

mybank



Table of Contents

03	Vision Statement
04	Core Value
07	Management Team
10	Notice of Annual General Meeting
12	Directors' Report
16	Statement of Compliance with the Code of Corporate Governance
18	Statement of Internal Controls
20	Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance
21	Auditors Report to the Members
22	Balance Sheet
23	Profit & Loss Account
24	Statement of Comprehensive Income
25	Cash Flow Statement
26	Statement of Changes in Equity
27	Notes to the Financial Statements
73	Six Years Financial Summary
74	Board Meetings held and attended by each Director
75	Pattern of Shareholding
78	Office / Branch Network
	Form of Proxy

Vision Statement

To be the best Customer Service Bank
in the country with highest
Economic Value Added (EVA)
through engaged and motivated People





Satisfying customers, building the productive & everlasting relationship

Core Values

Integrity

Customer Focus

Team Work

Innovation



Online Banking



GPRS Enabled
Banking



24 Hours
e-Banking

Servicing Customers

What could be a fully featured banking, we furnish all those services which are required for this technological era.

Promising to fulfill the great value added services by providing Online Banking, GPRS Enabled Banking, 24 Hours e-Banking & much more.



Locating new edges

focusing customer's convenience to approach nearest branches easily.



Management Team

BOARD OF DIRECTORS

Mr. Iqbal Alimohamed
Chairman

Mr. Sohail Muzaffar
Vice Chairman

Mr. Muhammad Iqbal Ebrahim
Director

Mr. Afzal Ghani
Director

Mr. Danish Iqbal
Director

Mr. Muhammad Bilal Sheikh
Director

Mr. Muhammad Zahir Esmail
President & CEO/ Director

Mr. Muhammad Irfan Zafar
Company Secretary (Officiating)



Management Team

MANAGEMENT

Mr. Muhammad Zahir Esmail
President & Chief Executive Officer

Mr. Faisal Shaikha
E.V.P - Head of Investment &
Treasury Division (Front Office)

Mr. Akhtar Ali Khan
E.V.P - Head of Credit Sanction
& Monitoring Division/SAM/Legal

Mr. Imran Ahmed
E.V.P - Head of Risk
Management Division

Mr. Pervez Mobin
EVP / Group Head - HR &
Administration Division

Mr. Syed Nazir Hussain
S.V.P - Head of Operations Division

Mr. M. Saeed Khan
S.V.P - Head of Information
Technology Division

Mr. Baber Saeed Khan
S.V.P - Head of International &
Forex Division/ Investment &
Treasury (Back Office)

Mr. Syed Qurban Ali
S.V.P - Head of Audit & Inspection
Division

Mr. Akhtar Aleem Syed
S.V.P - Legal Affairs Division

Mr. Syed Imran Hashmi
S.V.P - CFO (Officiating)

Mr. Adeel Pervez Ansari
A.V.P - Credit Administration
Division

Mr. Mansoor Rizvi
A.V.P. Compliance Division

Mr. Mian Junnaid Sajjad
A.V.P - Head of Consumer
Banking Division

MANAGEMENT AT REGIONS

Mr. Muhammad Rizwan Akram
E.V.P - Officiating General Manager
(Punjab & Northern Regions)

Mr. Khawaja Ghalib
E.V.P & Regional General
Manager (South)

MANAGEMENT AT ZONES / AREAS

Mr. M. Parvez Sheikh
E.V.P & Zonal Chief
(Gujranwala Zone)

Mr. Shaukat Javaid Anjum
S.V.P & Zonal Chief
(Khyber Pakhtunkhwa)

Ms. Javeria Zafar
S.V.P & Zonal Chief
(Islamabad Zone)

Mr. Munir Ahmed Khan
S.V.P & Area Manager
(Quetta)

Mr. Abdul Rauf
S.V.P & Area Manager
(Hyderabad)

AUDIT COMMITTEE

Mr. Afzal Ghani
Chairman

Mr. Iqbal Alimohamed
Member

Mr. Sohail Muzaffar
Member

Mr. Danish Iqbal
Member

Mr. Muhammad Irfan Zafar
Secretary

AUDITORS

Messrs Hyder Bhimji & Co.
Chartered Accountants

SHARES REGISTRAR

M/s Noble Computer Services (Pvt) Ltd.
Mezzanine Floor, House of Habib Building,
(Siddiqsons Tower) 3-Jinnah C.H. Society,
Mian Shahrah-e-Faisal, Karachi-75350.
PABX: (92-21) 34325482-87
Fax: (92-21) 34325442
E-mail: ncsi@noble-computers.com
website:www.noble-computers.com

Notice of 19th Annual General Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Mybank Limited will be held on Friday, March 25, 2011 at 3:00 p.m. at its Registered Office situated at Regal Chowk, Jinnah Road, Quetta to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting of the Bank held on January 20, 2011.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2010 together with the Directors' and Auditor's Reports thereon.
3. To elect (7) directors of the Bank as fixed by the Board of Directors in accordance with the section 178(1) of the Companies Ordinance 1984, for the term of next three years. The following are the retiring directors :
 1. Mr. Iqbal Alimohamed
 2. Mr. Danish Iqbal
 3. Mr. Iqbal Ebrahim
 4. Mr. Sohail Muzaffar
 5. Mr. Afzal Ghani
 6. Mr. Muhammad Zahir Esmail
 7. Mr. Muhammad Bilal Sheikh
4. To appoint external auditors of the Bank for the year ending December 31, 2011 and to fix their remuneration. The retiring Auditors M/s. Hyder Bhimji & Co., Chartered Accountants, being eligible, have offered themselves for reappointment.
5. To consider any other business of the Bank with the permission of the Chair.

By Order of the Board

Place: Karachi
Date : March 4, 2011

Company Secretary
(Officiating)

Notes:

1. Share Transfer Books of the Bank will remain closed from March 19, 2011 to March 25, 2011 (both days inclusive).
2. Any person who seeks to contest the election for the office of director shall, whether he is a retiring director or otherwise, file with the Bank's registered office not later than 14 days before the date of meeting at which elections are to be held, his intention to offer himself for the election of directors in terms of Section 178(3) of the Companies Ordinance 1984 together with :
 - (i) (a) consent on Form 28 of the Companies Ordinance 1984, (b) a declaration with consent to act as Director under clause (ii) of the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan to the effect that he is aware of the duties and power of directors under the Companies Ordinance 1984, and the Listing Regulations of the Karachi Stock Exchange and the Memorandum and Articles of Association of Bank, (c) a declaration in terms of clauses (iii), (iv) and (v) of the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan and (d) a declaration that he is not ineligible to become a director of Bank under any circulars / directives of the State Bank of Pakistan.

- (ii) A questionnaire duly completed, recent photograph, copy of CNIC / Passport and an affidavit to, inter alia, meet the requirement of State Bank of Pakistan G-1 and the Fit and Proper Test for appointment of Directors as contained in Annexure VI-A and VII-A to the State Bank of Pakistan's Prudential Regulations.
 - (iii) As per requirements under SBP BPRD Circular No.04 dated April 23, 2007 and the Prudential Regulation (G-1), the Directors will not assume the charge of their respective offices until their appointments are approved in writing by the SBP. All the requests for seeking approval of the SBP for appointments of Directors of the Bank should be routed through the Bank alongwith the information on Annexures - I & II of the aforementioned SBP Circular.
3. In terms of the criteria prescribed by the State Bank of Pakistan, association of the following person as director is undesirable and against public interest:
 - a) A person who is / has been associated with any illegal activity, especially relating to banking business;
 - b) A person who is in his individual capacity or a proprietary concern of any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and / or in default of payment of any taxes.
 4. A person is not permitted to be a director of more than one financial institution. The term "financial institution" will include any bank, modaraba company, leasing company, investment bank, venture capital company, financing company, housing finance company, a non-banking finance company or any other company as defined under the law.
 5. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend the meeting and vote for him/her. A Proxy must be a member of the Bank. Proxy Forms in order to be effective must be received by the Bank at the Registered Office not later than 48 hours before the time of the meeting.
 6. CDC account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan to attend the Annual General Meeting.

A. For Attending the Meeting

- i. In case of individual, the account holder or sub-account holder (Physical or CDC), shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- i. In case of individuals, the account holder or sub-account holder (Physical or CDC) shall submit the proxy form as per the above requirements.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his original CNIC or original valid passport at the time of Meeting.
7. Members are requested to promptly notify the change of address, if any, and also for the consideration of folio numbers, if any member holds more than one folio, to the Registrar.

Directors' Report

The Board of Directors is pleased to present the 19th Annual Report of Mybank Limited (hereinafter called the Bank) for the year ended December 31, 2010.

Performance Review

During the year bank achieved significant growth in deposits and advances as evident from the balance sheet. The bank has emphasized to improve the quality of its assets and expects better results in future with a view to provide positive returns to its shareholders.

The challenges facing the banking sector in general and small & medium sized banks in particular, for the last two years interalia includes the erosion of asset quality, and the enhancement for capital requirements as stipulated by the State Bank of Pakistan.

In the last quarter, increase in provision against non-performing loans had a major impact on the profitability of the bank. However, the bank endeavored to undertake prudent lending thereby concentrating efforts on core banking activities and as a result advances have now risen to Rs.24,303 million (2009 : Rs. 21,149 million).

The following are the summarized comparative financial results.

	2010	2009
	Rupees in '000	
Loss before taxation and provision / write off against non-performing loans	(140,756)	(222,701)
Less: Provision / write off against non-performing loans	959,602	1,724,395
Reversal / Provision for diminution in the value of investments	(22,167)	209,416
Loss before taxation	(1,078,191)	(2,156,512)
Less: Taxation	(34,780)	(516,683)
Loss after taxation	(1,043,411)	(1,639,829)
Add: Accumulated (Loss)/Profit brought forward	(1,392,355)	226,143
Add: Transfer from surplus on revaluation of fixed assets	20,263	21,331
Accumulated (Loss) available for appropriation	(2,415,503)	(1,392,355)
Loss per share - Rupees	(1.97)	(3.09)

Credit Rating

The bank enjoys "A-" (Single-A Minus) rating for the medium to long term and "A-2" (A-Two) rating for the short term from the Pakistan Credit Rating Agency Limited (PACRA).

Changes in the Composition of the Board of Directors

During the year, Mr. Muhammad Zahir Esmail, has been appointed as President & CEO of the bank in place of Mr. Muhammad Bilal Sheikh, President & CEO (after expiry of his contract on August 10, 2010). He was also co-opted as director in place of Mr. Mamnoon Ahmed Alvi by the Board of Directors in its 120th meeting held on October 22, 2010.

Mr. Esmail is a seasoned banker with strong expertise in conventional and Islamic banking. He has got over 41 years of experience in leading banks in the country and abroad, including Habib Bank Limited, Karachi, Habib Bank AG Zurich, UAE & Oman, HBZ Bank Limited, South Africa and Habib Metropolitan Bank Limited.

Minimum Capital Requirement, BSD Circular No. 7 of 2009

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement for banks upto Rs.10 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2010 was Rs.7 billion. The paid up capital of the Bank as of December 31, 2010 amounts to Rs. 5,303.582 million and the Bank has reserves and accumulated losses of Rs. 324.005 million and Rs. 2,415.503 million respectively as of said date. Keeping in view the said minimum capital requirements, the majority shareholders of the Bank has entered into share purchase agreement on September 30, 2009 with M/s Suroor Investment Limited, for sale of their 59.34% share holding in the Bank. The Suroor Investment Limited has already acquired Arif Habib Bank Ltd. (renamed as Summit Bank Ltd.) and Atlas Bank Ltd. Atlas Bank Limited has been merged with and into Summit Bank Ltd. as on 31.12.2010.

In connection to the above said agreement, a special resolution has been passed by the shareholders of Mybank Limited in its Extraordinary General Meeting held on January 20, 2011, approving the scheme of amalgamation with and into Summit Bank Limited, subject to the approval of State Bank of Pakistan. The effective date of merger between Mybank and Summit Bank shall be notified by the State Bank of Pakistan. Consequent upon completion of merger of Mybank Ltd. with and into Summit Bank Ltd., the minimum capital requirement of the merged bank will be met in accordance with the requirement.

The above matter has also been emphasized by the External Auditors M/s Hyder Bhimji & Co. Chartered Accountants in their audit report to the shareholders of bank.

Enhancements In Technology Infrastructure And Business Continuity Plan

The future of the banking depends upon the strong IT support and the business continuity plans and it has been time and again reiterated and stressed upon by the Board to continue allocating financial budget in that direction. As informed to the Board in our last report that the Misys core banking system (successfully implemented in the preceding years) is running smoothly without any hindrance and has capability for capacity increases and the bank is revealing benefits from its rich MIS capabilities. Furthermore, in order to protect the customer's interest and enhance data reliability, real time replication of customer's data to disaster recovery site was made functional in the preceding year. The bank's business continuity plan has further been revamped and practical exercises with additional features were conducted for smooth transition to backup site in case of any disaster. Furthermore, in order to ensure reliability and evaluate performance, the backup site has been successfully tested with modified variables by running non-stop business cycle of the bank for a day, from the disaster recovery site.

The SMS alerts facility was introduced in 2008, which was re-inforced during the year. The customers can receive mini statements or real time balance query by simply sending SMS to Mybank, 24 hours a day, 7 days a week. Data security features in the encrypted mode has further been improved. The IT security awareness of all users is also enhanced by providing series of trainings at various levels.

Risk Management

Risk Management Division is reporting to the President & C.E.O whereas Board's Risk Management Committee oversees the risk management function and overall enterprise risk management framework. Enterprise Risk Management model mainly incorporates credit, market and operational risk among other components of the model whereas liquidity risk management is the direct responsibility of ALCO. Head of Risk Management Division is also a member of ALCO.

Risk Management Division is also responsible for implementation of Basel-II Accord in the Bank and all implementation and reporting deadlines of Capital adequacy ratio and Internal Credit Risk Rating have been complied with.

Asset pricing has been systematically correlated with the level of risk associated maintaining a trade-off between the risk and return. Advances have been linked with KIBOR.

Future Outlook

As stated above the bank has moved forward towards amalgamation for which the corporate actions have already been taken and final nod from the State Bank of Pakistan is awaited. The bank is expected to evolve as a new entity to gain enhanced synergies and to comply with the minimum capital requirements prescribed by the State Bank of Pakistan. The value created in the bank over the last few years will definitely reap returns to the new stakeholders. As an entity the bank will keep generating value, may not be with its existing corporate identity, but with its well identified strengths that it had gained over a number of years through hard work and dedication of its key team players, for instance; technology rollout, robust risk management and strategic branch network.

Internal Controls

The internal control environment being strengthened to manage and mitigate rather than eliminate risk of failure to achieve objectives and by its nature can only provides reasonable not absolute assurance against material misstatement or loss. The Board of Directors endorses the management's evaluation and representation on the internal control system and environment prevailing in the Bank during the year. The management has made representations relating to internal control and risk assessment framework to meet the requirements of the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2004, BSD Circular letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

Audit Committee

In compliance with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan an Independent Audit Committee of the Board of Directors is functioning effectively comprising non- executive directors of the Board. The committee functions under specified terms of reference incorporated in its charter duly approved by the Board. The role of the committee is to assist the Board of Directors in fulfilling responsibilities.

Corporate & Financial Reporting Framework (Code of Corporate Governance)

The Board extends full support and commitment towards the implementation of the highest standards of Corporate Governance. The Bank is in compliance with the Code of Corporate Governance and other instructions issued by the State Bank of Pakistan and other instructions from time to time. It has also followed the principles set out in the Listing Regulations of the Stock Exchange in letter and spirit. A prescribed statement by the management along with the auditors' review report thereon forms part of this Annual Report.

Statements under Clause XIX of the Code of Corporate Governance

- a) The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, comprehensive income, cash flows and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in the preparation of financial statements without any material departure. However, the State Bank of Pakistan has specifically deferred the implementation of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, till further instructions. While Securities and Exchange Commission of Pakistan has deferred the applicability on banks of IFRS 7 vide S.R.O 411(1)/2008 dated April 28, 2008. Accordingly, the requirements of those standards have not been followed in the preparation of these financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts about the Bank continuing as going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges of Pakistan.
- h) Summarized key operating and financial data of the last six years in tabulated in this Annual Report.
- i) The details of Board Meetings held and attended by the directors; forms part of this Annual Report.
- j) The prescribed pattern of shareholding is given as part of the Annual Report along with the disclosure requirement of clause (xix) sub clause (j) of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan.
- k) The book value of the investments made by the Employee's Provident Fund is Rs. 115 million as per audited financial statement for the year ended December 31, 2009.
- l) All taxes have been paid and nothing is outstanding, except as disclosed in these financial statements.

The present auditors, Messrs. Hyder Bhimji & Co., Chartered Accountants, retires and offered themselves for reappointment as auditors of the bank for the year ending December 31, 2011, subject to the laws and regulations prevailing at the date of the forthcoming Annual General Meeting.

Acknowledgement

We would like to express our gratitude and thanks to the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan for their professional support and guidance. Our gratitude is due to our customers for the confidence that they have expressed in the Bank. We would also like to thank our shareholders for their patronage and help, the management and the staff for their hard work and commitment.

