60,875
Equity position risk		-	-	-	-
Foreign Exchange Risk		1,877	23,463	12,681	158,513
Position in Options		-	-	-	-
		5,514	68,926	17,551	219,388
Capital Requirement for portfolios subject to Internal Models Approach					
Interest rate risk	N/A				
Foreign exchange risk etc.					
Operational Risk					
Capital Requirement for operational risks					
		579,496	6,743,700	404,303	5,803,788
TOTAL	(b)	6,399,552	65,358,035	5,010,305	62,626,319
Capital Adequacy Ratio					
Total eligible regulatory capital held	(a)	8,330,473		7,925,886	
Total Risk Weighted Assets	(b)	65,358,035		62,626,319	
Capital Adequacy Ratio	(a/b)	12.75%		12.60%	

40.3 Cash margin and government securities amounting to Rs. 874,929 million have been deducted from gross advances using simple approach to credit risk mitigation under Basel II. Advances are not net off with general provision amounting to Rs. 12 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

40.4 Cash margin and government securities amounting to Rs. 1,683,506 million have been deducted from off-balance sheet items.

40.5 Contracts having original maturities of 14 days or less have been excluded.

41 RISK MANAGEMENT

The primary goal of risk management is to identify, assess the impact of risks inherent in the business and adopt risk management/mitigating measures, so as to achieve business growth with improved safety, soundness and profitability. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

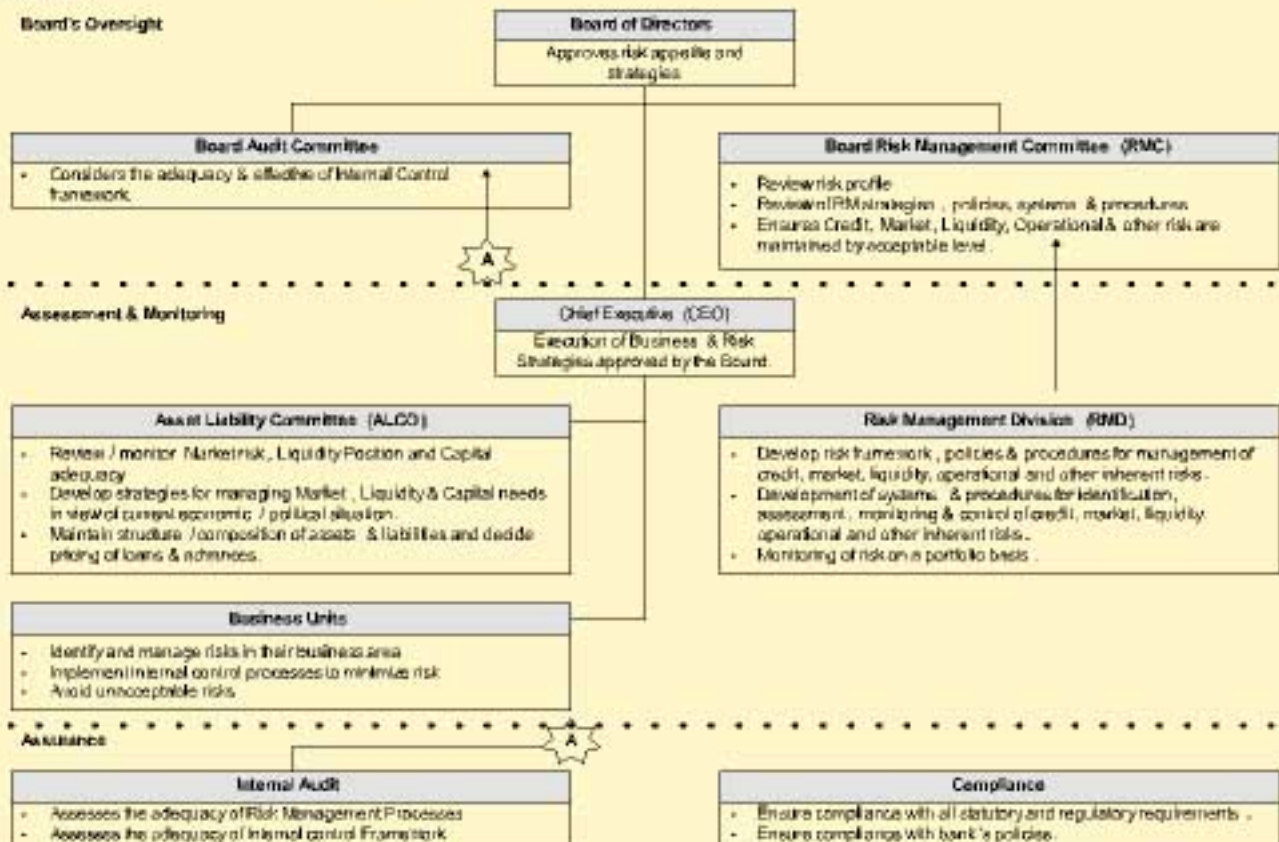
During the year, the Bank has commenced with a number of cutting-edge initiatives, in the area of measurement and management of credit, market & liquidity and operational risk. These measures are gradually providing competitive advantage to the businesses besides preparing the Bank for implementation of Basel-II advanced approaches in the coming years.

The Bank's risk management framework encompasses the culture, processes and structure that are directed towards the effective management of potential opportunities and threats to the Bank. The prime objective of Bank's risk management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated risk and economic capital management capabilities that will enable the Bank to achieve a single view of risks across its various business operations and to gain strategic advantage from its risk management capabilities.

The Bank's risk appetite sets out the level of risk the Bank is willing to take in pursuit of its business objectives. This is expressed as the Bank's appetite for earning volatility across all business from credit, market, liquidity and operational risk. It is calibrated against our broad financial targets, including income and impairment targets, dividend coverage and capital levels.

The Board of Directors (BOD) approves the Bank's risk appetite, risk management strategy and policies and keeps an oversight on the Bank-wide risk management framework. On the other hand, the Risk Management Committee, a BOD level sub-committee, ensures that the Bank at all times maintains a complete and prudent integrated risk management framework and ensures that the risks exposures are maintained within the Bank's tolerance levels.

The Bank's risk management policies cover all the major risk types that the Bank is exposed to, including the risk management organization, internal controls that emphasize well-defined division of responsibilities, and a clear binding system of review and monitoring.



Significant developments during the year

During the financial year, the Bank has undertaken some major capacity building measures with respect to its risk management activities. In this respect, the overall risk management operations have been segregated into credit risk management, operational risk management, market risk management and liquidity risk management. In addition, the Bank has acquired the licensing of internationally well known Enterprise Risk Management (ERM) solution of 'SAS', in order to further strengthen the risk management capabilities of the Bank and to integrate risk management activities at the Bank level. The ERM solution will provide a complete solution and platform for the implementation of, and measurement of risks under, the advanced approaches of Basel II accord, which will eventually be implemented over the coming years.

4.1 Credit Risk

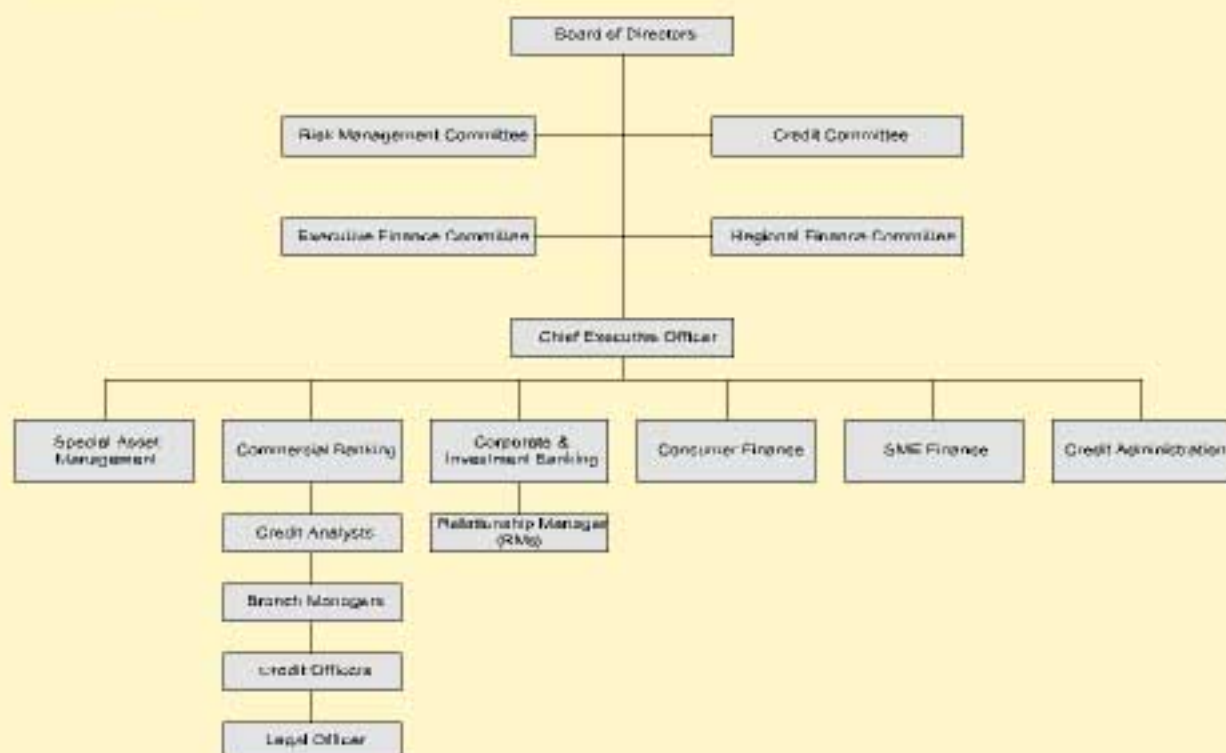
Credit Risk is a risk arising from the potential that an obligor is either unwilling to perform an obligation or its ability to perform is impaired resulting in financial loss to the Bank. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The principal source of credit risk arises from the lending and investing activities of the Bank.

Credit Risk Management Objectives and Organization

The granting of credit is the core banking activity and a major source of Bank's income and its most significant risk, the Bank has dedicated considerable resources to controlling it.

The main objective of the credit risk management process is to facilitate assessment of level of credit risk in lending and investing activities on an individual and portfolio basis as well as to implement a uniform credit standard across the Bank, to ascertain the overall risk of credit portfolio and to implement an effective framework that enables a proactive approach to identifying potential risks.

The Bank has a well structured organization for managing credit risk, which is supported by sound assessment, monitoring, recovery and control procedures.



Credit Approval Authorities and Credit standards

The Board of Directors has delegated lending powers to approval authorities constituted on both the bank wide and regional basis, which have been further delegated to Controller of Branches and Branch Manager level.

