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# Corporate Information

## BOARD OF DIRECTORS

MR. A. Z. K. SHERDIL	CHAIRMAN
MR. NAEEMUDDIN KHAN	PRESIDENT
MR. TARIQ MAHMOOD PASHA	DIRECTOR
MR. SHAFQAT MAHMOOD	DIRECTOR
MR. VIQAR AHMED KHAN	DIRECTOR
MR. FAROOQ AHMAD AWAN	DIRECTOR
MR. GHAFOR MIRZA	DIRECTOR
MR. RIZWAN ULLAH KHAN	DIRECTOR
MR. TARIQ BAJWA	DIRECTOR
MR. JUNAID ASHRAF KHAWAJA	DIRECTOR
MR. RAZA SAEED	SECRETARY TO THE BOARD

## AUDIT COMMITTEE

MR. GHAFOR MIRZA	CHAIRMAN
MR. FAROOQ AHMED AWAN	MEMBER
MR. JUNAID ASHRAF KHAWAJA	MEMBER

## AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

## REGISTERED OFFICE

BOP TOWER, 10-B, BLOCK-E-II,  
MAIN BOULEVARD, GULBERG-III,  
LAHORE.  
TELEPHONES: +92 - 042-35783700-10  
FAX NO. +92 - 042 - 35783975  
UAN: 111-200-100

## WEBSITE

[www.bop.com.pk](http://www.bop.com.pk)

## REGISTRAR

M/S. CORPLINK (PVT) LIMITED  
WINGS ARCADE, 1-K, COMMERCIAL,  
MODEL TOWN, LAHORE.  
TELEPHONES: +92 – 042 – 35916714, 35916719, 35839182  
FAX NO. +92 – 042- 35869037

## Vision Statement

To be a customer focused bank with service excellence.

## Mission Statement

To exceed the expectation of our stakeholders by leveraging our relationship with the Government of Punjab and delivering a complete range of professional solutions with a focus on programme driven products and services in the agriculture and middle tier markets through a motivated team.

## Core Values

Our customers	as our first priority
Profitability	for the prosperity of our stakeholders that allows us to constantly invest, improve and succeed
Corporate Social Responsibility	to Enrich the Lives of community where we operate
Recognition and Reward	for the talented and high performing employees
Excellence	in every thing we do
Integrity	in all our dealings
Respect	for our customers and each other

## Six Years at a Glance

	Criteria	2010	2009
<b>BALANCE SHEET</b>			
Total Assets	Rs in m	229,190	216,670
Advance (net)	Rs in m	120,818	121,316
Investments	Rs in m	56,403	57,960
Shareholders Equity	Rs in m	2,947	5,531
Revaluation Reserve	Rs in m	721	645
Deposits	Rs in m	208,177	190,858
Borrowings from Fls	Rs in m	11,527	14,040
<b>OPERATING RESULTS</b>			
Markup/ return/ interest earned	Rs in m	18,220	15,642
Markup/ return/ interest expenses	Rs in m	18,802	19,023
Net markup income	Rs in m	(582)	(3,381)
Non-markup based income	Rs in m	1,883	2,219
Non-markup based expenses	Rs in m	4,168	3,029
Provision against NPLs	Rs in m	560	9,242
Net profit/(Loss) before tax	Rs in m	(6,186)	(14,374)
Net profit/(Loss) after tax	Rs in m	(4,029)	(10,069)
Other Information			
EPS (Non dilutive)	Rs. Per share	(7.62)	(19.04)
Dividend - Cash	%	-	-
Dividend - Bonus issue-Interim	%	-	-
- Bonus issue-Final	%	-	-
No. of branches	No.	273	272
Staff Strength	No.	4,464	4,279

2008	2007	2006	2005
185,909	234,974	164,855	111,154
131,731	133,894	101,320	63,624
22,712	73,462	28,233	18,026
5,057	15,110	10,659	6,777
(1,313)	3,885	5,467	6,893
164,073	191,969	137,728	88,465
12,279	17,843	6,989	6,791
17,753	17,539	11,579	6,125
16,614	13,939	7,509	2,669
1,139	3,600	4,070	3,456
4,183	5,423	2,954	1,331
2,925	2,289	1,882	1,291
18,864	1,888	374	331
(16,833)	4,846	4,769	3,165
(10,060)	4,446	3,804	2,353
(19.02)	10.51	13.14	10.01
-	-	-	-
-	10.00	-	30.00
-	25.00	32.50	22.00
272	272	266	266
4,156	3,859	3,681	3,430

# Credit Rating

## Entity Ratings by PACRA

Long Term	AA-
Short Term	A1+

### Rating Definition:

#### Long Term Rating:

AA: Very High Credit Quality. AA Ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable for foreseeable events.

#### Short Term Rating:

A1 +: Obligations supported by the highest capacity for timely repayment.

# Economic Review

Pakistan's economy witnessed a moderate but fragile recovery during FY10. Helped by a modest improvement in business and consumer confidence, relatively supportive monetary and fiscal policies, and some good fortune, in the shape of declining international prices, real GDP growth rose to 4.1 percent, compared with an anemic 1.2 percent in FY09. The lower commodity prices and relatively weak demand also contributed to a deceleration in inflation, which fell to 11.7 percent from a multi-decade high of 20.8 percent, as well as to the decline in the current account deficit to only 2 percent of GDP in FY10 from 5.7 percent of GDP in the previous year.

While these developments marked an improvement from the FY09 picture, fundamental structural weaknesses in the economy remained unaddressed. For example, some key reforms failed to gather traction:

- (1) persistent disagreements led to the deferment of a proposed expansion of the tax net through the introduction of a broad based GST,
- (2) the proposed restructuring of public sector enterprises, to improve efficiency and lower the fiscal burden, did not take place;
- (3) after some initial work, there was little or no progress in either resolving the energy sector debt chain (the so-called "circular debt" problem) or substantially improving electricity supply.

The slippage on the expenditure side was more disappointing. Admittedly, there are significant rigidities in government spending, including debt servicing, defense, the government salary bill, etc. However, there appears little evidence of efforts to contain the growth in even the discretionary components. In this context, the 10.7 percent YoY growth in subsidies and losses of PSEs, was particularly disappointing. To put this in perspective, in FY10 these expenditures, as a percentage of GDP, were almost equal to the combined total for health and education. This is by no means an acceptable situation.

In short, the FY10 fiscal performance, characterized by continuing expansion in fiscal and quasifiscal operations,

crowded out and otherwise undermined private sector activities, supported the persistence of double-digit inflation, and increased the total public debt and liabilities substantially, from 68.7 percent of GDP in FY09 to 69.5 percent in FY10. All these developments raise questions about the medium-term sustainability of growth.

The SBP's monetary policy stance over FY10 reflects its efforts to strike a balance between supporting the domestic recovery and arresting inflationary pressures. At the start of the fiscal year, the central bank continued lowering its policy rate as inflation declined to less than half its FY09 peak, and the country's macroeconomic situation gradually improved. The policy rate was reduced by a cumulative 150 bps during H1-FY10. However, further easing was put on hold for the remainder of the fiscal year due to resurfacing risks to price stability from an uncertain fiscal position – amid delays in external financing – and pressures from adjustment in administered prices.

At the close of FY10, the Scheduled Banks' Deposits stood at Rs. 4,764 billion as against Rs.4,201 billion at the close of FY09. The Scheduled Banks' Advances remained at Rs.3,425 billion as against Rs.3,266 billion at the close of FY09. The Banking Sector NPLs remained at Rs. 460 billion at the close of FY10. While growth of non performing advances in corporate and SME sectors experienced deceleration during FY10, the agricultural sector contributed Rs 2.1 billion in the rise of NPLs, compared to a fall of 0.5 billion in FY09. NPLs in the consumer sector has also shown an increase of Rs 9.8 billion in FY10, owing to the lower real income due to inflationary pressures in the economy.

Solvency of the Banking sector improved significantly during FY09 – based on both; eligible capital as well as risk-based capital adequacy measures. In particular, banks' risk-averse asset allocation as well as capital injections in compliance with the SBP's Minimum Capital Requirements (MCR) bolstered the solvency profile of the system. As a result the Capital Adequacy Ratio (CAR) improved by 180 bps to 14 percent - well above the 10 percent regulatory requirement.



# Directors' Report

On behalf of the Board of Directors, I am pleased to present the 21st Annual Report of The Bank of Punjab along with the audited financial statements and Auditor's Report thereon, for the year ended December 31, 2010.

## Performance at a glance:

During the year 2010, the Bank continued to follow the strategy of consolidation and maintaining the growth trends. Despite adverse economic conditions and intense competition, the Bank registered a growth of Rs. 17.3 billion in Deposit base which stood at Rs. 208.2 billion as of December 31, 2010. The investments of the Bank stood at 56.4 billion with major concentration in Government Securities.

At the close of the year 2010, the gross advances of the Bank stood at Rs. 150.1 billion as against Rs.151.5 billion as on December 31, 2009 and NPLs remained at Rs. 77.4 billion.

However, as at the close of the year 2010, net advances aggregating to Rs.31.5 billion requiring additional provision of Rs.25.9 billion there-against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by State Bank of Pakistan.

The above relaxation in provisioning requirement is against undertaking of the GOPb, being the majority shareholder, to inject required to make the shortfall in regulatory capital, if any, in case these loans require provisioning as explained in Note 1.2 of the financial statements. However, the management is hopeful that additional funding by the GOPb will not be required as due strategies for recovery/regularization of these advances have been framed and implemented.

In addition, in terms of letters of comfort issued in this regard, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

The Net Interest Margin (NIM) of the Bank significantly improved, which remained at Rs. (0.6) billion as against Rs. (3.4) billion during 2009. Further, the charge for provision against NPLs for the year 2010 reduced to Rs.0.6 billion as against Rs.9.2 billion for the year 2009.

The Dividend Income of the Bank remained at Rs.0.4 billion as against 0.9 billion during 2009. The Non-interest/Mark-up Income of the Bank remained at Rs. 1.9 billion as against Rs. 2.2 billion during 2009. The Administrative Expenses remained at the level of Rs.3.4 billion as against Rs.3.0 billion during 2009.

During the year 2010, the Bank suffered an After Tax Loss of Rs. (4.0) billion as against After Tax Loss of Rs. (10.1) billion during 2009.

## Financial Highlights

	Rs. In thousand
Loss before taxation	(6,186,396)
Taxation	(2,157,119)
Loss after taxation	(4,029,277)
Accumulated Loss b/f	(10,330,839)
Transfer from surplus on revaluation of fixed assets (net of tax)	7,127
Accumulated Loss c/f	(14,352,989)
Loss per share-Rupees	(7.62)

## Capital Adequacy and Minimum Capital Requirements

As at close of the year, paid-up capital, reserves (net of losses) and advance subscription money of the Bank stood at Rs.2.9 billion, as against the minimum regulatory capital requirement of Rs.7.0 billion. The Capital Adequacy Ratio (CAR) remained at a level of 1.05% against the prescribed level of 10%.

In order to provide capital support to the Bank, subsequent to the year-end, the Government of Punjab (GOPb), being the majority shareholder, deposited Rs.7.0 billion in addition to Rs.10.0 billion deposited as advance subscription money in the year 2009 against future issue of shares by the Bank. Further, the GOPb has also undertaken to inject necessary capital to cover the shortfall in regulatory capital, if any, in case provisioning against certain loans is required, as explained earlier.

Accordingly, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements

of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012.

### Credit Rating

M/s Pakistan Credit Rating Agency (PACRA) has assigned long term credit rating of AA- and short term credit rating of A1+.

As per standard rating scale and definition "AA" long term rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments not significantly vulnerable to foreseeable events. Similarly, "A1+" short term rating denotes obligations supported by the highest capacity for timely repayment.

### Statement of Internal Controls

The Board of Directors (the "Board") of the Bank has overall responsibility to supervise maintaining a sound system of internal controls that is designed to manage the Bank's risks within an acceptable risk profile. The Board has delegated certain responsibilities to its subcommittees and these committees have the authority to examine particular issues and revert to the Board with their recommendations. The Management assists the Board in implementation of the policies and procedures on risk and control by identifying and assessing the risks faced in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

The Management of the Bank is fully conscious of its responsibility for establishing and maintaining an adequate system of internal control, implementing strategies and policies approved by the Board through appropriate organizational structure, processes and procedures designed to provide reasonable assurance as to the integrity and reliability of controls and information generated therefrom and for monitoring and evaluating the adequacy & effectiveness of the system to achieve;

- Efficiency and effectiveness of the operations;
- Reliability, completeness and timeliness of financial and management information;
- Compliance with policies, procedures, regulations and laws.

In 2009 the Bank as its top priority, set to implement State Bank of Pakistan (the "SBP") Guidelines on Internal Controls to place an effective internal control system. The Bank's Internal Control System is being aligned with internationally accepted internal control principles and the framework developed by Committee of Sponsoring Organizations of the Treadway Commission (the "COSO" Framework on Internal Controls) with the assistance of a reputed advisory firm. Within the Bank, Compliance & Internal Control Division (the "C&ICD") was assigned the overall responsibility for managing this activity and implementing SBP internal control regulations in full. So far, the Bank has completed three stages of Guidelines on Internal Controls and accordingly has documented existing processes and controls (AS-IS documentation) and after identification / reviewing the gaps, has developed detailed implementation plan to rectify these gaps. The completed stages have been evaluated by the Bank's External Auditors and their 'Long Form Report' as at December 31, 2010 has already been furnished to SBP.

The C&ICD is also entrusted with the responsibility of expediting rectification of irregularities and control lapses in branches' operations and various controlling offices / Divisions pointed out by Audit & RAR Group (the "Audit Group"), SBP and Bank's External Auditors and to ensure implementation of control design improvements. Vigorous efforts are being made by the C&ICD to improve the Control Environment at grass root level by continuous review and streamlining of procedures to prevent and rectify control lapses as well as imparting training at various levels. The C&ICD is responsible to ensure adherence to the regulatory requirements and Bank's internal policies and procedures, with specific emphasis on KYC/AML. The C&ICD is being further strengthened for remediation of internal control deficiencies, implementing remaining stages of SBP road map and maintaining the system on an ongoing basis. The other stages of the SBP roadmap will be completed during the Year 2012.

The Audit Group, independent from Management, is entrusted with the function to review and assess adequacy and effectiveness of the control activities across the bank as well as to ensure implementation of and compliance with all the prescribed policies and procedures of internal controls. Audit Group evaluates, validates, monitors and contributes to ongoing effectiveness of control systems as part of its scope. All significant and material findings of Audit Group's reviews are being reported to Central

Audit Committee (the “CAC”) of the Board regularly. The CAC actively monitors implementations to ensure that identified risks are being mitigated to safeguard interests of the bank.

As system of Internal Control is designed to manage risks within an acceptable level to achieve the Bank’s strategies, aims and business objectives rather than to eliminate the risk of failure, it can, therefore, only provide reasonable and not absolute assurance against material misstatement of management and financial information. The system of internal control followed by the Bank is considered to be adequate and sound in design and is being effectively implemented and monitored.

### **Risk Management Framework**

The effective Risk Management function is fundamental to the business of banking and is very essential element for banking operations. This function ideally facilitates the identification, mitigation and management of risks which may impede the Bank’s achievement of its strategic objectives.

Accordingly, the Management has introduced a holistic approach towards implementation of effective risk management framework and has been engaged in extensive and detailed evaluation and assessment of risk management framework in all areas of banking operations.

The Board of Directors of the Bank is primarily responsible for laying down risk parameters and establishing an integrated risk management and control system. The Bank’s Board approves Risk Management policies and also sets out exposure limits taking into account the risk appetite of the Bank and the skills available for managing the risks. Board of Directors is supported by “Board Risk Management Committee” in this respect.

The credit risk mechanism consists of policies and practices that ensure credit risk is measured and monitored both at account and portfolio levels. The Credit Policy Manual addresses the Credit Risk related to lending. Credit Approving Authority, Prudential Exposure Limits, Risk Rating System, Risk Based Pricing, Portfolio Management are the various instruments for management of Credit Risk.

Bank has standardized and well-defined approval

processes for all credit proposals to minimize the credit risk associated with them. Bank has set up Credit Approval Grids at Regional Offices and Head Office. The Bank has also developed credit rating models. Entire credit portfolio of the bank is subject to internal credit rating. The Bank continuously monitors portfolio concentrations by borrower, groups, industry, geography, etc and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry types and geography.

The overall responsibility of managing the market risk rests with the Market Risk Management Committee (MRMC). The Committee meets regularly and decides on the size, mix, tenor, pricing and composition of various assets and liabilities. It primarily does identification, measurement, monitoring and management of liquidity and interest rate risks. It uses tools such as Ratio analysis, Gap analysis, Interest Rate Sensitivity, Value At Risk, etc. for management of liquidity and interest rate risks.

Comprehensive systems and procedures, internal control system and audit are used as primary means for managing Operational Risk. All new products introduced by the Bank pass through an Approval Process to identify and address operational risk issues.

### **Statement of compliance with Corporate and Financial Reporting Framework**

The Directors are pleased to give the following statement in respect of Code of Corporate Governance:

- The financial statements, together with notes thereon have been prepared in conformity with the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. These Statements present fairly state of affairs, the result of its operations, cash flows and changes in equity and comprehensive income. Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting and Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed in

the Annual Accounts. The system of internal control is sound in design and has been effectively implemented and monitored.

- There is no significant doubt upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- All the statutory liabilities, if any, have been adequately disclosed in the financial statements
- Value of investment of Staff Provident Fund Scheme (approved), based on latest audited accounts is Rs.477,754 thousand.
- Statement showing pattern of shareholding as on December 31, 2010 is included in this report.
- During the year under review, Bank has suffered loss because of abnormal rise in NPLs.
- Statement showing key operating and financial data for the last six years is disclosed on page 4 of the annual report.
- Statement of compliance with code of corporate governance is presented at page no 12 of the annual report.
- During the year 10 meetings were held with following attendance:

Name of Director	No. of BOD meetings attended	Resigned/ Terminated/ Replaced
Mr. Safdar Javaid Syed	2	Resigned
Mr. A. Z. K. Sherdil	3	
Mr. Naeemuddin Khan	10	
Mr. Tariq Mahmood Pasha	9	
Mr. Shafqat Ellahi	1	Resigned
Mr. Viqar Ahmed Khan	10	
Mr. Shafqat Mahmood	10	
Mr. Naveed Masud	4	Resigned
Mr. Haroon Khawaja	3	Resigned
Mr. Farooq Ahmad Awan	3	
Mr. Mujtaba Jamal Ch.	1	Resigned
Mr. Ghafoor Mirza	3	
Mr. Rizwan Ullah Khan	3	
Mr. Tariq Bajwa	2	

## Punjab Modaraba Services (Pvt) Ltd.

Punjab Modaraba Services (Pvt) Limited, Bank's wholly owned subsidiary, is effectively managing First Punjab Modaraba. The net assets of the subsidiary stood at Rs.106.4 million as at the year end as against the Rs.123.7 million of December 31, 2009.

## Auditors

The maximum 05 years term of the auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants was expiring and the Board of Directors recommended M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as statutory auditors for the year 2011 subject to approval of 01 year extension from the regulators.

## Acknowledgement

In the end, we wish to acknowledge and appreciate the guidance and support from Government of Punjab and the State Bank of Pakistan. We are grateful to our valued customers and respected shareholders for their support, trust and confidence reposed in us. We also wish to thank all our employees for their dedicated work and contribution towards growth.

**Ghafoor Mirza**  
Chairman

## Statement of Compliance with best practice of Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan also contained in Listing Regulations of all Stock Exchanges in Pakistan where the shares of the Bank are listed, for the purpose of establishing a framework of good governance, ensuring compliance with the best practices of corporate governance.

The Bank of Punjab (the Bank) has applied the principles contained in the Code in the following manner:

- 1) The Bank encourages representation of non-executive directors on its Board. As on December 31, 2010, the Board includes 8 non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank.
- 3) All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4) The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the directors and employees of the Bank.
- 5)
  - a) The Board has developed a mission statement and an overall corporate strategy.
  - b) The Board has developed significant policies of the Bank and a complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 6) All the powers of the Board of Directors of the Bank have been duly exercised and decisions on material transactions have been taken by the Board.
- 7) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except in circumstances where emergent meetings are called or where time frames does not allow to serve notice / agenda to meet seven days requirement. The minutes of the meetings were appropriately recorded and circulated.
- 8) The Board has appropriate arrangements in place for orientation of its directors to apprise them of their duties and responsibilities.
- 9) The officer having position of CFO was appointed prior to the implementation of the Code of Corporate Governance.
- 10) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 11) The financial statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
- 12) The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- 13) The Audit Committee has 3 members as on December 31, 2009 comprising of non-executive directors including Chairman of the Committee.
- 14) During the year 2010, 3 meetings of the Audit Committee were held.
- 15) The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.
- 16) The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 17) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 18) All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions have been duly reviewed and approved by Audit Committee and Board of Directors in March 29, 2012.
- 19) We confirm that all other material principles contained in the Code have been complied with except for the following, where the corresponding provision(s) of The Bank of Punjab Act 1989 have been complied.

## Reference Clauses from Code of Corporate Governance

vi)

The tenure of office of Directors shall be 3 years. Any casual vacancy in the Board of Directors of a listed company shall be filled up by the Directors within 30 days thereof.

viii(e)

Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the listed company are determined and approved by the Board of Directors

ix)

The Chairman of a listed Company shall preferably be elected from among the non-executive directors of the listed company. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and the Chief Executive, whether or not these offices are held by separate individuals or the same individual.

xv)

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, the Company Secretary and the head of Internal Audit shall be determined by the CEO with the approval of the Board.

xxv)

The Company Secretary of a listed company shall furnish a Secretarial Compliance Certificate, in the prescribed form, as part of the annual return filed with the Registrar of Companies to certify that the secretarial and corporate requirements of the Companies' Ordinance 1984 have been duly complied with.

## Corresponding Provisions of The Bank of Punjab Act – 1989

Section 14

A Director appointed by the Government, other than President, shall hold office during the pleasure of Government.

Section 15(1)

Where a vacancy occurs in the office of a Director appointed by the Government, the vacancy shall be filled only by appointment by the Government.

Section 11(1)

The President shall be appointed by the Government for a period of five years and on such salary and terms and conditions of service as the Government may determine.

Further in terms of section 11(3) President shall be the Chief Executive Officer of the Bank.

Section 10(2)

The Chairman of the Board shall be nominated by the Government from amongst the official Directors.

Further, in terms of section 10(3), the Chairman shall preside over the meetings of the Board and shall have a Casting Vote but he shall not exercise any executive authority or powers.

In terms of clause 25 of the Bye-Laws of The Bank of Punjab, the Board of Directors is authorized/empowered to employ appoint and engage such officers and other employees of different categories as it may deem necessary. The terms and conditions of service of the Bank's staff are to be determined by the Board in consultation with the Government of the Punjab.

Section 1 – A

The Bank of Punjab Act shall have effect notwithstanding anything contained in any other law for the time being in force. Accordingly the Bank is not required to file any return with the Registrar of companies.

For and on behalf of the Board

**Naeemuddin Khan**  
President

# Auditors Review Report to Members on

## Statement of Compliance with best practice of Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2010 prepared by the Board of Directors of The Bank of Punjab (the Bank) to comply with the Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges, where the Bank is listed.

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

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance, procedures and risks.

Further, the Listing Regulations require the Bank to place before the Board of Directors for its consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price or not.

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

Lahore:  
March 29, 2012

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

# Pattern of Shareholding of Shares as on 31-12-2010

No. of Shareholders			.... Shareholding....				Total Shares Held			Percentage
Physical	CDC	Total	From	To		Physical	CDC	Total		
1048	2053	3101	FROM	1	TO	100	37,993	93,626	131,619	0.0250
1542	2923	4465	FROM	101	TO	500	405,396	998,676	1,404,072	0.2670
666	2427	3093	FROM	501	TO	1000	495,529	2,096,089	2,591,618	0.4929
972	5046	6018	FROM	1001	TO	5000	1,949,530	13,082,198	15,031,728	2.8588
148	1274	1422	FROM	5001	TO	10000	1,006,175	9,847,195	10,853,370	2.0642
55	483	538	FROM	10001	TO	15000	664,754	6,100,646	6,765,400	1.2867
45	290	335	FROM	15001	TO	20000	790,728	5,356,442	6,147,170	1.1691
18	192	210	FROM	20001	TO	25000	399,667	4,446,996	4,846,663	0.9218
75	105	180	FROM	25001	TO	30000	1,972,767	2,967,517	4,940,284	0.9396
7	66	73	FROM	30001	TO	35000	221,090	2,162,465	2,383,555	0.4533
3	65	68	FROM	35001	TO	40000	112,606	2,487,120	2,599,726	0.4944
4	51	55	FROM	40001	TO	45000	171,037	2,177,794	2,348,831	0.4467
0	64	64	FROM	45001	TO	50000	-	3,122,371	3,122,371	0.5938
3	33	36	FROM	50001	TO	55000	153,750	1,727,459	1,881,209	0.3578
2	21	23	FROM	55001	TO	60000	113,377	1,228,165	1,341,542	0.2551
0	14	14	FROM	60001	TO	65000	-	878,730	878,730	0.1671
0	8	8	FROM	65001	TO	70000	-	548,470	548,470	0.1043
1	16	17	FROM	70001	TO	75000	74,803	1,166,035	1,240,838	0.2360
1	21	22	FROM	75001	TO	80000	79,262	1,638,503	1,717,765	0.3267
0	7	7	FROM	80001	TO	85000	-	578,356	578,356	0.1100
0	10	10	FROM	85001	TO	90000	-	880,766	880,766	0.1675
1	10	11	FROM	90001	TO	95000	91,457	920,097	1,011,554	0.1924
0	19	19	FROM	95001	TO	100000	-	1,895,010	1,895,010	0.3604
0	9	9	FROM	100001	TO	105000	-	924,291	924,291	0.1758
0	6	6	FROM	105001	TO	110000	-	652,093	652,093	0.1240
1	4	5	FROM	110001	TO	115000	114,528	454,775	569,303	0.1083
0	4	4	FROM	115001	TO	120000	-	478,434	478,434	0.0910
0	11	11	FROM	120001	TO	125000	-	1,368,804	1,368,804	0.2603
1	4	5	FROM	125001	TO	130000	127,706	508,876	636,582	0.1211
0	5	5	FROM	130001	TO	135000	-	662,842	662,842	0.1261
0	4	4	FROM	135001	TO	140000	-	551,815	551,815	0.1049
0	8	8	FROM	140001	TO	145000	-	1,148,285	1,148,285	0.2184
0	6	6	FROM	145001	TO	150000	-	899,000	899,000	0.1710
0	2	2	FROM	150001	TO	155000	-	306,053	306,053	0.0582
0	1	1	FROM	155001	TO	160000	-	160,000	160,000	0.0304
0	2	2	FROM	160001	TO	165000	-	323,142	323,142	0.0615
0	4	4	FROM	170001	TO	175000	-	690,929	690,929	0.1314
0	6	6	FROM	175001	TO	180000	-	1,060,750	1,060,750	0.2017
0	1	1	FROM	180001	TO	185000	-	185,000	185,000	0.0352
1	5	6	FROM	185001	TO	190000	189,640	940,596	1,130,236	0.2150
0	4	4	FROM	190001	TO	195000	-	768,843	768,843	0.1462
0	11	11	FROM	195001	TO	200000	-	2,190,071	2,190,071	0.4165
0	4	4	FROM	200001	TO	205000	-	802,503	802,503	0.1526
0	4	4	FROM	205001	TO	210000	-	830,350	830,350	0.1579
0	2	2	FROM	210001	TO	215000	-	427,398	427,398	0.0813
0	2	2	FROM	215001	TO	220000	-	438,612	438,612	0.0834
0	2	2	FROM	220001	TO	225000	-	449,630	449,630	0.0855
0	1	1	FROM	225001	TO	230000	-	228,713	228,713	0.0435
0	1	1	FROM	230001	TO	235000	-	232,223	232,223	0.0442