On behalf of the Board

Place: Karachi
Date: February 19, 2011

Iqbal Alimohamed
Chairman

Statement of Compliance with Code of Corporate Governance

The Board of Directors and management of mybank Limited has always supported and reaffirmed its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

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

1. The Bank encourages representation of independent Non - Executive Directors and Directors representing minority interests on its Board of Directors at present Board contains all non executive directors except two directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Bank.
3. All the Directors of the Bank are registered as a tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and are not members of any stock exchange.
4. Mr. Muhammad Zahir Esmail, has been appointed as President & CEO of the bank in place of Mr. Muhammad Bilal Sheikh. He was also co-opted as director in place of Mr. Mamnoon Ahmed Alvi by the Board of Directors. The casual vacancy occurred during the year in the board of Directors has been filled in by the directors within stipulated period.
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 and approved a vision and mission statement, core values, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. The Board has the following functioning Committees and their terms of reference have been approved by the Board:
 - a. Audit Committee - also ensures the independence of the internal audit function and the independence and objectivity of the external auditors.
 - b. Human Resource Management Committee - also monitors the remuneration and appointments of senior management as defined in the terms of reference as well as personnel policies and its implementation.
 - c. Credit and Risk Management Committee - also ensures compliance of the Bank's Credit Policies, Risk Management Framework and SBP Prudential Regulations.
8. All the powers of the Board have duly been exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and the Board met Five (5) times in the year. Written notices of the Board meetings, along with agenda and working papers are always circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Chairman and one of the Directors of the Board attended and completed a course on Corporate Governance & obtained certification of "Certified Director". The other directors will also attend the same course organized by the Institute of Corporate Governance of Pakistan and in process of getting certification.

11. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, as determined by the CEO.
12. The Directors' report for this year has been prepared in compliance with the requirements of the code, which fully describes the salient matters required to be disclosed.
13. The information regarding change of Directors has been communicated to the Securities and Exchange Commission of Pakistan (SECP) and Stock Exchanges within the stipulated time.
14. The financial statements of the Bank were duly endorsed by CEO and CFO prior to presentation before the Audit Committee and the Board of Directors for approval.
15. The Directors, CEO and Executives of the Bank do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all the corporate and financial reporting requirements of the code.
17. The Board has formed an Audit Committee, which comprises of four members, all of whom are Non - Executive Directors including the Chairman of the Committee.
18. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Bank and as required by the code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
19. The Board has set-up an Internal Audit Division. The Internal Audit Division reports directly to the Chairman Audit Committee.
20. 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, and 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 of its partners are in compliance with International Federation of Accountants Committee (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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 auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The quarterly un-audited financial statements of the Bank are circulated along with the Report of Directors. Half-yearly financial statements were subjected to limited review by the statutory auditors. Financial statements for the year ended December 31, 2010 have been audited and circulated in accordance with the clause (xxii) of the code.
23. All material information as described in clause (xxiii) of the code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
24. We confirm that all other material principles contained in the code have been complied with.

By order of the Board

Muhammad Zahir Esmail
President & CEO

Place: Karachi
Date: February 19, 2011

Statement of Internal Controls

Management of mybank Limited is responsible for establishing and maintaining a desirable system of internal control aimed at achieving the following objectives of the Bank:

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

The following statements are made by the management, to meet the requirements of the State Bank of Pakistan (SBP) circular No. BSD 7 of 2004, Banking Supervision Department circular letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

1. The management has adopted different strategies to monitor and improve internal controls on an ongoing basis. These include internal audit and various management committees. Moreover, in 2007 the management has engaged an outside consulting company to review the design and effectiveness of the system of internal control through policy revision. The review of the internal controls is being further strengthened and measures for improvement where required are implemented.
2. The Bank has adopted a statement of ethics and business practices that is signed by all Directors and employees every year. Further, Compliance division is effectively functioning to ensure ongoing monitoring of Bank's compliance with laws, regulations and code of ethics.
3. The Bank has written policies and procedures duly approved by the Board of Directors, revised and are presently under review for updation.
4. The Bank has mission, vision and corporate strategy duly approved by the Board.
5. A comprehensive and enhanced organization structure is being developed which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
6. The Bank has an effective internal audit division, which reports directly to the Audit Committee of the Board. The internal audit periodically carries out audits of branches and central office divisions to monitor the compliance of Bank's policies and procedures based on an audit plan approved by the Audit Committee.
7. Management gives due considerations to the recommendations made by the internal and external auditors for improvements in the internal control system and take timely action to implement such recommendations.
8. The management has in place evaluation and approval procedures for major capital expenditure and other transactions.
9. There is an annual budgeting and strategic planning process. Financial forecasts are reviewed during the year to reflect significant changes in business environment. Regular reporting and monitoring of financial performance of the divisions highlighting key performance indicators and variance from budgets and forecasts, is in place.

During the year 2010, the Bank made considerable efforts in maintaining a suitable internal control framework, considering size of its operations, to ensure a comfortable level of effectiveness, efficiency and soundness of its internal control system and in implementing the desired control procedures. During the year, the management initiated necessary steps to ensure non-repetition and elimination of observations, deficiencies and weaknesses identified by the statutory auditors, internal audit and the regulatory agency to the maximum possible level. The existing policies and procedures are being reviewed and revised.

Development of internal controls systems is an ongoing process, which includes identification, evaluation and management of significant risks faced by the Bank. Accordingly the Bank continuously reviews its entire system of controls, including the control environment, risk management and compliance procedures, and revisiting the policies and procedures to ensure that these conform to best practices.

Additionally, the Bank is also in the process of strengthening its systems for capturing and communicating relevant information and had successfully implemented state of art technology, Misys (Core Banking Application).

Based on the evaluation of the system of internal control, the management assesses that the internal control system, customer services and operation is adequate, considering the size and nature of banks operations, and expect that the internal control system will further improve in the period ahead.

By order of the Board

Muhammad Zahir Esmail
President & CEO

Place: Karachi
Date: February 19, 2011

Auditors' 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 for the year ended December 31, 2010 prepared by the Board of Directors of Mybank Limited (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock exchange, Chapter XIII of the Lahore Stock Exchange and Regulation 11 of the Islamabad Stock Exchange 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 a) of Listing Regulations 35 (Previously Regulation No.37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Bank to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Bank for the year ended December 31, 2010.

Place: Karachi
Date: February 19, 2011

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of mybank Limited as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 14 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 accounts 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;
 - 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 December 31, 2010 and its true balance of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion we draw attention to Note 1.2 of the annexed financial statement, which explain in detail Bank's capital deficiency and since the time line for achieving the same has expired on March 31, 2010 and has not been extended by State Bank of Pakistan. The Bank strategy to mitigate the same is by amalgamation of the Bank with and into Summit Bank Limited for which a special resolution has been passed by the Shareholders of the Bank in its Extra Ordinary General Meeting held on January 20, 2011 approving scheme of amalgamation with and into Summit Bank Limited (formerly Arif Habib Bank Ltd, an entity which has acquired Atlas Bank Ltd) subject to the approval of State Bank of Pakistan, and upon completion of amalgamation, the minimum capital requirement of the merged bank will be met in accordance with requirement. The effective date of amalgamation will be notified by the State Bank of Pakistan.

These factors coupled with others matters as stated in the above referred note indicate material dependency of continuing banking operations of the Bank upon completion of amalgamation process.

Place : Karachi
Date: February 19, 2011

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner : Mohammad Hanif Razzak

Statement of Financial Position

As at December 31, 2010

	Note	2010 (Rupees in '000)	2009
ASSETS			
Cash and balances with treasury banks	6	2,548,881	2,073,321
Balances with other banks	7	715,251	433,055
Lendings to financial institutions	8	1,744,912	35,000
Investments - net	9	9,410,881	10,037,950
Advances - net	10	19,645,545	17,428,423
Operating fixed assets	11	2,179,707	2,321,845
Deferred tax assets - net	12	1,362,047	1,162,341
Other assets - net	13	1,872,152	1,998,770
		39,479,376	35,490,705
LIABILITIES			
Bills payable	14	312,840	330,759
Borrowings	15	5,035,272	2,550,386
Deposits and other accounts	16	29,479,139	26,848,808
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	506,259	655,888
		35,333,510	30,385,841
NET ASSETS		4,145,866	5,104,864
REPRESENTED BY			
Share capital	18	5,303,582	5,303,582
Reserves		324,005	324,005
Accumulated loss		(2,415,503)	(1,392,355)
		3,212,084	4,235,232
Surplus on revaluation of assets - net	19	933,782	869,632
		4,145,866	5,104,864
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Profit and Loss Account

For the year ended December 31, 2010

	Note	2010 (Rupees in '000)	2009
Mark-up / return / interest earned	21	2,887,135	3,368,218
Mark-up / return / interest expensed	22	2,332,207	2,881,902
Net mark-up/ interest income		554,928	486,316
Provision against non-performing loans and advances (Reversal) / Provision for diminution in the value of investments	10.3	959,338	1,698,932
Bad debts written off directly	9.11 10.4	(22,167) 264	209,416 25,463
Net mark-up / interest loss after provisions		937,435 (382,507)	1,933,811 (1,447,495)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		157,781	145,372
Dividend income		54,789	150,764
Income from dealing in foreign currencies		96,171	81,668
Gain / (Loss) on sale of securities - net	23	3,599	(111,209)
Other income - net	24	97,032	117,163
Total non mark-up / interest income		409,372	383,758
		26,865	(1,063,737)
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	25	1,110,129	1,064,180
Other provisions / write-offs		942	-
Other charges	26	(6,015)	28,595
Total non mark-up / interest expenses		1,105,056	1,092,775
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,078,191)	(2,156,512)
Taxation - current		32,965	19,378
- prior year		139,428	52,509
- deferred		(207,173)	(588,570)
	27	(34,780)	(516,683)
LOSS AFTER TAXATION		(1,043,411)	(1,639,829)
Accumulated (Loss) / Unappropriated profit brought forward		(1,392,355)	226,143
Transfer from surplus on revaluation of fixed assets - net of deferred tax		20,263	21,331
Accumulated Loss		(2,415,503)	(1,392,355)
Basic and diluted loss per share	28	(1.97)	(3.09)

The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Statement of Comprehensive Income

For the year ended December 31, 2010

	2010	2009
	(Rupees in '000)	
LOSS AFTER TAXATION	(1,043,411)	(1,639,829)
COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY		
Surplus on revaluation of investments	91,880	729,830
Deferred Tax on revaluation of investment	(7,467)	(128,205)
	84,413	601,625
TOTAL COMPREHENSIVE LOSS	<u>(958,998)</u>	<u>(1,038,204)</u>

The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Cash Flow Statement

For the year ended December 31, 2010

	Note	2010	2009
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,078,191)	(2,156,512)
Less: dividend income		(54,789)	(150,764)
		(1,132,980)	(2,307,276)
Adjustments			
Depreciation	11.2	134,750	147,303
Amortization of intangible assets	11.3	11,481	11,515
Amortization of premium on held to maturity securities		13,450	8,403
Provision against non-performing advances - net		959,338	1,698,932
(Reversal) / Provision for diminution in the value of investments	9.11	(22,167)	209,416
Bad debts written off directly		264	25,463
Loss on sale of fixed assets	11.2.2	4,164	9,462
		1,101,280	2,110,494
		(31,700)	(196,782)
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(744,912)	1,683,761
Advances		(3,176,724)	1,787,263
Others assets (excluding advance taxation)		127,381	(640,822)
		(3,794,255)	2,830,202
Increase/ (Decrease) in operating liabilities			
Bills payable		(17,919)	57,473
Borrowings		2,443,795	(2,048,974)
Deposits and other accounts		2,630,331	(1,183,927)
Other liabilities (excluding current taxation)		(149,629)	(97,595)
		4,906,578	(3,273,023)
		1,080,623	(639,603)
Income tax paid		(173,234)	(159,182)
		907,389	(798,785)
Net cash flows from / (used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from available-for-sale securities		727,668	769,030
Dividend income received		54,869	153,274
Investments in operating fixed assets		(13,909)	(79,831)
Sale proceeds of property and equipment disposed-off	11.2.2	5,648	4,489
Net cash flow from investing activities		774,276	846,962
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		-	-
Dividend paid		-	-
Net cash flows from financing activities		-	-
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase in cash and cash equivalents		1,681,665	48,177
Cash and cash equivalents at beginning of the year	29	2,533,756	2,485,579
Cash and cash equivalents at end of the year	29	4,215,421	2,533,756

The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Statement of Changes in Equity

For the year ended December 31, 2010

	Share capital	Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
	(Rupees in '000)			
Opening balance as at January 1, 2009	5,303,582	324,005	226,143	5,853,730
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	21,331	21,331
Net income recognised directly in equity	-	-	21,331	21,331
Loss for the year ended December 31, 2009	-	-	(1,639,829)	(1,639,829)
Total recognized income and expense for the year	-	-	(1,618,498)	(1,618,498)
Transfer to statutory reserve	-	-	-	-
Opening balance as at January 1, 2010	5,303,582	324,005	(1,392,355)	4,235,232
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	20,263	20,263
Net income recognised directly in equity	-	-	20,263	20,263
Loss for the period ended December 31, 2010	-	-	(1,043,411)	(1,043,411)
Total recognized income and expense for the year	-	-	(1,023,148)	(1,023,148)
Transfer to statutory reserve	-	-	-	-
Closing balance as at December 31, 2010	<u>5,303,582</u>	<u>324,005</u>	<u>(2,415,503)</u>	<u>3,212,084</u>

The annexed notes 1 to 40 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Notes to the Financial Statements

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

- 1.1 mybank Limited (the Bank) was incorporated in Pakistan on October 7, 1991 as a public limited company under the Companies Ordinance, 1984. The Bank's registered office is situated at Regal Chowk, Jinnah Road, Quetta with principal place of business at 10th Floor, Business and Finance Centre, I.I. Chundrigar Road, Karachi. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The Bank is engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and operates 80 (2009: 80) branches in Pakistan. Currently the Bank's medium and long-term credit rating is "A-" (single A minus) and its short term credit rating is A2 (A Two).
- 1.2 The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement for banks upto Rs.10 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2010 was Rs.7 billion. The paid up capital of the Bank as of December 31, 2010 amounts to Rs. 5,303.582 million and the Bank has reserves and accumulated losses of Rs. 324.005 million and Rs. 2,415.503 million respectively as of said date. Keeping in view the said minimum capital requirements, the majority shareholders of the Bank has entered into share purchase agreement on September 30, 2009 with Suroor Investment Limited, for sale of their 59.34% shareholding in the Bank.

Meanwhile, a special resolution has been passed by the Shareholders of Mybank Limited in its Extraordinary General Meeting held on January 20, 2011, approving the scheme of amalgamation with and into Summit Bank Limited (formerly Arif Habib Bank Ltd, an entity which has acquired Atlas Bank Ltd), subject to approval of State Bank of Pakistan. The effective date of merger between Mybank and Summit Bank shall be notified by the State Bank of Pakistan.

Consequent upon completion of merger the minimum capital requirement of the merged bank will be met in accordance with the requirement.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

The State Bank of Pakistan has deferred the applicability on banks of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property" vide BSD Circular No. 10 dated August 26, 2002 and Securities and Exchange Commission of Pakistan has deferred the applicability on banks of IFRS 7 vide S.R.O 411(1)/2008 dated April 28, 2008, accordingly the requirements of these standards have not been taken into account for the purpose of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.2 **Standard, interpretation and amendment to published approved accounting standards that are not relevant and not yet effective,**

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting Periods beginning on or after January 01, 2011. These standards are either not relevant to the Bank's operations or are not yet effective:

Amendments to IFRS 7 Financial Instrument Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after July 1, 2011); The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. This amendment is not likely to have any impact on Bank's financial statements.

IFRS 9 Financial Instruments: (Effective for annual periods beginning on or after January 01, 2013) The International Accounting Standards Board has decided to replace IAS 39 Financial Instruments: Recognition and Measurement over a period of time. The first installment, dealing with classification and measurement of financial assets, was issued as IFRS 9 Financial Instruments in November 2009. The requirements for classification and measurement of financial liabilities and de-recognition of financial assets and liabilities were added to IFRS 9 in October 2010. As a consequence, parts of IAS 39 are being superseded and will become obsolete for annual periods beginning on or after January 1, 2013. This process has resulted in amendments to seven existing Standards for inclusion of references of IFRS 9 in place of IAS 39.

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

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

Amendments to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of repayments 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 Bank's financial statements.

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

The Bank expects that the adoption of above standards and interpretation will have no significant impact on the Bank's financial statements in the period of initial application. They may, however, give rise to additional disclosures.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the 'historical cost convention' as modified by revaluation of land and buildings and valuation of certain investments at fair value.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

4.2.1 Critical judgments in applying the Bank's accounting policies.

In the process of applying the Bank's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

a) Classification of investments

- In classifying investments as 'held for trading', the Bank has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

- In classifying investments as 'held to maturity', the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

b) Taxation and Contingencies

As described in notes 20.4 and 20.5, management considers that the Bank is not likely to incur further liabilities mentioned therein.

4.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Provision against non-performing advances

The Bank continuously monitors the recoverability of advances and makes general and specific provisions as considered necessary to comply with the Prudential Regulations issued by the SBP. Keeping in view the requirements of the Prudential

Regulations, the Bank may apply the subjective criteria of classification on regular basis and accordingly the classification of an advance is downgraded on the basis of evaluation of credit worthiness of borrower, its cash flows, operations in account and adequacy of security in order to ensure the best estimate of the provision.

b) Useful life of property and equipment and intangible assets

Useful life of the property and equipment and intangible assets are based on management's best estimates.

c) Valuation and impairment of available for sale equity investments

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

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, unless otherwise stated.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts, overdrawn nostro accounts and call money lending in the money market.

5.2 Lendings to / borrowings from financial institutions

Sale under re-purchase obligation

Securities sold subject to a re-purchase agreement (Repo) are retained as investments and the corresponding counter party liability is recognized as borrowings from financial institutions. The difference in sale and re-purchase value is treated as mark-up / return / interest expense and accrued over the life of the repo agreement.

Purchase under re-sale obligation

Securities purchased subject to a re-sale agreement (Reverse Repo) are recognized as lendings to financial institutions. The difference between contracted and re-sale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement.