A well organized system of checks and balances has been in place for the extension of credit based on the Bank's Credit Manual, Credit Risk Management Policy and the Prudential Regulations of the State Bank of Pakistan, which provides a standard base for:

- Setting maximum exposure limits for a single obligor and a single group of related obligors,
- Defining maximum exposure limit to an industrial sector in terms of portfolio concentration,
- Credit risk assessment of corporate and retail customer via Internal Credit Risk Rating System,
- A general framework for the origination, documentation & maintenance of credit; and
- Standards for early problem recognition, classification, provisioning of problem loans and their remedial action.

Details of all credit exposures approved, changes in the classification, provisions and write-offs during the quarter are reported to Board of Directors on a quarterly basis.

Credit Risk Portfolio Management

Besides managing its credit risk exposures by ensuring that Bank's obligors comply with the minimum requirements for extension of credit, the Bank regularly monitors credit risk on a portfolio basis, ensuring that there is no undue concentration of risks to a group of customers or to a particular industry segment or sector/bucket. Risk limits for single obligor or group, counterparties, industrial sectors have been set up and deviations from the established limits are reported to Executive Finance Committee.

Credit Risk Rating

The Board of Directors has approved the Internal Credit Risk Rating System ("the Rating System") for the corporate, retail and consumer finance customers, establishing a rating mechanism for assessing and measuring the credit risk against each obligor. The mechanism considers factors such as management quality, financial health and macro- / micro-economic factors and the facility structuring / collateral support.

The Rating System assigns risk grades to customers in nine categories whereas three grades have been assigned to classified loans. Separate scorecards have been developed for rating corporate, retail and consumer customers. Business units assign rating to every customer as an integral part of credit approval process. The system is playing a significant role in the assessment, monitoring and capital adequacy processes relating to credit risk management.

Credit Risk Mitigation

A sound credit risk management framework forms part of the overall credit business strategy and credit operations of the Bank. The principles for credit risk mitigation have been laid down in the Bank's credit manual and credit risk management policy. The credit risk management policy mainly includes the following:

(a) Credit Risk Policy

The credit policy approved by the Board of directors sets out the strategic limits for granting of credits, target markets, pricing and acceptable collaterals. Whereas the credit manual and credit risk management policy provides tools for securing credit through credit evaluation, credit documentation standards and acceptance of adequate collateral.

(b) Counter Party / Country Limits

In addition to individual obligor limits specified in the Prudential Regulations of the State Bank of Pakistan, counter party limits for the financial institutions / DFIs are also in place. These limits have been assigned on the basis of latest credit ratings of the financial institution / DFI. In order to restrict cross border exposures to country / foreign banks, credit limits approved by the Board of Directors are being used to mitigate undue exposure to an individual bank or country. Limit exception reports are used to monitor exposures to counter parties and countries on a daily basis.

(c) Collateral

Most of the credit facilities extended by the Bank are backed by appropriate collaterals therefore collateral acts as a mitigant for exposure which may be realised in case of default by the borrower. Similarly lending to financial institutions, DFIs are backed by securities viz., Treasury Bills and Pakistan Investment Bonds. Clean facilities are provided only to the extent permissible under the Prudential Regulations of the State Bank of Pakistan. The credit manual of the Bank contains internal controls standards for the management of collaterals obtained against credit facilities.

(d) Early Warning Mechanism

An effective early warning system has been implemented which enables the business units / credit managers / credit administration personnel to identify and report problem loans on a prompt basis. Reports are received from business units on regular basis, which are escalated to Credit Authorities for taking necessary action by seeking additional securities and exercise other measures to stop further deterioration.

(e) Remedial Management and Allowances for Impairment

The credit manual of the Bank establishes standard for identification and classification of credit facilities, restructuring as well as related provisioning requirements and write-off policy. In order to have an effective remedial management set-up in place, the credit manual defines clear responsibilities pertaining to all processes that are required to be followed.

Credits that have become noncollectible are required to be referred to Special Asset Management (SAM) Division which initiates recovery proceedings against the borrowers, under the Financial Institutions (Recovery of Finance) Ordinance 2001.

41.1.1 Segmental information

41.1.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	847,493	1.63%	819,928	1.11%	217,508	1.00%
Textile	20,550,828	39.57%	2,372,871	3.09%	3,920,038	19.13%
Chemical and Pharmaceuticals	1,201,021	2.31%	897,470	1.22%	1,730,080	8.54%
Cement	1,231,697	2.37%	69,444	0.09%	466,246	2.28%
Sugar	470,508	0.91%	485,113	0.66%	5,063	0.02%
Footwear and Leather garments	709,478	1.48%	512,302	0.70%	64,651	0.31%
Automobile and transportation equipment	1,282,578	2.47%	3,621,887	4.92%	909,119	4.44%
Electronics and electrical appliances	1,277,458	2.46%	886,435	1.21%	1,800,033	8.78%
Construction	1,150,248	2.41%	2,765,166	3.70%	-	0.00%
Power (electricity, Gas, Water, Sanitary)	883,990	1.70%	345,290	0.47%	-	0.00%
Wholesale and Retail Trade	911,537	1.75%	3,121,017	4.24%	-	0.00%
Exports/Imports	567,319	1.09%	1,915,909	2.60%	-	0.00%
Financial	954,530	1.84%	3,815,634	5.19%	1,018,716	7.90%
Insurance	-	0.00%	344,390	0.47%	-	0.00%
Individuals	1,974,691	3.80%	21,170,056	28.79%	21,367	0.10%
Others*	17,766,055	34.21%	30,499,314	41.48%	9,720,503	47.44%
	51,939,441	100.00%	73,548,226	100.00%	20,492,163	100.00%

Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	866,714	1.75%	1,975,063	3.21%	196,440	1.18%
Textile	17,229,849	34.83%	1,541,861	2.50%	4,086,842	24.20%
Chemical and Pharmaceuticals	1,504,201	3.04%	513,486	0.83%	974,427	5.77%
Cement	634,962	1.28%	162,133	0.26%	541,991	3.21%
Sugar	809,513	1.70%	42,705	0.07%	168,893	1.00%
Footwear and Leather garments	696,929	1.41%	218,580	0.35%	185,312	1.10%
Automobile and transportation equipment	1,497,224	3.23%	1,450,085	2.35%	1,392,476	8.24%
Electronics and electrical appliances	2,509,488	5.07%	365,412	0.59%	996,779	5.90%
Construction	1,169,303	2.36%	1,648,661	2.67%	278,327	1.65%
Power (electricity, Gas, Water, Sanitary)	421,017	0.85%	273,271	0.44%	489,862	2.90%
Wholesale and Retail Trade	797,913	1.61%	1,749,897	2.84%	6,085	0.04%
Exports/Imports	2,691,910	5.44%	836,445	1.36%	-	0.00%
Financial	672,904	1.36%	9,004,210	14.61%	7,126	0.04%
Insurance	10,012	0.02%	281,519	0.46%	132,796	0.79%
Individuals	2,333,269	4.72%	19,099,029	30.98%	34,321	0.20%
Others*	15,489,734	31.27%	22,477,532	36.48%	7,396,823	43.80%
	49,464,962	100.00%	61,634,491	100.00%	16,889,100	100.00%

* All other business classes are less than ten percent of the total exposure.

41.1.1.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	1,882,000	3.62%	8,956,811	12.18%	367,518	1.79%
Private	50,057,441	96.38%	64,591,415	87.82%	20,124,645	98.21%
	51,939,441	100.00%	73,548,226	100.00%	20,492,163	100.00%

	2008					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	-	0.00%	8,403,828	13.63%	654,263	3.87%
Private	49,464,962	100.00%	53,230,663	86.37%	16,234,835	96.13%
	49,464,962	100.00%	61,634,491	100.00%	16,889,100	100.00%

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

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
----- (Rupees in '000) -----				
Agriculture, Forestry, Hunting and Fishing	7,787	6,436	8,106	2,998
Mining and Quarrying	-	-	-	-
Textile	3,070,753	2,217,037	1,804,432	1,141,610
Chemical and Pharmaceuticals	24,796	14,436	-	-
Cement	-	-	-	-
Sugar	14,000	7,000	57,267	26,050
Footwear and Leather garments	4,950	2,633	17,461	9,212
Automobile and transportation equipment	-	-	160,290	36,444
Electronics and electrical appliances	187,656	78,442	378,926	51,052
Construction	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Exports/Imports	-	-	-	-
Transport, Storage and Communication	-	-	-	-
Financial	-	-	10,000	10,000
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	33,198	23,726	20,813	16,653
Others	1,659,277	851,828	732,282	576,179
	5,002,417	3,200,338	3,190,077	1,869,598

41.1.1.4 Details of non-performing advances and specific provision by sector

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
----- (Rupees in '000) -----				
Public - Government	-	-	-	-
Private	5,002,417	3,200,338	3,190,077	1,869,598
	5,002,417	3,200,338	3,190,077	1,869,598

41.1.1.5 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
----- (Rupees in '000) -----				
Pakistan	190,413	95,310,272	7,803,201	39,824,682
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	190,413	95,310,272	7,803,201	39,824,682
	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
----- (Rupees in '000) -----				
Pakistan	953,233	80,977,254	7,113,047	30,104,153
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	953,233	80,977,254	7,113,047	30,104,153

41.2 Credit Risk – General Disclosures, Basel II Specific

The Bank has adopted Standardized Approach, under Basel II. According to the regulatory statement submitted under the Standardized Approach, the portfolio has been divided into claims fully secured by residential property, claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 92% of the total exposure, 1% represents claims fully secured by residential property and the remaining 7% exposure pertains to claims categorized as retail portfolio.

41.3 Credit Risk: Standardized Approach

Currently the Bank does not have any policy whereby customers have to be rated by a rating agency. Therefore, the Bank uses unsolicited / solicited ratings of JCR-VIS, PACRA and other foreign agencies wherever applicable.

Following are the types of exposure for which each agency is used:

Exposure	JCR-VIS	PACRA	Fitch, Moody's & S&P
Corporate	✓	✓	-
Banks	✓	✓	✓
Sovereigns	-	-	-
SME's	-	-	-
Securitized	-	-	-

Most of the Bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of our exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardized approach, amount of Bank's / DFI's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-6	40,006,997	447,278	39,559,719
Banks (local)	1-2	4,289,406	924,328	3,365,078
Banks (foreign)	1-5	4,280,527	-	4,280,527
Sovereigns, central banks, etc.		28,708,635	-	28,708,635
Unrated		17,872,893	427,651	17,445,242
Total		<u>95,158,458</u>	<u>1,799,257</u>	<u>93,359,201</u>

* CRM – Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits / government securities

The Bank has adopted simple approach to credit risk mitigation under Basel II and therefore have not applied any haircuts to the collateral. Moreover our eligible collateral only includes cash / liquid securities.