No. of Shareholders			.... Shareholding...				Total Shares Held			Percentage
Physical	CDC	Total	From		To		Physical	CDC	Total	
0	1	1	FROM	235001	TO	240000	-	238,621	238,621	0.0454
0	4	4	FROM	240001	TO	245000	-	972,809	972,809	0.1850
0	3	3	FROM	245001	TO	250000	-	750,000	750,000	0.1426
0	2	2	FROM	260001	TO	265000	-	529,867	529,867	0.1008
0	1	1	FROM	270001	TO	275000	-	270,104	270,104	0.0514
0	3	3	FROM	275001	TO	280000	-	833,379	833,379	0.1585
0	2	2	FROM	295001	TO	300000	-	600,000	600,000	0.1141
0	2	2	FROM	300001	TO	305000	-	604,827	604,827	0.1150
0	2	2	FROM	305001	TO	310000	-	613,293	613,293	0.1166
0	1	1	FROM	320001	TO	325000	-	324,519	324,519	0.0617
0	1	1	FROM	330001	TO	335000	-	333,499	333,499	0.0634
0	2	2	FROM	335001	TO	340000	-	674,405	674,405	0.1283
0	1	1	FROM	360001	TO	365000	-	361,838	361,838	0.0688
0	2	2	FROM	365001	TO	370000	-	735,973	735,973	0.1400
0	2	2	FROM	380001	TO	385000	-	768,140	768,140	0.1461
0	1	1	FROM	395001	TO	400000	-	397,456	397,456	0.0756
0	1	1	FROM	425001	TO	430000	-	427,000	427,000	0.0812
0	1	1	FROM	430001	TO	35000	-	432,414	432,414	0.0822
0	1	1	FROM	435001	TO	440000	-	436,150	436,150	0.0830
0	1	1	FROM	495001	TO	500000	-	500,000	500,000	0.0951
0	1	1	FROM	500001	TO	505000	-	500,501	500,501	0.0952
0	1	1	FROM	20001	TO	525000	-	524,571	524,571	0.0998
0	1	1	FROM	585001	TO	590000	-	589,500	589,500	0.1121
0	2	2	FROM	595001	TO	600000	-	1,198,420	1,198,420	0.2279
0	2	2	FROM	695001	TO	700000	-	1,397,107	1,397,107	0.2657
0	1	1	FROM	765001	TO	770000	-	768,617	768,617	0.1462
0	1	1	FROM	820001	TO	825000	-	824,518	824,518	0.1568
0	1	1	FROM	850001	TO	855000	-	854,211	854,211	0.1625
0	1	1	FROM	855001	TO	860000	-	858,305	858,305	0.1632
0	1	1	FROM	865001	TO	870000	-	867,612	867,612	0.1650
0	1	1	FROM	995001	TO	1000000	-	1,000,000	1,000,000	0.1902
0	1	1	FROM	1000001	TO	1005000	-	1,001,393	1,001,393	0.1905
0	1	1	FROM	1195001	TO	1200000	-	1,200,000	1,200,000	0.2282
0	1	1	FROM	1310001	TO	1315000	-	1,313,501	1,313,501	0.2498
0	1	1	FROM	1350001	TO	1355000	-	1,350,437	1,350,437	0.2568
0	1	1	FROM	1570001	TO	1575000	-	1,575,000	1,575,000	0.2995
0	1	1	FROM	1665001	TO	1670000	-	1,666,336	1,666,336	0.3169
0	1	1	FROM	1885001	TO	1890000	-	1,886,493	1,886,493	0.3588
0	1	1	FROM	1925001	TO	1930000	-	1,929,107	1,929,107	0.3669
0	1	1	FROM	2470001	TO	2475000	-	2,473,195	2,473,195	0.4704
0	1	1	FROM	6420001	TO	6425000	-	6,423,100	6,423,100	1.2216
0	1	1	FROM	6970001	TO	6975000	-	6,970,434	6,970,434	1.3257
0	1	1	FROM	8925001	TO	8930000	-	8,928,383	8,928,383	1.6981
0	1	1	FROM	10170001	TO	10175000	-	10,171,365	10,171,365	1.9345
0	1	1	FROM	11995001	TO	12000000	-	12,000,000	12,000,000	2.2822
0	1	1	FROM	16080001	TO	16085000	-	16,080,300	16,080,300	3.0583
0	1	1	FROM	70695001	TO	70700000	-	70,697,465	70,697,465	13.4458
1	0	1	FROM	269685001	TO	269690000	269,686,662	-	269,686,662	51.2910
<b>4595</b>	<b>15374</b>	<b>19969</b>					<b>278,858,457</b>	<b>249,938,919</b>	<b>528,797,376</b>	<b>100.0000</b>

## Categories of Shareholders as on 31-12-2010

Shareholder Category	No. of Shareholders			Total No. of Shares Held			Total	%Age
	Physical	CDC	Total	Physical	CDC	Total		
Directors	3	1	4	7,531	2,500	10,031	0.0019%	
Provincial Govt.	1	-	1	269,686,662	-	269,686,662	51.000%	
Associated Companies	-	-	-	-	-	-	-	
Foreign Funds	46	13	59	166,577	2,867,131	3,033,708	0.5737%	
Individual (Foreign)	-	9	9	-	72,130	72,130	0.0136%	
Individual (Local)	4,507	15,101	19,608	8,765,988	94,941,730	103,707,718	19.6120%	
Bank / NBFI / FIN.INS / Insurance Co. / Modaraba Mutual Funds	20	39	59	100,646	33,309,148	33,409,794	6.3181%	
Leasing Companies	-	4	4	-	337,480	337,480	0.0638%	
Charitable Trusts Cooperative Societies	-	7	7	-	277,004	27,700	0.0524%	
Cooperative Societies	-	-	-	-	-	-	0.0000	
NIT	-	1	1	-	2,473,195	2,473,195	0.4677%	
ICP	1	1	2	975	8,925	9,900	0.0019%	
JOINT STOCK Companies	17	177	194	130,078	15,952,373	16,082,451	3.0413%	
OTHER	-	21	21	-	99,697,303	99,697,303	18.8536%	
	<b>4,595</b>	<b>15,374</b>	<b>19,969</b>	<b>278,858,457</b>	<b>249,938,919</b>	<b>528,548,072</b>	<b>100.0000</b>	

# Notice of Annual General Meeting

Notice is hereby given that the 21st Annual General Meeting of the members of the Bank will be held at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore on **Wednesday, 30th May, 2012 at 9:30 a.m.** to transact the following business:

## ORDINARY BUSINESS:

- 1) To confirm the minutes of 20th Annual General Meeting held on 30 September 2010.
- 2) To receive and adopt the audited accounts of the Bank for the years ended December 31, 2009, December 31, 2010 and December 31, 2011 together with the report of Directors and the Auditors thereon.
- 3) To appoint Auditors for the year ending December 31, 2012 and to fix their remuneration.
- 4) Any other item of business with the permission of the Chair.

By order of the Board  
**RAZA SAEED**  
SECRETARY

Lahore: **May 09, 2012**

## NOTES:

01. Share Transfer Books of the Bank shall remain closed for transfer from **23-05-2012 to 29-05-2012** (both days inclusive).
02. All members are entitled to attend the meeting; however, the right of vote is restricted to those who are registered as such for a period of not less than three months prior to the date of the meeting as per section 17(1) of The Bank of Punjab Act, 1989.
03. Members, whose shares are deposited with Central Depository Company of Pakistan Ltd., are requested to bring their original Computerized National Identity Card (CNIC) along with Participant ID number and their account numbers in CDC to facilitate identification at the time of the Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card, Participant's ID and account number in CDC be enclosed. In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of the meeting.

Proxy, in order to be valid must be deposited at the **Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore** not less than 48 hours before the meeting. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

04. A member is entitled to appoint another member as proxy to attend the meeting.
05. The members should quote their folio number in all correspondence with the Bank and at the time of attending the Meeting.
06. Members are requested to promptly notify any change in their addresses to our Registrar **M/s. CORPLINK (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore** before book closure so that entitlement, if any, be dispatched at the correct addresses.
07. Entry of the member or his/her duly authorized person will be on strict identification as per specimen signature on the Bank's record.
08. The Form of Proxy is enclosed.

The Bank of Punjab

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# Financial Statements

for the year ended 31 December 2010



# Auditors' Report to the Members

We have audited the annexed statement of financial position of The Bank of Punjab (the Bank) as at 31 December 2010, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 17 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 Bank of Punjab Act, 1989, 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 the management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:-

- (a) in our opinion, proper books of account have been kept by the Bank as required by The Bank of Punjab Act, 1989, the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion-
  - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2010, and its true balance of loss, its comprehensive income, 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 to the financial statements which fully explain relaxations granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.

Lahore : 29 March 2012

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Audit Engagement Partner: Mohammed Junaid

## Statement of Financial Position

as at 31 December 2010

	Note	2010	2009
Rupees in '000'			
<b>Assets</b>			
Cash and balances with treasury banks	7	14,069,601	13,043,705
Balances with other banks	8	3,276,234	2,185,782
Lendings to financial institutions	9	7,309,587	1,053,550
Investments	10	56,402,954	57,960,105
Advances	11	120,818,021	121,315,799
Operating fixed assets	12	3,534,660	3,427,267
Deferred tax assets	13	14,063,694	11,921,146
Other assets	14	9,715,522	5,762,509
		<b>229,190,273</b>	216,669,863
<b>Liabilities</b>			
Bills payable	16	581,100	875,618
Borrowings	17	11,526,783	14,040,014
Deposits and other accounts	18	208,176,988	190,858,215
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	19	13,887	19,907
Deferred tax liabilities		-	-
Other liabilities	20	5,223,045	4,700,166
		<b>225,521,803</b>	210,493,920
<b>Net Assets</b>		<b>3,668,470</b>	6,175,943
<b>Represented By</b>			
Share capital	21	5,287,974	5,287,974
Reserves	22	2,012,492	573,779
Accumulated loss		(14,352,989)	(10,330,839)
		<b>(7,052,523)</b>	(4,469,086)
Share deposit money	23	10,000,000	10,000,000
		<b>2,947,477</b>	5,530,914
Surplus / (Deficit) on revaluation of assets	24	720,993	645,029
		<b>3,668,470</b>	6,175,943
<b>Contingencies and Commitments</b>	25		

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

## Profit and Loss Account

for the year ended 31 December 2010

	Note	2010	2009
		Rupees in '000'	
Mark-up/return/interest earned	26	18,220,175	15,641,832
Mark-up/return/interest expensed	27	18,801,642	19,022,494
Net mark-up/ interest income		(581,467)	(3,380,662)
Provision against non-performing loans and advances-net	11.4	559,604	9,241,653
Provision for diminution in the value of investments-net	10.3	2,760,724	941,183
Bad debts written off directly	11.5	-	-
		3,320,328	10,182,836
Net mark-up/ interest loss after provisions		(3,901,795)	(13,563,498)
<b>Non Mark-up/interest Income</b>			
Fee, commission and brokerage income		561,688	657,114
Dividend income		402,779	920,943
Income from dealing in foreign currencies		134,488	247,570
Gain / (Loss) on sale and redemption of securities	28	293,303	(124,238)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	10.9	18,020	(1,193)
Other income	29	473,055	518,553
Total non-markup/interest income		1,883,333	2,218,749
		(2,018,462)	(11,344,749)
<b>Non Mark-up/interest Expenses</b>			
Administrative expenses	30	3,426,329	3,028,377
Provision against other assets		-	-
Provision against off balance sheet items	20.1	740,000	-
Other charges	31	1,605	794
Total non-markup/interest expenses		4,167,934	3,029,171
		(6,186,396)	(14,373,920)
Extra ordinary/unusual items		-	-
<b>Loss Before Taxation</b>		(6,186,396)	(14,373,920)
Taxation - Current		-	-
- Prior years		-	78,491
- Deferred		(2,157,119)	(4,383,406)
	32	(2,157,119)	(4,304,915)
<b>Loss After Taxation</b>		(4,029,277)	(10,069,005)
Accumulated loss brought forward		(10,330,839)	(7,658,686)
Transfer from statutory reserve to accumulated loss		-	2,894,000
Transfer from general reserve to accumulated loss		-	4,495,350
Transfer from surplus on revaluation of fixed assets - net of tax		7,127	7,502
		(10,323,712)	(261,834)
Accumulated loss carried forward		(14,352,989)	(10,330,839)
<b>Basic loss per share (after tax) - Rupees</b>	33	(7.62)	(19.04)
<b>Diluted loss per share (after tax) - Rupees</b>	34	(7.62)	(19.04)

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director



## Statement of Comprehensive Income

for the year ended 31 December 2010

	Note	2010	2009
		Rupees in '000'	
<b>Loss after taxation</b>		<b>(4,029,277)</b>	(10,069,005)
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss</b>		<b><u>(4,029,277)</u></b>	<b><u>(10,069,005)</u></b>

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

# Cash Flow Statement

for the year ended 31 December 2010

	Note	2010	2009
Rupees in '000'			
<b>Cash Flow From Operating Activities</b>			
Loss before taxation		(6,186,396)	(14,373,920)
Less: Dividend income		(402,779)	(920,943)
		<u>(6,589,175)</u>	<u>(15,294,863)</u>
Adjustments for non-cash charges:			
Depreciation	12.2	323,771	303,847
Amortization on intangible assets		-	7,512
Amortization on premium on Pakistan Investment Bonds		72,043	72,216
Unrealized (gain) / loss on revaluation of investments classified as held for trading	10.9	(18,020)	1,193
Provision against non-performing advances - net	11.4	559,604	9,241,653
Provision for diminution in the value of investments - net	10.3	2,760,724	941,183
Provision for employees compensated absences	37.1.2	21,717	23,617
Provision for gratuity	37.1.1	45,507	49,863
Provision against off balance sheet items	20.1	740,000	-
Net profit on sale of property and equipment	12.2.1	(10,527)	(10,344)
(Gain) / Loss on sale and redemption of securities	28	(293,303)	124,238
Finance charge on leased assets	30	2,332	3,395
		<u>4,203,848</u>	<u>10,758,373</u>
		<u>(2,385,327)</u>	<u>(4,536,490)</u>
(Increase)/ Decrease in operating assets:			
Lendings to financial institutions		(6,256,037)	(420,217)
Net investments in held for trading securities		(122,821)	(69,932)
Advances		1,376,887	1,709,603
Others assets		(3,928,558)	1,346,657
		<u>(8,930,529)</u>	<u>2,566,111</u>
Increase/ (Decrease) in operating liabilities:			
Bills Payable		(294,518)	(344,183)
Borrowings		(2,457,154)	1,863,394
Deposits and other accounts		17,318,773	26,785,683
Other liabilities		(284,345)	62,429
		<u>14,282,756</u>	<u>28,367,323</u>
		<u>2,966,900</u>	<u>26,396,944</u>
Financial charges paid		(2,332)	(3,395)
Income tax paid		(15,556)	(1,069,621)
<b>Net cash flow from operating activities</b>		<u>2,949,012</u>	<u>25,323,928</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(1,261,245)	(33,508,312)
Net investments in held to maturity securities		517,435	7,637
Dividends received		393,880	912,044
Investments in operating fixed assets		(434,911)	(282,883)
Sale proceeds of property and equipment disposed-off	12.2.1	14,274	26,439
<b>Net cash used in investing activities</b>		<u>(770,567)</u>	<u>(32,845,075)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease obligations		(6,020)	(10,725)
Share deposit money	23	-	10,000,000
<b>Net cash (used in) / flow from financing activities</b>		<u>(6,020)</u>	<u>9,989,275</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,172,425</u>	<u>2,468,128</u>
Cash and cash equivalents at beginning of the year		<u>15,173,410</u>	<u>12,705,282</u>
Cash and cash equivalents at end of the year	35	<u>17,345,835</u>	<u>15,173,410</u>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these financial statements.

Chairman

President

Director

Director

## Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital	Statutory reserve	Capital Reserve		Revenue Reserve		Total
			Share premium	Restructuring reserve	General reserve	Accumulated loss	
	Rupees		in		'000'		
<b>Balance as at 01 January 2009</b>	5,287,974	2,894,000	37,882	-	4,495,350	(7,658,686)	5,056,520
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,502	7,502
Total comprehensive loss for the year ended 31 December 2009	-	-	-	-	-	(10,069,005)	(10,069,005)
Transfer from provision against NPLs	-	-	-	535,897	-	-	535,897
Transfer to accumulated loss	-	(2,894,000)	-	-	(4,495,350)	7,389,350	-
<b>Balance as at 31 December 2009</b>	<u>5,287,974</u>	<u>-</u>	<u>37,882</u>	<u>535,897</u>	<u>-</u>	<u>(10,330,839)</u>	<u>(4,469,086)</u>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,127	7,127
Total comprehensive loss for the year ended 31 December 2010	-	-	-	-	-	(4,029,277)	(4,029,277)
Transfer from provision against NPLs	-	-	-	1,438,713	-	-	1,438,713
<b>Balance as at 31 December 2010</b>	<u>5,287,974</u>	<u>-</u>	<u>37,882</u>	<u>1,974,610</u>	<u>-</u>	<u>(14,352,989)</u>	<u>(7,052,523)</u>

The annexed notes from 1 to 45 and annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

## Notes to the Financial Statements

for the year ended 31 December 2010

### 1. Status and nature of business

- 1.1 The Bank of Punjab was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 19 September 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 273 branches (2009: 272 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.

During the year, the authorized share capital of the Bank has been increased from Rs. 10,000,000 thousand to Rs. 50,000,000 thousand through amendment in the Bank of Punjab Act, 1989 via Punjab Finance Act, 2010.

- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Bank amounts to Rs. 2,947,477 thousand, as against the minimum regulatory capital requirement of Rs. 7,000,000 thousand and Capital Adequacy Ratio (CAR), as disclosed in note 42.2, remained below the prescribed level of 10%. Further, as at the close of the year 2010, net advances aggregating to Rs. 31,520,321 thousand requiring additional provision of Rs. 25,895,849 thousand there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by the Government of the Punjab (GOPb) as explained in para 2 below.

Government of Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money in 2009 and subsequent to the statement of financial position date, further deposited Rs.7,000,000 thousand as advance subscription money in year 2011 against future issue of shares by the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on 29 March 2012, has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on examination of the business plan to be submitted by the Bank to the SBP by 30 June 2012.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

## **2. Basis of preparation**

- 2.1** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up 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.
- 2.2** These financial statements are separate financial statements of the Bank in which the investment in subsidiary is stated at cost less impairment losses (if any) and has not been accounted for on the basis of reported results and net assets of the investees.
- 2.3** “Balance Sheet” has been renamed as “Statement of Financial Position” keeping in view the requirement of BSD circular letter No. 7 of 2010 issued by the SBP.

## **3. Statement of compliance**

These financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, “Financial Instruments: Recognition and Measurement” and International Accounting Standard (IAS) 40, “Investment Property” for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

## **4. Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

## **5. Critical accounting judgments and key sources of estimation uncertainty**

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

### **5.1 Classification of investments**

In classifying investments as “held for trading” the Bank has determined securities which are acquired with the 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 investments to maturity.

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

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

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

## **5.3 Impairment of available for sale investments**

The Bank considers that available for sale equity investments and mutual funds 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 addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the statement of financial position date, the management has determined an impairment loss on available for sale securities as disclosed in note 10.3.1.

## **5.4 Depreciation, amortization and revaluation of operating fixed assets**

Estimates of useful life of operating fixed assets are based on management’s best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Bank estimates the revalued amount of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

## **5.5 Income taxes**

In making estimates for income taxes currently payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Bank’s view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

## **5.6 Staff retirement benefits**

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

## **6. Summary of significant accounting policies**

### **6.1 Cash and cash equivalents**

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less over drawn nostro accounts and other overdrawn bank accounts.

## **6.2 Revenue recognition**

Revenue is recognized to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

### **6.2.1 Mark-up/return/interest income**

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accruals basis, except mark-up on non-performing advances which is recognized when received.

### **6.2.2 Dividend income**

Dividend income is recognized when the Bank's right to receive the dividend is established.

### **6.2.3 Lease finance income**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

### **6.2.4 Fees and commission income**

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

## **6.3 Advances including net investment in finance lease**

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

## **6.4 Investments**

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to ‘Surplus/(deficit) on revaluation of assets’ account below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Held for trading and quoted available for sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus/(Deficit) on revaluation of assets” below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

## **6.5 Lending to/borrowing from financial institutions**

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

### **6.5.1 Sale under repurchase obligations**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense.

### **6.5.2 Purchase under resale obligations**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## **6.6 Operating fixed assets and depreciation**

### **Owned**

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any).



Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / deficit arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus/(Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

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

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

### **Leased**

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these financial statements.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

### **Capital work-in-progress**

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

## **6.7 Taxation**

### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current

tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity

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

## **6.8 Employee retirement and other benefits**

### **6.8.1 Defined contribution plan – Provident Fund**

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to income.

### **6.8.2 Gratuity scheme**

The Bank operates an approved funded gratuity scheme for all its employees. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to income in the year in which they occur. The most recent valuation was carried out at 31 December 2010 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2010 were as follows:

- Discount rate	13%
- Expected rate of eligible salary increase in future years	12%
- Expected rate of return on plan assets during 2011	13%
- Average expected remaining working life time of employees	12 years

### **6.8.3 Employees' compensated absences**

The Bank makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at 31 December 2010 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2010 were as follows:

- Discount rate	13%
- Expected rate of eligible salary increase in future years	12%
- Average number of leaves utilized during the year	7 days
- Average number of leaves accumulated per annum by the employees	23 days

## 6.9 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

## 6.10 Provisions

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

## 6.11 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

## 6.12 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## 6.13 Financial Instruments

### 6.13.1 Financial assets and liabilities

Financial instruments carried on the statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables,

borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### **6.13.2 Offsetting**

Financial assets and financial liabilities are 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 a net basis, or to realize the assets and settle the liabilities, simultaneously.

## **6.14 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.

### **6.14.1 Business segments**

#### **Trading and sales**

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

#### **Retail banking**

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

#### **Commercial banking**

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

#### **Payment and settlement**

It includes payments and collections, funds transfer, clearing and settlement.

#### **Agency service**

It includes depository receipts, securities lending (customers), issuer and paying agents.

### **6.14.2 Geographical Segments**

The Bank operates only in Pakistan.

## **6.15 Earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares (if any).

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

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

	<b>Standards and Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 24	Related Party Disclosure (Revised)	01 January 2011
IAS 32	Financial Instruments: Presentation – Classification of Right Issues (Amendment)	01 February 2010
IAS 12	Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	01 January 2010
IFRIC 14	The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Bank considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments to various accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011.

## 7. Cash and Balances With Treasury Banks

	Note	2010	2009
Rupees in '000'			
In hand:			
- Local currency	7.1	2,338,182	2,338,006
- Foreign currency		243,483	258,119
		<b>2,581,665</b>	2,596,125
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	7,978,849	8,189,488
- Foreign currency deposit account	7.3		
- Non remunerative		166,991	61,076
- Remunerative	7.4	503,068	191,086
		<b>8,648,908</b>	8,441,650
With National Bank of Pakistan (NBP) in:			
- Local currency current account		2,771,849	1,900,430
- Local currency deposit account	7.5	67,179	105,500
		<b>2,839,028</b>	2,005,930
		<b>14,069,601</b>	13,043,705

- 7.1** This includes National Prize Bonds of Rs. 24,450 (thousand) {2009: Rs 18,127 (thousand)}
- 7.2** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.
- 7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.4** This carry mark-up as announced by the SBP on monthly basis. Mark-up rates during the year were NIL per annum (2009: Nil per annum).
- 7.5** This carries mark-up at the rate of 5% per annum (2009: 5% per annum).

## 8. Balances With Other Banks

	Note	2010	2009
Rupees in '000'			
In Pakistan:			
- On current account		1,988,901	1,240,904
- On saving account	8.1	728,071	508,633
		<b>2,716,972</b>	1,749,537
Outside Pakistan:			
- On current account		537,045	199,197
- On deposit account	8.2	22,217	237,048
		<b>559,262</b>	436,245
		<b>3,276,234</b>	2,185,782

- 8.1** These carry mark-up at rates ranging from 5% to 8% per annum (2009: 5.00% to 9.50% per annum).
- 8.2** These carry mark-up at rates ranging from 0.30% to 0.50% per annum (2009: 0.25% to 0.50% per annum).

## 9. Lendings To Financial Institutions

	Note	2010	2009
Rupees in '000'			
Reverse repo	9.2	6,691,812	495,217
Certificates of investment	9.3	143,333	258,333
Placements	9.4	474,442	300,000
		<u>7,309,587</u>	<u>1,053,550</u>
9.1 Particulars of Lendings:			
In local currency		7,135,145	1,053,550
In foreign currencies		174,442	-
		<u>7,309,587</u>	<u>1,053,550</u>

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

Note	2010			2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Rupees in '000'						
Market Treasury Bills	6,049,615	-	6,049,615	-	-	-
Pakistan Investment Bonds	642,197	-	642,197	495,217	-	495,217
	<u>6,691,812</u>	<u>-</u>	<u>6,691,812</u>	<u>495,217</u>	<u>-</u>	<u>495,217</u>

Market value of securities held as collateral as at 31 December 2010 amounted to Rs. 6,688,712 thousand (2009: 496,827 (thousand)). These carry mark-up rate ranging from 12.9% to 14.0% per annum (2009: 8.00% to 11.00% per annum) with maturities up to 10 January 2011.

9.3 This carries profit at the rate of 15.48% per annum (2009: 15.10% per annum) maturing on 14 January 2011.

9.4 These represent placements carrying profit at rates ranging from 0.26% to 14.40% per annum (2009: 13.0% per annum) with maturities up to 02 March 2011.