5.3 Investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market conventions are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the securities. Classification of investments are made on the basis of intention of the management, which is as follows:

Held-for-trading securities

These are investment securities, which are acquired principally for the purpose of generating profit from short-term fluctuations in price, interest rate movement or dealer's margin, and are to be sold within 90 days.

Held-to-maturity securities

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

Available-for-sale securities

These are investments, which do not fall under the "held-for-trading" or "held-to-maturity" category.

Investments other than those categorized 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.

Quoted securities other than those classified under held-to-maturity, are stated at market value in accordance with the requirements of the SBP. Held-to-maturity investments are stated at amortized cost.

Surplus / (deficit) arising on revaluation of held-for-trading securities and amortization of held-to-maturity investments are directly taken to profit and loss account.

In accordance with the requirements of Banking Surveillance Department circular No. 20 dated August 4, 2000, the surplus / (deficit) arising on securities classified as available-for-sale investments for which ready quotes are available on Reuters page (PKRV) or Stock Exchange is kept in a separate account and shown in balance sheet below equity. Unquoted equity securities are valued at lower of cost and break-up value less impairment losses, if any. Break-up value of shares is calculated with reference to net assets of investee company based on latest available audited financial statements.

Provision for diminution in the value of securities (except debentures, bonds, participatory certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, bonds, participatory certificates and term finance certificates is made in accordance with the requirements of Prudential Regulations issued by SBP.

Gains and losses on disposal of investments are taken to profit and loss account in the year in which they arise.

5.4 Advances

Advances are stated net of general and specific provisions on non-performing advances. Specific provision is made in accordance with the requirements of Prudential Regulations issued by SBP from time to time. The net provision made / reversed during the year is charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of loans by the bank) for classification of non-performing loans and advances and computing provision there against. Further, SBP also requires the Bank to maintain general provision against consumer advance at specified percentage of such portfolio. Advances are written off where there are no realistic prospects of recovery.

5.5 Operating fixed assets - owned

Property and equipment

Property and equipment, other than land which is carried at revalued amount, are stated at cost or revalued amounts less accumulated depreciation and impairment losses, if any.

Depreciation on premises on leasehold land and furniture and fixture is charged to profit and loss account applying the reducing balance method and depreciation on computer equipments and vehicles is charged to profit and loss account applying straight line method at the rates stated in note 11.2.

Depreciation is provided on assets acquired during the year from the month of purchase of assets, and on assets disposed-off during the year till the month these assets are disposed-off.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently.

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to the related assets is transferred to retained earnings (net of deferred tax).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

Intangible assets

Intangible assets having finite life are stated at cost less accumulated amortization and impairment loss, if any. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization is provided applying the straight line method at the rates mentioned in note 11.3.

5.6 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

5.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account; tax credits, tax rebates and exemption available if any in accordance with the provisions of Income Tax Ordinance, 2001.

Deferred

Deferred tax is calculated using balance sheet liability method, providing on all temporary differences arising at the balance sheet date, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized on deductible temporary differences to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow or part of the asset to be recovered.

Deferred taxes are calculated at the tax rate that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case their deferred tax is also dealt within equity.

5.8 Staff retirement benefits

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 the basic salaries of the employees.

Defined benefit plan

The Bank has a gratuity fund, contributions to which have been discontinued since 2002. However, the Fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balances upon completion of or termination from the employment of the Bank.

5.9 Dividend and other appropriations

Dividend is recognized as liability in the period in which it is declared. Appropriations to reserves, other than statutory appropriations made after the balance sheet date are recognized in the period in which such appropriations are approved.

5.10 Revenue recognition

Mark-up / return / interest on advances and return on investments are recognized on time proportion basis except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan (SBP) on which mark-up is recognized on receipt basis. Interest / mark-up on re-scheduled / re-structured loans and advances and investments is recognized in accordance with the directives of the State Bank of Pakistan. Where debt securities are purchased at a premium / discount, those premium / discounts are amortised through profit and loss account over the remaining maturity using effective yield method.

Fee, commission and brokerage income is recognized at the time of performance of services.
Dividend income is recognized when right to receive is established.
Gain / Loss on sale of investments is reflected in profit and loss account.

5.11 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that the 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 estimates.

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

5.12 Foreign currency translation

5.12.1 Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Bank's functional and presentation currency.

5.12.2 Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. Foreign bills purchased and forward foreign exchange other than those relating to foreign currency deposits are valued at the rates applicable to the respective maturities of the relevant foreign bills purchased and forward exchange contracts.

5.12.3 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amount. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in functional currency at the rates of exchange ruling on the balance sheet date.

5.13 Segment Reporting

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

5.13.1 Business segments

Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, Initial Public Offering (IPO) and secondary private placements.

Trading and sales

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

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.

Commercial banking

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

5.13.2 Geographical segments

The Bank operates only in Pakistan.

5.14 Financial instruments

Financial assets and liabilities are recognized at the time the Bank becomes a party to the contractual provisions of the instruments. Any gain or loss on de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

5.15 Off - setting

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

Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

	Note	2010	2009
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		742,587	620,883
Foreign currencies		99,638	154,693
		842,225	775,576
With State Bank of Pakistan in			
Local currency current accounts	6.1	1,396,265	1,063,400
Foreign currency current accounts	6.2	66,882	43,890
Foreign currency deposit accounts	6.3	191,946	146,162
		1,655,093	1,253,452
With National Bank of Pakistan in			
Local currency current accounts		51,563	44,293
		2,548,881	2,073,321

- 6.1 Deposits are maintained with the SBP to comply with their requirements issued from time to time.
- 6.2 It includes non-remunerative cash reserve of 5 percent on deposits held under the new foreign currency account scheme, required to be maintained with the SBP.
- 6.3 This represents statutory cash reserve maintained against foreign currencies deposits mobilized under FE-25 scheme, as prescribed by the SBP.

	Note	2010	2009
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		155,769	109,479
On deposit accounts	7.1	139,652	215,650
		295,421	325,129
Outside Pakistan			
On current accounts		384,414	91,078
On deposit accounts		35,416	16,848
		419,830	107,926
		715,251	433,055

- 7.1 This represents saving deposits with local banks carrying interest ranging between rates of 5 percent to 6 percent per annum (2009: 5 percent to 6 percent).

	Note	2010	2009
(Rupees in '000)			
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	1,000,000	35,000
Repurchase agreement lendings (reverse repo)	8.3	744,912	-
		1,744,912	35,000
8.1 Particulars of Lending			
In local currency		1,744,912	35,000
In foreign currencies		-	-
		1,744,912	35,000

- 8.2 These represent clean placements and call money lendings to financial institutions with maturity period of 3 days and carry mark-up at 14 percent per annum (2009: 12.5 percent per annum).

- 8.3 These represent lendings to financial institutions against purchase of government securities under resale obligation (reverse repo) 2010 : 12.95 percent (2009 : Nil).

8.4 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market treasury bills	486,337	-	486,337	-	-	-
Pakistan Investment Bonds	258,575	-	258,575	-	-	-
	<u>744,912</u>	<u>-</u>	<u>744,912</u>	<u>-</u>	<u>-</u>	<u>-</u>

8.4.1 Market value of the collaterals held under repurchase agreement lendings amounts to Rs. 749.177 million (2009: Nil).

Note	2010			2009		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
-----Rupees in '000-----						

9. INVESTMENTS

9.1 Investments by types:

Available-for-sale securities

Market Treasury Bills		5,686,290	2,135,157	7,821,447	8,528,124	-	8,528,124
Pakistan Investment Bonds		51,285	-	51,285	51,385	-	51,385
National Investment Trust Units		700,000	-	700,000	700,000	-	700,000
Term Finance Certificates - listed		107,144	-	107,144	113,759	-	113,759
Term Finance Certificates - unlisted		15,550	-	15,550	15,550	-	15,550
Sukuk Investment Certificates		25,000	-	25,000	50,000	-	50,000
GoP Ijarah Sukuk Bond		10,000	-	10,000	10,000	-	10,000
Listed companies' shares		211,234	-	211,234	300,510	-	300,510
Unlisted companies' shares		10,000	-	10,000	10,000	-	10,000
Mutual funds - units - close-ended		4,305	-	4,305	318,218	-	318,218
Mutual funds - units - open-ended		413,913	-	413,913	-	-	-
Preference shares		37,500	-	37,500	37,500	-	37,500
		<u>7,272,221</u>	<u>2,135,157</u>	<u>9,407,378</u>	<u>10,135,046</u>	<u>-</u>	<u>10,135,046</u>
Held-to-maturity securities							
Pakistan Investment Bonds		492,399	-	492,399	505,847	-	505,847
Investment at cost		<u>7,764,620</u>	<u>2,135,157</u>	<u>9,899,777</u>	<u>10,640,893</u>	<u>-</u>	<u>10,640,893</u>
Less: Provision for Diminution in value of Investments	9.11	(597,647)	-	(597,647)	(619,814)	-	(619,814)
Investments (net of provisions)		<u>7,166,973</u>	<u>2,135,157</u>	<u>9,302,130</u>	<u>10,021,079</u>	<u>-</u>	<u>10,021,079</u>
Surplus/(deficit) on revaluation of Available-for-sale securities	19.2	121,063	(12,312)	108,751	16,871	-	16,871
Total investments at carrying value		<u>7,288,036</u>	<u>2,122,845</u>	<u>9,410,881</u>	<u>10,037,950</u>	<u>-</u>	<u>10,037,950</u>

	Note	2010	2009
		(Rupees in '000)	
9.2 Investments by segments:			
Government Securities:			
Market Treasury Bills	9.2.1	7,821,447	8,528,124
Pakistan Investment Bonds	9.2.1 & 9.2.2	543,684	557,232
GoP Ijarah sukuk bond		10,000	10,000
		8,375,131	9,095,356
Fully Paid up Ordinary Shares:			
Listed companies		211,234	300,510
Unlisted companies		10,000	10,000
		221,234	310,510
Preference shares			
		37,500	37,500
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Listed Term Finance Certificates		107,144	113,759
Unlisted Term Finance Certificates		15,550	15,550
Sukuk Investment Certificates		25,000	50,000
		147,694	179,309
Other Investments			
Mutual funds - units - close-ended		4,305	318,218
Mutual funds - units - open-ended		413,913	-
National Investment Trust - units		700,000	700,000
		1,118,218	1,018,218
Total investment at cost			
Less: Provision for diminution in value of investment	9.11	9,899,777 (597,647)	10,640,893 (619,814)
Investments (net of provisions)			
Surplus on revaluation of available-for-sale securities	19.2	9,302,130 108,751	10,021,079 16,871
Total investments at Carrying value			
		9,410,881	10,037,950

9.2.1 Market treasury bills and Pakistan investment bonds are held with the SBP and are eligible for re-discounting.

9.2.2 These include securities having face value of Rs. 12.10 million (2009: Rs. 12.10 million) pledged with National Bank of Pakistan as security to facilitate T.T. discounting of the branches of the Bank.

	Note	2010		2009	
		Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
9.3 Quality of Available for Sale Securities - at market value / carrying value for unlisted investments					
Market Treasury Bills		7,793,968	Unrated	8,508,544	Unrated
Pakistan Investment Bonds		44,996	Unrated	50,845	Unrated
National Investment Trust Units		376,493	2 Star 3 star	362,473	2 Star 3 star
GOP Ijarah Sukuk Bond		10,162	Unrated	10,099	Unrated
Term finance certificates - unlisted					
Dewan Farooq Spinning Mills Ltd.	9.3.1	6,250	Unrated	6,250	Unrated
Kunjah Textile Mills Ltd.	9.3.1	9,300	Unrated	9,300	Unrated
		15,550		15,550	
Term finance certificate - listed					
Azgard Nine Ltd.		70,403	CCC	74,578	A1 +
Telecard Ltd		25,775	BBB	31,166	BBB
		96,178		105,744	
Sukuk Investment Certificate - unlisted					
Haq Bahu Sugar Mills (Pvt) Ltd.	9.3.1	25,000	Unrated	50,000	Unrated
Listed companies shares					
Adamjee Insurance Co. Ltd.		173	AA	222	AA
Arif Habib Ltd.		87	Unrated	168	Unrated
Arif Habib Corporation Ltd.		56	Unrated	111	Unrated
Artistic Denim Mills Ltd.		24	Unrated	29	Unrated
Askari Commercial Bank Ltd.		6,663	A1+, AA	8,569	A1+, AA
Dawood Lawrencepur Ltd		48	Unrated	65	Unrated
EFU Life Assurance Ltd.		2,582	AA-	4,153	AA-
Fatima Fertilizer Co.		8	A,A1	-	-
Fauji Fertilizer Bin Qasim Ltd.		4,288	Unrated	3,136	Unrated
First Capital Securities Corp. Ltd.		18	AM4+	43	AM4+
First National Equities Ltd.		493	Unrated	739	Unrated
Ghandhara Nissan Ltd.		2,869	Unrated	3,259	Unrated
Hub Power Co. Ltd.		18,705	A1+, AA+	15,540	A1+, AA+
IGI Insurance Ltd.		35	AA	26	AA
Jahangir Siddiqui & Co. Ltd.		201	A-1+, AA	555	A1+, AA+
JS Global Capital Ltd.		14	A-1+, AA	35	A1+, AA
JS Investment Ltd.		3	A-1, A+	7	A1, A+
KASB Bank Ltd.		6	A-, A-2	19	A1, A
Kohinoor Weaving Mills Ltd.		135	Unrated	225	Unrated
Maple Leaf Cement Ltd.		301	BB, B	395	BBB-, A3
National Bank of Pakistan		355	A-1+, AAA	275	A-1+, AAA
Netsol Technologies Ltd.		12,769	Unrated	24,750	Unrated
New Jubilee Insurance Co. Ltd.		1,424	AA	1,165	AA
New Jubilee Life Insurance Co. Ltd.		277	AA-	265	Unrated
Oil and Gas Development Co. Ltd.		85,415	A-1+, AAA	75,215	A-1+, AAA
Pak Elektron Ltd.		4,208	A-1, A	5,106	A-1, A
Pakistan National Shipping Corp Ltd.		8	AA-, A-1+	9	Unrated
Pakistan Petroleum Ltd.		52,116	Unrated	90,093	Unrated
Pioneer Cement Ltd.		175	Unrated	277	Unrated
Searle Pakistan Ltd.		690	A-3, BBB+	717	A-3, BBB
Shell Pakistan Ltd.		115	Unrated	138	Unrated
Siddiq Sons Tin Plate Ltd.		1	Unrated	1	Unrated
Silkbank Ltd.		-	-	4,740	A-3, A-
Summit Bank Ltd.		2,112	A-2, A	3,715	A-2, A
Trust Investment Bank Ltd.		7	A-3, BBB-	23	A-3, BBB-
		196,381		243,785	

	Note	2010		2009	
		Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
Khushhali Bank Ltd.	9.3.2	12,180	A-2, A-	11,026	A-2, A-
Mutual funds - units -open-ended					
Pak Strategic Allocation Fund		84,000	4 Stars	44,400	3 Stars
Pakistan Capital Protected Fund		102,116	4 Stars	-	-
JS Large Capital Fund		139,364	Unrated	98,400	4 Stars
		325,480		142,800	
Mutual funds - units -closed-ended					
Pak Oman Advantage Fund		994	AA- (f)	1,008	AA-(f)
PICIC Growth Fund		1,328	3 Stars	1,429	2 Stars
JS Value Fund Ltd		1	5 Stars	2	5 Stars
		2,323		2,439	
Preference shares		37,500	A-1, A	45,374	A-1, A
Total		8,936,211		9,548,679	

9.3.1 Fair value of these investments can not be calculated as active market does not exist.

9.3.2 These represent the break-up values of the assets, which are higher than the cost at which these have been carried in the financial statements.

9.4 Particulars of Investments held as Strategic Investment - at cost

	2010	2009
	(Rupees in '000)	
JS Large Capital Fund	213,913	213,913
Pakistan Strategic Allocation Fund	100,000	100,000
Preference Shares - Pak Elektron Ltd.	37,500	37,500
Ordinary Shares - Pak Elektron Ltd.	12,500	12,500
Unlisted Shares- Khushhali Bank Ltd.	10,000	10,000
	373,913	373,913

9.5 Principal terms of investments

9.5.1 Particulars of investments held in Government Securities

Investee	Maturity	Principal Payment	Interest Rate %	Interest Payment
Pakistan Investment Bonds	Feb. 2011 to Oct. 2013	On Maturity	8.00 to 14.00	Semi-annually
Market Treasury Bills	Jan. 2011 to June. 2011	On Maturity	12.30 to 13.39	At Maturity
GoP Ijarah Sukuk Bonds	Sep. 2008 to Sep. 2011	On Maturity	12.79	Semi-annually

9.5.2 Particulars of investments held in Term Finance Certificate

Investee	Principal	Profit/Payment	Rate of mark-up / profit
Dewan Farooq Spinning Mills Ltd.	After 18 months - over 5 Years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.
Kunjah Textile Mills Ltd.	After 6 month over 7 years	Semi-annually	Average 6 months KIBOR plus 3 percent per annum.
Azgard Nine Ltd.	Over 7 years	Semi-annually	Average 6 months KIBOR plus 2.40 percent per annum.
Telecard Ltd.	Over 6 years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.