41.4 Market Risk

41.4.1 Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In the absence of trading book, the Bank is only exposed to interest rate risk in the banking book.

The main objective of the Bank's market risk management is to minimize market risk in the banking book and to facilitate business growth within a controlled and transparent risk management framework.

Market risk in banking book arises from deposits, advances, investment in fixed income securities, equities and dealing in money market and foreign exchange transactions.

Market risk is being monitored by Asset and Liability Committee (ALCO), comprising of CEO, CFO and senior executives. The committee performs following functions in relation to market risk:

- Regular periodic review of market risk, based on economic review reports, interest sensitive gap reports and simulated income reports etc.
- Keeps an eye on the structure composition of Bank's assets and liabilities and decide upon product pricing for deposits and advances.
- Develop future business strategy in view of the latest trends in interest rate in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

In addition to these, ALCO periodically requires various other analytical reports, entailing the Bank's exposures with respect to risk factors which mainly include liquidity risk, interest rate risk, foreign exchange risk and equity price risk, from Market and Liquidity Risk Department (MLRD) for decision making purposes.

The market risk is assessed at the transaction level by the Treasury & Finance Divisions, whereas, the monitoring of market risk is being performed by MLRD. The MLRD monitors foreign exchange, money market and capital market deal transactions and ensures compliance with BOT approved limits as well as the Prudential Regulations and any other regulatory aspects.

During the year, the MLRD has initiated the process of risk quantification, via Value at Risk (VaR) model, on the Bank's exposures in equity securities and foreign exchange positions. Furthermore, a preliminary risk quantification exercise has been initiated for interest rate risk. However, the same will be strengthened after the implementation of Enterprise Risk Management solution of SAS.

41.4.2 Foreign Exchange Risk

Foreign Exchange Risk is the probability of loss resulting from adverse movement in exchange rates. Exchange position arising from trading activities are monitored through foreign exchange limits on aggregate and individual currency basis. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000)				
Pakistan rupee	87,715,281	82,246,122	(1,773,263)	3,695,896
United States dollar	7,136,763	4,326,569	885,681	3,695,935
Great Britain pound	85,099	535,924	561,045	110,220
Japanese yen	21,127	9,198	(20,671)	(8,142)
Euro	211,230	366,755	335,481	179,956
Other currencies	140,772	22,563	11,127	129,336
	95,316,272	87,507,071	-	7,803,201
2008				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000)				
Pakistan rupee	72,510,486	67,275,876	(1,008,390)	4,226,220
United States dollar	6,846,066	5,006,784	477,021	2,226,303
Great Britain pound	513,740	769,130	343,452	88,062
Japanese yen	2,018	24	-	1,994
Euro	705,000	715,091	210,604	200,513
Other currencies	399,444	7,302	(22,603)	369,955
	80,977,254	73,864,207	-	7,113,047

41.4.3 Equity Position Risk

The Bank is not exposed to any risk arising from taking long or short positions in equities and other instruments that exhibit market behavior similar to equities as the Bank does not maintain any trading books.

41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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 financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments. The Bank's yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Effective yield/interest rate %	2008										Derivatives bearing financial instruments	
	Total	Expected to Maturity/Interest Rate Fall										
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	(Rupees in '000)											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.00%	647,171	-	-	-	-	-	-	-	-	-	647,171
Balances with other banks	11.00%	1,495,193	400,018	-	-	-	-	-	-	-	-	1,095,175
Lending to financial and other institutions	11.85%	3,795,177	1,955,177	888,000	-	-	-	-	-	-	-	-
Investments	12.18%	29,511,78	15,863	1,268,531	14,267,275	6,917,160	855,481	721,521	1,177,659	159,538	110,359	1,541,678
Advances	13.13%	48,757,015	166,448	4,311,643	38,324,961	-	-	-	-	-	-	-
Other assets	0.00%	1,205,653	-	-	-	1,694	626	78,701	15,719	-	-	1,002,933
		<u>61,905,076</u>	<u>2,471,536</u>	<u>14,052,471</u>	<u>52,592,236</u>	<u>6,920,544</u>	<u>856,113</u>	<u>801,021</u>	<u>1,311,378</u>	<u>159,538</u>	<u>110,359</u>	<u>11,347,340</u>
Liabilities												
RTIs payable	0.00%	1,751,441	-	-	-	-	-	-	-	-	-	1,751,441
Reserve deposits	7.80%	9,185,722	-	7,769,154	300,000	-	-	-	1,415,515	-	-	10,264,669
Deposits and other accounts	8.65%	71,548,236	3,482,324	2,396,214	5,488,832	41,767,462	-	-	-	-	-	1,25,602,868
Self-liquidating loans	15.83%	1,197,940	-	-	1,197,940	-	-	-	-	-	-	-
Other liabilities	0.00%	1,111,201	-	-	-	-	-	-	-	-	-	1,111,201
		<u>87,304,539</u>	<u>3,482,324</u>	<u>10,445,371</u>	<u>5,786,772</u>	<u>42,767,462</u>	<u>-</u>	<u>-</u>	<u>1,417,515</u>	<u>-</u>	<u>-</u>	<u>11,830,439</u>
On-balance sheet gap		<u>1,632,618</u>	<u>(1,010,788)</u>	<u>2,445,096</u>	<u>(1,002,231)</u>	<u>(16,846,918)</u>	<u>856,113</u>	<u>801,021</u>	<u>683,863</u>	<u>159,538</u>	<u>110,359</u>	<u>(1,342,221)</u>
Non-financial net assets		<u>1,047,353</u>										
Total net assets		<u>2,580,711</u>										
Off-balance sheet financial instruments												
Forward purchase of foreign exchange		18,324,578	6,347,923	3,136,640	492,386	111,830	-	-	-	-	-	-
Forward sale of foreign exchange		(6,719,941)	(4,634,713)	(1,892,353)	(1,096,911)	-	-	-	-	-	-	-
Off-balance sheet gap		<u>11,604,637</u>	<u>1,713,210</u>	<u>1,244,287</u>	<u>(594,525)</u>	<u>111,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Yield / Interest Risk Sensitivity Gap		<u>(1,501,830)</u>	<u>(1,770,286)</u>	<u>11,346,829</u>	<u>(16,715,888)</u>	<u>856,113</u>	<u>801,021</u>	<u>683,868</u>	<u>159,538</u>	<u>110,359</u>	<u>(1,342,221)</u>	
Carrying the Yield / Interest Risk Sensitivity Gap		<u>(1,504,830)</u>	<u>1,525,256</u>	<u>45,444,485</u>	<u>5,609,27</u>	<u>2,585,210</u>	<u>8,233,534</u>	<u>7,051,301</u>	<u>11,311,978</u>	<u>11,311,978</u>	<u>11,311,978</u>	<u>1,436,718</u>

Effective yield/interest rate %	2009										Non-interest bearing financial instruments	
	Total	Exposed to credit (interest rate) risk										
		Up to 3 months	Over 3 to 6 months	Over 6 to 12 months	Over 12 to 24 months	Over 24 to 36 months	Over 36 to 48 months	Over 48 to 60 months	Over 60 to 72 months	Over 72 to 84 months		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Call and balances with monetary banks	0.00%	5,445,135	655,500	-	-	-	-	-	-	-	-	547,183
Balances with other banks	1.36%	3,483,354	50,888	-	-	-	-	-	-	-	-	3,838,839
Lending to financial and other institutions	12.60%	5,884,768	1,540,748	3,700,000	-	-	-	-	-	-	-	-
Investments	1.46%	14,633,117	494,189	7,877,911	1,307,966	45,327	17	820,724	1,688,997	314,220	27,300	1,74,512
Advances	12.01%	9,575,361	1,372,941	18,571,643	25,625,897	-	-	-	-	-	-	-
Others	8.99%	1,709,621	-	-	-	-	-	-	-	-	-	1,709,621
		<u>36,433,047</u>	<u>5,871,318</u>	<u>26,476,978</u>	<u>26,932,863</u>	<u>45,327</u>	<u>17</u>	<u>820,724</u>	<u>1,688,997</u>	<u>314,220</u>	<u>27,300</u>	<u>12,383,043</u>
Liabilities												
Bills payable	8.99%	1,254,496	-	-	-	-	-	-	-	-	-	1,254,496
Borrowings	8.50%	3,441,454	4,157,569	600,478	-	-	-	-	982,485	-	-	2,982,934
Deposits and other accounts	8.12%	61,634,951	5,998,447	4,570,863	14,793,895	26,325,348	-	-	-	-	-	12,329,893
Subordinated loan	76.81%	1,199,320	-	-	1,796,230	-	-	-	-	-	-	-
Other liabilities	8.99%	1,140,827	-	-	-	-	-	-	-	-	-	1,140,827
		<u>15,666,968</u>	<u>9,754,770</u>	<u>5,170,341</u>	<u>15,690,125</u>	<u>26,325,348</u>	<u>-</u>	<u>-</u>	<u>982,485</u>	<u>-</u>	<u>-</u>	<u>12,667,179</u>
On-balance sheet gap		<u>2,066,079</u>	<u>(4,164,811)</u>	<u>11,296,637</u>	<u>11,242,738</u>	<u>(20,219,921)</u>	<u>17</u>	<u>820,724</u>	<u>1,078,914</u>	<u>314,220</u>	<u>27,300</u>	<u>(4,882,461)</u>
Non-financial net assets		<u>3,567,065</u>										
Total net assets		<u>3,567,065</u>										
Off-balance sheet financial instruments												
Forward purchase of foreign exchange		6,911,721	2,647,198	3,798,635	1,286,889	287,865	-	-	-	-	-	-
Forward sale of foreign exchange		(5,948,332)	(2,424,681)	(3,091,887)	(1,472,154)	-	-	-	-	-	-	-
Off-balance sheet gap		<u>963,389</u>	<u>222,517</u>	<u>706,748</u>	<u>(185,265)</u>	<u>287,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Yield/Interest Risk Sensitivity Gap		<u>(4,121,257)</u>	<u>16,683,382</u>	<u>24,793,385</u>	<u>(20,022,660)</u>	<u>17</u>	<u>820,724</u>	<u>1,078,914</u>	<u>314,220</u>	<u>27,300</u>	<u>(4,882,461)</u>	
Cumulative Yield/Interest Risk Sensitivity Gap		<u>(4,121,257)</u>	<u>11,814,445</u>	<u>32,201,122</u>	<u>6,679,106</u>	<u>6,679,121</u>	<u>7,699,947</u>	<u>8,279,161</u>	<u>8,943,381</u>	<u>9,247,784</u>	<u>4,127,645</u>	

- (a) The effective interest rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument.
 (b) The effective interest rate has been computed by excluding non-performing advances.
 (c) The effective interest rate has been computed by excluding non-recurring deposits.