## 10. Investments

### 10.1 Investments by types:

Note	2010			2009			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Rupees in '000'							
<b>Held for trading securities</b>							
Ordinary shares	Annex II - 1	191,560	-	191,560	69,932	-	69,932
Available for sale securities							
Market Treasury Bills	10.4	30,770,725	4,728,012	35,498,737	25,059,220	7,708,707	32,767,927
Pakistan Investment Bonds	10.4	2,152,484	357,233	2,509,717	1,318,810	-	1,318,810
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas							
Preference Shares of Listed Companies	Annex II - 2	195,454	-	195,454	240,636	-	240,636
Ordinary Shares of Unlisted Company	Annex II - 3	25,000	-	25,000	210,908	-	210,908
NIT Units	10.6	860,991	-	860,991	25,000	-	25,000
Mutual Funds Units	Annex II - 4	4,401,009	-	4,401,009	5,745,924	-	5,745,924
Listed Term Finance Certificates	Annex II - 5	671,002	-	671,002	6,558,515	-	6,558,515
Unlisted Term Finance Certificates	Annex II - 6	9,638,344	-	9,638,344	792,564	-	792,564
Held to maturity securities							
Pakistan Investment Bonds	10.7	2,151,633	-	2,151,633	8,624,052	-	8,624,052
WAPDA Bonds		400	-	400	2,741,111	-	2,741,111
Subsidiary							
Punjab Modaraba Services (Private) Limited	Annex II - 7	164,945	-	164,945	400	-	400
Total investments at cost							
Provision for diminution in value of investments	10.3	(3,273,335)	-	(3,273,335)	164,945	-	164,945
Investments - net of provisions		51,503,987	5,085,245	56,589,232	51,562,017	7,708,707	59,270,724
Deficit on revaluation of available for sale securities	24.2	(204,298)	-	(204,298)	(1,007,466)	-	(1,007,466)
Surplus/(Deficit) on revaluation of held for trading securities	10.9	18,020	-	18,020	50,554,551	7,708,707	58,263,258
Total investments at market value		<u>51,317,709</u>	<u>5,085,245</u>	<u>56,402,954</u>	<u>50,251,398</u>	<u>7,708,707</u>	<u>57,960,105</u>

## 10.2 Investments By Segments:

	Note	2010			2009		
		Held by bank	given as collateral	Total	Held by bank	given as collateral	Total
..... Rupees in '000' .....							
<b>Federal government securities:</b>							
Pakistan Market Treasury Bills	10.4	30,770,725	4,728,012	35,498,737	25,059,220	7,708,707	32,767,927
Pakistan Investment Bonds	10.4	4,304,117	357,233	4,661,350	4,059,921	-	4,059,921
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
<b>Fully paid up ordinary shares/certificates/units:</b>							
Listed companies and Modarabas	Annex II-1	3,735,335	-	3,735,335	310,568	-	310,568
Unlisted companies	Annex II-3	25,000	-	25,000	25,000	-	25,000
Unlisted subsidiary Company	Annex II-7	164,945	-	164,945	164,945	-	164,945
<b>NIT Units</b>	10.6	860,991	-	860,991	5,745,924	-	5,745,924
<b>Investment in Mutual Funds</b>	Annex II-4	4,401,009	-	4,401,009	6,558,515	-	6,558,515
<b>Preference shares:</b>							
<b>Listed companies</b>	Annex II-2	195,454	-	195,454	210,908	-	210,908
<b>Term Finance Certificates and Bonds:</b>							
Listed Term Finance Certificates	Annex II-5	671,002	-	671,002	792,564	-	792,564
Unlisted Term Finance Certificates	Annex II-6	9,638,344	-	9,638,344	8,624,052	-	8,624,052
WAPDA Bonds		400	-	400	400	-	400
<b>Total investments at cost</b>		<b>54,777,322</b>	<b>5,085,245</b>	<b>59,862,567</b>	51,562,017	7,708,707	59,270,724
Provision for diminution in value of investment	10.3	(3,273,335)	-	(3,273,335)	(1,007,466)	-	(1,007,466)
<b>Investments - net of provisions</b>		<b>51,503,987</b>	<b>5,085,245</b>	<b>56,589,232</b>	50,554,551	7,708,707	58,263,258
Deficit on revaluation of available for sale securities	24.2	(204,298)	-	(204,298)	(301,960)	-	(301,960)
Deficit on revaluation of held for trading securities	10.9	18,020	-	18,020	(1,193)	-	(1,193)
<b>Total investments at market value</b>		<b>51,317,709</b>	<b>5,085,245</b>	<b>56,402,954</b>	50,251,398	7,708,707	57,960,105

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

## 10.3 Provision for diminution in value of investments

Opening balance		1,007,466	372,912
Charge for the year		2,760,724	941,183
Reversal during the year		-	-
		<b>2,760,724</b>	941,183
		<b>3,768,190</b>	1,314,095
Reversal on disposal		(494,855)	(306,629)
Closing balance	10.3.1	<b>3,273,335</b>	1,007,466

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

#### Available for sale securities:

Ordinary Shares of unlisted Company	9,496	9,496
Ordinary Shares of listed Company	295,376	140,445
Term finance certificates	2,283,036	-
Preference shares of listed companies	39,150	-
NIT units	85,520	-
Other mutual funds units	560,357	857,125
	<b>3,272,935</b>	1,007,066

#### Held-to-maturity securities

WAPDA Bonds	400	400
	<b>3,273,335</b>	1,007,466



- 10.4** Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.
- 10.5** These represents bonds issued for a period of three years carrying semi-annual rate on the basis of rental rates issued by the SBP at start of each half year. The semi annual profit is benchmarked against the latest weighted average yield of six month Market Treasury Bills determined one day prior to the start of each six month rental period.
- 10.6 NIT Units**  
 This represents 30,045,272 units (2009: 203,810,192 units) in National Investment (Unit) Trust (NI(U)T) LOC Holders' Fund attributable to strategic assets and are continued to be recognized as investment in NI(U)T – Unit Holders Fund.  
 During the year, it was agreed amongst the LOC Unit Holders that the strategic assets representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) shall be taken over by NBP at a price as at close of 13 October 2010 for settlement with other LOC Holders. However, due to pending process for transferring these shares in the name of NBP, the final settlement against these strategic assets has not yet been executed.  
 Subsequent to the balance sheet date, as per the terms agreed amongst the LOC Unit Holders, the remaining holding of the Bank have been valued based on the proportionate share of the Bank as per the audited financial statements of the fund. Accordingly, the investment in LOC Holders' Fund has been derecognized and shown as receivable from NITL in 2011.
- 10.7** As per BSD 23/2008 dated 13 October 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs.1,768,014 (thousand) {2009: Rs. 2,298,802 (thousand)}.
- 10.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 10.9 Unrealized gain / (loss) on revaluation of investments classified as held for trading**

	Note	2010 Rupees in '000'	2009
Ordinary shares		<u>18,020</u>	<u>(1,193)</u>
<b>11. ADVANCES</b>			
Loans, cash credits, running finances etc.			
- In Pakistan		144,103,655	146,240,824
- Outside Pakistan		-	-
		<u>144,103,655</u>	<u>146,240,824</u>
Net investment in finance lease			
- In Pakistan	11.2	2,265,263	2,713,294
- Outside Pakistan		-	-
		<u>2,265,263</u>	<u>2,713,294</u>
Repurchase Agreement Lendings to Non-Financial Institutions	11.7	1,677,189	1,693,142
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,035,597	443,699
- Payable outside Pakistan		1,056,782	424,443
		<u>2,092,379</u>	<u>868,142</u>
Advances - (gross)	11.1	150,138,486	151,515,402
Less: Provision for non-performing advances			
- Specific	11.3 & 11.4	(29,301,458)	(30,174,305)
- General	11.4	(19,007)	(25,298)
		<u>(29,320,465)</u>	<u>(30,199,603)</u>
Advances - net of provision		<u>120,818,021</u>	<u>121,315,799</u>

	Note	2010	2009
		Rupees in '000'	
<b>11.1 Particulars of advances (Gross)</b>			
11.1.1 In local currency		150,138,486	151,515,402
In foreign currencies		-	-
		<u>150,138,486</u>	<u>151,515,402</u>
11.1.2 Short-term advances upto one year		87,489,968	87,097,391
Long-term advances for over one year		62,648,518	64,418,011
		<u>150,138,486</u>	<u>151,515,402</u>
<b>11.2 Net Investment In Finance Lease</b>			

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees	in	'000'		(Rupees	in	'000'	
Lease rentals receivable	599,159	2,013,682	121,454	2,734,295	643,850	2,638,911	18,245	3,301,006
Guaranteed residual value	-	-	-	-	-	-	-	-
Minimum lease payments	599,159	2,013,682	121,454	2,734,295	643,850	2,638,911	18,245	3,301,006
Less: Finance charge for future periods	144,384	323,763	885	469,032	178,725	408,499	488	587,712
Present value of minimum lease payments	454,775	1,689,919	120,569	2,265,263	465,125	2,230,412	17,757	2,713,294

11.3 Advances include Rs. 77,393,928 (thousand) {2009: Rs. 77,342,385 (thousand)} which have been placed under non-performing status as detailed below :-

Category of Classification	2010								
	Rupees in '000'								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	274,871	-	274,871	-	-	-	-	-	-
Substandard	12,487,274	-	12,487,274	2,505,226	-	2,505,226	2,505,226	-	2,505,226
Doubtful	3,334,440	-	3,334,440	414,645	-	414,645	414,645	-	414,645
Loss	61,297,343	-	61,297,343	26,381,587	-	26,381,587	26,381,587	-	26,381,587
	<u>77,393,928</u>	<u>-</u>	<u>77,393,928</u>	<u>29,301,458</u>	<u>-</u>	<u>29,301,458</u>	<u>29,301,458</u>	<u>-</u>	<u>29,301,458</u>

11.3.1 Provision against certain net advances amounting to Rs. 31,520,321 thousand {2009: Rs.27,816,636 (thousand)} requiring additional provisioning of Rs. 25,895,849 thousand {2009: Rs. 21,041,154 (thousand)} has not been considered necessary in these financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

#### 11.4 Particulars of provisions against non-performing advances

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000'					
Opening balance	30,174,305	25,298	30,199,603	21,447,458	47,635	21,495,093
Charge for the year	7,546,589	-	7,546,589	12,143,450	-	12,143,450
Reversals	(6,980,694)	(6,291)	(6,986,985)	(2,879,460)	(22,337)	(2,901,797)
	565,895	(6,291)	559,604	9,263,990	(22,337)	9,241,653
Amounts written off	11.5	(29)	(29)	(1,246)	-	(1,246)
Amount transferred to restructuring reserve	11.4.3	(1,438,713)	(1,438,713)	(535,897)	-	(535,897)
Closing balance	29,301,458	19,007	29,320,465	30,174,305	25,298	30,199,603

##### 11.4.1 Particulars of provisions against non-performing advances

In local currency	29,301,458	19,007	29,320,465	30,174,305	25,298	30,199,603
In foreign currencies	-	-	-	-	-	-
	<u>29,301,458</u>	<u>19,007</u>	<u>29,320,465</u>	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>

**11.4.2** General provision includes provision against consumer loans maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by Prudential Regulations issued by the SBP.

**11.4.3** This represents amount transferred to restructuring reserve in accordance with the SBP regulations which allows the Bank to up grade category of classification by one category upon rescheduling / restructuring of classified advances. However, these interim instructions were applicable till 30 June 2010, only for such existing classified advances which were rescheduled / restructured on or after 01 January 2009 and were over due by less than one year at the time of rescheduling / restructuring.

	Note	2010	2009
Rupees in '000'			
<b>11.5 Particulars of write Offs:</b>			
<b>11.5.1</b> Against Provisions	11.4	29	1,246
Directly charged to Profit & Loss account		-	-
		29	1,246
<b>11.5.2</b> Write Offs of Rs. 500,000 and above	11.6	-	1,017
Write Offs of Below Rs. 500,000		29	229
		29	1,246

**11.6 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 31 December 2010 is given in Annexure-1.

**11.7** Market value of securities held as collateral as at 31 December 2010 amounted to Rs. 1,680,105 (thousand) {2009: Rs. 1,698,387 (thousand)}. These are secured against Pakistan Investment Bonds with maturities upto 26 December 2011 at the rate ranging from 8.00% to 11.00% per annum (2009: 12.40% per annum).

	Note	2010	2009
Rupees in '000'			
<b>11.8 Particulars of Loans And Advances To Directors, Associated Companies, etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		875,814	758,256
Loans granted during the year		611,960	249,968
Repayments received during the year		(160,113)	(132,410)
Balance at end of year	11.8.1	1,327,661	875,814
Debts due by subsidiary company and managed modaraba			
Balance at beginning of year		987,415	1,050,216
Loans granted during the year		2,892,024	4,097,671
Repayments received during the year		(2,916,556)	(4,160,472)
Balance at end of year		962,883	987,415
		<u>2,290,545</u>	<u>1,863,229</u>

**11.8.1** These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

## 12. Operating Fixed Assets

	Note	2010	2009
Rupees in '000'			
Capital work-in-progress	12.1	53,694	68,236
Property and equipment	12.2	3,480,966	3,359,031
		<u>3,534,660</u>	<u>3,427,267</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		16,940	38,166
Premises		30,070	30,070
Software		6,684	-
		<u>53,694</u>	<u>68,236</u>

## 12.2 Property and equipment

2010

	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at December 31 2010	Rate of depreciation % 2010
	Opening balance as at January 01, 2010	Additions	(Deletions)	Closing balance as at December 31, 2010	Opening balance as at January 01, 2010	Charge 2010		
Rupees in '000'								
Owned Assets								
Free hold land	1,183,532	-	-	1,183,532	-	-	-	1,183,532
Building on free hold land	1,524,204	74,829	-	1,599,033	74,054	-	144,477	1,454,556
Furniture, fixture and office equipment	1,346,786	305,266	(6,036)	1,646,016	742,060	(4,845)	951,983	694,033
Vehicles	135,127	63,648	(7,758)	191,017	28,066	(7,419)	52,849	138,168
	4,189,649	443,743	(13,794)	4,619,598	844,180	(12,264)	1,149,309	3,470,289
Assets held under finance lease								
Furniture, fixture and office equipment	-	-	-	-	-	-	-	-
Vehicles	47,089	5,710	(11,517)	41,282	33,527	(9,300)	30,605	10,677
	47,089	5,710	(11,517)	41,282	33,527	(9,300)	30,605	10,677
	<u>4,236,738</u>	<u>449,453</u>	<u>(25,311)</u>	<u>4,660,880</u>	<u>877,707</u>	<u>(21,564)</u>	<u>1,179,914</u>	<u>3,480,966</u>

2009

	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at December 31 2009	Rate of depreciation %
	Opening balance as at January 01, 2009	Additions	(Deletions)/ Transfer	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year		
Rupees in '000'								
Owned Assets								
Free hold land	1,183,532	-	-	1,183,532	-	-	-	1,183,532
Building on free hold land	1,436,603	87,601	-	1,524,204	-	74,054	74,054	1,450,150
Furniture, fixture and office equipment	1,068,348	284,045	(10,804) 5,197*	1,346,786	548,745	196,570	(8,452) 5,197*	604,726
Vehicles	92,805	62,801	(29,657) 9,178*	135,127	12,687	23,088	(16,887) 9,178*	107,061
	3,781,288	434,447	(26,086)	4,189,649	561,432	293,712	(10,964)	3,345,469
Assets held under finance lease								
Furniture, fixture and office equipment	5,197	-	(5,197)*	-	1,608	1,040	(5,197)* (2,549)	-
Vehicles	59,192	-	(2,925) (9,178)*	47,089	38,111	9,095	(1,952) (9,178)* (2,549)*	13,562
	<u>64,389</u>	<u>-</u>	<u>(17,300)</u>	<u>47,089</u>	<u>39,719</u>	<u>10,135</u>	<u>(16,327)</u>	<u>13,562</u>
	<u>3,845,677</u>	<u>434,447</u>	<u>(43,386)</u>	<u>4,236,738</u>	<u>601,151</u>	<u>303,847</u>	<u>(27,291)</u>	<u>3,359,031</u>

\*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

### 12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
.....Rupees in '000'.....						
Mitsubishi Lancer	899	360	800	440	Auctioned	Main Shakeel Ahmed
Honda City	841	294	425	131	As per policy	Shaheen Nazar Qureshi Ex- employee
Suzuki Cultus	590	305	680	375	Insurance Claim	United Insurance Company
Honda City	872	378	407	29	As per policy	Haji Muhammad Asalam
Altis	1,309	-	1,137	1,137	Auctioned	Mani Motors
Toyota Corolla	1,283	-	455	455	As per policy	Safdar Javed Syed - Chairman
Toyota Hilux	2,090	-	800	800	Insurance Claim	Premier Insurance Company
Suzuki Cultus	657	339	509	170	Auctioned	Agros Enterprises
	8,541	1,676	5,213	3,537		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	16,770	2,071	9,061	6,990		
Minor Write Offs	-	-	-	-		
<b>2010</b>	<u>25,311</u>	<u>3,747</u>	<u>14,274</u>	<u>10,527</u>		
<b>2009</b>	<u>43,386</u>	<u>16,095</u>	<u>26,439</u>	<u>10,344</u>		

**12.2.2** Freehold land and buildings on freehold land were revalued on 31 December 2008 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs.721,519 thousand and Rs.262,792 thousand in respect of freehold land and buildings on free hold land respectively. Detailed particulars are as follows:

Particulars	Depreciated Cost Rupees in '000'	Revalued Amount Rupees in '000'
Freehold land	462,013	1,183,532
Buildings on freehold land	1,173,811	1,436,603

**12.2.3** Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2010 Rupees in '000'	2009 Rupees in '000'
Freehold land	462,013	462,013
Buildings on freehold land	1,214,326	1,198,956

**12.2.4** The gross carrying amount of fully depreciated assets that are still in use is Rs. 126,502 thousand (2009: Rs. 119,828 thousand).

	Note	2010 Rupees in '000'	2009 Rupees in '000'
<b>13. Deferred Tax Asset</b>			
<b>Taxable temporary difference:</b>			
-Accelerated tax depreciation		(38,929)	(279,591)
-Revaluation surplus on operating fixed assets	24.1	(72,912)	(76,749)
<b>Deductible temporary difference:</b>			
-Deficit on available for sale securities	24.2	68,363	82,934
-Loan loss provision		10,396,889	10,358,528
-Provision for diminution in the available for sale securities		-	-
-Others	13.2	3,710,283	1,836,024
		<u>14,063,694</u>	<u>11,921,146</u>

**13.1** The management based on the future projections expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

**13.2** This includes deductible temporary difference on business loss amounting to Rs. 3,716,590 thousand (2009: 1,835,607 thousand).

### 13.3 Reconciliation of deferred tax

	Balance As 01 January 2009	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2009	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2010
				Rupees	in	'000'	
<b>Taxable temporary differences :</b>							
- Accelerated tax depreciation	(226,488)	(53,103)	-	(279,591)	240,662	-	(38,929)
- Revaluation surplus on operating fixed assets	(52,667)	4,039	(28,121)	(76,749)	3,837	-	(72,912)
<b>Deductible temporary differences :</b>							
- Deficit on available for sale securities	894,047	-	(811,113)	82,934	-	(14,571)	68,363
- Loan loss provision	7,686,923	2,671,605	-	10,358,528	38,361	-	10,396,889
- Provision for diminution in the available for Sale securities	82,812	(82,812)	-	-	-	-	-
- Others	3,535	1,832,489	-	1,836,024	1,874,259	-	3,710,283
	<b>8,388,162</b>	<b>4,372,218</b>	<b>(839,234)</b>	<b>11,921,146</b>	<b>2,157,119</b>	<b>(14,571)</b>	<b>14,063,694</b>

	Note	2010	2009
		Rupees in '000'	
<b>14. Other Assets</b>			
Income/mark-up accrued in local currency		3,718,039	2,817,380
Profit paid in advance on pehlay munafa scheme		177,095	294,717
Advances, deposits, advance rent and other prepayments		99,841	137,514
Advance taxation (payments less provisions)		1,147,911	1,132,355
Non-banking assets acquired in satisfaction of claims	14.1	4,142,920	954,202
Branch adjustment accounts		311,964	344,755
Stock of stationary		26,668	35,709
Suspense account		451	25
Excise duty recoverable		1,091	1,092
Recoverable from NIT	14.2	36,790	36,790
Claim for recovery of shares	14.3	18,570	18,570
Unrealized gain on revaluation of foreign contracts		42	1,271
Others	14.4	100,374	54,682
		<b>9,781,756</b>	<b>5,829,062</b>
Less provision against:			
Excise duty recoverable		(1,091)	(1,092)
Recoverable from NIT		(36,790)	(36,790)
Fraud and forgeries	14.4	(9,783)	(10,101)
Claim for recovery of shares		(18,570)	(18,570)
	14.5	<b>(66,234)</b>	<b>(66,553)</b>
Other assets - net of provision		<b>9,715,522</b>	<b>5,762,509</b>

**14.1** The market value of properties acquired in satisfaction of claims approximates their carrying value.

**14.2** This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

**14.3** This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries, fraudulently and unlawfully withdrawn by M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited (LSE). The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan for recovery of the said shares.

The Bank has also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings. The case has been transferred to National Accountability Bureau (NAB) and NAB authorities are in the process of recovery. As a matter of prudence though without prejudice to the Bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has been fully provided for by the Bank.

**14.4** This includes the amount of Rs. 14,867 (thousand) {2009: 10,695 (thousand)} relating to fraud and forgeries against which a provision of Rs. 9,783 (thousand) {2009: 10,101 (thousand)} thereon has been made.

	Note	2010 Rupees in '000'	2009
<b>14.5 Provision against other assets</b>			
Opening balance		66,553	66,555
Charge for the year		-	-
Amount written off		(319)	(2)
Closing balance		66,234	66,553
<b>15. Contingent assets</b>			
Contingent assets		Nil	Nil
<b>16. Bills payable</b>			
In Pakistan		581,100	875,618
Outside Pakistan		-	-
		581,100	875,618
<b>17. Borrowings</b>			
In Pakistan		11,526,783	13,983,937
Outside Pakistan		-	56,077
		11,526,783	14,040,014
<b>17.1 Particulars of borrowings with respect to Currencies</b>			
In local currency		11,526,783	13,983,937
In foreign currencies		-	56,077
		11,526,783	14,040,014
<b>17.2 Details of borrowings Secured / Unsecured</b>			
<b>Secured</b>			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	4,798,299	4,585,528
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	999,119	1,496,582
-Long term financing facility (LTFF)	17.2.2	644,120	220,857
Repurchase agreement borrowings	17.2.3	5,085,245	7,680,970
		11,526,783	13,983,937
<b>Unsecured</b>			
Overdrawn nostro accounts		-	56,077
		11,526,783	14,040,014
<b>17.2.1</b>	These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 8.0% to 9.0% per annum (2009: 6.0% to 8.0% per annum). Maturity of the borrowing is upto June 2011.		
<b>17.2.2</b>	This amount is due to the SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP.		
<b>17.2.3</b>	These are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 12.6% to 13.22% per annum (2009: 11.00% to 12.00% per annum) maturing on various dates latest by 28 March 2011.		



2010                      2009  
Rupees in '000'

## 18. Deposits and other accounts

### Customers

Fixed deposits	96,752,700	90,596,230
Savings deposits	75,625,569	65,534,922
Current Accounts - Non-remunerative	30,231,757	26,116,867
Sundry deposits, margin accounts, etc.	1,467,019	1,311,926
	<b>204,077,045</b>	183,559,945

### Financial Institutions

Remunerative deposits	3,090,511	5,848,985
Non-remunerative deposits	1,009,432	1,449,285
	<b>4,099,943</b>	7,298,270
	<b>208,176,988</b>	190,858,215

### 18.1 Particulars of deposits

In local currency	204,880,523	189,598,962
In foreign currencies	3,296,465	1,259,253
	<b>208,176,988</b>	190,858,215

## 19. Liabilities Against Assets Subject To Finance Lease

	2010			2009		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000'			Rupees in '000'		
Not later than one year	6,609	1,479	5,130	8,269	1,875	6,394
Later than one year and not later than five years	9,511	754	8,757	14,818	1,305	13,513
	<b>16,120</b>	<b>2,233</b>	<b>13,887</b>	<b>23,087</b>	<b>3,180</b>	<b>19,907</b>

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 14.62% to 15.87% per annum (2009: 14.90% to 15.35% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Year	2010	2009
	Rupees in '000'	
2010	-	8,269
2011	6,609	5,957
2012	5,204	8,861
2013	1,494	-
2014	1,495	-
2015	1,318	-
	<b>16,120</b>	23,087
Less: Financial charges for the future periods	<b>2,233</b>	3,180
	<b>13,887</b>	19,907

	Note	2010	2009
Rupees in '000'			
<b>20. Other Liabilities</b>			
Mark-up/ return/ interest payable in local currency		3,553,109	3,399,812
Mark-up/ return/ interest payable in foreign currency		9,279	470
Compensation payable on share deposit money		329,498	732,847
Accrued expenses		159,255	54,837
Unclaimed dividends		2,686	2,696
Payable to gratuity fund	37.1.1	95,370	49,863
Provision for employees compensated absences	37.1.2	184,041	164,352
Provision against off-balance sheet obligations	20.1	741,488	1,488
Others		148,319	293,801
		<b>5,223,045</b>	<b>4,700,166</b>

#### 20.1 Provision against off-balance sheet obligations

Opening balance	1,488	1,488
Charge for the year	740,000	-
Closing balance	<b>741,488</b>	<b>1,488</b>

#### 21. Share Capital

##### 21.1 Authorized Capital

2010	2009		2010	2009	
Number	Number		Rupees in '000'		
<b>5,000,000,000</b>	1,000,000,000	Ordinary shares of Rs. 10 each	21.1.1	<b>50,000,000</b>	10,000,000

##### 21.2 Issued, subscribed and paid up share capital

2010	2009	Ordinary shares of Rs. 10 each	2010	2009
Number	Number		Rupees in '000'	
<b>Balance as at January 01</b>				
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>528,797,376</b>	528,797,376		<b>5,287,974</b>	5,287,974
<b>Issued during the year</b>				
-	-		-	-
-	-		-	-
<b>Closing balance</b>				
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>528,797,376</b>	528,797,376		<b>5,287,974</b>	5,287,974

21.3 Government of the Punjab (GOPb) held 51% shares in the Bank as at 31 December 2010 (2009: 51 %).

	Note	2010 Rupees in '000'	2009
<b>22. Reserves</b>			
Statutory reserve	22.1	-	-
Share premium reserve		37,882	37,882
Restructuring reserve	22.2	1,974,610	535,897
		<u>2,012,492</u>	<u>573,779</u>
<b>22.1</b>	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank. Appropriation to statutory reserve has not been made as the Bank has suffered loss during the year.		
<b>22.2</b>	This represents the effect of the up gradation of category of classification upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
<b>23. SHARE DEPOSIT MONEY</b>			
The Bank has received Rs.10,000,000 (thousand) from Government of the Punjab (GOPb) as advance subscription money as explained in Note 1.2. Return on share deposit money is payable at the rate equal to 3 months weighted average T-Bill rate applicable during the period.			
<b>24. Surplus on Revaluation of Assets</b>			
Surplus on revaluation of fixed assets	24.1	856,928	864,055
Deficit on revaluation of investments - Available for sale securities	24.2	(135,935)	(219,026)
		<u>720,993</u>	<u>645,029</u>
<b>24.1 Surplus on revaluation of operating fixed assets</b>			
As on 01 January		984,311	984,311
Incremental depreciation			
-Opening balance		(43,507)	(20,778)
-Adjustment during the year		-	(11,188)
-Transferred to accumulated loss in respect of incremental depreciation charge during the year-net of tax		(7,127)	(7,502)
-Related deferred tax liability		(3,837)	(4,039)
Accumulated incremental depreciation-net of tax		<u>(54,471)</u>	<u>(43,507)</u>
As on 31 December		929,840	940,804
Less: Related deferred tax liability			
-Opening balance		(76,749)	(52,667)
-Adjustment during the year		-	(28,121)
-Deferred tax recorded during the year		3,837	4,039
-Closing balance	13	<u>(72,912)</u>	<u>(76,749)</u>
		<u>856,928</u>	<u>864,055</u>
<b>24.2 Deficit on revaluation of investments - available for sale securities</b>			
Federal Government securities		(348,549)	(20,082)
Quoted securities		184,634	(7,880)
NIT Units		-	(120,763)
Mutual Fund units		(43,491)	(152,301)
Term Finance Certificates		3,108	(934)
	10.1	<u>(204,298)</u>	<u>(301,960)</u>
Less:			
Related deferred tax assets	13	68,363	82,934
		<u>(135,935)</u>	<u>(219,026)</u>

## 25. Contingencies and Commitments

### 25.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2010	2009
	Rupees in '000'	
- Financial institutions	-	-
- Others	853,542	3,162,896
	<u>853,542</u>	<u>3,162,896</u>

### 25.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

	2010	2009
	Rupees in '000'	
- Government	76,136	2,137,378
- Financial institutions	65,383	230,664
- Others	12,835,832	12,703,017
	<u>12,977,351</u>	<u>15,071,059</u>

### 25.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of :

- Government	727,045	1,656,409
- Financial institutions	470	17,778
- Others	10,956,683	7,850,702
	<u>11,684,198</u>	<u>9,524,889</u>

### 25.4 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals {(CIT (A))}. CIT (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the order of CIT (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 thousand. The management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

	2010	2009
	Rupees in '000'	
<b>25.5 Other Contingencies</b>		
Claims against the bank not acknowledge as debts	<u>12,677,637</u>	<u>4,877,227</u>
<b>25.6 Commitments in respect of forward exchange contracts</b>		
Purchase	1,364,614	546,671
Sale	1,138,760	756,899
	<u>2,503,374</u>	<u>1,303,570</u>
<b>25.7 Commitments for the acquisition of operating fixed assets</b>	<u>4,707</u>	<u>28,422</u>

	Note	2010	2009
		Rupees in '000'	
<b>26. Mark-up/Return/Interest earned</b>			
a) On loans and advances to:			
i) Customers		12,049,435	11,699,519
ii) Financial institutions		9,221	4,550
b) On Investments in:			
i) Available for sale securities		5,499,268	3,006,168
ii) Held to maturity securities		250,324	250,700
c) On Deposits with financial institutions		64,327	68,321
d) On securities purchased under resale agreements		347,600	612,574
		<u>18,220,175</u>	<u>15,641,832</u>
<b>27. Mark-up/Return/Interest expensed</b>			
Deposits		16,077,846	17,527,998
Return on share deposit money		1,228,681	732,847
Securities sold under repurchase agreements		1,272,743	677,850
Other short term borrowings		222,372	83,799
		<u>18,801,642</u>	<u>19,022,494</u>
<b>28. Gain / (Loss ) on sale and redemption of securities</b>			
NIT Units		(31,069)	-
Federal Government securities		4,145	11,336
Mutual funds units		97,047	(139,891)
Listed securities		219,922	4,317
Unlisted term finance certificates		3,258	-
		<u>293,303</u>	<u>(124,238)</u>
<b>29. Other Income</b>			
Rent on lockers		26,686	19,401
Net profit on sale of property and equipment	12.2.1	10,527	10,344
Service charges		164,695	234,414
Others		271,147	254,394
		<u>473,055</u>	<u>518,553</u>
<b>30. Administrative Expenses</b>			
Salaries, allowances, etc.		1,760,847	1,510,122
Contribution to defined contribution plans		71,324	62,093
Provision for gratuity	37.1.1	45,507	49,863
Provision for compensated absences	37.1.2	21,717	23,617
Non-executive directors' fees	38	2,175	2,275
Taxes, insurance, electricity, etc.		156,455	126,669
Legal and professional charges		25,290	44,349
Communications		93,452	91,737
Repairs and maintenance		74,409	69,673
Rent for bank premises	30.1	198,649	162,346
Finance charge on leased assets		2,332	3,395
Stationery and printing		77,973	76,700
Advertisement and publicity		18,575	16,427
Auditors' remuneration	30.2	5,355	4,984
Depreciation	12.2	323,771	303,847
Amortization on intangible assets		-	7,512
Traveling		43,073	43,561
Vehicle expenses		179,854	136,766
Cash remittance charges		35,184	32,477
Bank charges		81,204	75,228
Others		209,183	184,736
		<u>3,426,329</u>	<u>3,028,377</u>

### 30.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

	Note	2010	2009
		Rupees in '000'	
<b>30.2 Auditors' remuneration</b>			
Audit fee		1,750	1,750
Special certifications, half yearly review and others		1,955	1,634
Out-of-pocket expenses		1,650	1,600
		<u>5,355</u>	<u>4,984</u>
<b>31. Other charges</b>			
Penalties imposed by SBP		<u>1,605</u>	<u>794</u>
<b>32. Taxation</b>			
<b>For the year</b>			
Current		-	-
Deferred		(2,157,119)	(4,372,218)
		<u>(2,157,119)</u>	<u>(4,372,218)</u>
<b>For the prior year</b>			
Current		-	78,491
Deferred		-	(11,188)
		-	67,303
		<u>(2,157,119)</u>	<u>(4,304,915)</u>

**32.1** The Bank has suffered a loss during the year, therefore, numerical reconciliation between tax expense and accounting profit has not been presented.