9.5.3 Particulars of investments held in Sukuk Certificate

Haq Bahu Sugar Mills (Pvt.) Ltd.	After 1 year over 2 years	Semi-annually	Average 6 months KIBOR plus 3.25 percent per annum with floor of 11 percent and cap of 30 percent.
----------------------------------	------------------------------	---------------	--

9.5.4 Particulars of investments in NIT Units

	Face Value	Book Value	Market Value
(Rupees in '000)			
National Investment Trust Units	119,826	700,000	376,493

9.6 Investment in listed securities - ordinary shares

2010 No. of ordinary shares	2009	Paid up value per share (Rs.)	Name of Company	2010 (Rupees in '000)	2009
1,980	1,800	10	Adamjee Insurance Co.	162	162
3,337	2,781	10	Arif Habib Ltd	162	162
2,250	2,250	10	Arif Habib Corporation Limited	67	67
1,000	1,000	10	Artistic Denim Mills	23	23
376,650	313,875	10	Askari Commercial Bank Ltd.	19,569	19,569
1,100	1,100	10	Dawood Lawrencepur Ltd	40	40
34,226	30,200	10	EFU Life Assurance Ltd	10,191	10,191
675	-	10	Fatima Fertilizer Co.	7	-
120,000	120,000	10	Fauji Fertilizer Bin Qasim Ltd	5,533	5,533
4,933	4,485	10	First Capital Securities Corp.	40	40
56,000	56,000	10	First National Equities Ltd	2,743	2,743
583,000	583,000	10	Ghandhara Nissan Ltd.	3,107	3,107
500,000	500,000	10	Hub Power Co.	16,288	16,171
360	300	10	IGI Insurance Ltd	26	26
18,467	18,467	10	Jahangir Siddiqui & Co.	540	540
500	500	10	JS Global Capital Limited	36	36
500	500	10	JS Investment Ltd	9	9
2,520	2,520	10	KASB Bank Limited	18	18
46,000	46,000	10	Kohinoor Weaving Mills	656	656
105,000	105,000	10	Maple Leaf Cement Ltd	2,691	2,691
4,625	3,700	10	National Bank Of Pakistan	271	271
667,500	867,500	10	Netsol Technologies Ltd	17,672	22,967
24,000	20,000	10	New Jubilee Insurance Co.	1,016	1,016
6,002	6,002	10	New Jubilee Life Insurance Co.	237	237
500,000	680,000	10	Oil and Gas Development Co. Ltd.	62,690	85,258
299,723	272,477	10	Pak Electron Ltd.	12,500	12,500
200	200	10	Pakistan National Shipping Corp	10	10
240,000	475,200	10	Pakistan Petroleum Ltd.	40,177	95,462
25,900	25,900	10	Pioneer Cement Ltd	358	358
11,500	11,500	10	Searle Pakistan Limited	458	458
550	550	10	Shell Pakistan Limited	124	124
100	100	10	Siddiq Sons Tin Plate Ltd	1	1
-	1,000,000	10	Silkbank Ltd	-	6,252
554,444	554,444	10	Summit Bank limited	13,773	13,773
4,000	4,000	10	Trust Investment Bank Limited	39	39
				211,234	300,510
Less: Deficit on revaluation of shares - net				(14,853)	(56,725)
Market Value as at December 31				196,381	243,785

9.7 Investment in Preference Shares

2010 No. of ordinary shares	2009	Paid up value per share (Rs.)	Name of Company	2010 (Rupees in '000)	2009
3,750,000	3,750,000	10	Pak Elektron Ltd.	37,500	37,500
Add: surplus on revaluation of shares - net				-	7,874
Market Value as at December 31				37,500	45,374

9.8 Investment in mutual funds

Investee	No. of units/ certificates	2010	
		Book Value	Market Value
(Rupees in '000)			
Pak Oman Advantage Fund	Close-ended	96,000	994
PICIC Growth Fund	Close-ended	100,200	1,328
JS Value Fund Ltd	Close-ended	300	1
Pak Strategic Allocation Fund	Open-ended	10,000,000	84,000
Pak. Capital Protected Fund	Open-ended	10,201,415	102,116
JS Large Capital Fund	Open-ended	21,391,312	139,364
		418,218	327,803
Less: Deficit on revaluation of mutual funds - (net) - available for sale		(90,415)	
Market Value as at December 31, 2010		327,803	

9.9 Investment in term finance certificate - listed - each with face value of Rs. 5,000

No. of certificates		Name of Company	Name of Chief Executive	Redeemed Value	
2010	2009			2010	2009
(Rupees in '000)					
20,000	20,000	Azgard Nine Ltd.	74,898	74,898	
15,000	15,000	Telecard Ltd.	32,246	38,861	
			107,144	113,759	
Add: Deficit on revaluation of TFCs - (net)			(10,966)	(8,015)	
Market Value as at December 31			96,178	105,744	

9.9.1 Investment in Term Finance Certificate / Sukuk Certificate - unlisted - each with face value of Rs. 5,000

No. of certificates		Name of Company	Name of Chief Executive	Redeemed Value	
2010	2009			2010	2009
(Rupees in '000)					
5,000	5,000	Dewan Farooq Spinning Mills Ltd.	6,250	6,250	
1,860	1,860	Kunjah Textile Mills Ltd.	9,300	9,300	
10,000	10,000	Haq Bahu Sugar Mills (Pvt) Ltd	25,000	50,000	
			40,550	65,550	

9.10 Investment in unlisted securities - ordinary shares

No. of shares / units held	Notes	Name of Investee Company	Name of Chief Executive	Percentage of holding %	Cost / Paid up Value per share / unit	Total Paid up Value	Break up Value	Based on accounts audited as at
1,000,000	9.10.1	Khushali Bank Ltd	Mr. Ghalib Nishtar	0.60%	10	10,000	12,180	Dec-09

9.10.1 This represents the Bank's subscription towards the paid up capital of Khushhali Bank Ltd in terms of SBP letter No. BSD ((RU-26) 265)/625-MfB/13817/00 dated August 07, 2000.

	Note	2010	2009
(Rupees in '000)			
9.11 Particulars of Provision			
Opening Balance		619,814	410,398
Charge During the year		-	209,416
Reversal During the year		(22,167)	-
Closing Balance		597,647	619,814
9.11.1 Particular of Provision in respect of type and segment			
Mutual Funds		511,057	511,057
Listed Shares		71,040	93,207
Term Finance Certificates		15,550	15,550
		597,647	619,814
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		21,301,695	19,927,801
Outside Pakistan		-	-
		21,301,695	19,927,801
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,820,969	751,162
Payable outside Pakistan		1,180,923	470,173
		3,001,892	1,221,335
Advances - gross	10.1	24,303,587	21,149,136
Provision against loans and advances			
Specific provision		(4,657,457)	(3,719,959)
General provision against consumer loans		(585)	(754)
	10.3	(4,658,042)	(3,720,713)
Advances - net of provision		19,645,545	17,428,423
10.1 Particulars of advances - gross			
10.1.1 In local currency		24,268,614	21,132,581
In foreign currencies		34,973	16,555
		24,303,587	21,149,136
10.1.2 Short term (for upto one year)		17,778,578	15,731,902
Long term (for over one year)		6,525,009	5,417,234
		24,303,587	21,149,136

10.2 Advances include Rs. 9,016.399 million (2009: 7,679.502 million) which have been placed under non-performing status as detailed below:

Category of Classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	1,852	-	1,852	-	-	-	-	-	-
Substandard	1,170,191	-	1,170,191	152,782	-	152,782	152,782	-	152,782
Doubtful	1,218,141	-	1,218,141	212,875	-	212,875	212,875	-	212,875
Loss	6,626,215	-	6,626,215	4,291,800	-	4,291,800	4,291,800	-	4,291,800
	<u>9,016,399</u>	<u>-</u>	<u>9,016,399</u>	<u>4,657,457</u>	<u>-</u>	<u>4,657,457</u>	<u>4,657,457</u>	<u>-</u>	<u>4,657,457</u>
Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	590	-	590	-	-	-	-	-	-
Substandard	1,076,428	-	1,076,428	37,240	-	37,240	37,240	-	37,240
Doubtful	259,447	-	259,447	20,159	-	20,159	20,159	-	20,159
Loss	6,343,037	-	6,343,037	3,662,560	-	3,662,560	3,662,560	-	3,662,560
	<u>7,679,502</u>	<u>-</u>	<u>7,679,502</u>	<u>3,719,959</u>	<u>-</u>	<u>3,719,959</u>	<u>3,719,959</u>	<u>-</u>	<u>3,719,959</u>

10.3 Particulars of provision against non-performing advances

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	3,719,959	754	3,720,713	2,085,533	1,168	2,086,701
Exchange adjustments	-	-	-	-	-	-
Charge for the year	1,046,435	-	1,046,435	1,862,016	-	1,862,016
Reversals	(86,928)	(169)	(87,097)	(162,670)	(414)	(163,084)
	959,507	(169)	959,338	1,699,346	(414)	1,698,932
Amounts written off	(22,009)	-	(22,009)	(64,920)	-	(64,920)
Closing balance	<u>4,657,457</u>	<u>585</u>	<u>4,658,042</u>	<u>3,719,959</u>	<u>754</u>	<u>3,720,713</u>

10.3.1 Particulars of provision against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	4,657,457	585	4,658,042	3,719,959	754	3,720,713
In foreign currencies	-	-	-	-	-	-
	<u>4,657,457</u>	<u>585</u>	<u>4,658,042</u>	<u>3,719,959</u>	<u>754</u>	<u>3,720,713</u>

10.3.2 During the current year, in order to comply with the requirements of BSD Circular No. 02, dated June 03, 2010, issued by the SBP, the Bank changed the method of computation of provision against the non-performing advances. The Circular allows the Banks to take benefit of 40 percent of Forced Sale Values (FSVs) of pledged stocks and mortgaged commercial, residential and industrial properties held as collateral against all NPLs for four years from the date of classification for calculating provisioning requirement. Such change has no financial impact on the financial statements.

The additional impact on profitability arising from availing the benefit of FSV against pledged stocks and mortgaged commercial, residential properties & industrial properties (land & building) only) is that it shall not be available for payment of cash or stock dividend.

10.3.3 General provision against consumer loans 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 by the Prudential Regulations issued by SBP.

	Note	2010	2009
(Rupees in '000)			
10.4 Particulars of write offs:			
10.4.1 Against Provisions	10.3	22,009	64,920
Directly charged to Profit & Loss account		264	25,563
		<u>22,273</u>	<u>90,483</u>
10.4.2 Write Offs of Rs. 500,000 and above	10.5	21,802	13,753
Write Offs of Below Rs. 500,000		471	76,630
		<u>22,273</u>	<u>90,383</u>

10.5 Details of loan write off 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 December 31, 2010 is given at Annexure-I. However, this write-off does not affect the Bank's right to recover the debt from their customers.

	Note	2010	2009
(Rupees in '000)			
10.6 Particulars of loan and advances to associated companies etc.			
Debts due from executives or officers of the bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		77,067	70,530
Loans granted during the year		13,130	23,225
Repayments		(12,510)	(16,688)
Balance at end of year		<u>77,687</u>	<u>77,067</u>
Debts due from companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		44,904	44,904
Loans granted during the year		12	893
Repayments		(9,755)	(893)
Balance at end of year		<u>35,161</u>	<u>44,904</u>
		<u>112,848</u>	<u>121,971</u>
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	-	6,569
Property and equipment	11.2	2,101,613	2,225,701
Intangible assets	11.3	78,094	89,575
		<u>2,179,707</u>	<u>2,321,845</u>

2010 2009
(Rupees in '000)

11.1 Capital work-in-progress

Advances to suppliers and contractors

-	6,569
---	-------

11.2 Property and equipment

Note	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2010	Rate of depreciation %	
	As at January 1, 2010	Additions/ (deletions)	As at December 31, 2010	As at January 1, 2010	Charge/ depreciation on disposal	As at December 31, 2010			
(Rupees in '000)									
Tangible									
Lease hold land	11.2.1	722,623	50	722,673	-	-	-	722,673	-
Buildings	11.2.1	1,425,632	8,224 (2,158)	1,431,698	236,001	59,791 (1,117)	294,675	1,137,023	5
Furnitures and fixtures		291,113	7,006 (25,284)	272,835	100,593	19,691 (18,737)	101,547	171,288	10 to 33.33
Computer equipments		271,218	1,613 (11,311)	261,520	196,355	36,667 (11,127)	221,895	39,625	25
Vehicles		129,259	3,581 (15,605)	117,235	81,195	18,601 (13,565)	86,231	31,004	20
2010	11.2.2	2,839,845	20,474 (54,358)	2,805,961	614,144	134,750 (44,546)	704,348	2,101,613	

Note	COST / REVALUATION				ACCUMULATED DEPRECIATION				Book value as at December 31, 2009	Rate of depreciation %
	As at January 1, 2009	Additions/ (deletions)	Adjustment	As at December 31, 2009	As at January 1, 2009	Charge/ depreciation on disposal	Adjustment	As at December 31, 2009		
(Rupees in '000)										
Tangible										
Lease hold land	11.2.1	693,457	350	28,816	722,623	-	-	-	722,623	
Buildings	11.2.1	1,423,847	25,825	(24,040)	1,425,632	166,985	62,259	6,757	236,001	1,189,631
Furnitures and fixtures		318,624	38,158 (60,603)	(5,066)	291,113	137,338	22,134 (47,459)	(11,420)	100,593	190,520
Computer equipments		260,387	4,480 (87)	6,438	271,218	148,499	37,682 (87)	10,261	196,355	74,863
Vehicles		127,888	10,305 (6,562)	(2,372)	129,259	63,544	25,228 (5,755)	(1,822)	81,195	48,064
2009	11.2.2	2,824,203	79,118 (67,252)	3,776	2,839,845	516,366	147,303 (53,301)	3,776	614,144	2,225,701

11.2.1 The properties of the Bank were last revalued by independent professional valuers as at November 23, 2010. The revaluation was carried out by M/s. Sadruddin Associates (Pvt.) Limited on the basis of professional assessment of present market values and resulted in a surplus of Rs. 1,186.141 million over the written down value of Rs. 431.105 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

Rupees in '000

Lease hold land and Buildings

411,071

Due to non-availability of breakup of land and buildings before revaluation, separate disclosure of carrying amount of these land and buildings can not be given.

11.2.2 Details of disposals of fixed assets

Description	Cost /	Accumulated	Book	Sale proceeds /	Gain /	Mode of disposal	Name of purchaser
	Revaluation	depreciation	value	Insurance claim	loss		
	----- (Rupees in '000) -----						
Building							
Renovation work	2,158	1,117	1,041	66	(975)	write off	
Vehicles							
Honda Accord	2,873	2,298	575	575	-	Given to Staff	Mr. Mamnoon Ahmed Alvi
BMW	5,416	4,519	897	897	-	Given to Staff	Mr. Muhammad Bilal Sheikh
Honda Civic	1,538	1,205	333	333	-	Given to Staff	Mr. Muhammad Bilal Sheikh
Honda Civic	1,227	1,207	20	20	-	Given to Staff	Mr. Anis Iqbal
Other vehicles having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	1,738	1693	45	45	-	Given to Staff	Various
Other vehicles having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	2,813	2643	170	2,244	2,074	Quotation	Various
Computer equipments							
Other computer equipment having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	347	347	-	-	-	Given to Staff	Various
Other computer equipment having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	243	172	71	108	37	Insurance Claim	EFU Insurance Co. Ltd.
Other computer equipment having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	5,931	5,912	19	233	214	Quotation	Various
Other computer equipment having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	4,790	4,696	94	-	(94)	Write off	
Furniture and fixture							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	347	67	280	251	(29)	Insurance Claim	EFU Insurance Co. Ltd.
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	11,579	8,396	3,183	847	(2,336)	Quotation	Various
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	176	64	112	29	(83)	Trade In	Ever Watch Pakistan
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	13,182	10,210	2,972	-	(2,972)	Write off	
	<u>54,358</u>	<u>44,546</u>	<u>9,812</u>	<u>5,648</u>	<u>(4,164)</u>		

11.2.3 The land and buildings currently in use of the Bank include certain properties that have been acquired in satisfaction of claims. The carrying value of these properties as at December 31, 2010 amounts to Rs. 319.089 million. (December 31, 2009 : 320.652 million)

11.3 Intangible assets

	COST			ACCUMULATED AMORTIZATION			Book value as at December 31	Rate of amortization %
	As at January 1	Additions	As at December 31	As at January 1	Amortization	As at December 31		
	----- (Rupees in '000) -----							
2010	<u>117,500</u>	<u>-</u>	<u>117,500</u>	<u>27,925</u>	<u>11,481</u>	<u>39,406</u>	<u>78,094</u>	10 to 33.33
2009	<u>104,235</u>	<u>13,265</u>	<u>117,500</u>	<u>16,410</u>	<u>11,515</u>	<u>27,925</u>	<u>89,575</u>	10 to 33.33

	Note	2010	2009
		(Rupees in '000)	
12. DEFERRED TAX ASSETS - NET			
Deferred tax debits arising in respect of			
Provision against advances		1,417,820	1,228,227
Provision against other assets		2,679	2,100
Deficit on revaluation of investments	19.2	-	7,206
Amortization of premium on purchase of government securities		33,058	28,316
Provision for impairment against investments		209,176	216,935
Mark-up in suspense account		6,279	7,393
		1,669,012	1,490,177
Deferred tax credits arising due to			
Surplus on revaluation of fixed assets	19.1	(207,312)	(218,224)
Deficit on revaluation of investments		(261)	-
Accelerated tax depreciation		(99,392)	(109,612)
		1,362,047	1,162,341
13. OTHER ASSETS			
Income/ mark-up accrued in local currency		367,811	434,705
Income/ mark-up accrued in Foreign currency		201	331
Advances, deposits, advance rent and other prepayments		120,704	179,450
Advance taxation (payments less provisions)		301,985	301,144
Unrealized gain on forward foreign exchange contracts		15,728	9,069
Non-Banking assets acquired in satisfaction of Claim	13.1 & 13.2	1,061,742	1,061,717
Others		11,637	19,068
		1,879,808	2,005,484
Less: Provision held against other assets	13.3	(7,656)	(6,714)
Other assets (net of provision)		1,872,152	1,998,770
13.1 Market value of Non-banking assets acquired in satisfaction of claims		1,426,613	1,426,474
13.2 In previous year, the bank acquired properties as consideration from Dewan Group against the loans and advances amounting to Rs. 976 million and incurred transfer cost of Rs 86 million thereon. The said company had an option, expired during the year, to re-purchase such properties within two years. However, the said company has filed a suit before the Honorable High Court and the court has issued restrained order from creating any third party charge against such properties till the disposal of the case.			