41.5 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. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Day to day funding, is managed by Treasury Division through net cash flow from payment systems, fresh deposit mobilized by branches, maturing money market deposits etc., if required, Treasury arranges funds by borrowing from money market.

The Bank maintains a portfolio of highly marketable assets viz., Treasury Bills and Pakistan Investment Bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. This is further supported by investments in short term securities viz., Certificate of Investments etc.,. In line with its liquidity risk management policy, the Bank maintains a cushion over and above the minimum statutory requirements of SRP, for maintaining liquidity reserves, to ensure continuity of cash flows.

Sources of liquidity are regularly reviewed / monitored by Asset and Liability Committee (ALCO) on regular periodic basis. ALCO reviews the current economic situation, liquidity gap reports, and asset - liability mix and approve strategy for managing appropriate liquidity. The Liquidity Risk Management Policy contains elaborate contingency plans for actions to be taken in case of a short term or permanent liquidity crises.

41.5.1 MATURITIES OF ASSETS AND LIABILITIES

	Total	2009								
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	6,471,173	6,471,173	-	-	-	-	-	-	-	-
Balances with other banks	1,497,193	1,497,193	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,735,177	1,955,177	800,000	-	-	-	-	-	-	-
Investments - net	29,537,179	1,561,196	3,004,742	11,426,971	7,042,821	1,220,756	1,646,624	3,032,366	471,627	120,056
Advances - net	48,727,064	100,499	9,101,644	7,102,779	24,612,457	761,640	2,254,194	1,668,154	727,487	176,252
Operating fixed assets	3,333,691	354	100	1,394	205,492	32,746	167,656	654,564	333,710	1,932,875
Deferred Tax Assets	108,429	-	-	-	108,429	-	-	-	-	-
Other assets - net	2,679,927	2,867,416	-	-	1,100	-	-	-	6,311	-
	95,310,272	14,449,268	13,106,465	18,533,144	32,000,297	2,016,542	4,068,474	7,355,204	1,347,237	2,234,683
Liabilities										
Bills payable	1,763,401	1,763,401	-	-	-	-	-	-	-	-
Borrowings	9,365,822	158,183	7,709,354	500,000	-	-	-	1,017,315	-	-
Deposits and other accounts	75,548,126	19,160,723	2,719,219	7,880,822	22,478,245	7,809,555	6,294,012	2,080,262	5,155,388	-
Subordinated loans	1,197,840	-	-	240	240	299,520	598,560	299,280	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,612,082	1,512,892	-	-	84,190	-	-	-	-	-
	87,387,271	22,610,669	10,448,573	8,381,061	22,512,675	8,109,675	6,892,572	3,397,057	5,155,388	-
Net assets	7,923,001	(8,162,401)	2,657,892	10,152,082	9,487,622	(6,092,533)	(2,824,098)	3,958,147	(1,608,151)	2,234,683
Share capital	5,019,351									
Reserves	2,601,948									
Unappropriated profit	658,274									
Surplus on revaluation of assets	571,524									
	7,923,001									
2008										
	Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	5,646,755	5,646,755	-	-	-	-	-	-	-	-
Balances with other banks	3,908,839	3,908,839	-	-	-	-	-	-	-	-
Lending to financial & other institutions	3,910,269	1,219,269	2,700,000	-	-	-	-	-	-	-
Investments - net	14,051,177	1,717,482	6,617,264	698,101	91,165	191,149	1,127,771	2,761,144	615,098	271,201
Advances - net	47,575,364	1,372,904	10,574,083	6,072,419	21,878,661	743,083	1,471,072	4,167,533	1,053,808	246,837
Operating fixed assets	3,126,857	147	31	1,795	193,013	43,944	81,299	505,665	316,962	1,984,901
Deferred Tax Assets	825,843	-	-	-	125,843	-	-	-	-	-
Other assets - net	2,581,730	2,533,375	-	-	1,100	-	-	-	5,647	-
	80,979,154	16,489,769	19,891,958	6,772,506	22,992,780	977,256	2,680,144	7,576,262	1,991,518	2,264,941
Liabilities										
Bills payable	1,254,496	1,254,496	-	-	-	-	-	-	-	-
Borrowings	8,111,154	6,930,193	600,478	-	-	-	-	910,183	-	-
Deposits and other accounts	60,634,491	16,028,465	4,501,863	14,298,095	8,377,033	878,884	4,080,074	6,239,907	4,700,579	-
Subordinated loans	1,198,120	-	-	240	240	480	299,520	897,840	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,335,446	1,217,934	-	-	97,512	-	-	-	-	-
	73,864,207	25,411,406	5,102,341	14,766,135	8,474,765	879,364	4,179,594	10,048,230	4,700,579	-
Net assets	7,113,947	(8,921,637)	14,721,615	(7,993,629)	13,818,015	97,892	(1,699,450)	(2,671,868)	(2,708,852)	2,264,941
Share capital	4,114,222									
Reserves	2,616,673									
Unappropriated profit	834,659									
Surplus on revaluation of assets	447,298									
	7,113,947									

Saving deposits do not have any contractual maturity however these deposits have been allocated into the above time bands based on historical withdrawal pattern of the said deposits. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

41.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the bank

	Total	2009								
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	6,471,173	6,471,173	-	-	-	-	-	-	-	-
Balances with other banks	1,197,193	1,197,193	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,735,377	1,953,377	800,000	-	-	-	-	-	-	-
Investments - net	29,537,179	1,761,196	3,004,742	11,428,971	7,042,821	1,220,756	1,646,624	3,032,386	479,627	120,656
Advances - net	48,727,103	300,499	9,301,643	7,102,779	24,632,455	763,040	2,254,194	3,668,254	723,467	176,752
Operating fixed assets	3,333,891	354	160	1,394	265,462	32,746	167,656	654,564	333,710	1,037,875
Deferred tax assets - net	108,429	-	-	-	108,429	-	-	-	-	-
Other assets - net	2,879,927	2,862,416	-	-	11,100	-	-	-	6,411	-
	93,310,272	14,448,208	13,100,485	18,333,144	31,000,297	2,016,542	4,068,474	7,333,204	1,347,233	2,234,083
Liabilities										
Bills payable	1,761,401	1,763,401	-	-	-	-	-	-	-	-
Borrowings	9,385,323	158,653	7,709,354	500,000	-	-	-	1,017,515	-	-
Deposits and other accounts	73,548,236	39,279,723	2,600,985	6,076,121	13,478,774	5,505,021	4,806,370	1,525,337	177,895	-
Subordinated loans	1,897,840	-	-	240	240	293,320	398,560	290,280	-	-
Other liabilities	1,612,082	1,527,892	-	-	84,190	-	-	-	-	-
	87,967,071	42,729,669	10,310,339	6,576,361	15,963,264	5,802,941	5,904,930	2,842,152	177,895	-
Net assets	7,803,201	(28,281,461)	2,789,146	11,756,783	15,037,033	(3,786,399)	(1,436,455)	4,511,072	1,169,338	2,234,683
Share capital	5,009,351									
Reserves	2,003,948									
Unappropriated profit	158,278									
Surplus on revaluation of assets	611,624									
	7,803,201									
(Rupees in '000)										
	Total									
Assets										
Cash and balances with treasury banks	6,646,758	6,646,758	-	-	-	-	-	-	-	-
Balances with other banks	3,908,879	3,908,879	-	-	-	-	-	-	-	-
Lending to financial & other institutions	3,990,269	1,200,269	2,700,000	-	-	-	-	-	-	-
Investments - net	14,053,177	1,337,482	6,657,864	648,301	48,863	141,144	1,127,773	2,703,144	613,098	271,203
Advances - net	47,575,364	1,173,404	10,574,063	6,072,489	21,871,661	743,063	1,471,072	4,167,533	1,051,901	248,877
Operating fixed assets	3,126,857	847	31	1,795	393,013	43,044	81,299	305,685	316,562	1,984,901
Other assets - net	125,843	-	-	-	125,843	-	-	-	-	-
	7,803,201	2,533,373	-	-	11,040	-	-	-	5,657	-
	80,977,254	46,489,789	19,891,958	6,772,516	22,292,381	977,256	2,680,144	3,376,362	1,994,518	2,504,941
Liabilities										
Bills payable	1,254,496	1,254,496	-	-	-	-	-	-	-	-
Borrowings	3,441,454	6,930,493	600,478	-	-	-	-	910,433	-	-
Deposits and other accounts	61,634,491	17,264,907	4,058,966	7,414,549	4,208,145	572,501	2,630,350	3,364,628	94,885	-
Subordinated loans	1,898,320	-	-	240	240	480	294,520	447,840	-	-
Deferred tax liabilities - net	1,555,446	-	-	-	-	-	-	-	-	-
Other liabilities	1,147,844	1,147,844	-	-	97,512	-	-	-	-	-
	73,864,207	46,687,890	4,659,444	7,414,789	4,305,897	572,681	2,925,870	3,172,951	94,885	-
Net assets	7,113,047	(30,198,101)	15,232,514	(642,273)	17,986,483	404,575	(279,726)	203,411	1,801,633	2,504,941
Share capital	4,114,222									
Reserves	2,016,877									
Unappropriated profit	824,650									
Surplus on revaluation of assets	147,298									
	7,113,047									

The above mentioned maturity profile has been prepared in accordance with IAS 30: Disclosures in the financial statements of Banks and similar financial institutions based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 41.5.1 that includes maturities of saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

41.6 Operational Risk

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in Bank's operations and are typical of any financial institution. Major sources of operational risk include: weaknesses in operational processes, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff as well as social and environmental impacts.

The Bank's operational risk management framework aims to understand and report the operational risks being taken, capture and report operational errors made and to understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.

At present the Bank's Operational Risk Framework is built around the "Three Lines of Defense" concept in which business/support units (1st Line of defense) will have the primary responsibility for managing specific risk exposures on a day-to-day basis. Business/support units have access to information, including that of risk, and should always be mindful of the risk elements inherent in their business activities.

On a corporate level, the task of setting an overall Operational Risk Management Framework encompassing measurement, monitoring and controlling tools, methodologies, setting the risk appetite, as well as facilitating identification of risk is undertaken by the Operational Risk Management Department (2nd Line of defense).

The Internal Audit Division (3rd Line of defense), in addition to their role as an independent reviewer, provides assurance regarding the adequacy and effectiveness of the ORM Framework and process.

The framework further requires all new products, as well as any change in existing products, to be reviewed by Operational Risk Management Department (ORMD), so that risk associated with the products may be identified and mitigated.