2010                      2009  
Rupees in '000'

### 33 Basic Loss Per Share

#### Basic loss per share - after tax

Loss for the year - Rupees in thousand	<u>(4,029,277)</u>	<u>(10,059,505)</u>
Weighted average number of ordinary shares - Number	<u>528,797,376</u>	<u>528,797,376</u>
Basic loss per share - after tax - Rupees	<u>(7.62)</u>	<u>(19.04)</u>

### 34. Diluted Loss Per Share

There is no dilution effect on basic earnings per share.

### 35. Cash and cash equivalents

Cash and Balances with Treasury Banks	7    14,069,601	13,043,705
Balance with other banks	8    3,276,234	2,185,782
Overdrawn nostro accounts	17    -	(56,077)
	<u>17,345,835</u>	<u>15,173,410</u>
	2010	2009
		Number

### 36. Staff strength

Permanent	3,602	3,473
Temporary/on contractual basis	861	805
Deputed staff	1	1
Bank's own staff strength at the end of the year	<u>4,464</u>	<u>4,279</u>
Outsourced	-	-
Total Staff Strength	<u>4,464</u>	<u>4,279</u>

### 37. Employees benefits

#### 37.1 Defined benefit plans

##### 37.1.1 Gratuity

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof subject to minimum of five years of service. The Bank makes annual provision in the financial statements for its liabilities on the basis of actuarial valuation.

##### Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.8.2 to these financial statements.

	2010	2009
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	129,422	87,196
Fair value of any plan assets	(38,463)	(37,333)
Benefit payments payable	4,411	-
	<u>95,370</u>	<u>49,863</u>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	49,863	37,042
Charge for the year	45,507	49,863
Contribution made	-	(37,042)
	<u>95,370</u>	<u>49,863</u>
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	87,196	37,042
Current service cost	51,460	44,281
Interest cost	10,462	4,445
Benefit payable	(4,411)	-
Benefit paid	(2,145)	(227)
Actuarial (gain) / loss	(13,140)	1,655
	<u>129,422</u>	<u>87,196</u>
<b>Changes in fair value of plan assets</b>		
Opening balance	37,333	-
Expected return on plan assets	4,480	-
Contributions made	-	37,042
Benefits paid	(2,145)	(227)
Actuarial (loss) / gain	(1,205)	518
	<u>38,463</u>	<u>37,333</u>
<b>Charge for defined benefit plan</b>		
Current service cost	51,460	44,281
Interest cost	10,462	4,445
Expected return on plan assets	(4,480)	-
Actuarial gains and losses recognized	(11,935)	1,137
	<u>45,507</u>	<u>49,863</u>
<b>Actual return on plan assets</b>	<u>3,275</u>	<u>518</u>
<b>Composition of fair value of plan assets</b>		
NIT Government Bond Fund	28,009	25,334
Cash at bank	10,454	11,999
	<u>38,463</u>	<u>37,333</u>



### 37.1.2 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.8.3 to these financial statements.

	2010	2009
	Rupees in '000'	
<b>Present value of defined benefit obligations</b>	<b>184,041</b>	164,352
<b>Movement in payable to defined benefit plan</b>		
Opening balance	164,352	142,518
Charge for the year	21,717	23,617
Benefit paid	(2,028)	(1,783)
Closing balance	<b>184,041</b>	164,352
<b>Charge for defined benefit plan</b>		
Current service cost	16,478	17,812
Interest cost	19,668	21,377
Actuarial gains and losses recognised	(14,429)	(15,572)
	<b>21,717</b>	23,617

**Reconciliation of net liability recognized for compensated absences for the five years are as follows:**

	2010	2009	2008	2007	2006
	----- Rupees in '000' -----				
Opening net liability	164,352	142,518	115,594	93,804	74,149
Net charge for the year	19,689	21,834	26,924	21,790	19,655
	<b>184,041</b>	164,352	142,518	115,594	93,804

### 38. Compensation of directors and executives

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Managing Director, Directors and Executives of the Bank was as follows:

	Chairman		President/ Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees in '000'							
Fees	-	-	-	-	2,175*	2,275*	-	-
Managerial remuneration	321	882	14,268	14,268	-	-	179,663	112,421
Bonus **	-	207	2,378	2,378	-	-	28,876	17,917
Contribution to defined contribution plan	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	1,332	1,332	-	-	68,142	41,249
Utilities	-	-	1,200	1,200	-	-	17,561	10,912
Medical	-	-	-	-	-	-	16,811	10,008
Other allowances	-	846	1,000	-	-	-	11,759	1,585
	<u>321</u>	<u>1,935</u>	<u>20,178</u>	<u>19,178</u>	<u>2,175</u>	<u>2,275</u>	<u>322,812</u>	<u>194,092</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>14</u>	<u>10</u>	<u>206</u>	<u>136</u>

\* This represents the fee paid to non-executive directors for attending the Board meetings.

\*\* This represents regular bonus paid to staff on eve of Eids as per the Bank's policy.

President/Chief Executive Officer and Executives are provided with free use of the Bank's maintained cars.

In addition to the above, contribution to defined contribution plan has also been made.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 39. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2010		2009	
	Book value	Fair value	Book value	Fair value
	Rupees in '000'		Rupees in '000'	
<b>On balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	14,069,601	14,069,601	13,043,705	13,043,705
Balances with other banks	3,276,234	3,276,234	2,185,782	2,185,782
Lendings to financial institutions	7,309,587	7,309,587	1,053,550	1,053,550
Investments - net	56,402,954	56,019,335	57,960,105	57,517,796
Advances - net	120,818,021	120,818,021	121,315,799	121,315,799
Other assets	4,120,636	4,120,636	3,207,987	3,207,987
	<u>205,997,033</u>	<u>205,613,414</u>	<u>198,766,928</u>	<u>198,324,619</u>
<b>Liabilities</b>				
Bills payable	581,100	581,100	875,618	875,618
Borrowings	11,526,783	11,526,783	14,040,014	14,040,014
Deposits and other accounts	208,176,988	208,176,988	190,858,215	190,858,215
Liabilities against assets subject to finance lease	13,887	13,887	19,907	19,907
Other liabilities	5,223,045	5,223,045	4,700,166	4,700,166
	<u>225,521,803</u>	<u>225,521,803</u>	<u>210,493,920</u>	<u>210,493,920</u>
<b>Off balance sheet financial instruments</b>				
Forward sale of foreign exchange contracts	1,138,760	1,135,062	756,899	752,504
Forward purchase of foreign exchange contracts	1,364,614	1,350,030	546,671	544,460

#### Investments

All quoted investments have been stated at their market values except securities classified as held to maturity, which have been valued at their amortized cost. These held to maturity securities have market value of Rs. 1,768,014 (thousand) {2009: Rs. 2,298,802 (thousand)}. All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

#### Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

**Deposits and other accounts**

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

**Other financial instruments**

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

**40. Segment Details with respect to business activities**

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
	Rupees in '000'					
<b>2010</b>						
Total income	7,024,154	1,103,814	11,543,022	357,426	75,092	20,103,508
Total expenses	6,324,584	2,850,716	17,025,106	73,966	15,532	26,289,904
Income taxes	-	-	-	-	-	(2,157,119)
Net income / (loss)	699,570	(1,746,902)	(5,482,084)	283,460	59,560	(4,029,277)
Segment assets (gross)	82,823,061	8,178,164	155,823,755	-	-	246,824,980
Segment non performing loans / investments	3,273,335	2,512,494	74,881,434	-	-	80,667,263
Segment provision required	3,273,335	1,066,010	28,254,455	-	-	32,593,800
Segment liabilities	13,703,080	33,850,264	177,968,459	-	-	225,521,803
Segment return on net assets (ROA) (%)	11.74%	21.46%	16.93%	-	-	-
Segment cost of funds (%)	12.51%	9.81%	10.61%	-	-	-
<b>2009</b>						
Total income	4,988,321	1,300,037	11,096,070	404,186	71,967	17,860,581
Total expenses	2,917,212	3,750,245	25,486,581	68,555	11,908	32,234,501
Income taxes	-	-	-	-	-	(4,304,915)
Net income / (loss)	2,071,109	(2,450,208)	(14,390,511)	335,631	60,059	(10,069,005)
Segment assets (gross)	74,533,902	8,766,972	151,892,263	-	-	235,193,137
Segment non performing loans / investments	1,007,466	2,940,910	74,401,475	-	-	78,349,851
Segment provision required	1,007,466	1,196,078	29,003,525	-	-	31,207,069
Segment liabilities	12,961,163	31,712,934	165,819,823	-	-	210,493,920
Segment Return on net Assets (ROA) (%)	16.51%	23.98%	15.66%	-	-	-
Segment cost of funds (%)	10.26%	10.92%	11.45%	-	-	-

#### 41. Related Party Transactions

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Bank in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 38.

	2010	2009
	Rupees in '000'	
<b>Punjab Modaraba Services (Private) Limited</b> <b>(wholly owned subsidiary of the Bank)</b>		
Deposits in current account	<u>33</u>	<u>128</u>
Advances		
Outstanding at beginning of the year	14,100	9,100
Loans granted during the year	9,138	6,500
Repayments received during the year	<u>(1,980)</u>	<u>(1,500)</u>
Outstanding at the end of the year	<u>21,258</u>	<u>14,100</u>
Mark-up/return earned	<u>2,512</u>	<u>1,505</u>
<b>First Punjab Modaraba</b> <b>(Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
Advances		
Outstanding at beginning of the year	973,315	1,041,116
Loans granted during the year	2,882,886	4,091,171
Repayments received during the year	<u>(2,914,576)</u>	<u>(4,158,972)</u>
Outstanding at the end of the year	<u>941,625</u>	<u>973,315</u>
Provision for doubtful debts	-	-
Mark-up/return earned	<u>131,840</u>	<u>144,960</u>
Deposits in current account	<u>27,174</u>	<u>7</u>
Placement		
Outstanding at beginning of the year	300,000	300,000
Made during the year	300,000	1,200,000
Repaid/matured during the year	<u>(300,000)</u>	<u>(1,200,000)</u>
Outstanding at the end of the year	<u>300,000</u>	<u>300,000</u>
Mark-up/return earned	<u>39,284</u>	<u>43,562</u>
Lease liability		
Outstanding at beginning of the year	19,907	30,632
Lease contracts entered into during the year	6,236	-
Repayments made during the year	<u>(12,256)</u>	<u>(10,725)</u>
Outstanding at the end of the year	<u>13,887</u>	<u>19,907</u>
Security deposit receivable in respect of leases	-	-
<b>Key Management Personnel</b>		
Deposits		
Opening balances	12,478	5,624
Received during the year	219,296	136,366
Withdrawal during the year	<u>219,390</u>	<u>129,512</u>
Closing Balances	<u>12,384</u>	<u>12,478</u>
Mark-up / interest Expensed	<u>343</u>	<u>215</u>
<b>Bankers Avenue Co-operative Housing Society</b> <b>(A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	<u>14,728</u>	<u>23,921</u>
<b>Contribution to Employees Provident Fund</b>	<u>54,012</u>	<u>46,725</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (2009: 51%) transactions with GOPb have not been treated as related party transactions for the purpose of this disclosure.

## 42. Capital Adequacy

### 42.1 Scope of application

The Bank is the only entity in the Group to which Basel II capital adequacy framework applies. The Bank has only one subsidiary; Punjab Modaraba Services (private) Limited, whose financial statements are included in the consolidated financial statements.

### 42.2 Capital adequacy

The Basel II Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and also on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by 31 December 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital (net of losses) requirement as at 31 December 2010 is Rs. 7 billion. The Bank's paid-up capital (net of losses) as at 31 December 2010 is Rs. 0.93 billion, including share deposit money of Rs. 10 billion deposited by the GOPb.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Bank's capital adequacy ratio as at 31 December 2010 is 1.05%. The SBP has given relaxation to the Bank for minimum required CAR as explained in Note 1.2.

The State Bank of Pakistan's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital, which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which includes general reserve for loan losses, revaluation reserves, exchange translation reserves and subordinated debts.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

The Bank calculates capital requirement as per Basel II regulatory framework, using the following approaches:

Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

	2010	2009
	Rupees in '000'	
<b>Tier I Capital</b>		
Paid up capital	5,287,974	5,287,974
Share deposit money	10,000,000	10,000,000
Share premium account	37,882	37,882
Accumulated loss	(14,352,989)	(10,330,839)
	<u>972,867</u>	<u>4,995,017</u>
Deductions:		
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	82,473	82,473
Deficit on account of revaluations	204,298	301,960
	<u>286,771</u>	<u>384,433</u>
<b>Total eligible Tier I capital</b>	<u>686,096</u>	<u>4,610,584</u>
<b>Tier II Capital</b>		
General provisions subject to 1.25% of total Risk Weighted Assets	1,629,930	561,195
Revaluation reserve (upto 45%)	324,447	290,263
	<u>1,954,377</u>	<u>851,458</u>
Deductions:		
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	82,473	82,473
<b>Total eligible Tier II capital</b>	<u>1,871,904</u>	<u>768,985</u>
<b>Tier III Capital</b>	-	-
<b>Total Eligible Capital</b>	<u><u>1,372,192</u></u>	<u><u>5,379,569</u></u>

	2010	2009	2010	2009
	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000' .....			
<b>Credit Risk</b>				
Claim on:				
Public sector entities	-	78,700	-	787,000
Claim on banks	65,329	94,819	653,290	948,192
Claims denominated in foreign currency, on banks with original maturity of 3 months or less	26,518	20,183	265,177	201,829
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	56,781	73,324	567,806	733,236
Corporates	5,848,044	5,324,994	58,480,444	53,249,941
Retail portfolio	88,793	676,255	887,930	6,762,551
Loans secured by residential property	22,781	40,351	227,809	403,512
Past due loans	2,578,428	3,056,372	25,784,281	30,563,718
Investment in fixed assets	353,466	342,727	3,534,660	3,427,267
Other assets	1,957,863	1,919,999	19,578,628	19,199,991
Off balance sheet - non-market related exposure	237,482	464,872	2,374,824	4,648,722
Off balance sheet - market related exposure	503	372	5,029	3,716
Equity exposure risk held in the Banking book	2,325	564,842	23,256	5,648,418
	<b>11,238,313</b>	<b>12,657,810</b>	<b>112,383,134</b>	<b>126,578,093</b>

	Capital Requirements		Risk Weighted Assets	
	..... Rupees in '000' .....			
<b>Market Risk</b>				
Interest rate risk	547	243	6,838	3,038
Equity position risk	616,307	84,214	7,703,838	1,052,675
Foreign exchange risk	11,719	7,086	146,488	88,575
	<b>628,573</b>	<b>91,543</b>	<b>7,857,164</b>	<b>1,144,288</b>
<b>Operational Risk</b>	<b>857,456</b>	<b>903,657</b>	<b>10,718,198</b>	<b>11,299,364</b>
<b>Total</b>	<b>12,724,342</b>	<b>13,653,010</b>	<b>130,958,496</b>	<b>139,021,745</b>

	2010	2009
	Rupees in '000'	
<b>Capital Adequacy Ratio (CAR)</b>		
Total eligible regulatory capital held	1,372,192	5,379,569
Total Risk Weighted Assets	130,958,496	139,021,745
CAR	1.05%	3.87%

### 43. Risk Management

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

#### 43.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

The Bank uses the ratings issued by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) for its exposures. These External Credit Assessments Institutions (ECAIs) have been approved by the SBP.

The Bank has not transferred public issue ratings, issued by PACRA and JCR-VIS, onto comparable assets in the banking book in its calculations, instead ECAI ratings and ECA scores are aligned with risk buckets as determined by the SBP.

#### Credit exposures subject to Standardized Approach:

Risk buckets	Amount Outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction	Net Amount
----- Rupees in '000'-----			
0%	70,855,425	1,155,033	69,700,392
20%	13,991,101	5,008,103	8,982,998
35%	650,884	-	650,884
50%	17,460,550	3,632,061	13,828,489
75%	1,379,985	187,432	1,192,553
100%	115,927,262	28,659,932	87,267,330
150%	30,438,007	20,249,517	10,188,490
	<b>250,703,214</b>	<b>58,892,078</b>	<b>191,811,136</b>

#### 43.1.1 Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000')	Percent	(Rupees in '000')	Percent	(Rupees in '000')	Percent
Agribusiness	4,669,491	3.11	7,557,599	3.63	-	-
Textile and ginning	45,127,554	30.06	911,569	0.44	2,751,664	10.78
Cement	5,561,542	3.70	13,418	0.01	6,500	0.03
Sugar	5,461,747	3.64	167,580	0.08	325,951	1.28
Financial	1,258,093	0.84	4,099,962	1.97	65,853	0.26
Construction and real estate	11,883,310	7.91	7,112,842	3.42	2,650,818	10.39
Oil and gas	396,204	0.26	2,011,512	0.97	479,133	1.88
Auto & allied	2,062,369	1.37	55,447	0.03	127,839	0.50
Food and allied	4,653,147	3.10	655,229	0.31	149,294	0.59
Chemical and pharmaceuticals	2,861,276	1.91	225,231	0.11	1,094,579	4.29
Fertilizers	2,776,545	1.85	3,610,813	1.73	554,872	2.17
Cable, electrical and engineering	9,716,506	6.47	728,674	0.35	2,313,678	9.07
Production and transmission of energy	3,826,902	2.55	85,955	0.04	4,997,570	19.59
Transport, Storage and Communication	4,181,650	2.79	5,927,887	2.85	463,570	1.82
Government						
- Public Sector Enterprises	749,250	0.50	16,241,017	7.80	5,836,267	22.87
- Federal and Provincial Governments	18,616,063	12.40	104,171,758	50.04	803,181	3.15
Individuals	2,181,172	1.45	35,891,871	17.24	-	-
Trading and commerce	13,726,454	9.14	5,310,444	2.55	632,700	2.48
Services	3,888,083	2.59	4,333,411	2.08	244,875	0.96
Others	6,541,128	4.36	9,064,769	4.35	2,016,747	7.89
	<b>150,138,486</b>	<b>100.00</b>	<b>208,176,988</b>	<b>100.00</b>	<b>25,515,091</b>	<b>100.00</b>

#### 43.1.2 Segment by sector

	2010					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000')	Percent	(Rupees in '000')	Percent	(Rupees in '000')	Percent
Public/ Government	19,365,313	12.90	120,412,775	57.84	6,639,448	26.02
Private	130,773,173	87.10	87,764,213	42.16	18,875,643	73.98
	<b>150,138,486</b>	<b>100.00</b>	<b>208,176,988</b>	<b>100.00</b>	<b>25,515,091</b>	<b>100.00</b>



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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'		Rupees in '000'	
Agribusiness	1,944,227	710,154	2,492,528	803,641
Textile and ginning	28,503,519	11,146,682	23,657,447	12,560,150
Cement	4,337,585	2,303,988	4,479,417	1,724,332
Sugar	1,650,864	624,400	1,689,329	457,532
Financial	1,305,920	255,850	244,817	244,817
Construction and real estate	9,750,324	4,048,372	12,159,356	4,878,158
Oil and gas	146,117	81,103	84,085	83,108
Auto & allied	2,055,688	771,123	1,649,839	762,365
Food and allied	3,052,340	1,532,875	3,216,476	1,502,049
Chemical and pharmaceuticals	448,636	269,394	604,828	115,223
Fertilizers	57,838	19,901	6,942	6,942
Cable, electrical and engineering	5,733,675	808,953	7,419,965	888,578
Production and transmission of energy	2,353,838	455,174	1,682,761	454,622
Transport, Storage and Communication	250,052	196,329	270,300	175,224
Government:				
- Public Sector Enterprises	-	-	1,500,000	-
- Federal and Provincial Governments	-	-	-	-
Individuals	368,655	265,800	244,301	182,399
Trading and commerce	9,509,721	3,510,751	10,289,635	3,325,200
Services	2,374,222	836,843	2,153,892	554,989
Others	3,550,707	1,463,766	3,496,467	1,454,976
	<b>77,393,928</b>	<b>29,301,458</b>	<b>77,342,385</b>	<b>30,174,305</b>

#### 43.1.4 Details of non-performing advances and specific provisions by sector

Public Sector / Government	-	-	77,342,385	30,174,305
Private	77,393,928	29,301,458		
	<b>77,393,928</b>	<b>29,301,458</b>	<b>77,342,385</b>	<b>30,174,305</b>

#### 43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

### 43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Bank's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

#### 43.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

### 43.2.1.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2010

Effective yield / interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
Rupees in '000'												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	14,069,601	570,247	-	-	-	-	-	-	-	-	13,499,354
Balances with other banks	4.58%	3,276,234	750,288	-	-	-	-	-	-	-	-	2,525,946
Lending to financial institutions	12.59%	7,309,587	6,835,145	474,442	-	-	-	-	-	-	-	-
Investments	10.19%	56,402,954	2,115,952	9,826,809	34,338,853	366,370	-	-	-	-	-	5,507,375
Advances	7.72%	20,818,021	37,508,008	76,842,548	6,467,465	-	266,600	600,000	1,280,995	1,750,000	350,000	-
Other assets	-	4,120,636	-	-	-	5,000	-	-	-	-	-	4,115,636
		205,997,033	47,779,640	87,143,799	40,806,318	371,370	266,600	600,000	1,280,995	1,750,000	350,000	25,648,311
<b>Liabilities</b>												
Bills payable	-	581,100	-	-	-	-	-	-	-	-	-	581,100
Borrowings	12.16%	11,526,783	2,918,649	2,166,596	6,441,538	-	-	-	-	2,166,596	-	-
Deposits and other accounts	8.41%	208,176,988	15,935,494	106,256,261	19,148,656	30,464,946	2,298,723	951,141	413,559	-	-	32,708,208
Liabilities against assets subject to finance lease	15.24%	13,887	13,887	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,223,045	-	-	-	-	-	-	-	-	-	5,223,045
		225,521,803	18,868,030	108,422,857	25,590,194	30,464,946	2,298,723	951,141	413,559	-	-	38,512,353
<b>On-balance sheet gap</b>		<b>(19,524,770)</b>	<b>28,911,610</b>	<b>(21,279,058)</b>	<b>15,216,124</b>	<b>(30,093,576)</b>	<b>(2,032,123)</b>	<b>(351,141)</b>	<b>867,436</b>	<b>1,750,000</b>	<b>350,000</b>	<b>(12,864,042)</b>
<b>Off-balance sheet financial instruments</b>												
<b>Forward foreign exchange contracts</b>												
- purchase		1,364,614	1,324,826	32,788	7,000	-	-	-	-	-	-	-
- sale		1,138,760	846,417	292,343	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>225,854</b>	<b>478,409</b>	<b>(259,555)</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield/interest risk sensitivity gap</b>			<b>29,390,019</b>	<b>(21,538,613)</b>	<b>15,223,124</b>	<b>(30,093,576)</b>	<b>(2,032,123)</b>	<b>(351,141)</b>	<b>867,436</b>	<b>1,750,000</b>	<b>350,000</b>	<b>(12,864,042)</b>
<b>Cumulative yield/interest risk sensitivity gap</b>			<b>29,390,019</b>	<b>7,851,406</b>	<b>23,074,530</b>	<b>(7,019,046)</b>	<b>(9,051,169)</b>	<b>(9,402,310)</b>	<b>(8,534,874)</b>	<b>(6,784,874)</b>	<b>(6,434,874)</b>	<b>(19,298,916)</b>

### 43.2.2 Foreign exchange risk management

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration.