	Note	2010	2009
		(Rupees in '000)	
13.3 Provision against other assets			
Opening balance		6,714	6,714
Charge for the year		1,656	-
Reversals		(714)	-
Amount written off		-	-
Closing balance		7,656	6,714
14. BILLS PAYABLE			
In Pakistan		312,840	330,759
Outside Pakistan		-	-
		312,840	330,759
15. BORROWINGS			
In Pakistan		4,986,561	2,542,766
Outside Pakistan		48,711	7,620
		5,035,272	2,550,386
15.1 Particulars of borrowings with respect to currencies			
In local currency		4,986,561	2,542,766
In foreign currencies		48,711	7,620
		5,035,272	2,550,386
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export re-finance scheme	15.3	2,699,841	2,048,931
Under Long Term Finance - Export Oriented Projects Scheme (LTF-EOP)	15.4	158,237	188,795
Under Long Term Financing facility (LTFF)	15.5	6,553	5,040
Repurchase agreement borrowings	15.6	2,121,930	-
		4,986,561	2,242,766
Unsecured			
Call borrowings	15.7	-	300,000
Overdrawn nostro accounts		48,711	7,620
		48,711	307,620
		5,035,272	2,550,386
15.3	The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export re-finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 9 percent per annum (2009: 7 percent per annum) payable on quarterly basis.		
15.4	The Bank has entered into agreement with the SBP for extending LTF-EOP to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 5 percent per annum (2009: 5 percent per annum) payable on quarterly basis. These LTF-EOP have the maturity of 7 years and 6 months from the date of contract with the SBP.		

15.5 The Bank has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF), introduced through MFD circular No. 7 of 2007, to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 6.5 percent per annum payable on quarterly basis. This LTFF have the maturity of 5 years from the date of contract with the SBP.

15.6 These carry mark up rates ranging from 12.5% to 13.6% (2009: Nil).

15.7 These carry mark up rate Nil (2009: 12.4% per annum).

Note **2010** 2009
(Rupees in '000)

16. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	11,412,356	12,745,935
Savings deposits	7,206,318	5,769,376
Current accounts - Non-remunerative	9,026,159	6,687,195
Call deposits - Non-remunerative	293,856	174,851
Margin accounts - Non-remunerative	1,094,014	823,151
	<u>29,032,703</u>	<u>26,200,508</u>

Financial Institutions

Remunerative deposits	442,928	647,231
Non-remunerative deposits	3,508	1,069
	<u>446,436</u>	<u>648,300</u>
	<u>29,479,139</u>	<u>26,848,808</u>

16.1 Particulars of deposits

In local currency	16.1.1	28,298,688	25,962,574
In foreign currencies		1,180,451	886,234
		<u>29,479,139</u>	<u>26,848,808</u>

16.1.1 The above includes deposits of related parties amounting to Rs 230.541 million (2009: Rs. 100.019 million).

2010 2009
(Rupees in '000)

17. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	393,660	504,868
Mark-up / return / interest payable in foreign currencies	-	48
Accrued expenses	15,426	33,436
Unclaimed dividend	1,415	1,415
Branch adjustment account	-	26,280
Others	95,758	89,841
	<u>506,259</u>	<u>655,888</u>

18. SHARE CAPITAL

18.1 Authorized capital

2010	2009		2010	2009
Number of shares			(Rupees in '000)	
<u>700,000,000</u>	<u>700,000,000</u>	Ordinary shares of Rs.10 each	<u>7,000,000</u>	<u>7,000,000</u>

18.2 Issued, subscribed and paid up

Number of shares			2010	2009
<u>487,117,900</u>	<u>487,117,900</u>	Fully paid in cash	<u>4,871,179</u>	<u>4,871,179</u>
<u>43,240,300</u>	<u>43,240,300</u>	Issued as bonus shares	<u>432,403</u>	<u>432,403</u>
<u>530,358,200</u>	<u>530,358,200</u>		<u>5,303,582</u>	<u>5,303,582</u>

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (free of losses) for all locally incorporated banks to be Rs. 7 billion by the end of the financial year 2010. The Bank has Shortfall of Rs. 4,112 million as of December 31, 2010.

	Note	2010	2009
		(Rupees in '000)	
19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS-NET			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- Fixed assets	19.1	825,292	845,555
- Available-for-sale securities	19.2	108,490	24,077
		<u>933,782</u>	<u>869,632</u>
19.1 Surplus on revaluation of fixed assets (net of tax)			
Balance as at January 1		1,063,779	1,096,595
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		(20,263)	(21,331)
- Related deferred tax liability		(10,911)	(11,485)
		<u>(31,174)</u>	<u>(32,816)</u>
Surplus on revaluation of fixed assets as at December 31,		1,032,605	1,063,779
Less: Related deferred tax liability on:			
- Revaluation as at January 01		218,224	229,709
- Transferred to profit & loss account on account of incremental depreciation		(10,911)	(11,485)
		<u>207,313</u>	<u>218,224</u>
		<u>825,292</u>	<u>845,555</u>

2010 2009
(Rupees in '000)

19.2 Surplus on revaluation of available-for-sale securities (net of tax)

Federal Government Securities

- Market Treasury Bills	(27,479)	(19,580)
- Pakistan Investment Bonds	(6,289)	(540)
-GoP Ijara Sukuk Bonds	162	99

Term Finance Certificates

(10,966) (8,015)

Other Investments

- Listed Securities	56,187	44,356
- Mutual funds - units	83,116	551
- National Investment Trust units	14,020	-

Related deferred tax (liability) / asset

108,751 16,871
(261) 7,206

108,490 **24,077**

2010 2009
(Rupees in '000)

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

i) Government	-	-
ii) Banks and other financial institutions	-	-
iii) Others	1,004,489	489,627

20.2 Transaction-related contingent liabilities

Contingent liabilities in respect of guarantees given, favoring

i) Government	1,646,542	1,666,871
ii) Banks and other financial institutions	-	6,582
iii) Others	59,624	121,022

20.3 Trade-related contingent liabilities

Contingent liabilities in respect of letter of credits accepted, favouring

i) Banks and other financial institutions	3,332,339	3,078,347
---	-----------	-----------

20.4 Taxation

For the Tax Year 2010, the Taxation officer has issued notice u/s 122 (5A) of the Income Tax Ordinance, 2001 intending to amend the deemed assessment which has no tax impact on the financial statements in view of tax loss for the year.

For Tax Years 2009, 2008, 2007 and 2006, the Taxation Officer has amended the deemed assessment u/s. 122 (5A) of the Income Tax Ordinance, 2001 by making various disallowances, out of which an amount of Rs. 230.131 million has not been provided for in the books of accounts for the reason that the similar issues has been decided by the higher appellate forums in bank's favour. The Bank's appeal contesting the settled issues is awaiting disposal before the Commissioner Inland Revenue (CIR) appeals.

For the tax years 2004 and 2005, CIR (Appeals) has maintained the disallowances made by taxation officer with aggregate unprovided amount of Rs 29.657 million for the reason that this relates to settled issues decided in bank's favour by higher appellate forums. The Bank has preferred an appeal before the Inland Revenue Tribunal, where the matter is awaiting hearing.

For the tax year 2003, the bank filed an appeal against the order of Appellate Tribunal before the Honorable High Court of Sindh at Karachi, which after hearing the case vacated the order and remanded the case back to the Taxation Officer for re-adjudication of the issues strictly as per law. The Taxation Officer passed a new order ignoring the clear direction of Honourable High Court of Sindh against which the bank filed an appeal. The tax involved in appeal amounts to Rs. 30.070 million related to settled issue in bank's favour hence no provision is made.

No provision has been made in the financial statements, as the management is confident about favourable outcome of the above matters.

20.5 Other contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs. 250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honored by Speedway on the due date and the contract was rolled over subject to receipt of Rs. 6 million and mortgage of properties. Consequent upon the failure by Speedway to honor the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank will liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay from Honorable High Court of Sindh against the sale of PIB's which was vacated by the High Court during the year 2005.

The Bank started proceeding during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No. 2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the High Court of Sindh. Subsequently the Bank moved an application for transfer of the suit filed by the Speedway in Banking Court No. 2 of the High Court of Sindh, so that the two suits are heard together in the apex Court.

During the year 2007, the Honorable High Court of Sindh has passed a decree in Bank's favor for Rs. 25.697 million with markup at the rate of 20 percent per annum from the date of filing of the suit till its realization. The Bank has filed an execution application in the Court. In this regard provision of Rs. 7.656 million has been kept in the financial statement as a matter of prudence against the claim receivable.

2010 2009
(Rupees in '000)

20.6 Commitments in respect of forward exchange contracts

Sale	1,036,031	1,049,850
Purchase	1,695,833	1,579,475

Principal Terms of Agreement

Sale:

Currencies

Counter Parties

Maturity

USD	Banks and Financial Institutions	Jan. 03, 2011 - Mar. 10, 2011
EURO	Banks and Financial Institutions	Jan. 03, 2011 - April. 27, 2011
GBP	Banks and Financial Institutions	Jan. 04, 2011 - Mar. 03, 2011

Purchase:

Currencies

Counter Parties

Maturity

USD	Banks and Financial Institutions	Jan. 03, 2011 - April.27, 2011
USD	Customers	Jan. 1, 2011 - Aug. 06 2011
EURO	Banks and Financial Institutions	Jan.03,2011 - Jan. 07, 2011
EURO	Customers	Jan. 02, 2011 - April. 23, 2011
GBP	Customers	Jan. 05, 2011 - Mar. 24, 2011

2010 2009
(Rupees in '000)

20.7 Commitments in respect of sale and purchase of securities

Purchased under re-sale agreements	751,336	-
Sold under repurchase agreements	2,122,929	-

20.8 Commitments to extent credit

The Bank has made commitments to extend credits to its customers in the normal course of business that amounts to Rs. 6,120 million as at December 31, 2010 (2009: Rs. 7,371 million). These being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

Note **2010** 2009
(Rupees in '000)

21. MARK-UP / RETURN / INTEREST EARNED

a) On loans and advances to customers	21.1	1,756,656	2,339,648
b) On investments in:			
i) Available for sale securities		813,320	805,527
ii) Held to maturity securities		37,594	40,587
c) On deposits with financial institutions		6,366	16,110
d) On securities purchased under resale agreements		242,551	152,966
e) On call money lendings		30,648	13,380
		<u>2,887,135</u>	<u>3,368,218</u>

21.1 This includes mark-up earned on advances to associated undertakings of Rs. 1.961 million (2009: Rs. 2.276 million).

	Note	2010	2009
		(Rupees in '000)	
22. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		2,145,752	2,301,885
Securities sold under repurchase agreements		116,632	468,403
Other short term borrowings		18,606	24,330
Borrowing from the State Bank of Pakistan		16,063	9,207
Others		35,154	78,077
		<u>2,332,207</u>	<u>2,881,902</u>
23. GAIN / (LOSS) ON SALE OF SECURITIES - NET			
Market Treasury Bills		817	17,473
Pakistan Investment Bonds		-	1,318
Shares - Listed		2,782	17,428
Mutual Funds		-	(147,428)
		<u>3,599</u>	<u>(111,209)</u>
24. OTHER INCOME - NET			
Loss on sale of fixed assets		(4,164)	(9,462)
Recovery income		13,124	16,529
Rent of lockers		2,841	2,910
Bad debt recovered		4,089	-
Miscellaneous		81,142	107,186
		<u>97,032</u>	<u>117,163</u>
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		440,058	405,766
Contribution to defined contribution plan		14,361	12,295
Non-executive directors' fees, allowances and other expenses		735	700
Rent, taxes, insurance, electricity, etc.		183,672	151,388
Legal and professional charges		38,600	44,715
Communications		60,506	63,300
Repairs and maintenance		43,265	37,867
Stationery and printing		20,185	23,135
Advertisement and publicity		1,203	6,697
Auditors' remuneration	25.1	1,815	1,815
Depreciation	11.2	134,750	147,303
Amortization	11.3	11,481	11,515
Traveling and conveyance		36,444	43,314
Security charges		45,656	34,095
Others		77,398	80,275
		<u>1,110,129</u>	<u>1,064,180</u>
25.1 Auditors' remuneration			
Audit fee		1,500	1,500
Special certifications and sundry advisory services		150	150
Out-of-pocket expenses		165	165
		<u>1,815</u>	<u>1,815</u>

		2010	2009
		(Rupees in '000)	
26. OTHER CHARGES			
Penalties imposed by the SBP		(6,015)	28,595
27. TAXATION			
For the year			
Current tax		32,965	19,378
Prior year tax		139,428	52,509
Deferred taxation		(207,173)	(588,570)
		(34,780)	(516,683)
27.1 Relationship between tax expense and accounting profit			
Accounting loss before tax for the year		(1,078,191)	(2,156,512)
Tax rate		35%	35%
Tax on income		(377,367)	(754,779)
Tax effect of permanent differences		315,696	309,463
Others		26,891	(71,367)
		(34,780)	(516,683)
28. BASIC AND DILUTED EARNING / (LOSS) PER SHARE			
There is no diluted effect on the basic loss per share of the Bank			
Loss for the year - Rupees in thousands		(1,043,411)	(1,639,829)
Weighted average number of ordinary shares (in thousands)		530,358	530,358
Basic loss per share - Rupees		(1.97)	(3.09)
	Note	2010	2009
		(Rupees in '000)	
29. CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	6	2,548,881	2,073,321
Balance with other banks	7	715,251	433,055
Call money lendings	8	1,000,000	35,000
Overdrawn nostro accounts	15	(48,711)	(7,620)
		4,215,421	2,533,756
30. STAFF STRENGTH		2010	2009
		Number	
Permanent		836	840
Temporary / on contractual basis		68	90
Total staff strength		904	930

31. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 836 employees (2009: 840 employees) where contributions are made by the Bank and employees @ 8.33 percent (2009: 8.33 percent) of the basic salary. During the year, the Bank has contributed Rs. 14.361 million (2009: Rs. 12.295 million) in respect of this fund.

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	-----Rupees in '000-----					
Fees	-	-	735	700	-	-
Managerial remuneration	8,505	9,120	-	-	43,135	46,905
Contribution to defined contribution plan	-	-	-	-	2,714	2,867
Rent and house maintenance	1,364	720	-	-	19,411	21,137
Utilities	821	912	-	-	2,166	2,292
Medical	821	912	-	-	3,594	3,913
Others	1,964	2,078	-	-	23,916	20,501
	<u>13,475</u>	<u>13,742</u>	<u>735</u>	<u>700</u>	<u>94,936</u>	<u>97,615</u>
Number of persons	<u>2</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>52</u>	<u>52</u>

The Chief Executive and executives are provided with free use of Bank's maintained cars. Executive means employees, other than the chief executive officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

	2010		2009	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Assets				
Cash balances with treasury banks	2,548,881	2,548,881	2,073,321	2,073,321
Balances with other banks	715,251	715,251	433,055	433,055
Lending to financial institutions	1,744,912	1,744,912	35,000	35,000
Investments	9,410,881	9,364,915	10,037,950	9,955,414
Advances	19,645,545	19,645,545	17,428,423	17,428,423
Other assets	383,740	383,740	444,105	444,105
	<u>34,449,210</u>	<u>34,403,244</u>	<u>30,451,854</u>	<u>30,369,318</u>
Liabilities				
Bills payable	312,840	312,840	330,759	330,759
Borrowings	5,035,272	5,035,272	2,550,386	2,550,386
Deposits and other accounts	29,479,139	29,479,139	26,848,808	26,848,808
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	410,501	410,501	539,767	539,767
	<u>35,237,752</u>	<u>35,237,752</u>	<u>30,269,720</u>	<u>30,269,720</u>
33.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	1,695,833	1,695,833	1,579,475	1,579,475
Forward sale of foreign exchange	1,036,031	1,036,031	1,049,850	1,049,850
Purchased under re-sale agreements	751,336	751,336	-	-

Investment in quoted and government securities are valued at market prices taken from Stock Exchange quotations and Reuters (PKRV) page. Fair value of investments in unquoted shares have been estimated using the net assets value based on latest available financial statements.

Fair value of loans and advances can not be determined with reasonable accuracy as there is no active market. Loans and advances are re-priced frequently on market rates. The provision for impairment of advances has been accounted for in accordance with the Bank's accounting policy as stated in note 5.4. Fair value of all other assets and liabilities including deposits and capital / reserves cannot be calculated with reasonable accuracy as active market does not exist for these instruments. In management's opinion fair value of these instruments does not significantly differ from their carrying values.

34. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2010				2009			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	------(Rupees in '000)-----							
Total income	85,961	1,285,038	109,137	1,822,084	100,763	1,170,679	152,464	2,343,778
Total expenses	20,442	564,366	89,903	3,705,700	19,218	1,200,064	89,069	4,615,770
Net income	65,519	720,672	19,234	(1,883,616)	81,545	(29,385)	63,395	(2,271,992)
Segment Assets (Gross)	825,623	16,846,605	159,360	26,799,992	682,100	14,901,410	197,519	23,446,103
Segment Non Performing Loans	-	-	44,015	8,972,384	-	-	27,595	7,651,908
Segment Provision Required	-	-	34,096	4,623,946	-	-	16,871	3,703,842
Segment Liabilities	531	2,186,246	2,790,726	30,356,007	530	340,822	2,469,106	27,587,809
Segment Return on net Assets (ROA) (%)	7.94%	4.92%	-0.73%	52.97%	11.96%	-0.20%	-2.79%	54.86%
Segment Cost of funds (%)	0.00%	15.74%	2.68%	8.45%	0.00%	13.86%	2.07%	9.81%

35. RELATED PARTY TRANSACTIONS

Related parties comprise associated undertakings, major shareholders, employee benefit plans, employee contribution plans and key management personnel (including their associates).