During the year, in order to improve its operations and ensure continuity of banking services to its customers, the bank has updated the business continuity plan (BCP), which has been approved by the Board of Directors. The updated BCP is being implemented across the bank and will ensure continuity of bank's services to customers in case of any disruption.

Furthermore, the bank has initiated the exercise of Risk and Control Self Assessment (RCSA). This exercise requires an internal self assessment of risks encountered by the bank. For this purpose, end to end information flows are being developed. These will be used to identify Key Risk Indicators (KRIs) and put in place controls to mitigate these risks.

A setup has also been created whereby departments will report loss events near miss incidents to ORMD. These will be accumulated in an Operational Loss Database and will assist in monitoring of the bank and the threats it encounters. Going forward, these will be linked with KRIs, and lead to better management of risks faced by the bank.

42 DATE OF AUTHORISATION

These financial statements were authorised for issue on 24 February 2010 by the Board of Directors of the Bank.

43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 21 November 2009 have approved the right shares issue of 20%, i.e. 20 right shares for every 100 shares held. The financial statements for the year ended 31 December 2009 do not include the effect of this right shares issue which will be accounted for in the financial statements for the year ending 31 December 2010.

44 GENERAL

Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

ALAUDDIN FEERASTA
CHAIRMAN

SAFAR ALI K. LAKHANI
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2009**

S. No.	Name and address of the borrower	Name of the Director / partners / Director (with DIN No.)	Father's / Husband's name	Outstanding Liability at beginning of year				Principal written off	Interest / Mark-up written off	Other financial relief provided	Total (A+B+C)
				Principal	Interest / Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
(Figures in million)											
1	M/S Kassar Construction Company #7 D-1, Gulberg III, Lahore	Mr. Kassar Ali Shah CNIC No. 35242-997022-1 Mr. Noorun Kassar CNIC No. 35242-967038-4 Mr. Asad Kassar CNIC No. 35242-940294-7 Mr. Waqar Ali CNIC No. 35242-143035-1	Mr. Waqar Ali Shah Mr. Kassar Ali Shah	0.640	0.795	-	1.435	0.640	-	0.411	1.055
1	M/S DCTO Services Limited 45/C, Block-4, F&CBS, Karachi	Mr. Sajid Anwar Durrani CNIC No. 42304-479040-3 Mr. Zahid A.H. Qureshi CNIC No. 35241-450115-7 Mr. Faisal Ahmad Razaq Report No. 9402902	Mr. Muzammar Ali Ahmed Durrani Syed Muzammar Hussain Qureshi Mr. Ahmad G.M. Razaq	0.700	3.765	-	4.465	19.968	-	12.192	31.725
1	M/S Fighter Shoes P.O. Rola Milla, Bedina Basi, Lahore	Lt Col (R) Muhammad A. Shah CNIC No. 35241-450115-7	Mr. Muzammar Ali Ahmed	1.000	2.759	-	3.759	-	-	2.138	3.759
TOTAL:-				11.340	6.941	-	18.281	19.608	-	15.741	35.134

ISLAMIC BANKING BUSINESS

The Bank is operating six Islamic banking branches at the end of current year as compared to six Islamic banking branches at the end of prior year. The balance sheet and profit and loss account of these branches (including Islamic Banking Division) are as follows:

(i) Balance Sheet
As at 31 December 2009

	2009	2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	121,851	101,530
Balances with and due from financial institutions	200,016	80,000
Investments	362,412	85,000
Financing and receivables		
- Murabahah	628,032	449,596
- Ijara	112,758	208,687
- Salam	98,721	257,764
- Other Islamic modes	6,916	1,995
Operating fixed assets	134,297	102,713
Due from Head Office	72,450	26,117
Other assets	235,872	23,593
Total Assets	1,973,425	1,336,995
LIABILITIES		
Bills payable	34,572	17,574
Due to financial institutions	100,575	41,618
Deposits and other accounts		
- Current accounts	346,475	188,317
- Saving accounts	837,244	590,960
- Term deposits	330,842	266,473
- Others	97,603	56,902
Other liabilities	33,046	20,435
Total Liabilities	1,780,357	1,188,279
NET ASSETS	193,068	148,716
REPRESENTED BY		
Islamic Banking Fund	175,000	125,000
Un-remitted profit	18,068	23,716
	193,068	148,716
(ii) Profit and Loss Account		
For the year ended 31 December 2009		
Profit/return on financing, investments and placements earned	229,951	157,728
Return on deposits and other dues expensed	(187,564)	(134,351)
Net income earned before provision	42,387	23,377
Provision against non-performing financings	(516)	-
Net income earned after provision	41,871	23,377
OTHER INCOME		
Fee, commission and brokerage income	49,946	20,441
	49,946	20,441
OTHER EXPENSES		
Administrative expenses	73,749	20,102
PROFIT BEFORE TAXATION	18,068	23,716
(iii) REMUNERATION TO SHARIAH ADVISOR	1,040	982
(iv) CHARITY FUND		
Opening balance	100	72
Addition during the year	21	28
Payment/utilization during the year	(100)	-
Closing balance	21	100

Islam is the religion which gives us the system of justice, socio economic society and prohibits us from cheating, cruelty and injustice. Islam tells us for equal distribution of wealth and it also tell us that the wealth should not be hoarded in a few hands. We have been ordered by our religion to refrain from interest and to lead our lives according to established principles.

The first Islamic branch of the bank was established in the country in 2004. In addition to Karachi branch the Islamic banking branches have also been established in Lahore, Islamabad, Hyderabad, Quetta and Peshawar. The Bank is now playing an important role in developing the Islamic Banking in the country.

The products for agriculture sector have also been developed on Islamic Modes of financing and will be introduced during the year 2010.

The bank is involved in different Islamic Modes of Financing i.e. Salam, Murabaha and Ijarah. The daily transactions are being regularly checked at Islamic Banking Division, Karachi. The annual Shariah Audit of Islamic Banking branches in Islamabad, Lahore and Hyderabad was also conducted and observed that Shariah principles and procedures are being adhered to in the branches.

The transactions where penalties were charged due to late payment the amount of penalties was transferred to charity fund instead of retaining it in the income account.

All the agreements, contracts and documents related to Murabaha, Salam and Ijarah were studied and checked and it was ensured that all the terms and conditions are Shariah complied.

Deposits are accepted on the Islamic Mode of Mudaraba. The profit is distributed quarterly on the basis of weightages which are announced at the beginning of each quarter. Bank is assigning weightages on the basis of different tiers and maturities of deposits in different categories. These are in accordance with the Shariah rules and principles duly vetted by the Shariah Advisor.

Profit distribution mechanism was checked and joint audit was also conducted with the external auditors and observed that income and expenditure are correctly allocated to PLS accounts as per policy for profit distribution with PLS depositors, duly approved by the Board of Directors, and in accordance with Shariah rules and principles.

During the year Islamic Banking awareness program was organized on weekly basis for understanding of the Islamic Banking concepts and products. However, due to increasing number of branches and employees, this program mainly focused on training and development and needs to be carried on continuous basis. The bank primarily used Murabaha, Ijarah, Salam for its financing activities during the year and no other Islamic Mode of Financing was introduced.

RECOMMENDATIONS

Based on the review of various transactions we recommend that:

The significant growth of the bank augments the importance of employees' training related to the Islamic Banking Products and services offered by the bank. Focus should be shifted towards proper training of staff.

The staff should ensure the adherence to system and proper followup of the recommended process flow, physical checking and verification of goods in Murabaha and Ijarah transactions and increase in the share of direct payment to suppliers in overall Murabaha financing.

CONCLUSION

It is the responsibility of the Bank's management and employees to ensure the application of Shariah principles and guidelines issued by the Shariah Advisor and to ensure Shariah compliance in all activities of the Islamic Banking.

On the basis of inspection of transactions and shariah audits, in my opinion, the general conduct of Banking activities is Shariah complied. We pray to almighty ALLAH, for the success of Islamic Banking, provide us guidance for adherence to his Shariah in day to day operations and to forgive our mistakes.

MUFTI NADEEM IQBAL
Shariah Advisor

Notice of Annual General Meeting

Notice is hereby given that **Eighteenth Annual General Meeting** of Soneri Bank Limited will be held at **Avari Hotel, Lahore** on **30 March 2010** at **10.00 a.m** to transact the following business:

Ordinary Business

- 1) To confirm the minutes of last Annual General Meeting held on 30 March 2009.
- 2) To receive, consider and adopt Annual Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended 31 December 2009.
- 3) To appoint Auditors of the Bank and to fix their remuneration.
- 4) To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

BY ORDER OF THE BOARD

Abdul Hayee
Director

Lahore: 24 February 2010

NOTES

1. Share Transfer Books of the Bank will be closed from 23 March 2010 to 30 March 2010 (both days inclusive).
2. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies, in order to be effective, must be received at the registered office of the Bank not less than 48 hours before the time of holding the meeting. Proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers shall be mentioned on the form. Proxy form is enclosed herewith.
3. The CDC account/sub account holders shall have to produce their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting for identification purpose, alongwith participant's LD Number and their Account No. in CDS.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee together with the original proxy form duly filled in must be received at the registered office of the Company not less than 48 hours before the time of holding the meeting. The nominees shall produce their original CNIC or original passport at the time of attending the meeting for identification purpose.