2010

	Assets	Liabilities	Off-balance sheet items	Net foreign currency
Rupees in '000'				
Pakistan Rupee	227,543,027	222,225,338	(225,854)	5,091,835
United States Dollar	1,205,094	2,237,713	(356,299)	(1,388,918)
Great Britain Pound	73,092	260,481	181,203	(6,186)
Japanese Yen	2,894	-	-	2,894
Euro	351,333	798,271	400,950	(45,988)
Others	14,833	-	-	14,833
	<b>229,190,273</b>	<b>225,521,803</b>	<b>-</b>	<b>3,668,470</b>

### 43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

### 43.3 Liquidity Risk

**43.3.1** Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.

#### 43.3.2 Maturities of Assets and Liabilities

2010

	Total	2010								
		Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 month and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	
Rupees in '000'										
<b>Assets</b>										
Cash and balances with treasury banks	14,069,601	14,069,601	-	-	-	-	-	-	-	
Balances with other banks	3,276,234	3,276,234	-	-	-	-	-	-	-	
Lending to financial institutions	7,309,587	6,835,145	474,442	-	-	-	-	-	-	
Investments	56,402,954	1,431,688	7,276,620	25,564,668	1,191,899	3,185,790	3,291,366	11,818,832	2,078,314	
Advances	120,818,021	37,533,933	20,762,487	6,367,390	7,705,202	6,225,432	6,129,355	13,470,887	21,380,250	
Operating fixed assets	3,534,660	16,125	32,249	48,374	96,748	193,496	193,496	386,992	967,480	
Deferred tax assets	14,063,694	-	-	-	-	-	-	14,063,694	-	
Other assets	9,715,522	4,136,648	192,457	40,789	5,308,709	36,919	-	-	-	
	229,190,273	67,299,374	28,738,255	32,021,221	14,302,558	9,641,637	9,614,217	39,740,405	24,426,044	
									3,406,562	
<b>Liabilities</b>										
Bills payable	581,100	581,100	-	-	-	-	-	-	-	
Borrowings	11,526,783	2,918,649	2,166,596	6,441,538	-	-	-	-	-	
Deposits and other accounts	208,176,988	35,407,494	44,883,348	29,807,102	41,123,392	12,957,169	11,609,587	11,072,005	10,658,446	
Liabilities against assets subject to finance lease	13,887	422	860	1,152	1,922	4,026	5,111	394	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	
Other liabilities	5,223,045	4,902,914	-	-	-	-	-	320,131	-	
	225,521,803	43,810,579	47,050,804	36,249,792	41,125,314	12,961,195	11,614,698	11,392,530	10,658,446	
									10,658,445	
<b>Net assets</b>	<b>3,668,470</b>	<b>23,488,795</b>	<b>(18,312,549)</b>	<b>(4,228,571)</b>	<b>(26,822,756)</b>	<b>(3,319,558)</b>	<b>(2,000,481)</b>	<b>28,347,875</b>	<b>13,767,598</b>	<b>(7,251,883)</b>
Share capital	5,287,974									
Reserves	2,012,492									
Accumulated loss	(14,352,989)									
	(7,052,523)									
Share deposit money	10,000,000									
	2,947,477									
Surplus on revaluation of assets	720,993									
	3,668,470									

**43.3.3** Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

### 43.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

**44. Date of authorization for issue**

These financial statements were authorized for issue on 29 March 2012 by the Board of Directors of the Bank.

**45. General**

**45.1** These financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by the SBP vide BSD Circular No. 04 dated 17 February 2006.

**45.2** Figures have been rounded off to the nearest thousand rupees.

**45.3** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

**Chairman**

**President**

**Director**

**Director**

**Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended 31 December 2010**

Rs in '000'

S. No.	Name and address of the borrower	Name of individuals/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year						Principal written-off	Interest /Markup /Other Charges capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total
				Branch Name	Region	Principal	Interest/Markup up /Other charges capitalized	Interest/markup	Others					
1	Shaheen Gas Company 6-A, Gulshahi Colony Bosan Road, Mullan	1- M. Mushiq Afif 42000-6773376-3 2- Rana Ishiaq Ahmed 36302-4686433-6 3- M. Afiaz Aziz 36302-4638764-9 4- Shahid Ahmed 36101-0243445-5	1- S/O Ch. Abdul Aziz 2- S/O Rana Abdul Aziz 3- S/O Abdul Aziz 4- S/O Gabeer Ahmed	Hasilpur	Bahawalpur	25,925	-	5,263	-	-	-	2,368	-	2,368
2	Tanveer Ahmed 60-Ahmad Block, New Garden Town, Lahore.	Tanveer Ahmed 35202-4409769-3	S/O Sheikh Khurshid Ahmad	LHR (New Garden Town)	Lahore South	33,250	-	8,786	-	-	-	1,528	-	1,528
3	Sardar Muhammad Asif Nakai R/O Mouza Wan Adrian Tarsal Patboki Distt. Kasur	Sardar Muhammad Asif Nakai, Individual, 35103-4313929-1	Sardar Muhammad Afif Nakai	Renala Khurd	Lahore	24,714	-	2,195	-	-	-	867	-	867
4	Malik Aashiq Awan R/O Mouza Roday Patboki Distt. Kasur	Malik Aashiq Awan, Individual, 35200-2038338-9	Faqeer Ali	Patboki	Lahore	9,997	-	3,438	-	-	-	1,203	-	1,203
		<b>Total</b>				<b>93,886</b>	<b>-</b>	<b>19,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,966</b>	<b>-</b>	<b>5,966</b>

## 1. Ordinary shares / certificates of listed companies and modarabas - at cost

### Held for Trading

Number of shares		Name of company/modaraba	2010		2009	
2010	2009		Rupees in '000'		Rupees in '000'	
-	25,000	Arif Habib Securities Limited	-	-	1,192	-
50,000	-	Engro Corporation Limited	9,686	-	-	-
-	400,000	Jahangir Siddiqui Bank Limited	-	-	2,141	-
100,000	25,000	Lucky Cement Limited	7,526	-	1,658	-
2,100,000	175,000	National Bank of Pakistan	143,311	-	12,858	-
1,000,000	-	Nishat Power Limited	16,206	-	-	-
50,000	70,000	Pakistan State Oil	14,831	-	20,876	-
-	1,700,000	PTCL-A	-	-	31,207	-
			<b>191,560</b>		<b>69,932</b>	

### Available for Sale

70,500	-	(Colony) Sarhad Textile Mills Limited	16	-	-	-
518,516	-	Abbot Laboratories (Pakistan) Limited	50,815	-	-	-
98,000	-	Accord Textile Limited	59	-	-	-
12,600	-	Adamjee Floorings*	-	-	-	-
28,500	-	Adil Polypropylene Limited	-	-	-	-
57,700	-	Adamjee Papers*	-	-	-	-
13,700	-	Afsar-Afsar Textile Mills	-	-	-	-
13,200	-	Al-Hussany Industries Limited *	-	-	-	-
40,500	-	Arag Industries Limited *	-	-	-	-
305,287	-	Al- Abbas Sugar Mills Limited	27,567	-	-	-
168,647	-	Al-Abbas Cement Ind Limited	1,599	-	-	-
243,841	-	Al-Abid Silk Mills Limited	10,158	-	-	-
68,500	-	Alif Textile Mills Limited*	-	-	-	-
126,844	-	Al-Noor Sugar Mills Limited	3,676	-	-	-
77,000	-	Al-Qaim Textile Mills Limited	85	-	-	-
134,866	-	Altern Energy Limited	1,482	-	-	-
4,500	-	Amazai Textile Mills Limited *	2	-	-	-
60,500	-	Apex Fabrics Limited *	-	-	-	-
14,504	-	Aruj Garment Accessories Limited	112	-	-	-
8,500	-	Asel-Aslo Electronics	-	-	-	-
244,000	-	Asim Textile Mills Limited	634	-	-	-
7,425,000	-	Askari Bank Limited	140,695	-	-	-
36,200	-	Aswan Tentage Limited *	-	-	-	-
3,587,638	-	Atlas Bank Limited	9,974	-	-	-
5,385	-	Atlas Engineering Limited*	99	-	-	-
35,928	-	Atlas Honda Limited	4,452	-	-	-
13,377	-	Attock Cement Pak Limited	951	-	-	-
125,000	-	Attock Refinery Limited	15,384	-	-	-
45,500	-	Awan Textile Mills Limited	-	-	-	-
44,500	-	Ayaz Textile Mills Limited	-	-	-	-
20,000	-	Azam Textile Mills Limited	32	-	-	-
1,100,000	-	Azgard Nine Limited	13,097	-	-	-
89,160	-	B. F. Modaraba	356	-	-	-
14,000	-	Bahawalpur Textile Mills Limited	-	-	-	-
167,500	-	Baluchistan Particle Board Limited	184	-	-	-
340,689	-	Baluchistan Wheels Limited	11,004	-	-	-
400,000	-	Bank Al-Falah Limited	4,433	-	-	-
8,300,000	-	Bank Al-Falah Limited	90,435	-	-	-
9,363,519	-	Bank Al-Habib Limited	271,168	-	-	-
72,705	-	Bankislami Pak	420	-	-	-
231,717	-	Bata Pakistan Limited	165,678	-	-	-
57,500	-	Bela Engineering Limited	-	-	-	-
623,500	-	Bankers Equity *	-	-	-	-
132,220	-	Berger Paints Pakistan Limited	3,082	-	-	-
16,000	-	Balochistan Tower*	-	-	-	-
206,845	-	Boc (Pak) Limited	26,240	-	-	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
100,000	-	Brothers Textile Mills Limited	51	-
190,000	-	Guardian Modaraba*	378	-
18,100	-	Bawany Textile Mills	-	-
37,493	-	Buxly Paints Limited*	652	-
11,000	-	Casspak Industries Limited	-	-
7,500	-	Central Cotton *	-	-
2,000	-	Charsada Sugar	-	-
50	-	Charsada Sugar Pref Shares	-	-
9,400	-	Chilya C. Board*	-	-
2,729,464	-	Cherat Cement Company Limited	32,208	-
17,500	-	Crescent Knitwear	-	-
332,176	-	Clariant Pakistan Limited	55,194	-
325,590	-	Colony Mills Limited	2,387	-
71,829	-	Colony Sugar Mills	606	-
182,456	-	Crescent Fibres Limited	2,427	-
314,853	-	Crescent Jute Proudcts Limited	394	-
156,000	-	Crescent Spinning Mills Limited	-	-
801,192	-	Crescent Steel & Allied	21,568	-
224,374	-	Crescent Sugar Mills And Distillery Limited	1,571	-
440,811	-	Crescent Textile Mills Limited	12,563	-
68,000	-	Crown Textile*	-	-
65,026	-	D. M. Textile Mills Limited	156	-
190,051	-	D.S. Industries Limited	582	-
15,000	-	Dadabhoy Construction Technology Limited	26	-
79,500	-	Dadabhoy Leasing Company Limited*	-	-
41,587	-	Dar-Es-Salaam Textile Mills Limited	104	-
21,000	-	Data Agro Limited	-	-
119,286	-	Data Textile Limited	50	-
142,045	-	Dawood Capital Management Limited	369	-
50,206	-	Dawood Hercules Chemicals	10,533	-
49,443	-	Dawood Lawrancepur Limited	2,918	-
111,418	-	Descon Chemicals	407	-
1,027,047	-	Dewan Cement Limited	3,174	-
59,804	-	Dewan Khalid Textile Mills Limited	149	-
51,446	-	Dewan Mushtaq Texytile Mills Limited	170	-
6,373	-	Din Textile Mills Limited	-	-
350,000	-	Dynea Pakistan	4,176	-
140,000	-	Ellicot Spinning Mills Limited	3,445	-
161,539	-	Emco Industries Limited	717	-
151,339	-	English Leasing	168	-
83,236	-	Exide Pakistan Limited	16,599	-
82,491	-	Faran Sugar Mills Limited	1,362	-
4,900	-	Fateh Industries Limited	29	-
9,700	-	Fateh Sports Wear Limited	-	-
4,975	-	Fateh Tixtile Mills Limited	1,741	-
134,500	-	Fatima Enterprizes Limited	-	-
2,000,000	-	Fauji Fertilizer Co. Limited	219,380	-
265,173	709,996	Faysal Bank Limited	-	12,527
14,498	-	Fazal Textile Mills Limited	5,799	-
9,000	-	Fazal Vegetable Ghee Mills Limited	-	-
50,616	-	Elite Capital Modarba First	134	-
369,654	-	Fecto Cement Limited	3,549	-
350,000	-	Fem-Equity Modarba First	609	-
199,020	-	Ferozsons Laboratories Limited	18,549	-
219,987	-	First Fidelity Leasing Modarba	462	-
221,348	-	First Al-Noor Modaraba	600	-
860,101	-	First Capital Sec. Corp Limited	5,825	-
-	4,610,400	First Credit & Investment Bank	-	46,104
338,958	-	First Habib Modarba	2,440	-
305,299	-	First Ibl Modarba	760	-
978,000	978,000	First National Bank Modarba	9,780	9,780

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2009	
2010	2009		2010	Rupees in '000'
8,200	-	First Paramount Modaraba	78	-
249,935	-	First Punjab Modaraba	375	-
62,610	-	First Tri-Star Modaraba	85	-
8,125	-	First U.D.L. Modaraba	47	-
12,600	-	Greaves Aircondition *	-	-
35,300	-	Gypsum Corporation *	-	-
805,839	-	General Tyre And Rubber Co. Of Pak. Limited	21,605	-
125,000	-	Ghandara Nissan Limited	625	-
99,724	-	Ghani Glass Mills Limited	5,077	-
10,000	-	Ghulam Dadabhoy *	-	-
1,294,866	-	Glaxosmithkline (Pak) Limited	125,602	-
14,500	-	Globe Textile Mills Limited	239	-
67,598	-	Grays Of Combridge (Pakistan) Limited	3,651	-
9,900	-	Ghaffar Text Mills	-	-
62,500	-	Gulistan Spinning Mills Limited	530	-
484,500	-	Gulistan Textile Mills Limited	12,010	-
257,480	-	Gulshan Spinning Mills Limited	1,556	-
10,554,080	-	Habib Metropolitan Bank Limited	261,281	-
1,428,258	-	Habib Sugar Mills Limited	34,607	-
25,467	-	Habib-Adm	407	-
1,500	-	Hafiz Textile Mills Limited	23	-
105,855	-	Hajra Textile Mills Limited	68	-
55,500	-	Hakkim Textile Mills Limited	49	-
34,500	-	Hashmi Can Company Limited	207	-
89,731	-	Highnoon Laboratories Limited	2,782	-
108,948	-	Hinopak Motors Limited	19,186	-
853,595	-	Honda Atlas Cars (Pakistan) Limited	13,931	-
24,200	-	H-Shaikh	-	-
-	975,000	Hub Power Company Limited	-	30,236
291,523	-	Huffaz Seamless Pipe Industries Limited	5,329	-
21,000	-	Hyderabad Electronic *	-	-
63,177	-	Ibl Healthcare Limited	589	-
389,127	-	Ibrahim Fibre Limited	14,047	-
425	-	Idbpl-Industrial Development Bank	-	-
86,759	-	Indus Dyeing Manufacturing Co. Limited	17,257	-
7,538	-	Innovative Invest Bank Limited	-	-
1,863,299	-	International Industries Limited	91,094	-
25,495	-	International Knit Wear	293	-
1,555,914	-	Invest Capital Invest Bank	2,256	-
35,500	-	Ittefaq Textile Mills Limited *	34	-
136,935	-	J. A. Textile Mills Limited	375	-
72,923	-	J. K. Spinning Mills Limited	563	-
361,097	-	Javed Omer Vohra And Company Limited	2,820	-
122,893	-	Johnson And Phillips (Pakistan) Limited	1,634	-
4,382,370	-	Js Bank Limited	17,617	-
7,378	-	Js Investments Limited	65	-
8,000	-	Junaid Cotton Mills Limited	-	-
8,000	-	Kaiser Art And Kraft Mills Limited	-	-
76,654	-	Karam Ceramices Limited	767	-
23,600	-	Karim Cotton Mills Limited	-	-
4,000	-	Karim Silk Mills Limited	-	-
385,267	-	Kasb Bank Limited	1,726	-
147,163	-	Kasb Modaraba	359	-
34,700	-	Saleem Denim Industries Ltd.(Kapoor Tex)*	35	-
149,892	-	Khalid Siraj Textile Mills Limited	177	-
6,153	-	Kohat Textile Mills Limited	8	-
13,500	-	Kohinoor Cotton *	-	-
71,569	-	Kohinoor Industries Limited	152	-
36,500	-	Kohinoor Looms Limited	-	-
520,684	-	Kohinoor Mills Limited	1,734	-
62,088	-	Kohinoor Power Company Limited	416	-

\* Delisted Companies



## Annexure-II

Number of shares		Name of company/modaraba	2010		2009	
2010	2009		Rupees in '000'			
128,885	-	Kohinoor Spinning Mills Limited	251	-	-	-
151,223	-	Kohinoor Sugar Mills Limited	752	-	-	-
685,753	-	Kohinoor Textile Mills Limited	5,294	-	-	-
56,833	-	Koninoor Energy Limited	1,796	-	-	-
100,000	-	Kot Addu Power	4,208	-	-	-
33,498	-	Karachi Pipe *	-	-	-	-
4,447,965	-	Lafarge Pakistan Cement Limited	20,461	-	-	-
95,846	-	Land Mark Spinning Industries Limited	259	-	-	-
5,837	-	Leiner Pak Gelatine Limited	146	-	-	-
19,000	-	Lafayette Industries Synthetics Limited *	-	-	-	-
1,100,000	-	Lotte Pak Pta Limited	14,885	-	-	-
243,093	-	Maple Leaf Cement Factory Limited	1,094	-	-	-
356,508	-	Maqbool Textile Mills Limited	4,103	-	-	-
895,568	-	Mari Gas Company Limited	120,684	-	-	-
25,300	-	Marr Fabrics Limited *	-	-	-	-
433,485	-	Masood Textile Mills Limited	10,384	-	-	-
158,100	-	Mbl-Mehran Bank Limited	-	-	-	-
63,000	-	Medi Glass Limited	43	-	-	-
10,000	-	Mehr Dastgir Textile Mills Limited	-	-	-	-
26,500	-	Mehran Jute Mills Limited	-	-	-	-
110,220	-	Merit Packaging Limited	1,802	-	-	-
21,081	-	Metropolitan Steel Corporation Limited	270	-	-	-
37,500	-	Mian Mohammed Sugar Mills Limited	-	-	-	-
42,563	-	Mian Textile Industries Limited	17	-	-	-
192,993	-	Mirpurkhas Sugar Mills Limited	12,911	-	-	-
398,060	-	Mohd Farooq Textile Mills Limited	1,035	-	-	-
34,300	-	Mohib Textile Mills Limited	-	-	-	-
24,710	-	Moonlite (Pak) Limited	273	-	-	-
12,000	-	Morafco Industries Limited	-	-	-	-
12,000	-	Mubarik Dairies Limited	-	-	-	-
100,000	-	Mustehkam Cement Limited	-	-	-	-
550,147	-	National Bank Of Pakistan	38,549	-	-	-
20,000	-	National Refinery Limited	3,610	-	-	-
15,100	-	Naveed Textile Mills	-	-	-	-
5,600	-	Nowshera Engg	-	-	-	-
2,225,000	-	Nib Bank Limited	9,189	-	-	-
300,000	-	Nishat (Chunian) Limited	6,894	-	-	-
190,245	-	Nishat (Chunian)15% Nvccp	-	-	-	-
200,000	-	Nishat Mills Limited	13,135	-	-	-
156,065	-	Natover Lease & Refinance	-	-	-	-
5,600	-	National Match Industries	-	-	-	-
4,772	-	Noon Sugar Mills Limited	89	-	-	-
29,207	-	Norrie Textile Mills Limited	-	-	-	-
5,300	-	National Overseas	-	-	-	-
65,600	-	Nusrat Textile Mills	-	-	-	-
9,170	-	Olympia Spinning And Weaving Mills Limited	25	-	-	-
76,681	-	Olympia Textile Mills Limited	173	-	-	-
22,514	-	Otsuka Pakistan Limited	889	-	-	-
117,853	-	Packages Limited	14,335	-	-	-
30,625	-	Pak Datacom Limited	3,139	-	-	-
65,877	-	Pak Elektron Convrt Pref Shares	-	-	-	-
324,795	-	Pak Elektron Limited	4,453	-	-	-
12,500	-	Pak Ghee Industries Limited	2	-	-	-
529,004	-	Pak Suzuki Motor Co. Limited	43,779	-	-	-
197,632	-	Pak-Elektron-Non Convertible	-	-	-	-
20,769	-	Pakistan Gum And Chemiclas Limited	613	-	-	-
515,721	-	Pakistan International Airlines	1,516	-	-	-
93,415	-	Pakistan National Shipping Corporation	4,670	-	-	-
66,666	-	Pakistan Paper Products Limited	2,220	-	-	-
284,142	-	Pakistan Refinery Limited	30,525	-	-	-
175,725	-	Pakistan Services Limited	20,553	-	-	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
30,200	-	Pakistan State Oil Co. Limited	9,356	-
1,193,372	-	Pakistan Telecommunication	25,073	-
17,998	-	Pakistan Telephone Cables Limited	40	-
300	-	Pakistan Tobacco Co. Limited	33	-
166,865	-	Pangrio Sugar Mills Limited	1,001	-
413,405	-	Parmount Spinning Mills Limited	3,345	-
95,100	-	Punjab Building	-	-
12,000	-	Punjab Cotton	-	-
49,200	-	Pearl Fabrics	-	-
272,088	-	Pioneer Cement Limited	2,860	-
22,200	-	Pak Paper Corporation	-	-
100,000	-	Premium Textile Mills Limited	2,665	-
23,100	-	Punjab Lamp	-	-
15,500	-	Qayyum Spinning Mills Limited	-	-
500	-	Quality Steel Works Limited	-	-
74,173	-	Ravi Textile Mills Limited	990	-
12,000	-	Rex Baren Battery	-	-
4,200	-	Rcd Ball	-	-
167,500	-	Redco Textiles Limited	159	-
18,500	-	Regal Ceramics Limited	-	-
130,669	-	Ruby Textile Mills Limited	1,433	-
340,646	-	Rupali Polyester Limited	11,919	-
69,195	-	S. G. Power Limited	100	-
77,000	-	Saitex Spinning Mills Limited	-	-
67,817	-	Sajjad Textile Mills Limited	98	-
65,774	-	Salman Noman Enterprises Limited	110	-
2,584,177	-	Samba Bank Limited	7,753	-
29,945	-	Samin Textiles Limited	284	-
227,582	-	Sanghar Sugar Mills Limited	2,845	-
49,100	-	Sanofi-Aventis Pakistan Limited	7,427	-
31,500	-	Sardar Chemical Industries Limited	49	-
70,000	-	Saritow Spinning Mills Limited	126	-
664,565	-	Saudi Pak Leasing Co. Limited	797	-
55,000	-	Schon Textiles Limited	-	-
165,603	-	Scll-Standard Chartered Leasing	609	-
392,611	-	Security Paper Limited	18,527	-
35,000	-	Service (Textile) Industries Limited	26	-
289,000	-	Service Fabrics Limited	72	-
359,907	-	Service Industries (Shoes)	111,852	-
756,615	-	Shabbir Tiles And Ceramics Limited	8,701	-
514,180	-	Shahmurad Sugar Mills Limited	5,383	-
74,900	-	Shahpur Textile Mills Limited	22	-
171,546	-	Shahtaj Sugar Mills Limited	13,552	-
16,800	-	Shahyar Txt Mills	-	-
1,400,000	-	Shakerganj Mills Limited	9,100	-
200,000	-	Shams Textile Mills Limited	3,768	-
328,251	-	Shell Gas Lpg	17,726	-
244,187	-	Shezan International Limited	29,334	-
202,004	-	Siemens Pakistan Engineering Co. Limited	272,780	-
23,500	-	Siftaq Internatioanal Limited	24	-
9,792,864	-	Silkbank Limited	31,050	-
151,000	-	Sind Alkalis Limited	-	-
16,500	-	Sind Fine Textile Mills Limited	148	-
153,248	-	Sitara Chemical Industries Limited	22,951	-
54,804	-	Sitara Energy Limited	1,178	-
94,300	-	Sunshine Cloth Mills Limited	-	-
3,300	-	Sunrise Textile Mills Limited	-	-
14,841,289	-	Sonari Bank Limited	130,100	-
47,500	-	Shahyar Textile Mill	-	-
2,896,000	-	Sui Northern Gas Limited	90,859	-
33,237	-	Summit Bank Limited	203	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	Rupees in '000'	
2010	2009		2010	2009
58,109	-	Sunrays Tetile Mills Limited	1,947	-
91,500	-	Sunshine Cotton Mills Limited	29	-
11,500	-	Suraj Ghee Industries Limited	-	-
3,500	-	Syed Match Co. Limited	-	-
20,000	-	Taga Pakistan Limited	-	-
301,500	-	Taj Textile Mills Limited	139	-
9,000	-	Tariq Cotton Mills Limited	-	-
26,500	-	Tawakkal Garments Industries Limited	-	-
24,000	-	Tawakkal Limited	-	-
101,000	-	Tawakkal Modarba 1St.	-	-
1,884,363	-	Treet Corporation Limited	124,495	-
134,695	-	Tristar Ployester Limited	154	-
3,881,537	3,881,537	Trust Investment Bank Limited	99,907	99,907
500	500	Trust Modarba	6	6
37,000	-	Turbo Tubes Limited	-	-
25	-	Unilever Pakistan	101	-
74,500	-	Unicap Modaraba	15	-
525,000	-	United Bank Limited	35,406	-
96,797	-	United Distributors Pakistan Limited	1,939	-
29,500	-	Uqab Breeding Farms Limited	-	-
136,224	-	Wah-Nobel Chemicals Limited	6,798	-
66,995	1,100,000	World Call Telecom Limited	308	3,849
23,875	-	Wyeth Pak Limited	26,263	-
254,340	-	Yousuf Weaving Mills Limited	537	-
104,000	-	Zahur Cotton Mills Limited	31	-
88,000	-	Zahur Textile Mills Limited	-	-
104,047	-	Zeal Pak Cement Factory Limited	-	-
3,822,698	3,822,698	Zephyr Textiles Limited	38,227	38,227
14,200	-	Zaffar Textile	-	-
			<b>3,543,775</b>	<b>240,636</b>
		<b>* Delisted Companies</b>	<b>3,735,335</b>	<b>310,568</b>

## 2. Preference shares of listed companies - at cost

Number of shares		Name of company	Rupees in '000'	
2010	2009		2010	2009
1,545,397	3,090,794	Azgard Nine Limited	15,454	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
			<b>195,454</b>	<b>210,908</b>

**Other particulars of preference shares are as follows:**

<b>Particulars</b>	<b>Nominal value per share</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at six month Kibor ask side +2.5% per annum.	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of 3 years from the date of issue by giving atleast 60 days notice.
Pak Elektron Limited (PEL)	10	Dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.