Advances for house building, conveyance for personal use have also been provided to the staff and executives at the reduced rates in accordance with the terms of employment.

Detail of transactions with related parties during the year and balances with them as at the year ended are as follows:

	2010			2009		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	------(Rupees in '000)-----					
Advances						
At January 1	-	44,904	77,067	-	44,904	70,530
Disbursed during the year	-	12	13,130	-	893	23,225
Repaid during the year	-	(9,755)	(12,510)	-	(893)	(16,688)
At December 31	-	35,161	77,687	-	44,904	77,067
Deposits						
At January 1	1,542	3	98,474	2,830	24	23,936
Placements during the year	125,868	198,199	143,939	89,613	-	208,838
Withdrawals during the year	(124,971)	(100,518)	(111,995)	(90,901)	(21)	(134,300)
At December 31	2,439	97,684	130,418	1,542	3	98,474

	2010			2009		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	------(Rupees in '000)-----					
Mark-up / interest / return earned	-	1,961	3,590	-	2,276	3,595
Mark-up / interest / return expensed	107	1,639	16,750	65	-	8,856
Mark-up receivable	-	232	3	-	-	3
Mark-up payable	-	444	7,807	-	-	5,943
Contribution to provident fund	-	-	14,361	-	-	12,295
Remuneration paid	28,435	-	-	29,906	-	-

36. CAPITAL ASSESSMENT AND ADEQUACY

36.1 Scope of Applications

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

36.2 Capital Structure

Bank's regulatory capital is analyzed in two tiers:

- Tier I capital, which includes Fully Paid up capital, General Reserves as disclosed on the Balance Sheet and un-appropriated profits (net of accumulated losses) subject to deductions for intangibles.
- Tier II capital, which includes general provisions or general reserves for loan losses (upto maximum of 1.25% of Risk Weighted Assets) and Revaluation Reserve created by revaluation of fixed assets and equity instruments held by the Bank (upto maximum of 45% of the balance in the related reserve).

	2010	2009
	(Rupees in '000)	
Tier 1 Capital		
Fully Paid-up Capital	5,303,582	5,303,582
Reserves	324,005	324,005
Accumulated loss/ unappropriated profits	(2,415,503)	(1,392,355)
	3,212,084	4,235,232
Less: Book value of intangibles	78,094	89,575
Total Tier I Capital	3,133,990	4,145,657
Tier 2 Capital		
General Provisions	585	754
Revaluation Reserve	420,202	391,334
Total Tier II Capital	420,787	392,088
Eligible Tier 3 Capital	-	-
Total Regulatory Capital Base	3,554,777	4,537,745

36.3 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2010	2009	2010	2009
-----Rupees in '000-----				
Credit Risk				
Claims on				
Public sector enterprise	-	-	-	-
Banks	123,493	36,349	1,234,930	363,491
Corporate	1,398,252	1,280,732	13,982,516	12,807,317
Retail	32,940	25,459	329,402	254,588
Secured by residential property	2,992	3,192	29,917	31,920
Past due loans	464,853	415,258	4,648,530	4,152,580
Unlisted equity investments	1,500	1,500	15,000	15,000
Investments in fixed assets	210,161	232,185	2,101,614	2,321,845
Other assets	285,962	276,617	2,859,621	2,766,165
	2,520,153	2,271,292	25,201,530	22,712,906
Market Risk				
Interest Rate Risk	31,425	42,079	392,809	525,988
Equity exposure	67,531	62,243	844,134	778,038
Foreign Exchange Risk	19,277	9,052	240,960	113,150
	118,233	113,374	1,477,903	1,417,176
Operational Risk				
	198,061	205,222	2,475,763	2,565,275
	2,836,447	2,589,888	29,155,196	26,695,357
Capital adequacy ratio				
Total eligible regulatory capital held (Note 36.2)	(a)	3,554,777	4,537,745	
Total risk weighted assets (Note 36.3)	(b)	29,155,196	26,695,357	
Capital adequacy ratio	(a) / (b)	12.19%	17.00%	

36.4 Credit exposure subject to standardize approach

Exposure	2010			
	Rating Category	Amount Outstanding	Deduction CRM	Net Amount
-----Rupees in '000-----				
Cash and cash equivalents		842,225	-	842,225
GoP and SBP		2,157,654	-	2,157,654
Banks	1	15,047	-	15,047
Banks	2,3	1,400,000	-	1,400,000
Banks	4,5	-	-	-
Banks	Unrated	318,397	-	318,397
Banks - three months or less	1,2,3	130	-	130
Banks - three months or less	4,5	-	-	-
Banks - three months or less	Unrated	4,674,683	2,866,843	1,807,840
Corporate	1	695,187	-	695,187
Corporate	2	277,016	-	277,016
Corporate	3,4	-	-	-
Corporate	5,6	1,404,956	63,547	1,341,409
Corporate	Unrated	12,693,208	1,000,351	11,692,857
Retail		2,502,134	2,148,653	353,481
Secured by residential property		85,478	-	85,478
Past due loans		4,384,841	-	4,384,841
Unlisted equity investments		10,000	-	10,000
Investments in fixed assets		2,101,614	-	2,101,614
Other assets		2,859,621	-	2,859,621
		36,422,191	6,079,394	30,342,797

Exposure	2009			Net Amount
	Rating Category	Amount Outstanding	Deduction CRM	
		-----Rupees in '000-----		
Cash and cash equivalents		775,576	-	775,576
GoP and SBP		1,769,398	-	1,769,398
Banks	1	439,007	-	439,007
Banks	2,3	67,899	-	67,899
Banks	4,5	-	-	-
Banks	Unrated	164,938	-	164,938
Banks - three months or less	1,2,3	88,852	-	88,852
Banks - three months or less	4,5	9,066	-	9,066
Banks - three months or less	Unrated	684,837	-	684,837
Corporate	1	1,666,222	2,215	1,664,007
Corporate	2	364,651	-	364,651
Corporate	3,4	-	-	-
Corporate	5,6	35,000	-	35,000
Corporate	Unrated	13,061,259	821,542	12,239,717
Retail		1,637,112	1,297,662	339,450
Secured by residential property		91,201	-	91,201
Past due loans		3,991,068	-	3,991,068
Unlisted equity investments		10,000	-	10,000
Investments in fixed assets		2,321,845	-	2,321,845
Other assets		2,766,165	-	2,766,165
		<u>29,944,096</u>	<u>2,121,419</u>	<u>27,822,677</u>

36.5 Capital adequacy

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank operates;
- To safeguard the bank's ability to continue as a going concern so that it can provide persistent returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The State Bank of Pakistan requires (through BSD Circular No. 07 dated April 15, 2009) the minimum paid up capital (free of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. This increase is to be complied in a phased manner whereby bank's paid up capital (free of losses) is to be raised to Rs. 7 billion by the end of the financial year 2010. As on December 31, 2010, the paid up capital (free of losses) of the Bank stands at Rs. 2.888 billion i.e. shortfall of Rs. 4.112 billion. In addition to the minimum paid up capital (free of losses) requirement, the banks are also required to maintain a minimum CAR of 10% of their risk weighted exposure.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk. Ratings for assets are applied using various ECAI's and aligned with appropriate risk buckets. Collaterals if any, are used as an outflow adjustment. Risk weights notified, are applied at net adjusted exposure. Collaterals used include: cash margins, lien on deposits, saving certificates and lending of securities (repo & reverse repo).

37. RISK MANAGEMENT

The Bank's Risk Management Framework sets three broad risk management objectives:

- Protect against unforeseen losses;
- Ensure earning stability; and
- Maximize earning potential and opportunities leading to shareholders value creation.

The Bank's Risk Management Framework encapsulated in its design three lines of defense

- Focused and informed oversight by the board, and accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures
- Independent monitoring at bank level by Risk Management Division
- Independent assurance provided by Internal Audit

The Risk Management Division is independent of the operational business units. The head of Risk Management Division, who reports to the Chief Executive, provides key support to the various risk committees and work closely with the business units.

37.1 Credit Risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the bank.

Credit risk, which arises from lending activities that forms the Bank's core business, is by far the most significant risk type. Credit risk is managed in terms of the Board-approved Credit Risk Management framework, which encompasses comprehensive credit policy, approved counter party limits and governance structure. The Bank focuses on short-term trade related financing on a secured and self-liquidating basis.

Credit and Investment Committee, chaired by CEO is responsible for approving and recommending credits. At the Central Office, independent Credit Sanctioning and Monitoring Division is responsible for continuing review and monitoring of borrowers' account and effective compliance of Prudential Regulations. Risk Management Division monitors credit at portfolio level and reports to executive management and board risk management committee on a regular basis. An "early warning" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

Concentration of credit and deposits

Out of the total financial assets of Rs. 34,449 million (2009: Rs. 30,452 million) the financial assets which are subject to credit risk amounted to Rs. 33,607 million (2009: 29,676 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 8,375 million (2009: 9,095 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 1,655 million (2009: 1,253 million) is held by the Bank with the State Bank of Pakistan.

37.1.1 Segmental information

37.1.1.1 Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	69,281	0.29%	536,752	1.82%	-	0.00%
Mining and Quarrying	47,752	0.20%	598,352	2.03%	8,575	0.10%
Textile	7,597,605	31.26%	553,427	1.88%	696,240	7.93%
Chemical and Pharmaceuticals	958,514	3.94%	97,231	0.33%	9,754	0.11%
Cement	389,169	1.60%	2,585	0.01%	67,480	0.77%
Sugar	2,487,820	10.24%	11,910	0.04%	50,523	0.58%
Footwear and Leather Garments	139,942	0.58%	101,823	0.35%	36,005	0.41%
Automobile and Transportation Equipment	905,841	3.73%	72,809	0.25%	4,847	0.06%
Electronics and Electrical Appliances	1,091,880	4.49%	127,294	0.43%	258,449	2.95%
Machinery and Allied Equipments	6,075	0.02%	6,275	0.02%	-	0.00%
Construction	818,785	3.37%	651,176	2.21%	116,111	1.32%
Power (electricity), Gas, Water, Sanitary	2,344,679	9.65%	25,567	0.09%	880,402	10.03%
Wholesale and Retail Trade	616,544	2.54%	2,600,985	8.82%	1,091,531	12.44%
Exports/Imports	443,726	1.83%	993,366	3.37%	191,048	2.18%
Transport, Storage and Communication	27,344	0.11%	157,150	0.53%	2,760,736	31.46%
Financial	438,019	1.80%	755,308	2.56%	1,571,909	17.91%
Insurance	-	0.00%	238,368	0.81%	-	0.00%
Services	2,537,758	10.44%	5,189,762	17.60%	36,266	0.42%
Individuals	362,180	1.49%	9,436,316	32.01%	4,633	0.05%
Others	3,020,673	12.43%	7,322,683	24.84%	990,349	11.29%
	<u>24,303,587</u>	<u>100%</u>	<u>29,479,139</u>	<u>100%</u>	<u>8,774,858</u>	<u>100%</u>

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	94,229	0.45%	458,931	1.71%	-	0.00%
Mining and Quarrying	67,942	0.32%	7,136	0.03%	5,027	0.06%
Textile	6,381,439	30.17%	671,968	2.50%	403,520	5.05%
Chemical and Pharmaceuticals	505,717	2.39%	485,662	1.81%	740,516	9.27%
Cement	389,169	1.84%	4,316	0.02%	118,080	1.48%
Sugar	2,793,795	13.21%	5,207	0.02%	65,634	0.82%
Footwear and Leather Garments	188,870	0.89%	67,056	0.25%	20,908	0.26%
Automobile and Transportation Equipment	921,416	4.36%	41,557	0.15%	932	0.01%
Electronics and Electrical Appliances	507,944	2.40%	128,191	0.48%	112,420	1.41%
Machinery and Allied Equipments	281,067	1.33%	226,152	0.84%	537,271	6.72%
Construction	673,801	3.19%	460,947	1.72%	166,514	2.08%
Power (electricity), Gas, Water, Sanitary	41,825	0.20%	830,683	3.09%	2,074,894	25.96%
Wholesale and Retail Trade	816,513	3.86%	2,097,605	7.81%	212,107	2.65%
Exports/Imports	485,592	2.30%	760,852	2.83%	282,586	3.54%
Transport, Storage and Communication	560,221	2.65%	82,038	0.31%	9,505	0.12%
Financial	679,707	3.21%	168,910	0.63%	2,629,324	32.90%
Insurance	161	0.00%	91,541	0.34%	-	0.00%
Services	1,727,538	8.17%	3,329,971	12.40%	6,737	0.08%
Individuals	113,326	0.54%	7,522,867	28.02%	-	0.00%
Others	3,918,864	18.53%	9,407,218	35.04%	605,799	7.58%
	<u>21,149,136</u>	<u>100%</u>	<u>26,848,808</u>	<u>100%</u>	<u>7,991,774</u>	<u>100%</u>

37.1.1.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	650,000	2.67%	3,999,006	13.57%	1,646,542	18.76%
Private	24,303,587	97.3%	25,480,133	86.43%	7,128,316	81.24%
	<u>24,303,587</u>	<u>100%</u>	<u>29,479,139</u>	<u>100%</u>	<u>8,774,858</u>	<u>100%</u>

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,287	18.21%	1,682,140	21.57%
Private	21,149,136	100%	21,960,521	81.79%	6,309,634	78.95%
	<u>21,149,136</u>	<u>100%</u>	<u>26,848,808</u>	<u>100%</u>	<u>7,991,774</u>	<u>100%</u>

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, Forestry, Hunting and Fishing	31,976	25,957	44,105	7,396
Mining and Quarrying	4,670	1,270	4,670	1,504
Textile	3,242,324	1,846,688	2,748,408	1,411,439
Chemical and Pharmaceuticals	288,447	89,781	160,889	108,083
Cement	329,169	237,002	329,169	197,501
Sugar	1,312,395	944,924	1,312,395	787,437
Footwear and Leather Garments	13,027	2,642	13,253	1,335
Automobile and Transportation Equipment	899,009	626,217	877,839	523,440
Electronics and Electrical Appliances	43,470	4,352	694	-
Machinery and Allied Equipments	-	-	289	289
Construction	429,995	60,169	376,107	53,557
Power (electricity), Gas, Water, Sanitary	154,770	134,973	30,108	9,688
Wholesale and Retail Trade	241,640	80,782	167,842	72,625
Exports/Imports	284,613	176,021	300,017	192,966
Transport, Storage and Communication	17,039	2,684	141,079	127,668
Financial	392,450	92,921	68,198	19,341
Services	205,122	122,515	144,617	27,480
Individuals	12,041	8,140	10,231	8,721
Others	1,114,242	200,419	949,592	169,489
	<u>9,016,399</u>	<u>4,657,457</u>	<u>7,679,502</u>	<u>3,719,959</u>

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

Public/ Government	-	-	-	-
Private	9,016,399	4,657,457	7,679,502	3,719,959
	<u>9,016,399</u>	<u>4,657,457</u>	<u>7,679,502</u>	<u>3,719,959</u>

37.1.3 Geographical segment analysis

The Bank does not have banking operations outside Pakistan, therefore, these financial statements represent operations of the Bank in Pakistan.

37.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rate, equity prices and market conditions. A comprehensive market risk framework is used to support and assist the Board in its responsibility to oversee that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk as follows:

- The Board Risk Management Committee
- The Asset and Liability Committee (ALCO). ALCO reviews the portfolio on regular basis to ensure that market risk is within acceptable limits
- Investment and Treasury Division
- Risk Management Division

37.2.1 Currency Risk

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	38,665,906	34,101,269	(659,803)	3,904,834
United States Dollar	408,705	852,392	654,011	210,324
Great Britain Pound	187,591	160,032	(20,857)	6,702
ACU	15,247	-	-	15,247
Euro	194,604	219,794	26,649	1,459
Japanese Yen	1,049	-	-	1,049
UAE Dirham	5,098	23	-	5,075
Canadian Dollar	784	-	-	784
Singapore Dollar	130	-	-	130
Swiss Franc	262	-	-	262
	<u>39,479,376</u>	<u>35,333,510</u>	<u>-</u>	<u>4,145,866</u>
	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	35,021,147	29,491,942	(529,624)	4,999,581
United States Dollar	324,766	615,656	362,414	71,524
Great Britain Pound	51,418	155,043	113,498	9,873
ACU	6,933	-	-	6,933
Euro	82,130	123,177	53,712	12,665
Japanese Yen	2,340	-	-	2,340
UAE Dirham	1,036	23	-	1,013
Canadian Dollar	69	-	-	69
Singapore Dollar	153	-	-	153
Swiss Franc	713	-	-	713
	<u>35,490,705</u>	<u>30,385,841</u>	<u>-</u>	<u>5,104,864</u>

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions with the SBP and in the inter bank market.

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exist between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

37.2.2 Equity Price Risk

Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VAR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management on daily basis.

37.2.3 Equity position Risk

Equity Position Risk is the risk arising from taking long or short position, in the trading book, in the equities and all the equities and all instruments that exhibit market behavior similar to equities. Equity position risk is measured using mark to market, stress testing and limit structure. The aggregate limit for equity securities shall not at any time exceed the limit prescribed by the SBP.