4. Shareholders are requested to notify any change in their addresses immediately.

Form 34

Pattern of Holding of Shares held by the Shareholders (CDC and Physical)

As at 31 December 2009 (Section 236)

No. of Shareholders	From	Shareholding	To	Total Shares Held
1062	1	-	100	42,032
1622	101	-	500	429,745
1778	501	-	1,000	1,271,669
2609	1,001	-	5,000	6,108,084
2175	5,001	-	10,000	15,307,031
217	10,001	-	15,000	2,679,856
126	15,001	-	20,000	2,164,395
51	20,001	-	25,000	1,143,456
41	25,001	-	30,000	1,120,699
37	30,001	-	35,000	1,201,343
25	35,001	-	40,000	930,661
9	40,001	-	45,000	386,405
20	45,001	-	50,000	958,739
14	50,001	-	55,000	725,001
7	55,001	-	60,000	404,513
5	60,001	-	65,000	310,147
10	65,001	-	70,000	672,813
6	70,001	-	75,000	443,307
5	75,001	-	80,000	383,881
7	80,001	-	85,000	578,586
3	85,001	-	90,000	264,982
2	90,001	-	95,000	183,336
5	95,001	-	100,000	485,767
2	100,001	-	105,000	207,388
1	105,001	-	110,000	108,723
3	110,001	-	115,000	335,308
3	115,001	-	120,000	354,375
9	120,001	-	125,000	1,102,424
4	125,001	-	130,000	507,358
1	135,001	-	140,000	135,176
2	140,001	-	145,000	285,236
1	145,001	-	150,000	146,400
1	155,001	-	160,000	159,000
3	160,001	-	165,000	483,120
2	165,001	-	170,000	336,158
2	170,001	-	175,000	345,640
2	175,001	-	180,000	351,920
1	190,001	-	195,000	191,637
1	195,001	-	200,000	200,000
2	205,001	-	210,000	416,217
3	215,001	-	220,000	650,918
1	220,001	-	225,000	224,445
1	235,001	-	240,000	237,204
3	240,001	-	245,000	729,707
2	245,001	-	250,000	496,335
1	250,001	-	255,000	251,222
2	255,001	-	260,000	512,764
1	285,001	-	290,000	289,757

2	290,001	-	295,000	585,600
1	295,001	-	300,000	300,000
1	320,001	-	325,000	325,000
1	365,001	-	370,000	366,000
1	375,001	-	380,000	379,136
1	405,001	-	410,000	408,944
3	490,001	-	495,000	1,476,303
1	505,001	-	510,000	506,412
1	510,001	-	515,000	513,842
1	555,001	-	560,000	555,666
1	575,001	-	580,000	579,216
1	630,001	-	635,000	631,550
1	715,001	-	720,000	718,580
1	795,001	-	800,000	796,432
1	800,001	-	805,000	803,295
1	965,001	-	970,000	966,240
1	1,025,001	-	1,030,000	1,027,532
1	1,120,001	-	1,125,000	1,124,998
2	1,635,001	-	1,640,000	3,270,388
1	1,675,001	-	1,680,000	1,678,174
1	2,000,001	-	2,005,000	2,003,268
1	2,350,001	-	2,355,000	2,354,032
1	3,280,001	-	3,285,000	3,284,204
1	3,415,001	-	3,420,000	3,419,172
1	4,310,001	-	4,315,000	4,314,745
1	9,860,001	-	9,865,000	9,863,984
1	15,550,001	-	15,555,000	15,554,741
1	19,265,001	-	19,270,000	19,269,722
1	21,445,001	-	21,450,000	21,448,345
1	31,825,001	-	31,830,000	31,826,170
1	39,155,001	-	39,160,000	39,158,521
1	43,890,001	-	43,895,000	43,892,315
1	57,625,001	-	57,630,000	57,628,849
1	58,245,001	-	58,250,000	58,249,535
1	60,155,001	-	60,160,000	60,156,039
1	65,240,001	-	65,245,000	65,243,266

9930

Total

501,935,096

Pattern of Holding of Shares held by the Shareholders (CDC and Physical)
As at 31 December 2009 (Section 236)

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouses and minor Children			
DIRECTORS			
Mr. Alauddin Feerasta	2	6,668,777	1.3286
Mr. Nooruddin Feerasta	1	6,397	0.0013
Mr. Inam Elahi	1	488	0.0001
Syed Ali Zafar	1	488	0.0001
Mr. Abdul Hayee	1	8,331	0.0017
CHIEF EXECUTIVE OFFICER			
Mr. Safar Ali K. Lakhani (jointly held with spouse)	1	1,027,532	0.2047
DIRECTORS' SPOUSES AND MINOR CHILDREN			
Mrs. Aziza A. Feerasta w/o Mr. Alauddin Feerasta	1	2,460	0.0005
Mrs. Amyra N. Feerasta w/o Mr. Nooruddin Feerasta	1	3,198	0.0006
	9	7,717,671	1.5376
Associated Companies undertakings and related parties			
- Trustees Alauddin Feerasta Trust	2	104,401,787	20.7999
- Trustees Feerasta Senior Trust	2	102,141,850	20.3496
- Trustees Alnu Trust	2	51,095,892	10.1798
Executives	8	220,312	0.0439
NIT and ICP	5	117,911,292	23.4913
Banks, Development Financial Institutions, Non Banking Financial Institutions.	14	7,718,914	1.5378
Insurance Companies	11	11,066,674	2.2048
Modarabas and Mutual Funds	9	123,595	0.0246
Joint Stock Companies	109	1,824,571	0.3635
Foreign Companies	15	23,871,170	4.7558
General Public:			
a) Local	8,500	66,436,581	13.2361
b) Foreign	1,231	6,957,877	1.3862
Others	13	446,910	0.0890
Total:	9,930	501,935,096	100.00

Shareholders Holding 10% and above

Trustees Alauddin Feerasta Trust	104,401,787	20.7999
Trustees Feerasta Senior Trust	102,141,850	20.3496
Trustees Alnu Trust	51,095,892	10.1798
NIT and ICP	117,911,292	23.4913

Trading in Shares by Directors, CEO, CFO and Company Secretary during the year 2009

----- NIL -----

HEAD OFFICE

3rd Floor, 90-B-C-/II, Liberty Market
Gulberg-III, Lahore
Tel. No: (+92-42) 35772362-3, Fax: 35772366
Swift: SONFPKKAGI11, E-mail: gulberg.lahore@soneribank.com

CENTRAL OFFICE

5th Floor, Al-Rahim Tower,
LL Chundrigar Road, P. O. Box: 5856, Karachi
Tel. No: (+92-21) 32438562-7, 3244694, Fax: 32438561, 32446661
Swift: SONFPKKAYXX, E-mail: info@soneribank.com