**3. Ordinary shares of unlisted company - at cost**

<b>Number of shares</b>		<b>Name of company</b>	<b>2010</b>	<b>2009</b>
<b>2010</b>	<b>2009</b>		<b>Rupees in '000'</b>	
<b>2,000,000</b>	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Shafqaat Ahmed)	<b>25,000</b>	25,000

## 4. Investment in mutual funds - at cost

Number of Units		Name of fund	2010	2009
2010	2009		Rupees in '000'	
<b>Open ended mutual funds</b>				
29,718,333	19,721,532	ABL Income Fund	300,000	200,000
-	200,000	AKD Income Value Fund	-	10,630
2,631,771	2,631,770	AMZ Plus Stock Market Fund	246,730	246,729
288,759	-	Askari Sovereign Cash Fund	30,000	-
279,705	279,705	Atlas Income Fund	150,000	150,000
297,082	297,082	Atlas Stock Market Fund	200,000	200,000
100,000	-	Faysal Islamic Saving Growth Fund	10,000	-
1,000,000	-	Faysal Money Market Fund	100,000	-
9,494,505	17,071,047	Faysal Saving Growth	1,001,094	1,800,000
905,862	879,062	First Habib Income Fund	96,926	94,183
86,043	-	HBL Income Fund	8,062	-
272,903	246,403	IGI Income Fund	27,737	25,000
-	250,822	IGI Stock Fund	-	25,000
2,212,705	2,506,335	KASB Asset Allocation Fund (formerly KASB Balanced Fund)	112,028	127,217
-	1,127,446	KASB Liquid Fund	-	125,000
-	881	KASB Stock Market Fund	-	-
1,618,286	1,618,287	MCB Dynamic Stock Fund	200,000	200,000
16,873,263	16,873,263	NAFA Stock Fund	200,000	200,000
-	594,549	NAMCO Income Fund	-	50,000
2,000,000	2,012,657	Pakistan Int'l Element Islamic Fund	100,000	96,913
-	1,901,203	Pakistan Stock Market Fund	-	170,803
14,370,315	14,370,315	POBOP Advantage Fund	750,000	750,000
8,390,906	8,390,906	Reliance Income Fund	450,000	450,000
-	2,091,500	Unit Trust of Pakistan	-	369,246
2,747,393	2,747,393	United Growth & Income Fund (Income)	294,234	294,234
-	159,061	Islamic Fund (previously JS Islamic Fund)	-	111,368
<b>Close ended mutual funds</b>				
1,253,700	1,253,700	Atlas Fund of Funds	11,940	11,940
-	20,000,000	JS - Large Capital Fund (ABAMCO Composite Fund)	-	200,000
1,814,184	-	JS Growth Fund	7,710	-
7,500,000	7,500,000	NAMCO Balance Fund	75,000	75,000
-	42,640,000	Pakistan Capital Protected Fund	-	400,000
-	17,500,000	Pakistan Strategic Allocation Fund	-	175,252
1,380,758	-	PICIC Growth Fund	17,674	-
2,162,924	-	PICIC Inv.Fund	11,874	-
			<b>4,401,009</b>	<b>6,558,515</b>

## 5. Listed Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company/modaraba	2010	2009
2010	2009	Rupees in '000'		Rupees in '000'	
10,000	-	5	Askari Bank	50,000	-
10,000	10,000	5	Askari Bank Limited	49,980	50,000
7,369	7,369	5	Azgard Nine Limited	25,969	25,969
35,000	35,000	5	Bank AL Habib Limited	174,790	174,930
2,000	2,000	5	Bank AL Habib Limited - 1st issue	9,976	9,980
10,000	10,000	5	Engro Chemical	48,816	48,836
1,178	1,178	5	Jahangir Siddiqui & Co Ltd	6,016	6,019
-	336	5	Jahangir Siddiqui & Co Ltd	-	1,228
5,000	5,000	5	Jahangir Siddiqui & Co Ltd	24,958	24,968
13,886	13,886	5	JS ABAMCO	40,485	52,052
3,406	3,406	5	NIB Bank Limited	14,074	14,080
40,000	40,000	5	Orix Leasing Pakistan Limited	99,921	166,533
16,655	16,655	5	Pak Arab Fertilizers Limited	66,242	71,188
10,000	10,000	5	Standard Chartered Bank (Pakistan) Limited - 2nd issue	12,500	34,960
-	4,516	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	-	4,516
8,782	8,782	5	United Bank Limited	37,399	37,417
10,000	10,000	5	United Bank Limited - 1st issue	49,885	49,904
6,000	6,000	5	World Call Communication	9,992	19,984
				<b>671,002</b>	<b>792,564</b>

## Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual installment of 24.92% each starting from the 102nd from issue date.
Azgard Nine Limited	6 months KIBOR + 240 bps without any floor or cap.	Semi-annually	In ten unequal semi-annual installments starting from 30th month.
Bank AL Habib Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Bank AL Habib Limited - 1st issue	Average 6 months KIBOR + 150 bps with a Floor of 3.50% and Cap of 10.00%.	Semi-annually	0.02% of principal in the first 78 months and remaining principal in three equal semi-annual installments of 33.25% each after 84th month from issue date.
Engro Chemical Pak Limited	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% starting from 90th month.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.

<b>Particulars</b>	<b>Mark-up rate per annum</b>	<b>Mark-up payment</b>	<b>Redemption terms</b>
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.1% of principal in the first 30 months, 24.98% of principal from 36th month till the 54th month and remaining principal of 74.92% in the 60th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 25 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.
JS ABAMCO	6 months KIBOR + 200 bps with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Limited	6 months KIBOR + 115 bps without any floor or cap.	Semi-annually	0.02% of principal in the first 60th month and remaining principal in six equal semi-annual installments of 16.66% each starting from 66th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak Arab Fertilizers Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	In six stepped - up semi-annual installments starting from the 30th month.
Standard Chartered Bank (Pakistan) Limited - 2nd issue	Last cut-off yield of 5-year PIBs auction + 75 bps with a Floor of 5.00% and Cap of 10.75%.	Semi-annually	0.16% of principal in the first 48 months, 10.00% of principal from 54th month till the 60th month and remaining principal in two equal semi-annual installments of 44.92% starting from 66th month from the issue date.
Trust Investment Bank Limited	6 months KIBOR + 200 bps without any floor or cap.	Semi-annually	In 10 equal semi-annual installments starting from 6th month.
United Bank Limited	6 months KIBOR + 85 bps for the first five year and 6 months KIBOR + 135 bps for the remaining period without any floor or cap	Semi-annually	Bullet redemption at the end of 10th year.
United Bank Limited - 1st issue	Fixed at 100 bps + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	0.25% of principal in the first 78th month and remaining principal in three equal semi-annual installments of 33.25% each starting from 84th month from the issue date.
World Call Communication	6 months KIBOR + 275 bps without any floor or cap.	Semi-annually	In six equal semi-annual installments starting from 30th month.

## 6. Unlisted Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company	2010	2009
2010	2009	Rupees in '000'		Rupees in '000'	
33,000	33,000	5	Agri Tech Limited (Pak American Fertilizer Limited)	131,848	131,881
8,516	8,516	5	Agri Tech Limited (Pak American Fertilizer Limited)	38,455	38,455
259,792	260,000	5	Agri Tech Limited (Pak American Fertilizer Limited)	1,298,960	1,299,220
4,197	7,000	5	Al Abbas Sugar Millis	19,456	26,456
32,000	32,000	5	Arzoo Textile	160,000	160,000
99,920	10,000	5	Azgard Nine Limited	499,600	499,700
10,000	10,000	5	Bank Alfalah Limited	49,980	50,000
50,000	80,000	5	Eden House(SUKUK)	294,183	344,183
12,521	12,521	5	Engro Chemical Pak Limited	48,832	48,832
4,994	5,000	5	Jahangir Siddiqui & Co Ltd	21,784	21,794
62,222	80,000	5	JDW Sugar Mills Limited	311,111	400,000
5,343	6,114	5	JS ABAMCO	26,717	30,539
19,320	20,000	5	Kohat Cement(SUKUK)	72,450	72,450
23,931	23,951	5	Maple Leaf Cement Factory Limited	107,677	107,779
2,658	2,661	5	Optimus Limited	12,249	12,255
13,300	798	100	Orix Leasing Pakistan Limited	66,403	79,703
-	12,774	5	Pakistan Mobile Communication	-	60,748
21,632	26,000	5	Pakistan Mobile Company Limited - 3rd issue	108,160	129,818
4,571	8,000	5	PEL(Sukuk)	21,198	32,626
16,000	16,000	5	PEL(Sukuk)	70,743	70,743
43,452	50,000	5	PEL(Sukuk)	217,262	250,000
90,000	90,000	5	PEL(Sukuk)	450,000	450,000
14,865	21,000	5	Pakistan International Airline (PIA)	74,325	74,355
500,000	500,000	5	Power Holding	2,500,000	2,500,000
300,000	300,000	5	Power Holding - New Issue	1,500,000	-
5,392	10,000	5	Security Leasing(SUKUK)	26,958	33,989
7,617	15,000	5	Security Leasing(SUKUK)	33,846	42,635
750	3,000	5	SME Leasing	2,594	7,594
270,000	300,000	5	Sui Southren Gas Company	1,350,000	1,500,000
24,711	10	15,000	Syed Bhais (Pvt) Limited	123,554	148,297
				<b>9,638,344</b>	<b>8,624,052</b>



## Other particulars of unlisted TFCs are as follows:

<u>Particulars</u>	<u>Profit rate per annum</u>	<u>Profit payment</u>	<u>Redemption terms</u>
Agri Tech Limited (Pak Amercian Fertilizer Limited)	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Agri Tech Limited (Pak Amercian Fertilizer Limited)	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	Up to ten consecutive equal semi-annual installments starting from 30th month from the issue date.
Agri Tech Limited ( Pak Amercian Fertilizer Limited )	3 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Al-Abbas Sugar Mills Limited	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	In 10 equal semi-annual installments starting from 18th month from the issue date.
Arzoo Textile (Sukuk)	6 months KIBOR + 200 bps for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited	6 months KIBOR + 225 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Bank Alfalah Limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden House(SUKUK)	6 months KIBOR + 250 bps with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pak Limited	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
JDW Sugar Mills	3 months KIBOR + 125 bps without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
JS ABAMCO	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Kohat Cement(SUKUK)	6 months KIBOR + 180 bps without any floor or cap	Semi-annually	In ten semi-annual installments with the last falling due on September 2012.
Maple Leaf Cement Factory Limited	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	In eight stepped-up semi-annual installments starting from 30th month from the date of contribution.

<b>Particulars</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Optimus Limited	6 months KIBOR + 210 bps without any floor or cap	Semi-annually	0.12% of principal in the first 36th month and remaining principal in four equal semi-annual installments of 24.97% each starting from 42th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pakistan Mobile Communication	6 months KIBOR + 130 bps without any floor or cap	Semi-annually	In two equal semi-annual installments starting from 30th month.
Pakistan Mobile Company Limited-3rd issue	6 months KIBOR (ask) + 285 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 54th month.
PEL (Sukuk)	3 months KIBOR (ask) + 175 bps with a Floor of 10.00% and Cap of 25.00%	Quarterly	In fourteen quarterly units, the first unit falling due not later than end of seventh quarter from the issue date.
PEL (Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Quarterly	In not less than sixteen quarters starting not later than 39th month of 1st drawdown.
PEL(Sukuk)	6 months KIBOR + 300 bps without any floor or cap	Semi-annually	In twelve unequal semi-annual installments starting from 6th month from the issue date.
PEL(Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Semi-annually	In sixteen quarterly units, the first unit falling due not later than end of 39th month from the issue date.
Pakistan International Airline (PIA)	SBP discount rate + 50 bps with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Power Holding	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Power Holding (New Issue)	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Security Leasing(SUKUK)	6 months KIBOR + 200 bps with a Floor of 2.00% . and Cap of 40.00%	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing(SUKUK)	6 months KIBOR + 195 bps without any floor or cap	Semi-annually	In eight equal semi-annual installments starting from 18th month.
SME Leasing	3 months KIBOR + 150 bps without any floor or cap	Quarterly	Up to twelve equal quarterly installments starting from 3rd month from the issue date.
Sui Southren Gas Company	3 months KIBOR (ask) + 24 bps with a Floor of 5.00% and Cap of 20.00%	Quarterly	Not less than eight consecutive quarterly units the first unit falling due not later than 33rd month from the last draw down date.
Syed Bhais (Pvt) Limited	3 months KIBOR (ask) + 300 bps without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.

## 7. Subsidiary

### Punjab Modaraba Services (Private) Limited

16,495,100 (2009: 16,495,100) ordinary shares of Rs. 10 each

Holding: 100% (2009: 100%)

Period of financial statements - 31 December 2010

Break up value of investment based on latest audited financial statements is

Rs. 106,426 (thousand) {2009: Rs. 123,701 (thousand)}.

## 8. Quality of available-for-sale securities

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
<b>Federal government securities</b>				
Pakistan Market Treasury Bills	35,387,257	Un-rated	32,838,016	Un-rated
Pakistan Investment Bonds	2,272,648	Un-rated	1,228,540	Un-rated
Government of Pakistan Ijara Sukuk Bonds	10,000	Un-rated	10,099	Un-rated
	<u>37,669,905</u>		<u>34,076,655</u>	
<b>Ordinary shares of listed companies</b>				
(Colony) Sarhad Textile Mills Limited	42	Un-rated	-	
Abbot Laboratories (Pakistan) Limited	56,902	Un-rated	-	
Accord Textile Limited	69	Un-rated	-	
Al- Abbas Sugar Mills Limited	28,972	A, A1	-	
Al-Abbas Cement Industries Limited	585	Un-rated	-	
Al-Abid Silk Mills Limited	8,188	Un-rated	-	
Al-Noor Sugar Mills Limited	6,415	A-, A-2	-	
Al-Qaim Textile Mills Limited	116	Un-rated	-	
Altern Energy Limited	1,354	Un-rated	-	
Amazai Textile Mills Limited *	2	Un-rated	-	
Aruj Garment Accessories Limited	76	Un-rated	-	
Asim Textile Mills Limited	610	Un-rated	-	
Askari Bank Limited	131,348	AA, A1+	-	
Atlas Bank Limited	5,848	Un-rated	-	
Atlas Engineering Limited*	93	Un-rated	-	
Atlas Honda Limited	4,490	Un-rated	-	
Attock Cement Pak Limited	844	Un-rated	-	
Attock Refinery Limited	15,585	Un-rated	-	
Azam Textile Mills Limited	53	Un-rated	-	
Azgard Nine Limited	10,626	D	-	
B. F. Modaraba	356	Un-rated	-	
Baluchistan Particle Board Limited	201	Un-rated	-	
Baluchistan Wheels Limited	11,522	Un-rated	-	
Bank Al-Falah Limited	4,484	Un-rated	-	
Bank Al-Falah Limited	93,043	AA, A1+	-	
Bank Al-Habib Limited	339,521	AA+, A1+	-	
Bankislami Pak	264	A, A1	-	
Bata Pakistan Limited	159,688	Un-rated	-	
Berger Paints Pakistan Limited	3,042	Un-rated	-	
Boc (Pak) Limited	18,844	Un-rated	-	
Brothers Textile Mills Limited	69	Un-rated	-	
Guardian Modaraba*	344	Un-rated	-	
Buxly Paints Limited*	544	Un-rated	-	
Cherat Cement Company Limited	29,342	Un-rated	-	
Clariant Pakistan Limited	60,788	Un-rated	-	
	<u>994,270</u>		<u>-</u>	
<b>*Delisted Companies</b>				

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	994,270		-	
Colony Mills Limited	830	Un-rated	-	
Colony Sugar Mills	232	Un-rated	-	
Crescent Fibres Limited	2,392	Un-rated	-	
Crescent Jute Proudcts Limited	246	Un-rated	-	
Crescent Steel & Allied	22,041	Un-rated	-	
Crescent Sugar Mills And Distillery Limited	1,515	Un-rated	-	
Crescent Textile Mills Limited	10,456	Un-rated	-	
D. M. Textile Mills Limited	176	Un-rated	-	
D.S. Industries Limited	348	Un-rated	-	
Dadabhoy Leasing Company Limited*	8	Un-rated	-	
Dar-Es-Salaam Textile Mills Limited	146	Un-rated	-	
Data Textile Limited	60	Un-rated	-	
Dawood Capital Management Limited	276	Un-rated	-	
Dawood Hercules Chemicals	9,959	Un-rated	-	
Dawood Lawrancepur Limited	2,149	Un-rated	-	
Descon Chemicals	325	Un-rated	-	
Dewan Cement Limited	2,301	Un-rated	-	
Dewan Khalid Textile Mills Limited	191	Un-rated	-	
Dewan Mushtaq Texytile Mills Limited	304	Un-rated	-	
Din Textile Mills Limited	171	Un-rated	-	
Dynea Pakistan	3,920	Un-rated	-	
Ellicot Spinning Mills Limited	2,807	Un-rated	-	
Emco Industries Limited	468	Un-rated	-	
Engl-English Leasing	168	Un-rated	-	
Exide Pakistan Limited	16,335	Un-rated	-	
Faran Sugar Mills Limited	1,719	Un-rated	-	
Fateh Industries Limited	27	Un-rated	-	
Fateh Tixtile Mills Limited	562	Un-rated	-	
Fatima Enterprizes Limited	1,789	Un-rated	-	
Fauji Fertilizer Company Limited	251,720	Un-rated	-	
Faysal Bank Limited	4,134	AA,A1+	12,354	Un-rated
Fazal Textile Mills Limited	5,799	Un-rated	-	
Elite Capital Modarba First	140	Un-rated	-	
Fecto Cement Limited	2,680	Un-rated	-	
Fem-Equity Modarba First	525	Un-rated	-	
Ferozsons Laboratories Limited	17,341	Un-rated	-	
First Fidelity Leasing Modarba	383	BBB+, A2	-	
First Al-Noor Modaraba	642	BBB, A-3	-	
First Capital Sec. Corp Limited	3,062	Un-rated	-	
First Credit & Investment Bank	-		15,445	Un-rated
First Habib Modarba	2,271	AA+, A1+	-	
First Ibl Modarba	546	Un-rated	-	
First National Bank Mod	6,435	A+, A-1	3,393	A+, A-1
First Paramount Modaraba	72	BBB, A-3	-	
First Punjab Modaraba	435	A-, A2	-	
First Tri-Star Modaraba	87	Un-rated	-	
First U.D.L. Modaraba	50	Un-rated	-	
General Tyre And Rubber Company Of Pak. Limited	18,212	Un-rated	-	
Ghandara Nissan Limited	615	Un-rated	-	
Ghani Glass Mills Limited	4,916	Un-rated	-	
Glaxosmithkline (Pak) Limited	114,194	Un-rated	-	
Globe Textile Mills Limited	160	Un-rated	-	
Grays Of Combridge (Pakistan) Limited	3,379	Un-rated	-	
Gulistan Spinning Mills Limited	431	Un-rated	-	
Gulistan Textile Mills Limited	9,026	Un-rated	-	
Gulshan Spinning Mills Limited	1,802	Un-rated	-	
Habib Metropolitan Bank Limited	305,963	AA+, A1+	-	
Habib Sugar Mills Limited	47,575	Un-rated	-	
Habib-Adm	323	Un-rated	-	
Hafiz Textile Mills Limited	29	Un-rated	-	
Hajra Textile Mills Limited	100	Un-rated	-	
Hakkim Textile Mills Limited	28	Un-rated	-	
Hashmi Can Company Limited	228	Un-rated	-	
Highnoon Laboratories Limited	2,597	Un-rated	-	
Hinopak Motors Limited	14,370	Un-rated	-	
Honda Atlas Cars (Pakistan) Limited	9,902	Un-rated	-	
	1,906,361		31,192	
<b>* Delisted Companies</b>				

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	<b>1,906,361</b>		<b>31,192</b>	
Hub Power Company Limited	-		30,469	Un-rated
Huffaz Seamless Pipe Industries Limited	4,551	Un-rated	-	
Ibl Healthcare Limited	519	Un-rated	-	
Ibrahim Fibre Limited	16,398	AA-, A1+	-	
Indus Dyeing Manufacturing Company Limited	28,474	A, A-2	-	
International Industries Limited	111,518	Un-rated	-	
International Knit Wear	227	Un-rated	-	
Invest Capital Invest Bank	1,214	D	-	
Ittefaq Textile Mills Limited *	32	Un-rated	-	
J. A. Textile Mills Limited	397	Un-rated	-	
J. K. Spinning Mills Limited	452	Un-rated	-	
Javed Omer Vohra And Company Limited	1,444	Un-rated	-	
Johnson And Phillips (Pakistan) Limited	1,159	Un-rated	-	
Js Bank Limited	11,307	Un-rated	-	
Js Investments Limited	49	Un-rated	-	
Karam Ceramices Limited	598	Un-rated	-	
Kasb Bank Limited	967	BBB, A3	-	
Kasbm-Kasb Modaraba	243	BBB+, A-3	-	
Saleem Denim Industries Ltd.(Kapoor Tex)*	35	Un-rated	-	
Khalid Siraj Textile Mills Limited	118	Un-rated	-	
Kohat Textile Mills Limited	9	Un-rated	-	
Kohinoor Industries Limited	114	Un-rated	-	
Kohinoor Mills Limited	1,531	Un-rated	-	
Kohinoor Power Company Limited	287	Un-rated	-	
Kohinoor Spinning Mills Limited	153	Un-rated	-	
Kohinoor Sugar Mills Limited	768	Un-rated	-	
Kohinoor Textile Mills Limited	3,442	Un-rated	-	
Koninoor Energy Limited	1,238	Un-rated	-	
Kot Addu Power	4,068	AA+, A-1+	-	
Lafarge Pakistan Cement Limited	14,278	Un-rated	-	
Land Mark Spinning Industries Limited	144	Un-rated	-	
Leiner Pak Gelatine Limited	87	Un-rated	-	
Lotte Pak Pta Limited	15,070	Un-rated	-	
Maple Leaf Cement Factory Limited	698	D, D	-	
Maqbool Textile Mills Limited	3,066	Un-rated	-	
Mari Gas Company Limited	111,919	Un-rated	-	
Masood Textile Mills Limited	8,670	Un-rated	-	
Medi Glass Limited	28	Un-rated	-	
Mehr Dastgir Textile Mills Limited	20	Un-rated	-	
Merit Packaging Limited	2,699	Un-rated	-	
Metropolitan Steel Corporation Limited	158	Un-rated	-	
Mian Textile Industries Limited	26	Un-rated	-	
Mirpurkhas Sugar Mills Limited	9,958	Un-rated	-	
Mohd Farooq Textile Mills Limited	549	Un-rated	-	
Moonlite (Pak) Limited	136	Un-rated	-	
Morafco Industries Limited	112	Un-rated	-	
Mubarik Dairies Limited	48	Un-rated	-	
Mustehkam Cement Limited	1,440	Un-rated	-	
National Bank Of Pakistan	42,262	AAA, A-1+	-	
National Refinery Limited	5,476	AAA, A1+	-	
Nib Bank Limited	6,564	AA-, A1+	-	
Nishat (Chunian) Limited	6,816	AA, A1+	-	
Nishat (Chunian)15% Nvccp	3,995	Un-rated	-	
Nishat Mills Limited	12,834	AA-, A1+	-	
	<b>2,344,726</b>		<b>61,661</b>	

\* Delisted Companies

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	2,344,726		61,661	
Noon Sugar Mills Limited	57	Un-rated	-	
Olympia Spinning And Weaving Mills Limited	14	Un-rated	-	
Olympia Textile Mills Limited	153	Un-rated	-	
Otsuka Pakistan Limited	739	Un-rated	-	
Packages Limited	15,157	AA, A1+	-	
Pak Datacom Limited	2,444	Un-rated	-	
Pak Elektron Limited	4,560	BBB, A3	-	
Pak Ghee Industries Limited	6	Un-rated	-	
Pak Suzuki Motor Company Limited	36,935	Un-rated	-	
Pakistan Gum And Chemiclas Limited	458	Un-rated	-	
Pakistan International Airlines	1,166	Un-rated	-	
Pakistan National Shipping Corporation	3,545	AA-, A1+	-	
Pakistan Paper Products Limited	3,142	Un-rated	-	
Pakistan Refinery Limited	30,608	Un-rated	-	
Pakistan Services Limited	29,566	Un-rated	-	
Pakistan State Oil Company Limited	8,914	AA+, A1+	-	
Pakistan Telecommunication	23,175	Un-rated	-	
Pakistan Telephone Cables Limited	42	Un-rated	-	
Pakistan Tobacco Company Limited	33	Un-rated	-	
Pangrio Sugar Mills Limited	1,018	Un-rated	-	
Parmount Spinning Mills Limited	4,299	Un-rated	-	
Pioneer Cement Limited	1,842	Un-rated	-	
Premium Textile Mills Limited	2,830	Un-rated	-	
Qayyum Spinning Mills Limited	6	Un-rated	-	
Quality Steel Works Limited	6	Un-rated	-	
Ravi Textile Mills Limited	112	Un-rated	-	
Redco Textiles Limited	149	Un-rated	-	
Ruby Textile Mills Limited	653	Un-rated	-	
Rupali Polyester Limited	12,263	Un-rated	-	
S. G. Power Limited	86	Un-rated	-	
Sajjad Textile Mills Limited	100	Un-rated	-	
Salman Noman Enterprises Limited	329	Un-rated	-	
Samba Bank Limited	5,065	Un-rated	-	
Samin Textiles Limited	183	Un-rated	-	
Sanghar Sugar Mills Limited	3,277	Un-rated	-	
Sanofi-Aventis Pakistan Limited	6,972	Un-rated	-	
Sardar Chemical Industries Limited	28	Un-rated	-	
Saritow Spinning Mills Limited	140	Un-rated	-	
Saudi Pak Leasing Company Limited	366	Un-rated	-	
Standard Chartered Leasing	470	Un-rated	-	
Security Paper Limited	17,613	Un-rated	-	
Service (Textile) Industries Limited	14	Un-rated	-	
Service Fabircs Limited	87	Un-rated	-	
Service Industries (Shoes)	86,392	Un-rated	-	
Shabbir Tiles And Ceramics Limited	6,416	Un-rated	-	
Shahmurad Sugar Mills Limited	5,635	BBB+, A-2	-	
Shahpur Textile Mills Limited	25	Un-rated	-	
Shahtaj Sugar Mills Limited	13,749	Un-rated	-	
Shakerganj Mills Limited	7,742	D, D	-	
Shams Textile Mills Limited	5,000	Un-rated	-	
Shell Gas Lpg	11,105	Un-rated	-	
Shezan International Limited	28,401	Un-rated	-	
Siemens Pakistan Engineering Company Limited	253,214	Un-rated	-	
Siftaq Internatioanal Limited	23	Un-rated	-	
Silkbank Limited	25,657	A-, A-2	-	
Sind Fine Textile Mills Limited	116	Un-rated	-	
Sitara Chemical Industries Limited	19,577	A+, A-1	-	
Sitara Energy Limited	1,014	Un-rated	-	
	<b>3,027,415</b>		<b>61,661</b>	

\* Delisted Companies

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	<b>3,027,415</b>		61,661	
Sonari Bank Limited	123,331	AA-, A1+	-	
Sui Northern Gas Limited	77,439	AA, A1+	-	
Summit Bank Limited	127	A, A-2	-	
Sunrays Tetile Mills Limited	2,098	Un-rated	-	
Sunshine Cotton Mills Limited	30	Un-rated	-	
Suraj Ghee Industries Limited	115	Un-rated	-	
Syed Match Company Limited	46	Un-rated	-	
Taj Textile Mills Limited	112	Un-rated	-	
Treet Corporation Limited	113,156	AA-, A-1	-	
Tristar Ployester Limited	85	Un-rated	-	
Trust Investment Bank Limited	6,831	BBB, A3	22,124	A-, A2
Trust Modaraba	1	Un-rated	1	Un-rated
Unilever Pakistan	109	Un-rated	-	
Unim-Unicap Modaraba	6	Un-rated	-	
United Bank Limited	35,821	AA+, A-1+	-	
United Distributors Pakistan Limited	977	Un-rated	-	
Wah-Nobel Chemicals Limited	4,922	Un-rated	-	
Worldcall Telecom Limited	194	BBB-, A3	4,103	Un-rated
Wyeth Pak Limited	25,109	Un-rated	-	
Yousuf Weaving Mills Limited	382	Un-rated	-	
Zahur Cotton Mills Limited	55	Un-rated	-	
Zephyre Textile	14,985	Un-rated	12,615	Un-rated
	<b>3,433,345</b>		100,504	
<b>Preference shares of listed companies</b>				
Azgard Nine Limited	15,145	D	30,290	A+, A1
Fazal Cloth Mills Limited	25,000	A-, A2	25,000	Un-rated
Pak Elektron Limited	80,000	BBB, A3	80,000	A, A1
Shakarganj Mills Limited	35,850	D	67,425	BBB+, A2
	<b>155,995</b>		202,715	
<b>Listed Term Finance Certificates</b>				
Askari Bank	50,730	AA-	48,679	AA
Azgard Nine Limited	-		27,499	AA-
Bank AL Habib Limited	175,114	AA	174,930	AA
Bank AL Habib Limited - 1st issue	9,460	AA	9,162	AA
Engro Chemical	48,951	Un-rated	45,417	Un-rated
Jahangir Siddiqui & Co Ltd	5,908	AA	6,028	AA+
Jahangir Siddiqui & Co Ltd	-		1,372	AA+
Jahangir Siddiqui & Co Ltd	25,074	AA	25,571	AA+
JS ABAMCO	40,043	Un-rated	50,857	Un-rated
NIB Bank Ltd	13,699	A+	15,620	A
Orix Leasing Pakistan Limited	99,127	AA+	167,236	AA+
Pak Arab Fertilizers Ltd	75,930	AA	78,159	AA
Standard Chartered Bank (Pakistan) Limited - 2nd issue	12,482	AAA	34,241	AAA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	-		4,328	A
United Bank Limited	35,582	AA	38,694	AA
United Bank Limited - 1st issue	46,105	AA	44,284	AA
World Call Communication	9,936	BBB-	19,553	A
	<b>648,141</b>		791,630	
<b>* Delisted Companies</b>				