37.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

Effective Yield/Interest Rate	Exposed to Yield/Interest risk							Non-interest bearing financial instruments		
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years	Above 10 Years
	Rupees in '000									
	Total									
	2,548,881	-	-	-	-	-	-	-	-	2,548,881
	715,251	139,652	-	35,416	-	-	-	-	-	540,183
	1,744,912	1,744,912	-	-	-	-	-	-	-	-
	9,410,881	2,496,865	1,590,383	35,162	3,756,143	250,778	51,198	948,177	-	-
	19,645,545	1,496,913	4,462,603	2,086,755	5,074,265	576,607	616,436	6,659	4,658,042	-
	383,740	-	-	-	-	-	-	-	-	383,740
	34,449,210	5,878,342	6,052,986	2,157,333	8,830,408	858,782	616,436	84,269	6,659	9,079,023
	312,840	-	-	-	-	-	-	-	-	312,840
	5,035,272	3,013,552	851,150	32,958	1,121,133	16,479	-	-	-	-
	29,479,139	5,612,199	5,571,848	2,846,003	4,458,946	463,848	9,763	13,060	-	10,417,538
	-	-	-	-	-	-	-	-	-	-
	410,501	-	-	-	-	-	-	-	-	410,501
	35,237,752	8,625,751	6,422,998	2,878,961	5,580,079	480,327	85,934	13,060	-	11,140,879
	(788,542)	(2,747,409)	(370,012)	(721,628)	(3,250,329)	(378,455)	(799,038)	(71,209)	(6,659)	(2,061,856)
	748,913	748,913	-	-	-	-	-	-	-	-
	2,121,977	2,121,977	-	-	-	-	-	-	-	-
	2,870,890	2,870,890	-	-	-	-	-	-	-	-
	123,481	(370,012)	3,250,329	(721,628)	378,455	799,038	606,673	71,209	6,659	(2,061,856)
	123,481	(246,531)	3,003,798	2,282,170	2,660,625	3,459,663	4,066,336	4,137,545	4,144,204	2,082,348
	34,449,210									
	1,362,047									
	2,179,707									
	1,488,412									
	39,479,376									
	35,237,752									
	95,758									
	35,333,510									

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Other liabilities

On-balance sheet gap

Off-balance sheet financial instruments

Purchase and resale agreements
Forward sale of equity securities

Off-balance sheet gap

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap

Reconciliation with total assets:

Assets as per above
Deferred Tax
Fixed Assets
Other Assets
Assets as per Balance Sheet

Reconciliation with total liabilities:

Liabilities as per above
Others
Liabilities as per Balance Sheet

2009

Effective Yield/ Interest Rate	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments	
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
	Rupees in '000											
	Total											
	2,073,321	-	-	-	-	-	-	-	-	-	-	2,073,321
	433,055	215,647	-	16,851	-	-	-	-	-	-	-	200,557
5.00%	35,000	35,000	-	-	-	-	-	-	-	-	-	-
12.61%	10,037,950	3,185,622	4,391,865	931,057	111,265	561,810	-	49,460	-	-	-	806,871
10.37%	17,428,423	1,741,292	3,780,706	3,622,695	526,929	571,495	581,733	9,330	7,033	-	-	3,720,714
11.86%	444,105	-	-	-	-	-	-	-	-	-	-	444,105
	30,451,854	1,991,939	6,052,118	4,570,603	638,194	1,133,305	581,733	58,790	7,033	-	-	7,245,568
	Liabilities											
	330,759	-	-	-	-	-	-	-	-	-	-	330,759
	2,550,386	980,450	663,138	29,075	19,383	-	-	-	-	-	-	-
8.04%	26,848,808	2,670,489	4,582,649	5,830,990	302,084	228,454	291,084	14,610	-	-	-	7,686,268
9.04%	-	-	-	-	-	-	-	-	-	-	-	-
	539,767	-	-	-	-	-	-	-	-	-	-	539,767
	30,269,720	3,650,939	5,245,787	6,100,520	5,860,065	321,467	228,454	14,610	-	-	-	8,556,794
	182,134	(1,659,000)	806,331	(1,289,462)	316,727	904,851	290,649	44,180	7,033	-	-	(1,311,226)
	On-balance sheet gap											
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
	(1,659,000)	806,331	2,072,051	(1,289,462)	316,727	904,851	290,649	44,180	7,033	(1,311,226)		
	Cumulative Yield/Interest Risk Sensitivity Gap											
	(1,659,000)	(852,669)	1,219,382	(70,080)	246,647	1,151,498	1,442,147	1,486,327	1,493,360	182,134		
	Reconciliation with total assets:											
	Assets as per above											
	Deferred Tax											
	Fixed Assets											
	Other Assets											
	Assets as per Balance Sheet											
	30,451,854											
	1,162,341											
	2,321,845											
	1,554,665											
	35,490,705											
	Reconciliation with total liabilities:											
	Liabilities as per above											
	Provision for Taxation											
	Others											
	Liabilities as per Balance Sheet											
	30,269,720											
	116,121											
	30,385,841											

37.3 Liquidity Risk

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to increase fund as they fall due without incurring unacceptable costs or loss. The Bank's liquidity position is managed by the Assets and Liability Committee (ALCO). The Committee monitors the maintenance of balance sheet liquidity ratios, depositors concentrations both in terms of the overall funding mix and avoidance of undue reliance on large individual depositors and liquidity contingency plans.

37.3.1 Maturities of Assets and Liabilities

	2010								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
-----Rupees in '000-----									
Assets									
Cash and balances with treasury banks	2,548,881	-	-	-	-	-	-	-	-
Balances with other banks	715,251	679,835	-	-	-	-	-	-	-
Lendings to financial institutions	1,744,912	1,744,912	35,416	-	-	-	-	-	-
Investments	9,410,881	2,631,487	3,958,074	1,69,783	282,175	250,778	275,072	51,198	-
Advances	19,645,545	4,291,738	5,074,265	2,086,755	576,607	634,194	616,436	33,071	6,659
Operating fixed assets	2,179,707	10,900	21,067	56,967	96,247	81,306	143,366	273,393	1,467,703
Deferred tax assets	1,362,047	-	68,103	136,205	272,409	272,409	544,819	-	-
Other assets	1,872,152	338,935	1,284,740	-	-	73,047	-	-	-
	39,479,376	12,246,688	10,449,355	2,449,710	1,227,438	1,238,687	1,652,740	357,662	1,474,362
Liabilities									
Bills payable	312,840	312,840	-	-	-	-	-	-	-
Borrowings	5,035,272	3,013,552	1,121,134	32,957	16,479	-	-	-	-
Deposits and other accounts	29,479,139	8,069,384	7,007,780	4,980,807	737,351	85,934	9,763	13,060	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	506,259	495,365	2,067	6,730	58	4	1,806	-	-
	35,333,510	12,396,817	8,130,981	5,020,494	753,888	85,938	11,569	13,060	-
Net assets	4,145,866	(150,129)	(538,029)	(2,570,784)	473,550	1,152,749	1,641,171	344,602	1,474,362
Share capital	5,303,582								
Reserves	324,005								
Accumulated loss	(2,415,503)								
Surplus on revaluation of assets	933,782								
	4,145,866								

2009

	-----Rupees in '000-----								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	2,073,321	-	-	-	-	-	-	-	-
Balances with other banks	433,055	-	16,848	-	-	-	-	-	-
Lendings to financial institutions	35,000	-	-	-	-	-	-	-	-
Investments	10,037,950	3,366,699	4,572,942	1,051,776	111,265	561,810	203,280	49,460	-
Advances	17,428,423	4,726,853	3,780,706	3,622,695	526,930	571,495	581,733	9,330	7,033
Operating fixed assets	2,321,845	24,930	36,745	72,015	132,068	94,983	153,996	291,014	1,503,620
Deferred tax assets	1,162,341	58,118	58,117	58,117	116,234	174,351	232,468	232,468	-
Other assets	1,998,770	546,377	-	301,135	1,061,717	-	89,541	-	-
	35,490,705	6,805,745	8,176,600	5,105,738	1,948,214	1,402,639	1,261,018	582,272	1,743,121
Liabilities									
Bills payable	330,759	-	-	-	-	-	-	-	-
Borrowings	2,550,386	663,138	858,339	29,075	19,384	-	-	-	-
Deposits and other accounts	26,848,808	6,848,806	7,502,618	5,995,613	384,399	228,454	291,084	14,610	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	655,888	640,778	1,624	9,513	330	140	2,705	-	-
	30,385,841	7,535,211	7,512,742	6,034,201	404,113	228,594	293,789	14,610	-
Net assets	5,104,864	(729,466)	663,858	(928,463)	1,544,101	1,174,045	967,229	567,662	1,743,121
Share capital	5,303,582								
Reserves	324,005								
Accumulated loss	(1,392,355)								
Surplus on revaluation of assets	869,632								
	5,104,864								

37.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal process, people and system or from external events.

The Bank's operational risk management framework has been developed to create an environment within which operational risk can be identified, measured, managed and monitored in a consistent manner. Business management is responsible for the identification, management and monitoring of operational risk. Central Operation Division coordinates with the respective business units for controlling their operational risk. Internal Audit Division provides assurance to the Board of Directors that the operational risk management framework is sound and that the policies and processes related to operational risk management are adhered to.

38. Subsequent Event

In the Extraordinary General Meeting of the Bank held on January 20, 2011, the shareholders have approved the scheme of amalgamation whereby the bank will amalgamate into Summit Bank Limited (formerly Arif Habib Bank Ltd, an entity which has acquired Atlas Bank Ltd), subject to approval of State Bank of Pakistan. The swap ratio approved by the shareholders is 0.8 shares of the Summit Bank Limited for each share of the Bank.

39. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 19, 2011 by the Board of Directors of the Bank.

40. GENERAL

Figures have been rounded-off to the nearest thousand Rupees.

President & CEO

Chairman

Director

Director

Annexure-I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2010**

Amount in '000

Sr.#	Name of the borrower	Name of the individuals / partners / directors (with CNIC number)	Father's/Husband's name	Address	Outstanding liabilities				Principal written-off	Mark-up written off	Other financial relief	Total
					Principal	Interest / Mark-up	Others	Total				
1	Fairdeal Textile (Pvt.) Limited.	Mohammad Yousuf 42201-0599857-3 Abdul Aziz 42301-5016927-9 Mohammad Ashraf 42201-2379550-1 Mohammad Asif 42201-4254239-9	Abdul Aziz Abdul Rehman Abdul Razzak Abdul Razzak	A-15/D, Binnoria Chowk, SITE, Karachi	2,207	1,106	-	3,313	-	1,106	-	1,106
2	AAA Enterprises	Reheel Durvesh 42201-3743611-7	Rahim Durvesh	76-Banglore Town. Off., Tipu Sultan Road, Karachi.	-	2,482	-	2,482	-	2,482	-	2,482
3	Atlas Rubber & Plastic Ind. (Pvt.) Limited	Mr. Arshad Javed (Chairman) 42201-0255323-3 Mr. Ameen Javed 42201-04-505809 Sheikh Alman Jawed 42201-0430580-9 Shaikh Danish Javed 42201-0255323-7	Shaikh Nazar Hussain Shaikh Arshad Javaid Shaikh Arshad Javaid Shaikh Arshad Javaid	9th Floor, Textile Plaza, Mumtaz Hassan Road, Po Box No.5195, Karachi 74000	25,000	11,924	-	36,924	3,000	11,924	-	14,924
4	Atlas Cable (Pvt.) Limited	Mr. Arshad Javed (Chairman) 42201-0255323-3 Mr. Ameen Javed 42201-0450580-9 Sheikh Alman Jawed 42201-0430580-9 Shaikh Danish Javed 42201-0255323-7	Shaikh Nazar Hussain Shaikh Arshad Javaid Shaikh Arshad Javaid Shaikh Arshad Javaid	9th Floor, Textile Plaza, Mumtaz Hassan Road, Po Box No.5195, Karachi 74000	-	4,194	-	4,194	-	3,194	-	3,194
5	Chiragh Oil Products	Maqbool Hussain (Late) 244-90-013342	Shaikh Chiraghuddin	Office No.8, 1st Floor, Rafai Markaz, Rambharti Street, Jodia Bazar, Karachi.	7,704	4,778	-	12,482	904	4,778	-	5,682
6	M/s. Darvesh Securities (Pvt.) Ltd.	Muhammad Shahid Durvesh 42301-084609-3 Amna Durvesh 42301-0774639-6	Abdul Rehman Muhammad Shahid Durvesh.	Room No. 713, 7th Floor, Stock Exchange Building, Karachi	16,999	1,936	-	18,935	-	759	-	759
7	M/s. Singleton (Pvt.) Limited.	Humayun Akhtar Butt, Director (Late) 42301-0959759-7	Abdullah Butt	Suit No.723, Trade Tower, Abdullah Haroon Road, Karachi.	17,898	2,998	-	20,896	17,898	2,998	-	20,896
					69,808	29,418	-	99,226	21,802	27,241	-	49,043

Six Years Financial Summary

	2010	2009	2008	2007	2006	2005
	------(Rupees in million)-----					
OPERATIONAL RESULT						
- Net income / interest	555	486	811	699	820	703
- Commission income	158	145	219	140	115	68
- Other operating income	251	239	723	771	337	181
OPERATING EXPENSES						
- Administrative expenses	1,105	1,093	931	733	612	539
(LOSS) / PROFIT						
- (Loss)/Profit before tax and provision against NPLs & investments	(141)	(223)	823	876	661	413
- (Loss)/Profit before tax	(1,078)	(2,157)	(761)	225	623	211
BALANCE SHEET						
Shareholders' Equity						
- Paid-up capital	5,304	5,304	5,304	4,243	3,086	2,057
- Reserve	(2,091)	(1,069)	550	821	843	434
Total Equity	3,212	4,235	5,854	5,064	3,929	2,491
Total Assets	39,479	35,491	39,803	40,602	26,290	17,219
Advances-net of provision	19,646	17,428	20,940	20,792	13,487	9,294
Investments	9,411	10,038	10,295	11,601	2,711	3,523
DEPOSITS						
- Remunerative	19,061	19,163	21,756	24,715	14,117	7,323
- Non-Remunerative	10,418	7,686	6,277	5,438	5,052	5,533

List of Meetings Attended by the Board of Directors From Jan-2010 to Dec-2010

<u>S.#</u>	<u>Name of Directors</u>	<u>Meetings held</u>	<u>Meetings attended</u>
1	Mr. Iqbal Alimohamed	5	5
2	Mr. Sohail Muzaffar	5	4
3	Mr. Muhammad Iqbal Ebrahim	5	3
4	Mr. Afzal Ghani	5	5
5	Mr. Danish Iqbal	5	4
6	Mr. Muhammad Bilal Sheikh	5	2
7	Mr. Mamnoon Ahmed Alvi	2	2
8	Mr. Muhammad Zahir Esmail	2	1

* Mr. Mamnoon Ahmed Alvi (Director) resigned from the Board of Directors and Mr. Muhammad Zahir Esmail was co-opted in his place on October 22, 2010, in the 120th meeting of the Board of Directors, consequent to the approval of State Bank of Pakistan.

Pattern of Shareholdings (Under Clause XIX (I) of the Code of Corporate Governance) As at December 31, 2010

A) Directors	Shares held
1 Mr. Iqbal Alimohamed	207,131,079
2 Mr. Danish Iqbal	18,950,057
3 Mr. Sohail Muzaffar	297,282
4 Mr. Afzal Ghani	1,546
5 Mr. Iqbal Ebrahim	2,607
6 Mr. Muhammad Bilal Sheikh	2,000
7 Mr. Muhammad Zahir Esmail	500
 B) Directors' Spouse and Minor Children	
NIL	
 C) NIT and ICP	
1 National Bank of Pakistan, Trustee Deptt	15
2 Investment Corporation of Pakistan	1,000
3 IDBP (ICP UNIT)	1,270
 D) Others	
1 Invsetment Companies	29,149,653
2 Joint Stock Companies	32,500,968
3 Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds	30,203,285
4 Foreign Investors	36,696,160
5 Charitable Trusts	24,233
6 Others	175,396,523
 E) Shares traded by Directors, CEO, CFO, Company Secretary and their spouse and minor children are given as under:	
NIL	
 F) Shareholders holding ten percent and above (other than sponsors and directors)	
NIL	

Pattern of Share Holdings CDC and Physical as on December 31, 2010

NUMBER OF SHARE HOLDERS	S H A R E H O L D I N G		TOTAL SHARES HELD
	F r o m	T o	
5,313	1 -	100	261,759
1,247	101 -	500	328,786
1,906	501 -	1,000	1,340,314
1,104	1,001 -	5,000	2,766,177
237	5,001 -	10,000	1,924,856
79	10,001 -	15,000	1,011,272
50	15,001 -	20,000	908,412
50	20,001 -	25,000	1,176,098
29	25,001 -	30,000	829,546
17	30,001 -	35,000	565,761
17	35,001 -	40,000	655,126
7	40,001 -	45,000	307,012
26	45,001 -	50,000	1,276,335
7	50,001 -	55,000	380,007
2	55,001 -	60,000	118,659
5	60,001 -	65,000	319,500
6	65,001 -	70,000	407,982
9	70,001 -	75,000	660,355
3	75,001 -	80,000	233,923
1	80,001 -	85,000	80,118
4	85,001 -	90,000	358,460
2	90,001 -	95,000	186,849
18	95,001 -	100,000	1,795,904
4	100,001 -	105,000	405,462
3	105,001 -	110,000	325,875
1	115,001 -	120,000	119,862
1	120,001 -	125,000	125,000
1	125,001 -	130,000	130,000
3	130,001 -	135,000	403,316
3	135,001 -	140,000	414,000
2	145,001 -	150,000	297,218
2	155,001 -	160,000	320,000
2	170,001 -	175,000	347,562
1	175,001 -	180,000	178,500
1	185,001 -	190,000	190,000
3	195,001 -	200,000	600,000
1	200,001 -	205,000	203,125
1	205,001 -	210,000	206,000
1	215,001 -	220,000	220,000
1	250,001 -	255,000	252,450
1	260,001 -	265,000	265,000
3	265,001 -	270,000	805,199
1	290,001 -	295,000	294,255
3	295,001 -	300,000	900,000