CENTRAL REGION

Main Branch, Lahore

Tel. No: (042) 36368141-8 & 111-567-890

Defence Branch, Lahore

Tel. No: (042) 35897181-3 & 35730760 -1

Gulberg Branch, Lahore

Tel. No: (042) 35713445-8

Circular Road Branch, Lahore

Tel. No: (042) 37670486 & 37670489

Model Town Branch, Lahore

Tel. No: (042) 35889311-2

Akbar Chowk Branch, Lahore

Tel. No: (042) 35177800-2 & 35221410

Cavalry Ground Branch, Lahore

Tel. No: (042) 36653728-9

Qaraba Chowk Branch, Lahore

Tel. No: (042) 37211991-3

Allama Iqbal Town Branch, Lahore

Tel. No: (042) 35432813-5

Baghbanpura Branch, Lahore

Tel. No: (042) 36832811-3

Thokar Niaz Baig Branch, Lahore

Tel. No: (042) 35313651-3

Ghazi Chowk Branch, Lahore

Tel. No: (042) 35188505-7

**Islamic Banking New Garden
Town Branch, Lahore**

Tel. No: (042) 35940611-3

DHA Phase-III Branch, Lahore

Tel. No: (042) 35734083-5

Chungi Amer Sadhu Branch, Lahore

Tel. No: (042) 35808611-3

Johar Town Branch, Lahore

Tel. No: (042) 35204191-3

Wahdat Road Branch, Lahore

Tel. No: (042) 37378211-3

Gunpat Road Branch, Lahore

Tel. No: (042) 37361607-9

Airport Road Branch, Lahore

Tel. No: (042) 357180115-7

Ravi Road Branch, Lahore

Tel. No: (042) 37725356-7

Shahdara Chowk Branch, Lahore

Tel. No: (042) 37941741-3

Manga Mandi Branch, Lahore

Tel. No: (042) 35383517

Badian Road Branch, Lahore

Tel. No: (042) 35749741-2

Mughalpura Branch, Lahore

Tel. No: (042) 36880892-4

Samnabad More Branch, Lahore

Tel. No: (042) 37591404-6

Islampura Branch, Lahore

Tel. No: (042) 37214394-6

Gujranwala Branch

Tel. No: (055) 3843560-2

Main Branch, Faisalabad

Tel. No: (041) 2699877-8

Peoples Colony Branch, Faisalabad

Tel. No: (041) 8553715-6

**Ghulam Muhammadabad Branch,
Faisalabad**

Small Industrial Estate Branch, Sialkot

Tel. No: (052) 3242607-9

Pasrur Road Branch, Sialkot

Tel. No: (052) 3521655 & 3521755

Sheikhupura Branch

Tel. No: (056) 3613570 & 3813133

Wazirabad Branch

Tel. No: (055) 6603703-4 & 111-567-890

Main Branch, Multan

Tel. No: (061) 4519927 & 4511022

Shah Rukn-e-Alam Branch, Multan

Tel. No: (061) 6784052 & 4

Bosan Road Branch, Multan

Tel. No: (061) 6510890-2

Sahiwal Branch

Tel. No: (040) 4467742-3

Lodhran Branch

Tel. No: (0608) 364766-7

Rahim Yar Khan Branch

Tel. No: (068) 5888042-3

Bahawalpur Branch

Tel. No: (062) 2731703-4

Okara Branch

Tel. No: (044) 2553012-4

Sadiqabad Branch

Tel. No: (068) 5702162

Sargodha Branch

Tel. No: (048) 3726021-3

Khanewal Branch

Tel. No: (065) 2531560-2

Burewala Branch

Tel. No: (067) 3773110

Hafizabad Branch

Tel. No: (0547) 541641-2

Depalpur Branch

Tel. No: (044) 4541341-2

Kharooc Pacca Branch
Tel.No:0608-341041-2

Muzafargarh Branch

Shahbaz Khan Road Branch, Distt. Kasur

Mian Channu Branch

Nankana Sahib Branch

Pattoki Branch

SOUTH REGION

Main Branch, Karachi
Tel.No: (021) 32436990-94 & UAN 011-567-890

Clifton Branch, Karachi
Tel. No: (021) 35877773-4, 35822592

Garden Branch, Karachi
Tel. No: (021) 32232877-8

F. B. Area Branch, Karachi
Tel. No: (021) 36373782-3

Korangi Industrial Area Branch, Karachi
Tel. No: (021) 35113898-9 & 35113900-1

AKUH Branch, Karachi
Tel. No: (021) 34852252-3

Haidery Branch, Karachi
Tel. No: (021) 36638617 & 36630409

Jodia Bazar Branch, Karachi
Tel. No: (021) 32413627, 32414920 & 32090140

Shahrah-e-Faisal Branch, Karachi
Tel. No: (021) 34533553-54

DHA Branch, Karachi
Tel. No: (021) 35852209

Gulshan-e-Iqbal Branch, Karachi
Tel. No: (021) 34811832

SITE Branch, Karachi
Tel. No: (021) 32568213

Zamzama Branch, Karachi
Tel. No: (021) 35375836-7

Gole Market Branch, Karachi
Tel. No: (021) 36618932 & 36681324

Gulistan-e-Jauhar Branch, Karachi
Tel. No: (021) 34020944-5

M. A. Jinnah Road Branch, Karachi
Tel. No: (021) 32213972

Gulbahar Branch, Karachi
Tel. No: (021) 36607744

North Karachi Branch, Karachi
Tel. No: (021) 36920140-1

Block-7 Gulshan-e-Iqbal Branch, Karachi
Tel. No: (021) 34815811-2

Islamic Banking Cloth Market Branch, Karachi
Tel. No: (021) 32442995 & 32442977

Paria Street Kharadar Branch, Karachi
Tel. No: (021) 32200059-60

Suparco Branch, Karachi
Tel. No: (021) 34970560 & 37080810

Chandni Chowk Branch, Karachi
Tel. No: (021) 34937933

Allama Iqbal Road Branch, Karachi
Tel. No: (021) 34387673-4

Nishtar Road Branch, Karachi
Tel. No: (021) 32299711 & 3

Waterpump Branch, Karachi
Tel. No: (021) 36312108 & 36312113

Apwa Complex Branch, Karachi
Tel. No: (021) 32253143 & 32253216

Clifton Block-2 Branch, Karachi
Tel. No: (021) 33361115-6

Malir Branch, Karachi
Tel. No: (021) 34518730

Bahadurabad Branch, Karachi
Tel. No: (021) 34135842-3

New Chahli Branch, Karachi
Tel. No: (021) 32625246 & 32625279

Shah Faisal Colony Branch, Karachi
Tel. No: (021) 34602446-7

Zaibunissa Street Saddar Branch, Karachi
Tel. No: (021) 35220026-27

Liaquatabad Branch, Karachi
Tel. No: (021) 34860723-6

Lea Market Branch, Karachi
Tel. No: (021) 32526190-4

Korangi Township No:3 Branch, Karachi
Tel. No: (021) 36007572

North Karachi Ind. Area Branch, Karachi
Tel. No: (021) 36962851-3

F. B. Industrial Area Branch, Karachi
Tel. No: (021) 36829961-63

Napier Road Branch, Karachi
Tel. No: (021) 32713538-9

Gulshan-e-Hadeed Branch, Karachi
Tel. No: (021) 34710252 & 34710256

Metroville Branch, Karachi
Tel. No: (021) 36752206-7

Defence Phase-II Extension Branch, Karachi
Tel. No: (021) 35358910 -11

North Karachi Township Branch, Karachi
Tel. No: (021) 36968605-6

Karachi Stock Exchange Branch, Karachi
Tel. No: (021) 32414003-4

Gulshan-e-Jamal Branch, Karachi
Tel. No: (021) 34682682-3

Alyabad Branch, Karachi
Tel. No: (021) 36826727 & 36332517

Saudabad Branch, Malir, Karachi
Tel. No: (021) 34111904-5

Orangi Town Branch, Karachi
Tel. No: (021) 36694381-4

Safouza Chowk Branch, Karachi
Tel.No:(021)34657271-72

Main Branch, Quetta
Tel. No: (081) 2821610 & 2821641

Islamic Banking Hazer Gunji Branch, Quetta
Tel. No: (081) 2471985-6

Main Branch, Hyderabad

Tel. No: (022) 2781328-9 & UAN 111-567-890

F. J. Road Branch, Hyderabad

Tel. No: (022) 2728131 & 2785997

Latifabad Branch, Hyderabad

Tel. No: (022) 3816309

Islamic Banking Isra University

Branch, Distt. Hyderabad

Tel. No: (022) 2032322

Prince Ali Road Branch, Hyderabad

Tel. No: (022) 2638515-6

Sukkur Branch

Tel. No: (071) 5622382 & 5622925

Gawadar Branch

Tel. No: (086) 4211702-3

Hub Branch, Distt. Lasbela

Tel. No: (0853) 310225-27

Golarchi Branch, Distt. Badin

Tel. No: (0297) 853193-4

Talhar Branch, Distt. Badin

Tel. No: (0297) 830389

Deh. Sonhar Branch, Distt. Badin

Buhara Branch, Distt. Thatta

Tel. No: (0298) 624911

Jati Town Branch, Distt. Thatta

Tel. No: (0298) 777120

Sanghar Branch, Distt. Sanghar

Tel. No: (0235) 543376-78

Tando Allah Yar Branch

Tel. No: (022) 3890262-3

Sultanabad Branch, Distt. Tando Allah Yar

Matyari Branch, Distt. Matyari

NORTH REGION

Main Branch, Peshawar

Tel. No: (091) 5277914-6 & 5277394

Chowk Yadgar Branch, Peshawar

Tel. No: (091) 2379335-6

Islamic Banking Khyber Bazar Branch, Peshawar

Tel. No: (091) 2566812-3

Main Branch, Rawalpindi

Tel. No: (051) 5522901-3

Chandni Chowk Branch, Rawalpindi

Tel. No: (051) 4453071-2

22 Number Chungi Branch, Rawalpindi

Tel. No: (051) 5563577-8

Muslim Town Branch, Rawalpindi

Tel. No: (051) 4425925, 6 & 9

Pindora Branch, Rawalpindi

Tel. No: (051) 4419120-22

Main Branch, Islamabad

Tel. No: (051) 2277551, 2272460 & UAN 111-567-890

G-9 Markaz Branch, Islamabad

Tel. No: (051) 2850171-3

Islamic Banking I-10 Markaz Branch, Islamabad

Tel. No: (051) 4101733

I-9 Markaz Branch, Islamabad

Tel. No: (051) 4858101-3

E-11 Branch, Islamabad

Tel. No: (051) 2228756-9

Waisa Branch, Distt. Attock

Tel. No: (057) 2651066-8

Swabi Branch, Distt. Swabi

Tel. No: (0938) 221741-3

Mirpur Branch, (AJK)

Tel. No: (05827) 444488, 444588 & 448044

Islamgarh Branch, (AJK)

Tel. No: (05827) 423981-2

Chaksawari Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 454775-76

Dadyal Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 465555 & 465360-3

Jattlan Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 403591-5

Gilgit Branch

Tel. No: (05811) 453749

Denyore Branch, Distt. Gilgit

Tel. No: (05811) 459978-9

Aliabad Branch, Hunza

Tel. No: (05813) 455000

Skardu Branch

Tel. No: (05815) 450327 & 450189

Manshra Road Branch, Abbottabad

Tel. No: (0992) 385231-3 & 383075

Gahkuch Branch

Tel. No: (05814) 450408-10

Gujar Khan Branch

Tel. No: (051) 3516329 & 3516331

Jhelum Branch

Tel. No: (0544) 625794-5

Booni Branch, Distt. Chitral

Tel. No: (0943) 470413-4

Chitral Branch, Distt. Chitral

Tel. No: (0943) 414490 & 414487

Kharian Branch

Tel. No: (053) 753544-6-8

Taxila Branch

Tel. No: (051) 4544733-36

FOREIGN CORRESPONDENTS - 2009

Country	Name of Bank
Algeria	- Citibank N.A.
Argentina	- ABN-AMRO Bank N.V. - Banco de Galicia Y Buenos Aires
Australia	- ABN-AMRO Bank N.V. - Australia & New Zealand Banking Group Limited - Commonwealth Bank of Australia - HSBC Bank Australia Limited
Austria	- Bank Austria Creditanstalt AG - Erste Bank der Oesterreichischen Sparkassen AG - Raiffeisen Zentralbank Osterreich AG-RZB Austria
Bahrain	- Arab Investment Company - Citibank N.A. - Habib Bank Limited - Standard Chartered Bank - United Bank Limited
Bangladesh	- Habib Bank Limited - Standard Chartered Bank
Belgium	- Bank J. Van Breda & Co. NV - Commerzbank AG - Dexia Bank S.A. - Fortis Bank SA/NV - Habib Bank Limited - Ing Belgium SA/NV - KBC Bank NV
Brazil	- Banco ABN-AMRO Real SA - Banco Fibra S.A.
Bulgaria	- Citibank N.A.
Canada	- ABN-AMRO Bank Canada - Canadian Imperial Bank of Commerce - Habib Canadian Bank - HSBC Bank Canada - National Bank of Canada - Royal Bank of Canada
China	- ABN-AMRO Bank N.V. - Agricultural Bank of China

Country	Name of Bank
	<ul style="list-style-type: none"> - Bank of Communications - Citibank (China) Co. Ltd. - CITIC Industrial Bank - China Construction Bank Corporation - Deutsche Bank - HSBC Bank (China) Company Ltd. - Hongkong & Shanghai Banking Corporation Limited (The) - Jinan City Commercial Bank Co. Ltd. - Standard Chartered Bank (China) Limited
Cyprus	<ul style="list-style-type: none"> - Bank of Cyprus Public Company Ltd. - Hellenic Bank Ltd. - Marfin Popular Bank Public Co. Ltd.
Czech Republic	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Ceskoslovenska Obchodni Banka A.S. - HVB Bank Czech Republic A.S. - Komerční Banka A.S.
Denmark	<ul style="list-style-type: none"> - Danske Bank - Nordea Bank Denmark A.S
Egypt	<ul style="list-style-type: none"> - Banque Misr - Citibank N.A. - Mashreq Bank psc
Ethiopia	<ul style="list-style-type: none"> - Dashen Bank SC
Finland	<ul style="list-style-type: none"> - Nordea Bank Finland PLC
France	<ul style="list-style-type: none"> - ABC International Bank Plc - Bank Saderat Iran - BNP-Paribas S.A. - Citibank N.A. - Credit Agricole S.A. - Credit Du Nord - Credit Industriel et Commercial (CIC) - Calyon - Habib Bank Limited - HSBC Bank plc - National Bank of Pakistan - Societe Generale - Union de Banques Arabes et Francaises - UBAF
Germany	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Bayerische Hypo-und Vereinsbank AG

Country	Name of Bank
	<ul style="list-style-type: none"> - Citibank N.A. - Commerzbank AG - DZ Bank AG Deutsche Zentral - Genossenschafts - Deutsche Bank AG - Dresdner Bank AG - Hamburger Sparkasse - HSH Nordbank AG - HSBC Trinkaus & Burkhardt KGaA - ING Bank Deutschland AG - Landesbank Baden-Württemberg - M. M. Warburg & Co. KGaA - National Bank of Pakistan - SEB AG - Standard Chartered Bank - WGZ Bank Westdeutsche
Ghana	<ul style="list-style-type: none"> - Standard Chartered Bank Ghana Limited
Greece	<ul style="list-style-type: none"> - Alpha Bank AE - Bank of Cyprus Public Company Ltd. - Citibank N.A. - Piraeus Bank S.A. - Royal Bank of Scotland
Hong Kong	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Bank of China (Hong Kong) Limited - Citibank N.A. - Dah Sing Bank Ltd. - DBS Bank (Hong Kong) Limited - Deutsche Bank AG - Fortis Bank - HBZ Finance Limited - Habib Finance International Limited - The HongKong and Shanghai Banking Corporation Limited - Industrial and Commercial Bank of China (Asia) Ltd. - ING Bank NV - J. P. Morgan Chase Bank N.A. - Mashreqbank psc - National Bank of Pakistan - Standard Chartered Bank (Hong Kong) Limited - UBAF (HongKong) Limited - UniCredito Italiano Spa
Hungary	<ul style="list-style-type: none"> - CIB Bank Ltd. - Citibank Budapest RT - Raiffeisen Bank RT - Unicredit Bank Hungary Zrt