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	674,110		791,630	
<b>Un-Listed Term Finance Certificates</b>				
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	131,881	A+
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	38,455	A+
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	1,299,220	A+
Al Abbas Sugar Millis	19,456	A+	26,456	A+
Arzoo Textile	-	Un-rated	160,000	Un-Rated
Azgard Nine Limited	-	D	499,700	AA-
Bank Alfalah Limited	49,980	AA-	50,000	AA-
Eden House(SUKUK)	220,684	D	344,183	Un-Rated
Engro Chemical Pak Limited	48,832	Un-rated	48,832	AA
Jahangir Siddiqui & Co Ltd	21,784	AA	21,794	AA+
JDW Sugar Mills Limited	311,111	A+	400,000	A
JS ABAMCO	26,717	Un-rated	30,539	AA-
Kohat Cement(SUKUK)	36,225	Un-rated	72,450	Un-Rated
Maple Leaf Cement Factory Limited	107,677	D	107,779	D
Optimus Limited	12,249	A	12,255	A
Orix Leasing Pakistan Limited	66,403	AA+	79,703	AA+
Pakistan Mobile Communication	-		60,748	AA-
Pakistan Mobile Company Limited - 3rd issue	108,160	A+	129,818	AA-
PEL(Sukuk)	21,198	BBB+	32,626	A
PEL(Sukuk)	70,743	BBB+	70,743	A
PEL(Sukuk)	217,262	BBB+	250,000	A+
PEL(Sukuk)	450,000	BBB+	450,000	A+
PIA	74,325	Un-rated	74,355	Un-Rated
Power Holding	2,500,000	Un-rated	2,500,000	Un-Rated
Power Holding - New Issue	1,500,000	Un-rated	-	
Security Leasing(SUKUK)	20,218	Un-rated	33,989	Un-Rated
Security Leasing(SUKUK)	25,384	Un-rated	42,635	Un-Rated
SME Leasing	2,594	Un-rated	7,594	Un-Rated
Sui Southren Gas Company	1,350,000	AA	1,500,000	AA
Syed Bhais (Pvt) Limited	120,275	Un-rated	148,297	Un-Rated
	<b>7,381,277</b>		<b>8,624,052</b>	



## Annexure-II

	2010		2009	
	Market value Rupees in '000'	Rating	Market value Rupees in '000'	Rating
<b>Mutual Funds</b>				
<b>NIT Units</b>	<b>775,471</b>	<b>3-Star</b>	5,625,161	5-Star
<b>Open ended mutual funds</b>				
ABL Income Fund	297,468	A+(f)	197,399	AA,A+(f)
AKD Income Value Fund	-		9,247	BBB(f)
Faysal Asset & Allocation Fund (formerly AMZ Plus Stock Market Fund)	173,606	Un-rated	159,091	2-Star
Askari Sovereign Cash Fund	30,163	Un-rated		
Atlas Income Fund	144,940	Un-rated	144,375	4-Star
Atlas Stock Market Fund	120,291	4-Star	137,323	5-Star
Faysal Islamic Saving Growth Fund	10,496	A+(f)		
Faysal Money Market Fund	100,530	AA+(f)		
Faysal Saving Growth Fund	998,347	A+(f)	1,756,781	A (f)
First Habib Income Fund	92,996	Un-rated	90,816	Un-rated
HBL Income Fund	8,652	A(f)		
IGI Income Fund	27,520	A+(f)	26,005	Un-rated
IGI Stock Fund	-		34,872	Un-rated
KASB Asset Allocation Fund (formerly KASB Balanced Fund)	97,168	1-Star	112,735	Un-rated
KASB Liquid Fund	-		99,879	Un-rated
MCB Dynamic Stock Fund	195,279	4-Star	162,445	Un-rated
NAFA Stock Fund	128,286	4-Star	121,622	Un-rated
NAMCO Income Fund	-		61,154	Un-rated
Pakistan Int'l Element Islamic Fund	91,714	3-Star	97,976	3-Star
Pakistan Stock Market Fund	-		117,589	5-Star
IGI Aggressive Income Fund (formerly POBOP Advantage Fund)	625,866	Un-rated	698,369	Un-rated
Reliance Income Fund	311,080	Un-rated	332,918	Un-rated
Unit Trust of Pakistan	-		239,498	5-Star
United Growth & Income Fund (Income)	263,813	BBB-(f)	278,703	A (f)
JS-Islamic Fund (formerly UTP Islamic Fund)	-		60,804	4-Star
<b>Close ended mutual funds</b>				
Atlas Fund of Funds	5,742	Un-rated	4,388	5-Star
JS Growth Fund	10,069	Un-rated	-	
JS-Large Capital Fund (ABAMCO Composite Fund)	-		92,000	5-Star
NAMCO Balance Fund	30,975	Un-rated	35,400	Un-rated
Pakistan Capital Protected Fund	-		400,000	Un-rated
Pakistan Strategic Allocation Fund	-		77,700	4-Star
PICIC Growth Fund	18,295	Un-rated	-	
PICIC Inv.Fund	13,865	Un-rated	-	
	<b>4,572,632</b>		<b>11,174,250</b>	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.

The Bank of Punjab

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**Consolidated  
Financial Statements**  
for the year ended 31 December 2010



# Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of The Bank of Punjab (the Bank) and its subsidiary company (together referred to as the Group) as at 31 December 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 17 branches, which have been audited by us. We have also expressed a separate opinion on the financial statements of The Bank of Punjab. Its subsidiary company Punjab Modaraba Services (Private) Limited, however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based, solely on the report of such auditors.

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

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

In our opinion, the consolidated financial statements present fairly the financial position of the Group as at 31 December 2010 and the results of its operations, its comprehensive income, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan. Without qualifying our opinion we draw attention to Note 1.2 to the consolidated financial statements which fully explain relaxations granted by the State Bank of Pakistan from provisioning against certain advances, and regulatory capital requirements, based on the undertaking by the Government of Punjab in respect of the deficiency in capital.

Lahore : 29 March 2012

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Audit Engagement Partner: Mohammed Junaid

## Consolidated Statement of Financial Position

as at 31 December 2010

	Note	2010	2009
		Rupees in '000'	
<b>ASSETS</b>			
Cash and balances with treasury banks	7	14,069,601	13,043,705
Balances with other banks	8	3,276,234	2,185,782
Lendings to financial institutions	9	7,309,587	1,053,550
Investments	10	56,359,404	57,923,172
Advances	11	120,796,694	121,303,368
Operating fixed assets	12	3,534,660	3,427,267
Deferred tax assets	13	14,063,694	11,921,146
Other assets	14	9,721,900	5,770,905
		<b>229,131,774</b>	<b>216,628,895</b>
<b>LIABILITIES</b>			
Bills payable	16	581,100	875,618
Borrowings	17	11,526,783	14,040,014
Deposits and other accounts	18	208,176,902	190,858,087
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	19	13,887	19,907
Deferred tax liabilities		-	-
Other liabilities	20	5,223,152	4,700,569
		<b>225,521,824</b>	<b>210,494,195</b>
<b>NET ASSETS</b>		<b>3,609,950</b>	<b>6,134,700</b>
<b>REPRESENTED BY</b>			
Share capital	21	5,287,974	5,287,974
Reserves	22	2,012,492	573,779
Accumulated loss		(14,411,509)	(10,372,082)
		<b>(7,111,043)</b>	<b>(4,510,329)</b>
Share deposit money	23	10,000,000	10,000,000
		<b>2,888,957</b>	<b>5,489,671</b>
Surplus on revaluation of assets	24	720,993	645,029
		<b>3,609,950</b>	<b>6,134,700</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	25		

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Profit and Loss Account

for the year ended 31 December 2010

	Note	2010	2009
		Rupees in '000'	
Mark-up/return/interest earned	26	18,217,583	15,640,701
Mark-up/return/interest expensed	27	18,801,642	19,022,494
Net mark-up/ interest loss		(584,059)	(3,381,793)
Provision against non-performing loans and advances - net	11.4	559,604	9,241,653
Provision for diminution in the value of investments - net	10.3	2,767,341	955,744
Bad debts written off directly	11.5	-	-
		3,326,945	10,197,397
Net mark-up/ interest loss after provisions		(3,911,004)	(13,579,190)
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		562,469	657,114
Dividend income		404,111	920,943
Income from dealing in foreign currencies		134,488	247,570
Gain / (Loss) on sale and redemption of securities	28	293,303	(124,238)
Unrealized gain / (loss) on revaluation of investments classified as held for trading	10.9	18,020	(1,193)
Other income	29	473,055	518,553
Total non-markup/interest income		1,885,446	2,218,749
		(2,025,558)	(11,360,441)
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	30	3,435,049	3,038,357
Provision against other assets		-	-
Provision against off balance sheet items	20.1	740,000	-
Other charges	31	1,605	794
Total non-markup/interest expenses		4,176,654	3,039,151
		(6,202,212)	(14,399,592)
Extra ordinary/unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		(6,202,212)	(14,399,592)
Taxation - Current		-	-
- Prior years		1,461	78,491
- Deferred		(2,157,119)	(4,383,406)
	32	(2,155,658)	(4,304,915)
<b>LOSS AFTER TAXATION</b>		(4,046,554)	(10,094,677)
Accumulated loss brought forward		(10,372,082)	(7,674,257)
Transfer from statutory reserve to accumulated loss		-	2,894,000
Transfer from general reserve to accumulated loss		-	4,495,350
Transfer from surplus on revaluation of fixed assets - net of tax		7,127	7,502
		(10,364,955)	(277,405)
Accumulated loss carried forward		(14,411,509)	(10,372,082)
<b>Basic loss per share (after tax) - Rupees</b>	33	(7.65)	(19.09)
<b>Diluted loss per share (after tax) - Rupees</b>	34	(7.65)	(19.09)

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010	2009
		Rupees in '000'	
Loss after taxation		(4,046,554)	(10,094,677)
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<u>(4,046,554)</u>	<u>(10,094,677)</u>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

## Consolidated Cash Flow Statement for the year ended 31 December 2010

	Note	2010 Rupees in '000'	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(6,202,212)	(14,399,592)
Less: Dividend income		(404,111)	(920,943)
		<b>(6,606,323)</b>	<b>(15,320,535)</b>
Adjustments for non-cash charges:			
Depreciation	12.2	323,771	303,847
Amortization on intangible assets		-	7,512
Amortization on premium on Pakistan Investment Bonds		72,043	72,216
Unrealized (gain) / loss on revaluation of investments classified as held for trading	10.9	(18,020)	1,193
Provision against non-performing advances - net	11.4	559,604	9,241,653
Provision for diminution in the value of investments - net	10.3	2,767,341	955,744
Provision for employees compensated absences	37.1.2	21,717	23,617
Provision for gratuity	37.1.1	45,507	49,863
Provision against off balance sheet items	20.1	740,000	-
Net profit on sale of property and equipment	12.2.1	(10,527)	(10,344)
(Gain) / Loss on sale and redemption of securities	28	(293,303)	124,238
Finance charges on leased assets	30	2,332	3,395
		<b>4,210,465</b>	<b>10,772,934</b>
		<b>(2,395,858)</b>	<b>(4,547,601)</b>
(Increase)/ Decrease in operating assets:			
Lendings to financial institutions		(6,256,037)	(420,217)
Net investments in held for trading securities		(122,821)	(69,932)
Advances		1,385,783	1,714,989
Others assets		(3,927,867)	1,351,530
		<b>(8,920,942)</b>	<b>2,576,370</b>
Increase/ (Decrease) in operating liabilities:			
Bills Payable		(294,518)	(344,183)
Borrowings		(2,457,154)	1,863,394
Deposits and other accounts		17,318,815	26,786,355
Other liabilities		(284,641)	62,608
		<b>14,282,502</b>	<b>28,368,174</b>
		<b>2,965,702</b>	<b>26,396,943</b>
Financial charges paid		(2,332)	(3,395)
Income tax paid		(15,690)	(1,069,621)
Net cash flow from operating activities		<b>2,947,680</b>	<b>25,323,927</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available for sale securities		(1,261,245)	(33,508,312)
Net investments in held to maturity securities		517,435	7,637
Dividends received		395,212	912,044
Investments in operating fixed assets		(434,911)	(282,883)
Sale proceeds of property and equipment disposed-off	12.2.1	14,274	26,439
Net cash used in investing activities		<b>(769,235)</b>	<b>(32,845,075)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of lease obligations		(6,020)	(10,725)
Share deposit money	23	-	10,000,000
Net cash (used in) / flow from financing activities		<b>(6,020)</b>	<b>9,989,275</b>
Net increase in cash and cash equivalents		<b>2,172,425</b>	<b>2,468,127</b>
Cash and cash equivalents at beginning of the year		<b>15,173,410</b>	<b>12,705,283</b>
Cash and cash equivalents at end of the year	35	<b>17,345,835</b>	<b>15,173,410</b>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director



## Consolidated Statement of Changes in Equity for the year ended 31 December 2010

	Share capital	Statutory reserve	Capital Reserves		Revenue Reserves		Total
			Share premium	Restructuring reserve	General reserve	Accumulated loss	
	Rupees		in		'000'		
<b>Balance as at 01 January 2009</b>	5,287,974	2,894,000	37,882		4,495,350	(7,674,257)	5,040,949
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,502	7,502
Total comprehensive loss for the year ended 31 December 2009	-	-	-	-	-	(10,094,677)	(10,094,677)
Transfer from provision against NPLs	-	-	-	535,897	-	-	535,897
Transfer to accumulated loss	-	(2,894,000)	-	-	(4,495,350)	7,389,350	-
<b>Balance as at 31 December 2009</b>	<u>5,287,974</u>	<u>-</u>	<u>37,882</u>	<u>535,897</u>	<u>-</u>	<u>(10,372,082)</u>	<u>(4,510,329)</u>
Transfer from surplus on revaluation of fixed assets to accumulated loss - net of tax	-	-	-	-	-	7,127	7,127
Total comprehensive loss for the year ended 31 December 2010	-	-	-	-	-	(4,046,554)	(4,046,554)
Transfer from provision against NPLs	-	-	-	1,438,713	-	-	1,438,713
<b>Balance as at 31 December 2010</b>	<u>5,287,974</u>	<u>-</u>	<u>37,882</u>	<u>1,974,610</u>	<u>-</u>	<u>(14,411,509)</u>	<u>(7,111,043)</u>

The annexed notes from 1 to 45 and annexure - I and II form an integral part of these consolidated financial statements.

Chairman

President

Director

Director

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

## 1. Status and nature of business

- 1.1 The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on 19 September 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 273 branches (2009: 272 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by Government of the Punjab.

Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

During the year, the authorized share capital of the Bank has been increased from Rs. 10,000,000 thousand to Rs. 50,000,000 thousand through amendment in the Bank of Punjab Act, 1989 via Punjab Finance Act, 2010.

- 1.2 The paid-up capital, reserves (net of losses) and advance subscription money of the Group amounts to Rs. 2,888,957 thousand, as against the minimum regulatory capital requirement of Rs. 7,000,000 thousand and Capital Adequacy Ratio (CAR), as disclosed in note 42.2, remained below the prescribed level of 10%. Further, as at the close of the year 2010, net advances aggregating to Rs. 31,520,321 thousand requiring additional provision of Rs. 25,895,849 thousand there against have not been subjected to provisioning criteria as prescribed in SBP prudential regulations in view of the relaxation provided by SBP vide letter No. OSED/Div-01/SEU-03/010(1)-2012/568 dated 13 March 2012, on the basis of two Letters of Comfort (LOCs) issued by the Government of the Punjab (GOPb) as explained in para 2 below.

Government of Punjab (GOPb) being the majority shareholder, in order to support the Bank, deposited Rs.10,000,000 thousand as advance subscription money in 2009 and subsequent to the statement of financial position date, further deposited Rs.7,000,000 thousand as advance subscription money in year 2011 against future issue of shares by the Bank. Further, the GOPb vide two Letters of Comfort (LOCs) issued on 29 March 2012, has undertaken to inject the necessary funds to make good the capital shortfall to the satisfaction of SBP up to a maximum amount of Rs. 5,800,000 thousand (net of tax @ 35%) and Rs.12,940,000 thousand (net of tax @ 35%) within a period of 90 days after close of the year ending 31 December 2014 and 31 December 2016 respectively in event of the Bank failing to make provision of Rs.28,840,000 thousand or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the said provisioning.

In addition, in terms of above LOCs, the GOPb being majority shareholder and sponsor of the Bank, has also extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements at all times.

Based on above, the State Bank of Pakistan has granted the Bank relaxations from provisioning requirements of SBP's prudential regulations and exemption from applicable capital adequacy ratio (CAR) and minimum capital requirements for the years 2009, 2010, 2011 and 2012. However, the minimum level of CAR should not fall below 7% for the years 2011 and 2012. Further, the SBP has also agreed to allow above relaxations for the period of another 3 years including year 2012 based on examination of the business plan to be submitted by the Bank to the SBP by 30 June 2012.

On the basis of above enduring support of Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

## 2. Basis of preparation

- 2.1 Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or hold more than 50% of the shares or otherwise have the power to elect and appoint more than

50% of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. In preparing consolidated financial statements, the financial statements of the Bank and subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, income and expenses. Significant intercompany transactions have been eliminated.

- 2.2** These consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab and its wholly owned subsidiary, Punjab Modaraba Services (Private) Limited. The consolidated financial statements have been prepared in accordance with the purchase method.
- 2.3** In accordance with the directives of the Government of Pakistan regarding the conversion of the Banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Banks from their customers and immediate resale to them at appropriate marked-up 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.
- 2.4** "Balance Sheet" has been renamed as "Statement of Financial Position" keeping in view the requirement of BSD circular letter No. 7 of 2010 issued by the SBP.

### **3. Statement of compliance**

These consolidated financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

### **4. Basis of measurement**

These consolidated financial statements have been prepared under the historical cost convention, except for revaluation of free hold land and buildings on free hold land, valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

### **5. Critical accounting judgments and key sources of estimation uncertainty**

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

#### **5.1 Classification of investments**

In classifying investments as "held for trading" the Group has determined securities which are

acquired with the 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 Group 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 Group evaluates its intention and ability to hold such investments to maturity.

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

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

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations issued by the SBP, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

## **5.3 Impairment of available for sale investments**

The Group considers that available for sale equity investments and mutual funds 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 addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the consolidated statement of financial position date, the management has determined an impairment loss on available for sale securities as disclosed in note 10.3.1.

## **5.4 Depreciation, amortization and revaluation of operating fixed assets**

Estimates of useful life of operating fixed assets are based on management’s best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Further, the Group estimates the revalued amount of free hold land and buildings on free hold land on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

## **5.5 Income taxes**

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Group’s view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

## **5.6 Staff retirement benefits**

The amount of provision for gratuity and compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

# **6. Summary of significant accounting policies**

## **6.1 Cash and Cash equivalents**

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less over drawn nostro accounts and other overdrawn bank accounts.

## 6.2 Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

### 6.2.1 Mark-up/return/interest income

Mark-up/return/interest on advances and return on investments are recognized in profit and loss account on an accruals basis, except mark-up on non-performing advances which is recognized when received.

### 6.2.2 Dividend income

Dividend income is recognized when the Group's right to receive the dividend is established.

### 6.2.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

### 6.2.4 Fees and commission income

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

## 6.3 Advances including net investment in finance lease

Advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value.

## 6.4 Investments

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investments. Investments classified as held for trading are initially recognized at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

Investment in subsidiary is stated at cost less provision for impairment (if any). Other investments are classified as follows:

- Held for trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to profit and loss account.
- Held to maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at

amortized cost.

- Available for sale – These are investments, other than those in subsidiaries and associates, which do not fall under the held for trading or held to maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to ‘Surplus/(deficit) on revaluation of assets’ account below equity, except available for sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills and Pakistan Investment Bonds) which are stated at cost less provision for diminution in value of investments, if any.

Held for trading and quoted available for sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP’s Prudential Regulations.

Premium or discount on debt securities classified as available for sale and held to maturity securities are amortized using the effective yield method.

On de-recognition or impairment in quoted available for sale securities the cumulative gain or loss previously reported as “Surplus/(Deficit) on revaluation of assets” below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

## **6.5 Lending to/borrowing from financial institutions**

The Group enters into transactions of repo and reverse repo at contracted rates for a specified period of time. These are recorded as under:

### **6.5.1 Sale under repurchase obligations**

Securities sold subject to a repurchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and repurchase price is accrued using effective yield method and recorded as interest expense.

### **6.5.2 Purchase under resale obligations**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## **6.6 Operating fixed assets and depreciation**

### **Owned**

Property and equipment, other than free hold land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount over its estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / deficit arising on revaluation of freehold land and buildings on freehold land is credited to the "Surplus/(Deficit) on Revaluation of Assets" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

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

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

### **Leased**

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these financial statements.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

### **Capital work-in-progress**

Capital work-in-progress is stated at cost less accumulated impairment losses (if any). These are transferred to specific assets as and when assets are available for use.

## **6.7 Taxation**

### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity

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

## 6.8 Employee retirement and other benefits

### 6.8.1 Defined contribution plan – Provident Fund

The Group operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Group and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to income.

### 6.8.2 Gratuity Scheme

The Group operates an approved funded gratuity scheme for all its employees of the Bank. Contributions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to income. Actuarial gains and losses are charged or credited to income in the year in which they occur. The most recent valuation was carried out at 31 December 2010 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2010 were as follows:

- Discount rate	13%
- Expected rate of eligible salary increase in future years	12%
- Expected rate of return on plan assets during 2011	13%
- Average expected remaining working life time of employees	12 years

### 6.8.3 Employees' compensated absence

The Bank makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at 31 December 2010 using the "Projected Unit Credit Method". The principal assumptions used in the valuation at 31 December 2010 were as follows:

- Discount rate	13%
- Expected rate of eligible salary increase in future years	12%
- Average number of leaves utilized during the year	7 days
- Average number of leaves accumulated per annum by the employees	23 days

## 6.9 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the statement of financial position date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

## 6.10 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group



has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

## **6.11 Dividend distribution and appropriations**

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

## **6.12 Impairment**

The carrying amounts of assets (other than deferred tax assets) are reviewed at each statement of financial position date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## **6.13 Financial Instruments**

### **6.13.1 Financial assets and liabilities**

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition criteria adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### **6.13.2 Offsetting**

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

## **6.14 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.

### **6.14.1 Business segments**

#### **Trading and sales**

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

#### **Retail banking**

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

#### **Commercial banking**

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

### **Payment and settlement**

It includes payments and collections, funds transfer, clearing and settlement.

### **Agency service**

It includes depository receipts, securities lending (customers), issuer and paying agents.

## **6.14.2 Geographical Segments**

The Group operates only in Pakistan.

## **6.15 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares (if any).

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

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

<b>Standards and Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 24 Related Party Disclosure (Revised)	01 January 2011
IAS 32 Financial Instruments: Presentation – Classification of Right Issues (Amendment)	01 February 2010
IAS 12 Income Taxes: Deferred Tax Amendment – Recognition of Underlying Assets	01 January 2010
IFRIC 14 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Group considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments to various accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011.

## 7. Cash and Balances With Treasury Banks

	Note	2010	2009
		Rupees in '000'	
In hand:			
- Local currency	7.1	2,338,182	2,338,006
- Foreign currency		243,483	258,119
		<b>2,581,665</b>	2,596,125
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	7,978,849	8,189,488
- Foreign currency deposit account	7.3		
- Non remunerative		166,991	61,076
- Remunerative	7.4	503,068	191,086
		<b>8,648,908</b>	8,441,650
With National Bank of Pakistan (NBP) in:			
- Local currency current account		2,771,849	1,900,430
- Local currency deposit account	7.5	67,179	105,500
		<b>2,839,028</b>	2,005,930
		<b>14,069,601</b>	13,043,705

- 7.1** This includes National Prize Bonds of Rs. 24,450 (thousand) (2009: Rs 18,127 (thousand))
- 7.2** This represents current account maintained with the SBP under the requirements of section 22 "Cash Reserve Requirement" of the Banking Companies Ordinance, 1962.
- 7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.4** This carry mark-up as announced by the SBP on monthly basis. Mark-up rates during the year were NIL per annum (2009: Nil per annum).
- 7.5** This carries mark-up at the rate of 5% per annum (2009: 5% per annum).

## 8. Balances With Other Banks

	Note	2010	2009
		Rupees in '000'	
In Pakistan:			
- On current account		1,988,901	1,240,904
- On saving account	8.1	728,071	508,633
		<b>2,716,972</b>	1,749,537
Outside Pakistan:			
- On current account		537,045	199,197
- On deposit account	8.2	22,217	237,048
		<b>559,262</b>	436,245
		<b>3,276,234</b>	2,185,782

- 8.1** These carry mark-up at rates ranging from 5% to 8% per annum (2009: 5.00% to 9.50% per annum).
- 8.2** These carry mark-up at rates ranging from 0.30% to 0.50% per annum (2009: 0.25% to 0.50% per annum).

## 9. Lendings To Financial Institutions

	Note	2010	2009
Rupees in '000'			
Reverse repo	9.2	6,691,812	495,217
Certificates of investment	9.3	143,333	258,333
Placements	9.4	474,442	300,000
		<b>7,309,587</b>	<b>1,053,550</b>
9.1 Particulars of Lendings:			
In local currency		7,135,145	1,053,550
In foreign currencies		174,442	-
		<b>7,309,587</b>	<b>1,053,550</b>

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

Note	2010			2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000'					
Market Treasury Bills	6,049,615	-	6,049,615	-	-	-
Pakistan Investment Bonds	642,197	-	642,197	495,217	-	495,217
	<b>6,691,812</b>	<b>-</b>	<b>6,691,812</b>	<b>495,217</b>	<b>-</b>	<b>495,217</b>

Market value of securities held as collateral as at 31 December 2010 amounted to Rs. 6,688,712 thousand (2009: 496,827 (thousand)). These carry mark-up rate ranging from 12.9% to 14.0% per annum (2009: 8.00% to 11.00% per annum) with maturities up to 10 January 2011.

**9.3** This carries profit at the rate of 15.48% per annum (2009: 15.10% per annum) maturing on 14 January 2011.

**9.4** These represent placements carrying profit at rates ranging from 0.26% to 14.40% per annum (2009: 13.0% per annum) with maturities up to 02 March 2011.