NUMBER OF SHARE HOLDERS	S H A R E H O L D I N G		TOTAL SHARES HELD
	F r o m	T o	
1	300,001 -	305,000	302,200
1	355,001 -	360,000	359,186
1	445,001 -	450,000	445,500
1	455,001 -	460,000	455,500
2	470,001 -	475,000	950,000
1	490,001 -	495,000	492,000
2	495,001 -	500,000	998,008
1	510,001 -	515,000	510,246
1	540,001 -	545,000	544,500
1	560,001 -	565,000	560,054
1	670,001 -	675,000	672,353
2	695,001 -	700,000	1,395,272
1	815,001 -	820,000	817,820
1	830,001 -	835,000	833,518
1	895,001 -	900,000	900,000
1	1,035,001 -	1,040,000	1,039,923
1	1,120,001 -	1,125,000	1,120,843
1	1,145,001 -	1,150,000	1,145,408
1	1,160,001 -	1,165,000	1,161,345
1	1,245,001 -	1,250,000	1,250,000
2	1,495,001 -	1,500,000	3,000,000
1	1,720,001 -	1,725,000	1,723,596
1	1,950,001 -	1,955,000	1,952,000
1	1,985,001 -	1,990,000	1,988,484
1	2,155,001 -	2,160,000	2,158,303
1	2,245,001 -	2,250,000	2,250,000
1	2,350,001 -	2,355,000	2,352,495
1	2,535,001 -	2,540,000	2,537,329
2	3,235,001 -	3,240,000	6,478,760
1	3,495,001 -	3,500,000	3,500,000
1	4,100,001 -	4,105,000	4,102,280
1	4,495,001 -	4,500,000	4,500,000
1	5,395,001 -	5,400,000	5,400,000
1	7,835,001 -	7,840,000	7,838,688
3	8,245,001 -	8,250,000	24,750,000
1	8,280,001 -	8,285,000	8,282,000
1	8,915,001 -	8,920,000	8,915,337
1	10,425,001 -	10,430,000	10,428,375
1	13,985,001 -	13,990,000	13,988,938
1	18,950,001 -	18,955,000	18,950,057
1	19,480,001 -	19,485,000	19,483,044
1	25,640,001 -	25,645,000	25,644,605
1	25,970,001 -	25,975,000	25,971,459
1	31,530,001 -	31,535,000	31,532,778
1	44,080,001 -	44,085,000	44,082,108
1	44,645,001 -	44,650,000	44,648,860
1	163,045,001 -	163,050,000	163,048,971

10,232

530,358,178

Branches Network

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
-----	------	-------------	---------	-----------	--------------	---------	----------------

SOUTHERN REGION

	Regional Office, Karachi		Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	35824381 - 2	35824383	rokhia@mybl.com.pk
1	Clifton Branch , Karachi	210	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	35373231 - 35867651	35867647	clf@mybl.com.pk
2	Jodia Bazar Branch, Karachi	204	Ram Bharti Street, Ismail Trade Centre, Karachi	021	32437991-3 - 32471120	32437994	jbk@mybl.com.pk
3	North Napier Road Branch, Karachi	207	18-19, North Napier Road, Karachi.	021	32766477 & 32766755	32766487	nnk@mybl.com.pk
4	New Challi Branch, Karachi	201	Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi	021	32422071,32422027, 32422096, 32422069	32422051	nck@mybl.com.pk
5	Paper Market Branch , Karachi	212	Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.	021	32639671-2	32639670	pmk@mybl.com.pk
6	Abdullah Haroon Road Branch, Karachi	213	282/3, Abdullah Haroon Road, Area, Saddar, Karachi.	021	35685269, 35685393,35685940	35683991	sad@mybl.com.pk
7	Water Pump Branch, Karachi	215	Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.	021	36321387, 36314817	36314848	wpk@mybl.com.pk
8	Bahadur Shah Center Branch , Karachi	219	Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.	021	32768547, 32768559	32765083	bsk@mybl.com.pk
9	I. I. Chundrigar Road Branch, Karachi	221	5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.	021	32438212, 32472176, 32471796	32438218	iic@mybl.com.pk
10	North Karachi Industrial Area Branch, Karachi	225	Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.	021	32015919 -20 , 36995925	36975919	nia@mybl.com.pk
11	Garden East Branch, Karachi	226	Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi	021	32243311-13	32243314	gek@mybl.com.pk
12	S.I.T.E. Branch, Karachi	222	B/9-B/3, Near Metro Chowrangi S.I.T.E., Area, Karachi.	021	32586801-4, 32587166-8	32586806	site@mybl.com.pk
13	Plaza Quarters Branch, Karachi	203	Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi	021	32771515-16-18	32771517	pqk@mybl.com.pk
14	Cloth Market Branch, Karachi	205	Shop No. 26, Kochin Wala cloth Market Laxmidas street, Karachi	021	32400790, 32413586, 32424178	32424175	cmk@mybl.com.pk
15	Timber Market Branch, Karachi	208	Siddique Wahab Road, Karachi.	021	32732729, 32766995	32733214	tmk@mybl.com.pk
16	Gulshan-e-Iqbal Branch, Karachi	209	B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi.	021	34987688, 34987739-40	34987689	gik@mybl.com.pk
17	Tariq Road Branch, Karachi	214	C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.	021	34556486, 34556682	34555478	trk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
18	Barkat-e- Hyderi Branch, Karachi	216	Almas Square, Block-G, North Nazimabad, Karachi.	021	36628931, 36706896-7	36723165	bhk@mybl.com.pk
19	Shahrah-e-Faisal Branch, Karachi	218	Business Avenue Block-6, P.E.C.H.S., Karachi.	021	34386417-18	34531819	sfk@mybl.com.pk
20	Defence Branch , Karachi	220	55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.	021	35387809-35396263 - 35312592	35387810	dha@mybl.com.pk
21	Badar Commercial Branch , Karachi	230	Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi	021	35348501, 35348502, 35348503	35348504	dha2@mybl.com.pk
22	Stock Exchange Branch, Karachi	223	Room No. 68 & 69 1st Floor, Stock Exchange Building, stock Exchange Road, Karachi.	021	32462540-42	32462550	kse@mybl.com.pk
23	Gulistan-e-Jauhar Branch, Karachi	224	Shop No. 5,6,7 & Office No. D-2, Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi	021	34022259, 34613674, 34016488-9	34022639	gej@mybl.com.pk
24	Rizvia Society Branch, Karachi	229	B-12, Rizvia Cooperative Society, Nazimabad, Karachi	021	36600956-57	36600958	rsk@mybl.com.pk
25	Jamshed Quarters Branch, Karachi	228	Showroom no. 3 & 4 AB Arcade Plot #. 714-6-1 Block A, New M.A. Jinnah Road, Karachi	021	34860422-23, 34860425	34860424	jqk@mybl.com.pk
26	Dhoraji Branch, Karachi	231	Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi	021	34860773-75	34860772	djk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
	Area Office Hyderabad		Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720430	2720206	hyd@mybl.com.pk
27	Saddar Branch, Hyderabad	206	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720483, 2720248	2720206	hyd@mybl.com.pk
28	Latifabad No. 7. Branch, Hyderabad	227	Latifabad # 7, 5/D Unit #. 7, Hyderabad	022	3810524 & 3810525	3810515	ltf@mybl.com.pk
29	Marich Bazar Branch, Sukkur	202	Marich Bazar, Sukkur	071	5624316	5624317	suk@mybl.com.pk
30	Shaheed-e-Millat Road Branch, Mirpurkhas	217	Shaheed-e-Millat Rd, Mirpurkhas.	0233	874518	875925	mks@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
	Area Office Quetta		Regal Chowk, Jinnah Rd., Quetta	081	2824966	2827057	jrj@mybl.com.pk
31	Jinnah Road Branch, Quetta	101	Regal Chowk, Jinnah Road, Quetta.	081	2837028-29	2825065	jrj@mybl.com.pk
32	Liaquat Bazar Branch, Quetta	103	Ainuddin Street, Quetta.	081	2837300-1	2837302	lbq@mybl.com.pk
33	Main Bazar Branch, Turbat	102	Main Bazar, Turbat.	0852	413874	414048	turb@mybl.com.pk
34	Gawadar Branch,	105	Airport Road, Khasra No. 430, Khewat No. 192, Khatoni No. 192, Gawadar Pakistan	0864	212144- 212146	212147	gwr@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
-----	------	-------------	---------	-----------	--------------	---------	----------------

CENTRAL REGION

	GM- Office, Lahore			042	35692737	35692740	rolhr@mybl.com.pk
35	DHA Branch, Lahore	301	159, Y- Block D.H.A.Lahore		35692576-80, 35692618, 35692609, 35692606	35692738	dhalhr@mybl.com.pk
36	Liberty Market Branch, Lahore	310	26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.	042	111-692-265, 35717273, 35763308	35763310	lml@mybl.com.pk
37	Badami Bagh Branch, Lahore	307	25 - Peco Road Badami Bagh Lahore	042	37724583, 37720382, 37705036	37730867	bbf@mybl.com.pk
38	Azam Cloth Market Branch, Lahore	313	F-1208, Azam Cloth Market, Lahore.	042	37667297, 37651374	37662026	acm@mybl.com.pk
39	Shahalam Gate Branch, Lahore	306	12-A, ShahAlam Gate, Lahore.	042	37666854 - 57	37663488	sag@mybl.com.pk
40	Johar Town Branch, Lahore	325	Plot No.20, Block-A, Moulana Shaukat Ali Road, Johar Town, Lahore.	042	35223047-49	35223050	jhrt@mybl.com.pk
41	Egerton Road Branch, Lahore	317	27-Ajmal House, Egerton Road, Lahore.	042	36364522, 36364532	36364542	egr@mybl.com.pk
42	Allama Iqbal Town Branch, Lahore	326	56/12, Karim Block, Allama Iqbal Town, Lahore.	042	35434160-61,35434163	35434164	ait@mybl.com.pk
43	Darogawala Branch, Lahore	329	Near Shalimar garden G.T.Road Darogawala Lahore	042	36520681 - 83	36520684	dwl@mybl.com.pk
44	Wahdat Road Branch, Lahore	330	Mauza Ichra, Wahdat Road, Lahore	042	37503001	37503004	wrl@mybl.com.pk
45	Kamahan Branch, Lahore	335	Kamahan, Mauza Jhatool, Lahore	042	35921487	35921489	mkl@mybl.com.pk
46	Samanabad Branch, Lahore	341	Plot No.855,Poonch Road, Samanabad, Lahore.	042	37568831, 37568844	37568854	sml@mybl.com.pk
47	Airport Road Branch, Lahore	339	M. M. Arcade, 192-B, New Air Port Road, Lahore	042	35700336, 35700338-9	35700323	arl@mybl.com.pk
48	Muridke Branch	331	774, G.T. Road Muridke	042	37950456,37994711-12	37994713	mds@mybl.com.pk
49	Booth at Doctor's Hospital		152-A, G1, Canal Bank, Johar Town, Lahore.	042	35314640	35314642	dhalhr@mybl.com.pk
50	Booth at Lahore Medical College		Lahore Medical & Dental College Tulsapura, Canal Bank, Lahore.	042	36583305	36583305	dhalhr@mybl.com.pk
51	Kasur Branch	322	Near Pul Qatal Gahri, Kutchery Road, Kasur.	049	2721993	2721994	qsr@mybl.com.pk
52	Sahiwal Branch	318	558/8-1, Navid, Plaza, High Street Sahiwal.	040	4229247, 4221615,4229247	4460960	swl@mybl.com.pk
53	Okara Branch	320	23/A, Ravi Road, Okara.	044	2528755, 2525355	2525356	okr@mybl.com.pk
54	Multan Branch	309	2576, Hussain Agahi Road, Multan.	061	4548083-4583268- 4583168	4543794	mul@mybl.com.pk
55	Rahim Yar Khan Branch	314	31/34 Shahi Road, Rahimyar Khan.	068	5877821-5883876	5876776	ryk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
-----	------	-------------	---------	-----------	--------------	---------	----------------

GUJRANWALA ZONE

	Zonal Office, Gujranwala		G. T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820400	3820404	zogu@mybl.com.pk
56	Gujranwala Branch	304	G.T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820401-3	3820404	guj@mybl.com.pk
57	Sialkot Branch	305	Railway Road. Sialkot.	052	4582231, 4586734, 4586507,4601058-59	4582232	skt@mybl.com.pk
58	Gujrat Branch	315	Sethi Plaza. Opp. MY Guest House, Near Small Industrial Estate Gate, G.T. Road Gujrat	053	537161,62-524640,524447	525108	gtr@mybl.com.pk
59	Faisalabad Branch	302	Aminpur Bazar, Faisalabad.	041	2634705, 2626783, 2636783	2611363	fsd@mybl.com.pk
60	Sargodha Branch	319	Prince Cinema Market Railway Road. Sargodha	048	3768113-5	3768116	sgd@mybl.com.pk
61	Mandi Bahauddin Branch	324	Khasra # 143/112, Chak #51, Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.	0546	600901, 600903-4-5	600902	mdb@mybl.com.pk
62	Narowal Branch	323	Sughra Shafi, Medical Complex, By Pass Narowal Rd., Narowal	0542	414090 - 414105-07	414089	nar@mybl.com.pk
63	Chak Ghanian Branch	334	Khewat No. 478/1 Khatooni No. 1457/60. Chak Ghanian, Post Office Sarai Alamgir	0544	654402-03, 655155	654401	cgl@mybl.com.pk
64	Dalwal Branch	332	Village & Post Office Dalwal, Tehsil Chohna, Saidan Shah, Distt Chakwal	0543	582834	582842	dcc@mybl.com.pk
65	Lalamusa Branch	340	G. T. Road, Lalamusa	053	7515694,7515699, 7515697,7519977	7515685	lmb@mybl.com.pk

ISLAMABAD ZONE

	Zonal Office, Islamabad		20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265,2874743	2871012	rosib@mybl.com.pk
66	Blue Area Branch, Islamabad	303	20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265 2823204,2872913	2274276	isd@mybl.com.pk
67	Barah Koh Branch, Islamabad	312	Murree Road, Tehsil / District, Islamabad.	051	2231344, 2233136	2231345	bkh@mybl.com.pk
68	G-11 Markaz Branch, Islamabad	333	Shop #. 25-34, Plot #. 23, Sajid Sharif, G-11 Markaz, Islamabad	051	2220973-6	2220977	msi@mybl.com.pk
69	Bank Road Branch, Rawalpindi	311	Saddar Bazar, Rawalpindi Cantt.	051	5523840-41	5523837	rwp@mybl.com.pk
70	Raja Bazar Branch, Rawalpindi	321	Raja Bazar, Rawalpindi.	051	5534173-5557244	5559544	rbp@mybl.com.pk
71	Murree Road Branch, Rawalpindi	327	DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.	051	4854400, 4854401-03	4854404	smr@mybl.com.pk
72	Wah Cantt Branch	338	Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt	051	4542157, 4542167, 4542279	4542144	wcr@mybl.com.pk
73	Fateh Jang Branch	336	Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt Attock	057	2210321-23	2210324	fjr@mybl.com.pk
74	Chakwal Branch	328	Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal	0543	554796,540650-51	554797	chk@mybl.com.pk
75	Dina Branch	342	Mian G.T. Road Dina	0544	634471 -3	636675	djm@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
-----	------	-------------	---------	-----------	--------------	---------	----------------

KHYBER PAKHTUNKHWA ZONE

	Zonal Office		3-A, Arbab Road, Peshawar Cantt, Peshawar.	091	5253841, 5271812	5274251	pwr@mybl.com.pk
76	Arbab Road Branch, Peshawar	401	3-A, Arbab Road, Peshawar Cantt, Peshawar.	091	5270463, 5275915	5274251	pwr@mybl.com.pk
77	Milad Chowk Branch, Peshawar	403	Milad Chowk, New Gate, Peshawar City	091	2550477, 2550466, 2217131	2550488	cyp@mybl.com.pk
78	Mardan Branch	402	Bank Road, Mardan.	0937	865341	865342	mrd@mybl.com.pk
79	Mansehra Branch	337	Al- Hadeed Corporation Market Shahrah Resham Mansehra	0997	303186, 303180	303135	srm@mybl.com.pk
80	Attock Branch	405	Hamam Road, Attock	057	2703120	2703117	atk@mybl.com.pk
81	Mirpur A.K Branch	501	Younus Plaza Allama Iqbal Road, Mirpur, Azad Kashmir.	05827	444550, 444520	444522	mak@mybl.com.pk
82	Dadyal Branch, A.K	502	Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.	05827	463475	465316	dad@mybl.com.pk

Form of Proxy

I /We _____ of _____

being member of Mybank Limited and holding _____ ordinary shares are per

Register Folio No. / CDC Account and Participant's ID No. _____

hereby appoint Mr./Mrs./Miss. _____ of _____ or

failing him / her _____ of _____ as

my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Bank to be held on March 25, 2011 and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2011

1. Witness _____

Signature _____

CNIC No. _____

Address _____

Member's Signature
on Rs.5.00
Revenue Stamp

2. Witness _____

Signature _____

CNIC No. _____

Address _____

(Signature should agree with
the specimen signature
Registered with the Bank)

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting of the Bank may appoint another member as his / her proxy to attend and vote instead of him / her. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
2. The instrument appointing a proxy should be signed by the member(s) or by his / her Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. The Proxy Form duly completed, must be deposited at the Bank's Registered Office at **Mybank Building**, Regal Chowk, Jinnah Road, Quetta not less than 48 hours before the time of holding the meeting.
4. CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's valid CNIC / Passport with the proxy form. The proxy shall also produce his / her original valid CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.