Country	Name of Bank
India	<ul style="list-style-type: none"> - Deutsche Bank AG - HongKong and Shanghai Banking Corporation Limited - ICICI Bank Limited - Mashreqbank psc - Punjab and Sind Bank - Standard Chartered Bank
Indonesia	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Bank Indonesia - Citibank N.A. - HongKong and Shanghai Banking Corporation Limited - PT. Bank Mandiri (Persero) - Standard Chartered Bank
Iran	<ul style="list-style-type: none"> - Bank Saderat Iran - Bank Melli Iran - Bank Sepah - Export Development Bank of Iran
Ireland	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Citibank Europe plc
Italy	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Banca Agricola Mantovana SPA - Banca Antoveneta SPA - Banca Carige SPA - Banca Delle Marche SPA - Banca Popolare di Lodi - Banca Popolare Commerciale E Industria SCaRL - Banca Popolare dell'Emilia Romagna SCaRL - Banca Popolare di Novara SPA - Banca Popolare di Vicenza SCPaRL - Banca Popolare di Verona e Novara Scrl - Banca UBAE SPA - Bipop Carire SPA - Cassa di Risparmio del Friuli Venezia Giulia SPA - Citibank N.A. - Fortis Bank NV/SA - ING Bank N.V. - Intesia Sanpaolo SPA - Sanpaolo Banco di Napoli SPA - Unicredit Banca Di Roma - UniCredito Italiano SPA - Unione de Banche Italiane SCPA

Country	Name of Bank
Japan	- ABN-AMRO Bank N.V.
	- Bank of Tokyo Mitsubishi Limited
	- Citibank Japan Limited
	- Calyon
	- ING Bank NV
	- Mizuho Corporate Bank
	- National Bank of Pakistan
	- Resona Bank Ltd.
	- Saitama Resona Bank Ltd.
	- Sumitomo Mitsui Banking Corporation
	- Standard Chartered Bank
	- The Tokushima Bank Limited
	- Union de Banque Arabes et Francaises - U.B.A.F.
Jordan	- Citibank N.A.
	- The Housing Bank for Trade & Finance
Kenya	- Citibank N.A.
	- Habib Bank Limited
	- Kenya Commercial Bank Limited
	- Standard Chartered Bank Kenya Limited
Korea (South)	- ABN-AMRO Bank N.V.
	- The Bank of Tokyo-Mitsubishi UFJ Ltd.
	- Citibank Korea Inc.
	- Deutsche Bank
	- The Daegu Bank Ltd.
	- Hana Bank
	- HongKong & Shanghai Banking Corporation Limited
	- Industrial Bank of Korea
	- Korea Exchange Bank
	- National Bank of Pakistan
	- Shinhan Bank
	- Standard Chartered First Bank Korea Ltd.
	- Union de Banques Arabes et Francaises - UBAF
- Woori Bank	
Kuwait	- Alahli Bank of Kuwait KSC
	- National Bank of Kuwait
	- The Commercial Bank of Kuwait SAK
Kyrgyzstan	- National Bank of Pakistan
Lebanon	- Banque Libano Francaise

Country	Name of Bank
Luxembourg	- ABN-AMRO Bank (Luxembourg) SA
Macau	- Standard Chartered Bank
Malaysia	- Citibank Berhad - Hong Leong Bank Bhd - HSBC Bank Malaysia Berhad - Standard Chartered Bank Malaysia Berhad
Mauritius	- Habib Bank Limited - The Mauritius Commercial Bank Limited
Netherlands	- ABN-AMRO Bank N.V. - Credit Europe Bank N.V. - Fortis Bank (Nederland) - F-Van Lanschot Bankiers NV - ING Bank NV - Habib Bank Limited - Hollandsche Bank-Unie NV
New Zealand	- Australia and New Zealand Banking Group Limited - Bank of New Zealand - Citibank N.A.
Norway	- DNB Nor Bank ASA - Handelsbanken SA - Nordea Bank Norge ASA - Skandinaviska Enskilda Banken
Northern Ireland	- Bank of Ireland
Oman	- Oman International Bank SAOG - Bank Sohar
Panama	- Banco Continental de Panama S.A.
Philippines	- Bank of Tokyo Mitsubishi Ltd. - HongKong and Shanghai Banking Corporation Limited - Standard Chartered Bank
Poland	- BRE Bank SA
Portugal	- ABN-AMRO Bank N.V. - Banco BPI SA - Caixa Geral de Depositos SA - Fortis Bank NV/SA

Country	Name of Bank
Qatar	<ul style="list-style-type: none"> - HSBC Bank Middle East - Standard Chartered Bank - United Bank Limited
Romania	<ul style="list-style-type: none"> - ABN-AMRO Bank (Romania) S.A. - Banca Comerciala Romana SA - UniCredit Tiriac Bank SA
Russia	<ul style="list-style-type: none"> - Citibank N.A.
Saudi Arabia	<ul style="list-style-type: none"> - National Commercial Bank (The) - Samba Financial Group - Saudi Hollandi Bank
Serbia	<ul style="list-style-type: none"> - Findomestic Banka AD
Singapore	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Bank Mandiri (Persero) PT - Bank of Tokyo Mitsubishi UFJ Ltd. - Citibank N.A. - Fortis Bank - Habib Bank Limited - HongKong & Shanghai Banking Corporation Limited - HSBC Bank USA - HSH Nordbank AG - ING Bank NV - National Bank of Kuwait SAK - Standard Chartered Bank - Union de Banque Arabes et Francaises
Slovakia	<ul style="list-style-type: none"> - UniCredit Bank Slovakia A.S.
Slovenia	<ul style="list-style-type: none"> - Bank Austria Creditanstalt d.d. Ljubljana
South Africa	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - ABSA Bank - Citibank N.A. - FirstRand Bank Ltd. - HBZ Bank Limited - Standard Bank of South Africa Limited
Spain	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Banco Pastor - Banco de Sabadell

Country	Name of Bank
	<ul style="list-style-type: none"> - Bilbao Bizkaia Kutxa - Caja de Ahorros Del Mediterraneo - Caja de Ahorros de Valencia, Castellon Y Alicante BANCAJA - Caja de Ahorros y Pensiones de Barcelona 'la Caixa - Citibank International plc - Deutsche Bank - IISBC Bank plc
Sri-Lanka	<ul style="list-style-type: none"> - Bank of Ceylon - Commercial Bank of Ceylon Limited - Habib Bank Limited - Halton National Bank Limited - The HongKong & Shanghai Banking Corporation Limited - MCB Bank Limited - People's Bank - Standard Chartered Bank
Sweden	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Nordca Bank Sweden AB - Skandinaviska Enskilda Banken AB - Svenska Handelsbanken AB
Switzerland	<ul style="list-style-type: none"> - ABN-AMRO Bank (Schweiz) - Banque de Commerce et de Placements S.A. - Banque Cantonale Vaudoise - BNP Paribas (Suisse) SA - Credit Agricole (Suisse) S.A. - Credit Suisse - Dresdner Bank (Schweiz) AG - Habib Bank AG Zurich - HSBC Private Bank (Suisse) SA - Neue Aargauer Bank - UBS AG - United Bank AG (Zurich) - Zurcher Kantonalbank
Taiwan	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Citibank Taiwan Limited - HongKong & Shanghai Banking Corporation Limited - Standard Chartered Bank
Tanzania	<ul style="list-style-type: none"> - Standard Chartered Bank Tanzania Ltd.
Thailand	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Citibank N.A. - HongKong and Shanghai Banking Corporation Ltd.

Country	Name of Bank
	<ul style="list-style-type: none"> - Kasikornbank Public Company Ltd - Standard Chartered Bank (Thai) PLC - The Siam Commercial Bank Public Company Limited - Thanachart Bank Public Company Limited
Turkmenistan	- National Bank of Pakistan
Turkey	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Akbank T.A.S. - Alternatifbank A.S. - Citibank A.S. - Finansbank - Habib Bank Limited - HSBC Bank A.S. - Turkey Garanti Bankasi AS - Turkiye Vakiflar Bankasi TAO - Yapı Ve Kredi Bankasi AS
Tunisia	<ul style="list-style-type: none"> - Union Bancaire Pour Le Commerce et l'Industrie SA - Tunis International Bank
U.A.E.	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Abu Dhabi Commercial Bank - Citibank N.A. - Dubai Islamic Bank - First Gulf Bank - Habib Bank AG Zurich - Habib Bank Limited - HSBC Bank Middle East - Mashreq Bank psc - Standard Chartered Bank - United Bank Limited
Ukraine	<ul style="list-style-type: none"> - Citibank (Ukraine) - UKREXIMBANK (State Export Import Bank of Ukraine)
U.K.	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Bank of America NA - Bank Mandiri (Europe) Limited - Citibank N.A. - Clydesdale Bank plc - Habib Bank AG Zurich - Habib Allied International Bank plc - Habibsons Bank Limited - HSBC Bank plc - Lloyds TSB Bank Plc

Country	Name of Bank
	<ul style="list-style-type: none"> - MashreqBank Psc - National Westminster Bank - Rabobank International - Royal Bank of Scotland plc - Standard Chartered Bank - United National Bank Ltd.
U.S.A.	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Amsouth Bank - Bank of America NA - Bank of New York - Bank of the West - Bank of Oklahoma N.A. - Branch Banking & Trust Co. - The Bank of Tokyo-Mitsubishi UFJ Ltd., - Calyon - Capital One N.A. - Citibank N.A. - Deutsche Bank Trust Company Americas - Deutsche Bank AG - Habib American Bank - Habib Bank Limited - HSBC Bank USA - Israel Discount Bank of New York - J. P. Morgan Chase Bank - KeyBank National Association - MashreqBank psc - National Bank of Pakistan - Sovereign Bank - Standard Chartered Bank - U.S. Bank N.A. - United Bank Limited - Wachovia Bank NA - Wells Fargo Bank N.A.
Vietnam	<ul style="list-style-type: none"> - ABN AMRO Bank NV - Standard Chartered Bank
Yemen (Republic of)	<ul style="list-style-type: none"> - National Bank of Yemen - Yemen Commercial Bank
Yugoslavia	<ul style="list-style-type: none"> - Unicredit Bank Srbija AD