## 10. Investments

### 10.1 Investments by types:

Note	2010			2009			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
	Rupees in '000'						
<b>Held for trading securities</b>							
Ordinary shares	Annex II - 1	191,560	-	191,560	69,932	-	69,932
Available for sale securities							
Market Treasury Bills	10.4	30,770,725	4,728,012	35,498,737	25,059,220	7,708,707	32,767,927
Pakistan Investment Bonds	10.4	2,152,484	357,233	2,509,717	1,318,810	-	1,318,810
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
Ordinary Shares / Certificates of Listed Companies and Modarabas	Annex II - 1	3,708,718	-	3,708,718	405,579	-	405,579
Preference Shares of Listed Companies	Annex II - 2	195,454	-	195,454	210,908	-	210,908
Ordinary Shares of Unlisted Company	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	860,991	-	860,991	5,745,924	-	5,745,924
Mutual Funds Units	Annex II - 4	4,401,009	-	4,401,009	6,558,515	-	6,558,515
Listed Term Finance Certificates	Annex II - 5	671,002	-	671,002	792,564	-	792,564
Unlisted Term Finance Certificates	Annex II - 6	9,638,344	-	9,638,344	8,624,052	-	8,624,052
Held to maturity securities							
Pakistan Investment Bonds	10.7	2,151,633	-	2,151,633	2,741,111	-	2,741,111
WAPDA Bonds		400	-	400	400	-	400
Total investments at cost		<b>54,777,320</b>	<b>5,085,245</b>	<b>59,862,565</b>	<b>51,562,015</b>	<b>7,708,707</b>	<b>59,270,722</b>
Provision for diminution in value of investments	10.3	(3,316,883)	-	(3,316,883)	(1,044,397)	-	(1,044,397)
Investments - net of provisions		<b>51,460,437</b>	<b>5,085,245</b>	<b>56,545,682</b>	<b>50,517,618</b>	<b>7,708,707</b>	<b>58,226,325</b>
Deficit on revaluation of available for sale securities	24.2	(204,298)	-	(204,298)	(301,960)	-	(301,960)
Surplus / (Deficit) on revaluation of held for trading securities	10.9	18,020	-	18,020	(1,193)	-	(1,193)
Total investments at market value		<b>51,274,159</b>	<b>5,085,245</b>	<b>56,359,404</b>	<b>50,214,465</b>	<b>7,708,707</b>	<b>57,923,172</b>

## 10.2 Investments By Segments:

Note	2010			2009			
	Held by bank	given as collateral	Total	Held by bank	given as collateral	Total	
	Rupees in			'000'			
<b>Federal government securities:</b>							
Market Treasury Bills	10.4	30,770,725	4,728,012	35,498,737	25,059,220	7,708,707	32,767,927
Pakistan Investment Bonds Government of Pakistan	10.4	4,304,117	357,233	4,661,350	4,059,921	-	4,059,921
Ijara Sukuk Bonds	10.5	10,000	-	10,000	10,000	-	10,000
<b>Fully paid up ordinary shares/certificates:</b>							
Listed companies and Modarabas	Annex II-1	3,900,278	-	3,900,278	475,511	-	475,511
Unlisted company	Annex II-3	25,000	-	25,000	25,000	-	25,000
<b>NIT Units</b>	10.6	860,991	-	860,991	5,745,924	-	5,745,924
<b>Mutual Funds Units</b>	Annex II-4	4,401,009	-	4,401,009	6,558,515	-	6,558,515
<b>Preference shares - Listed companies</b>							
	Annex II-2	195,454	-	195,454	210,908	-	210,908
<b>Term Finance Certificates and Bonds:</b>							
Listed Term Finance Certificates	Annex II-5	671,002	-	671,002	792,564	-	792,564
Unlisted Term Finance Certificates	Annex II-6	9,638,344	-	9,638,344	8,624,052	-	8,624,052
WAPDA Bonds		400	-	400	400	-	400
<b>Total investments at cost</b>		<b>54,777,320</b>	<b>5,085,245</b>	<b>59,862,565</b>	<b>51,562,015</b>	<b>7,708,707</b>	<b>59,270,722</b>
Provision for diminution in value of investment	10.3	(3,316,883)	-	(3,316,883)	(1,044,397)	-	(1,044,397)
<b>Investments - net of provisions</b>		<b>51,460,437</b>	<b>5,085,245</b>	<b>56,545,682</b>	<b>50,517,618</b>	<b>7,708,707</b>	<b>58,226,325</b>
Deficit on revaluation of available for sale securities	24.2	(204,298)	-	(204,298)	(301,960)	-	(301,960)
Surplus / (Deficit) on revaluation of held for trading securities	10.9	18,020	-	18,020	(1,193)	-	(1,193)
<b>Total investments at market value</b>		<b>51,274,159</b>	<b>5,085,245</b>	<b>56,359,404</b>	<b>50,214,465</b>	<b>7,708,707</b>	<b>57,923,172</b>

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

## 10.3 Provision for diminution in the value of investments

Opening balance		1,044,397	395,282
Charge for the year		2,767,341	955,744
Reversal during the year		-	-
		<b>2,767,341</b>	<b>955,744</b>
		<b>3,811,738</b>	<b>1,351,026</b>
Reversal on disposal		(494,855)	(306,629)
Closing balance	10.3.1	<b>3,316,883</b>	<b>1,044,397</b>

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

#### Available for sale securities:

Ordinary shares of unlisted company	9,496	9,496
Ordinary shares of listed companies / modaraba certificates	338,924	177,376
Term finance certificates	2,283,036	-
Preference shares of listed companies	39,150	-
NIT units	85,520	-
Other mutual funds units	560,357	857,125
	<b>3,316,483</b>	<b>1,043,997</b>

#### Held to maturity securities:

WAPDA bonds	400	400
	<b>3,316,883</b>	<b>1,044,397</b>

- 10.4** Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with the SBP.
- 10.5** These represents bonds issued for a period of three years carrying semi-annual rate on the basis of rental rates issued by the SBP at start of each half year. The semi annual profit is benchmarked against the latest weighted average yield of six month Market Treasury Bills determined one day prior to the start of each six month rental period.
- 10.6 NIT Units**  
This represents 30,045,272 units (2009: 203,810,192 units) in National Investment (Unit) Trust (NI(U)T) LOC Holders' Fund attributable to strategic assets and are continued to be recognized as investment in NI(U)T – Unit Holders Fund.  
During the year, it was agreed amongst the LOC Unit Holders that the strategic assets representing shares of Pakistan State Oil (PSO) and Sui Northern Gas Pipelines Limited (SNGPL) shall be taken over by NBP at a price as at close of 13 October 2010 for settlement with other LOC Holders. However, due to pending process for transferring these shares in the name of NBP, the final settlement against these strategic assets has not yet been executed.  
Subsequent to the balance sheet date, as per the terms agreed amongst the LOC Unit Holders, the remaining holding of the Bank have been valued based on the proportionate share of the Bank as per the audited financial statements of the fund. Accordingly, the investment in LOC Holders' Fund has been derecognized and shown as receivable from NITL in 2011.
- 10.7** As per BSD 23/2008 dated 13 October 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs.1,768,014 (thousand) {2009: Rs. 2,298,802 (thousand)}.
- 10.8** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 10.9 Unrealized gain / (loss) on revaluation of investments classified as held for trading**

	Note	2010 Rupees in '000'	2009 Rupees in '000'
Ordinary shares		18,020	(1,193)
<b>11. ADVANCES</b>			
Loans, cash credits, running finances etc.			
- In Pakistan		144,082,328	146,228,393
- Outside Pakistan		-	-
		144,082,328	146,228,393
Net investment in finance lease			
- In Pakistan	11.2	2,265,263	2,713,294
- Outside Pakistan		-	-
		2,265,263	2,713,294
Repurchase Agreement Lendings to Non-Financial Institutions	11.7	1,677,189	1,693,142
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,035,597	443,699
- Payable outside Pakistan		1,056,782	424,443
		2,092,379	868,142
Advances - (gross)	11.1	150,117,159	151,502,971
Less: Provision for non-performing advances			
- Specific	11.3 & 11.4	(29,301,458)	(30,174,305)
- General	11.4	(19,007)	(25,298)
		(29,320,465)	(30,199,603)
Advances - net of provision		120,796,694	121,303,368

	Note	2010	2009
		Rupees in '000'	
<b>11.1 Particulars of advances (Gross)</b>			
11.1.1 In local currency		150,117,159	151,502,971
In foreign currencies		-	-
		<u>150,117,159</u>	<u>151,502,971</u>
11.1.2 Short-term advances upto one year		87,468,641	87,084,960
Long-term advances for over one year		62,648,518	64,418,011
		<u>150,117,159</u>	<u>151,502,971</u>

## 11.2 Net Investment In Finance Lease

	2010				2009			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000'				(Rupees in '000')			
Lease rentals receivable	599,159	2,013,682	121,454	2,734,295	643,850	2,638,911	18,245	3,301,006
Guaranteed residual value	-	-	-	-	-	-	-	-
Minimum lease payments	599,159	2,013,682	121,454	2,734,295	643,850	2,638,911	18,245	3,301,006
Less: Finance charge for future periods	144,384	323,763	885	469,032	178,725	408,499	488	587,712
Present value of minimum lease payments	454,775	1,689,919	120,569	2,265,263	465,125	2,230,412	17,757	2,713,294

11.3 Advances include Rs. 77,393,928 (thousand) {2009: Rs. 77,342,385 (thousand)} which have been placed under non-performing status as detailed below :-

Category of Classification	2010								
	Rupees in '000'								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	274,871	-	274,871	-	-	-	-	-	-
Substandard	12,487,274	-	12,487,274	2,505,226	-	2,505,226	2,505,226	-	2,505,226
Doubtful	3,334,440	-	3,334,440	414,645	-	414,645	414,645	-	414,645
Loss	61,297,343	-	61,297,343	26,381,587	-	26,381,587	26,381,587	-	26,381,587
	<u>77,393,928</u>	<u>-</u>	<u>77,393,928</u>	<u>29,301,458</u>	<u>-</u>	<u>29,301,458</u>	<u>29,301,458</u>	<u>-</u>	<u>29,301,458</u>

11.3.1 Provision against certain net advances amounting to Rs. 31,520,321 thousand {2009: Rs.27,816,636 (thousand)} requiring additional provisioning of Rs. 25,895,849 thousand {2009: Rs. 21,041,154 (thousand)} has not been considered necessary in these consolidated financial statements on the basis of undertaking given by Government of the Punjab as stated in Note 1.2.

## 11.4 Particulars of provisions against non-performing advances

	Note	2010			2009		
		Specific	General	Total	Specific	General	Total
		Rupees in '000'			Rupees in '000'		
Opening balance		30,174,305	25,298	30,199,603	21,447,458	47,635	21,495,093
Charge for the year		7,546,589	-	7,546,589	12,143,450	-	12,143,450
Reversals		(6,980,694)	(6,291)	(6,986,985)	(2,879,460)	(22,337)	(2,901,797)
		565,895	(6,291)	559,604	9,263,990	(22,337)	9,241,653
Amounts written off	11.5	(29)	-	(29)	(1,246)	-	(1,246)
Amount transferred to restructuring reserve	11.4.3	(1,438,713)	-	(1,438,713)	(535,897)	-	(535,897)
Closing balance		<u>29,301,458</u>	<u>19,007</u>	<u>29,320,465</u>	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>
<b>11.4.1 Particulars of provisions against non-performing advances</b>							
		2010			2009		
		Specific	General	Total	Specific	General	Total
		Rupees in '000'			Rupees in '000'		
In local currency		29,301,458	19,007	29,320,465	30,174,305	25,298	30,199,603
In foreign currencies		-	-	-	-	-	-
		<u>29,301,458</u>	<u>19,007</u>	<u>29,320,465</u>	<u>30,174,305</u>	<u>25,298</u>	<u>30,199,603</u>

**11.4.2** General provision includes provision against consumer loans maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by Prudential Regulations issued by the SBP.

**11.4.3** This represents amount transferred to restructuring reserve in accordance with the SBP regulations which allows the Bank to up grade category of classification by one category upon rescheduling / restructuring of classified advances. However, these interim instructions were applicable till 30 June 2010, only for such existing classified advances which were rescheduled / restructured on or after 01 January 2009 and were over due by less than one year at the time of rescheduling / restructuring.

	Note	2010	2009
Rupees in '000'			
<b>11.5 Particulars of write Offs:</b>			
<b>11.5.1</b> Against Provisions	11.4	29	1,246
Directly charged to Profit & Loss account		-	-
		29	1,246
<b>11.5.2</b> Write Offs of Rs. 500,000 and above	11.6	-	1,017
Write Offs of Below Rs. 500,000		29	229
		29	1,246

**11.6 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 31 December 2010 is given in Annexure-1.

**11.7** Market value of securities held as collateral as at 31 December 2010 amounted to Rs. 1,680,105 (thousand) {2009: Rs. 1,698,387 (thousand)}. These are secured against Pakistan Investment Bonds with maturities upto 26 December 2011 at the rate ranging from 8.00% to 11.00% per annum (2009: 12.40% per annum).



	Note	2010	2009
Rupees in '000'			
<b>11.8 Particulars of Loans And Advances To Directors, Associated Companies, etc.</b>			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		880,483	763,312
Loans granted during the year		612,035	250,168
Repayments received during the year		(161,826)	(132,997)
Balance at end of year	11.8.1	1,330,692	880,483
Debts due by managed modaraba			
Balance at beginning of year		973,315	1,041,116
Loans granted during the year		2,882,886	4,091,171
Repayments received during the year		(2,914,576)	(4,158,972)
Balance at end of year		941,625	973,315
		<u>2,272,317</u>	<u>1,853,798</u>

**11.8.1** These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Group.

## 12. Operating Fixed Assets

	Note	2010	2009
Rupees in '000'			
Capital work-in-progress	12.1	53,694	68,236
Property and equipment	12.2	3,480,966	3,359,031
		<u>3,534,660</u>	<u>3,427,267</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		16,940	38,166
Premises		30,070	30,070
Software		6,684	-
		<u>53,694</u>	<u>68,236</u>

## 12.2 Property and equipment

2010

	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at December 31 2010	Rate of depreciation %	
	Opening balance as at January 01, 2010	Additions	(Deletions)	Closing balance as at December 31, 2010	Opening balance as at January 01, 2010	Charge for the year			(Deletions)
Rupees in '000'									
<b>Owned Assets</b>									
Free hold land	1,183,532	-	-	1,183,532	-	-	-	1,183,532	-
Buildings on free hold land	1,524,204	74,829	-	1,599,033	74,054	70,423	-	144,477	5
Furniture, fixture and office equipment	1,346,786	305,266	(6,036)	1,646,016	742,060	214,768	(4,845)	951,983	10-33.33
Vehicles	135,127	63,648	(7,758)	191,017	28,066	32,202	(7,419)	52,849	20
	<u>4,189,649</u>	<u>443,743</u>	<u>(13,794)</u>	<u>4,619,598</u>	<u>844,180</u>	<u>317,393</u>	<u>(12,264)</u>	<u>1,149,309</u>	<u>3,470,289</u>
<b>Assets held under finance lease</b>									
Furniture, fixture and office equipment	-	-	-	-	-	-	-	-	20
Vehicles	47,089	5,710	(11,517)	41,282	33,527	6,378	(9,300)	30,605	20
	<u>47,089</u>	<u>5,710</u>	<u>(11,517)</u>	<u>41,282</u>	<u>33,527</u>	<u>6,378</u>	<u>(9,300)</u>	<u>30,605</u>	<u>10,677</u>
	<u>4,236,738</u>	<u>449,453</u>	<u>(25,311)</u>	<u>4,660,880</u>	<u>877,707</u>	<u>323,771</u>	<u>(21,564)</u>	<u>1,179,914</u>	<u>3,480,966</u>

2009

	COST / REVALUED AMOUNT			DEPRECIATION			Book value as at December 31 2009	Rate of depreciation %	
	Opening balance as at January 01, 2009	Additions	(Deletions)/ Transfer	Closing balance as at December 31, 2009	Opening balance as at January 01, 2009	Charge for the year			(Deletions)/ Transfer adjustment
Rupees in '000'									
<b>Owned Assets</b>									
Free hold land	1,183,532	-	-	1,183,532	-	-	-	1,183,532	-
Buildings on free hold land	1,436,603	87,601	-	1,524,204	-	74,054	-	1,450,150	5
Furniture, fixture and office equipment	1,068,348	284,045	(10,804) 5,197*	1,346,786	548,745	196,570	(8,452) 5,197*	742,060	10-33.33
Vehicles	92,805	62,801	(29,657) 9,178*	135,127	12,687	23,088	(16,887) 9,178*	28,066	20
	<u>3,781,288</u>	<u>434,447</u>	<u>(26,086)</u>	<u>4,189,649</u>	<u>561,432</u>	<u>293,712</u>	<u>(10,964)</u>	<u>844,180</u>	<u>3,345,469</u>
<b>Assets held under finance lease</b>									
Furniture, fixture and office equipment	5,197	-	(5,197)*	-	1,608	1,040	(5,197)* 2,549	-	20
Vehicles	59,192	-	(2,925) (9,178)*	47,089	38,111	9,095	(1,952) (9,178)* (2,549)	33,527	20
	<u>64,389</u>	<u>-</u>	<u>(17,300)</u>	<u>47,089</u>	<u>39,719</u>	<u>10,135</u>	<u>(16,327)</u>	<u>33,527</u>	<u>13,562</u>
	<u>3,845,677</u>	<u>434,447</u>	<u>(43,386)</u>	<u>4,236,738</u>	<u>601,151</u>	<u>303,847</u>	<u>(27,291)</u>	<u>877,707</u>	<u>3,359,031</u>

\*These represent leased vehicles and equipment transferred to owned assets on completion of finance lease.

### 12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	Profit	Mode of disposal	Particulars of purchasers
.....Rupees in '000'.....						
Mitsubishi Lancer	899	360	800	440	Auctioned	Main Shakeel Ahmed
Honda City	841	294	425	131	As per policy	Shaheen Nazar Qureshi Ex- employee
Suzuki Cultus	590	305	680	375	Insurance Claim	United Insurance Company
Honda City	872	378	407	29	As per policy	Haji Muhammad Asalam
Altis	1,309	-	1,137	1,137	Auctioned	Mani Motors
Toyota Corolla	1,283	-	455	455	As per policy	Safdar Javed Syed - Chairman
Toyota Hilux	2,090	-	800	800	Insurance Claim	Premier Insurance Company
Suzuki Cultus	657	339	509	170	Auctioned	Agros Enterprises
	<u>8,541</u>	<u>1,676</u>	<u>5,213</u>	<u>3,537</u>		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	16,770	2,071	9,061	6,990		
Minor Write Offs	-	-	-	-		
<b>2010</b>	<u>25,311</u>	<u>3,747</u>	<u>14,274</u>	<u>10,527</u>		
<b>2009</b>	<u>43,386</u>	<u>16,095</u>	<u>26,439</u>	<u>10,344</u>		

**12.2.2** Freehold land and buildings on freehold land were revalued on 31 December 2008 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs.721,519 thousand and Rs.262,792 thousand in respect of freehold land and buildings on free hold land respectively. Detailed particulars are as follows:

Particulars	Depreciated Cost Rupees in '000'	Revalued Amount Rupees in '000'
Freehold land	462,013	1,183,532
Buildings on freehold land	1,173,811	1,436,603

**12.2.3** Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2010 Rupees in '000'	2009 Rupees in '000'
Freehold land	462,013	462,013
Buildings on freehold land	1,214,326	1,198,956

**12.2.4** The gross carrying amount of fully depreciated assets that are still in use is Rs. 126,502 thousand (2009: Rs. 119,828 thousand).

	Note	2010 Rupees in '000'	2009 Rupees in '000'
<b>13. Deferred Tax Asset</b>			
<b>Taxable temporary difference:</b>			
-Accelerated tax depreciation		(38,929)	(279,591)
-Revaluation surplus on operating fixed assets	24.1	(72,912)	(76,749)
<b>Deductible temporary difference:</b>			
-Deficit on available for sale securities	24.2	68,363	82,934
-Loan loss provision		10,396,889	10,358,528
-Provision for diminution in the available for sale securities		-	-
-Others	13.2	3,710,283	1,836,024
		<u>14,063,694</u>	<u>11,921,146</u>

**13.1** The management based on the future projections expects that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences.

**13.2** This includes deductible temporary difference on business loss amounting to Rs. 3,716,590 thousand (2009: 1,835,607 thousand).

### 13.3 Reconciliation of deferred tax

	Balance As 01 January 2009	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2009	Recognized in profit and loss account	Recognized in equity	Balance as at 31 December 2010
				Rupees	in	'000'	
<b>Taxable temporary differences:</b>							
- Accelerated tax depreciation	(226,488)	(53,103)	-	(279,591)	240,662	-	(38,929)
- Revaluation surplus on operating fixed assets	(52,667)	4,039	(28,121)	(76,749)	3,837	-	(72,912)
<b>Deductible temporary differences:</b>							
- Deficit on available for sale securities	894,047	-	(811,113)	82,934	-	(14,571)	68,363
- Loan loss provision	7,686,923	2,671,605	-	10,358,528	38,361	-	10,396,889
- Provision for diminution in the available for sale securities	82,812	(82,812)	-	-	-	-	-
- Others	3,535	1,832,489	-	1,836,024	1,874,259	-	3,710,283
	<b>8,388,162</b>	<b>4,372,218</b>	<b>(839,234)</b>	<b>11,921,146</b>	<b>2,157,119</b>	<b>(14,571)</b>	<b>14,063,694</b>

	Note	2010	2009
		Rupees in '000'	
<b>14. Other Assets</b>			
Income/mark-up accrued in local currency		3,717,178	2,816,924
Profit paid in advance on pehlay munafa scheme		177,095	294,717
Advances, deposits, advance rent and other prepayments		100,608	138,466
Advance taxation (payments less provisions)		1,154,383	1,140,154
Non-banking assets acquired in satisfaction of claims	14.1	4,142,920	954,202
Branch adjustment account		311,964	344,755
Stock of stationary		26,668	35,709
Suspense account		451	25
Excise duty recoverable		1,091	1,092
Recoverable from NIT	14.2	36,790	36,790
Claim for recovery of shares	14.3	18,570	18,570
Unrealized gain on revaluation of foreign contracts		42	1,271
Others	14.4	100,374	54,783
		<b>9,788,134</b>	<b>5,837,458</b>
Less provision against:			
Excise duty recoverable		(1,091)	(1,092)
Recoverable from NIT		(36,790)	(36,790)
Fraud and forgeries	14.4	(9,783)	(10,101)
Claim for recovery of shares		(18,570)	(18,570)
	14.5	<b>(66,234)</b>	<b>(66,553)</b>
Other assets - net of provision		<b>9,721,900</b>	<b>5,770,905</b>

**14.1** The market value of properties acquired in satisfaction of claims approximates their carrying value.

**14.2** This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been fully provided for.

**14.3** This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries, fraudulently and unlawfully withdrawn by M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited (LSE). The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan for recovery of the said shares.

The Bank has also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings. The case has been transferred to National Accountability Bureau (NAB) and NAB authorities are in the process of recovery. As a matter of prudence though without prejudice to the Bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has been fully provided for by the Bank.

**14.4** This includes the amount of Rs 14,867 (thousand) {2009: 10,695 (thousand)} relating to fraud and forgeries against which a provision of Rs 9,783 (thousand) {2009: 10,101 (thousand)} thereon has been made.

	Note	2010 Rupees in '000'	2009
<b>14.5 Provision against other assets</b>			
Opening balance		66,553	66,555
Charge for the year		-	-
Amount write off		(319)	(2)
Closing balance		<u>66,234</u>	<u>66,553</u>
<b>15. Contingent assets</b>			
Contingent assets		<u>Nil</u>	<u>Nil</u>
<b>16. Bills payable</b>			
In Pakistan		581,100	875,618
Outside Pakistan		-	-
		<u>581,100</u>	<u>875,618</u>
<b>17. Borrowings</b>			
In Pakistan		11,526,783	13,983,937
Outside Pakistan		-	56,077
		<u>11,526,783</u>	<u>14,040,014</u>
<b>17.1 Particulars of borrowings with respect to Currencies</b>			
In local currency		11,526,783	13,983,937
In foreign currencies		-	56,077
		<u>11,526,783</u>	<u>14,040,014</u>
<b>17.2 Details of borrowings Secured / Unsecured</b>			
<b>Secured</b>			
Borrowings from SBP:			
-Export refinance (ERF)	17.2.1	4,798,299	4,585,528
-Long term financing - export oriented projects (LTF-EOP)	17.2.2	999,119	1,496,582
-Long term financing facility (LTFF)	17.2.2	644,120	220,857
Repurchase agreement borrowings	17.2.3	5,085,245	7,680,970
		<u>11,526,783</u>	<u>13,983,937</u>
<b>Unsecured</b>			
Overdrawn nostro accounts		-	56,077
		<u>11,526,783</u>	<u>14,040,014</u>
<b>17.2.1</b>	These are secured against the Bank's cash and security balances held with the SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 8.0% to 9.0% per annum (2009: 6.0% to 8.0% per annum). Maturity of the borrowing is upto June 2011.		
<b>17.2.2</b>	This amount is due to the SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with the SBP, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP.		
<b>17.2.3</b>	These are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 12.6% to 13.22% per annum (2009: 11.00% to 12.00% per annum) maturing on various dates latest by 28 March 2011.		

2010                      2009  
Rupees in '000'

**18. Deposits and other accounts**

**Customers**

Fixed deposits	<b>96,752,700</b>	90,596,230
Savings deposits	<b>75,625,569</b>	65,534,922
Current Accounts - Non-remunerative	<b>30,231,671</b>	26,116,739
Sundry deposits, margin accounts, etc.	<b>1,467,019</b>	1,311,926

**204,076,959**                      183,559,817

**Financial Institutions**

Remunerative deposits	<b>3,090,511</b>	5,848,985
Non-remunerative deposits	<b>1,009,432</b>	1,449,285

**4,099,943**                      7,298,270

**208,176,902**                      190,858,087

**18.1 Particulars of deposits**

In local currency	<b>204,880,437</b>	189,598,834
In foreign currencies	<b>3,296,465</b>	1,259,253

**208,176,902**                      190,858,087

**19. Liabilities Against Assets Subject To Finance Lease**

	2010			2009		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000'			Rupees in '000'		
Not later than one year	6,609	1,479	5,130	8,269	1,875	6,394
Later than one year and not later than five years	9,511	754	8,757	14,818	1,305	13,513
	<b>16,120</b>	<b>2,233</b>	<b>13,887</b>	<b>23,087</b>	<b>3,180</b>	<b>19,907</b>

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 14.62% to 15.87% per annum (2009: 14.90% to 15.35% per annum). The Bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Year	2010	2009
	Rupees in '000'	
2010	-	8,269
2011	<b>6,609</b>	5,957
2012	<b>5,204</b>	8,861
2013	<b>1,494</b>	-
2014	<b>1,495</b>	-
2015	<b>1,318</b>	-
	<b>16,120</b>	23,087
Less: Financial charges for the future periods	<b>2,233</b>	3,180
	<b>13,887</b>	19,907

	Note	2010	2009
Rupees in '000'			
<b>20. Other Liabilities</b>			
Mark-up/ return/ interest payable in local currency		3,553,109	3,399,812
Mark-up/ return/ interest payable in foreign currency		9,279	470
Compensation payable on share deposit money		329,498	732,847
Accrued expenses		159,362	55,240
Unclaimed dividends		2,686	2,696
Payable to gratuity fund	37.1.1	95,370	49,863
Provision for employees compensated absences	37.1.2	184,041	164,352
Provision against off-balance sheet obligations	20.1	741,488	1,488
Others		148,319	293,801
		<b>5,223,152</b>	<b>4,700,569</b>

#### 20.1 Provision against off-balance sheet obligations

Opening balance	1,488	1,488
Charge for the year	740,000	-
Closing balance	<b>741,488</b>	<b>1,488</b>

#### 21. Share Capital

##### 21.1 Authorized Capital

2010	2009		2010	2009
Number	Number		Rupees in '000'	
<b>5,000,000,000</b>	1,000,000,000	Ordinary shares of Rs. 10 each	<b>50,000,000</b>	10,000,000

##### 21.2 Issued, subscribed and paid up share capital

2010	2009	Ordinary shares of Rs. 10 each	2010	2009
Number	Number		Rupees in '000'	
<b>Balance as at January 01</b>				
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>528,797,376</b>	528,797,376		<b>5,287,974</b>	5,287,974
<b>Issued during the year</b>				
-	-		-	-
-	-		-	-
<b>Closing balance</b>				
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
509,464,036	509,464,036	Issued as bonus shares	5,094,641	5,094,641
<b>528,797,376</b>	528,797,376		<b>5,287,974</b>	5,287,974

21.3 Government of the Punjab (GOPb) held 51% shares in the Bank as at 31 December 2010 (2009: 51 %).

	Note	2010	2009
		Rupees in '000'	
<b>22. Reserves</b>			
Statutory reserve	22.1	-	-
Share premium reserve		37,882	37,882
Restructuring reserve	22.2	1,974,610	535,897
		<u>2,012,492</u>	<u>573,779</u>
<b>22.1</b>	In accordance with the Banking Companies Ordinance, 1962, the Bank is required to transfer twenty percent of its profits each year to statutory reserve fund until the amount in such fund equals to the paid up share capital of the Bank. Appropriation to statutory reserve has not been made as the Bank has suffered loss during the year.		
<b>22.2</b>	This represents the effect of the up gradation of category of classification upon rescheduling / restructuring of classified loans and advances in accordance with the BSD Circular No. 10 dated 20 October 2009.		
<b>23. SHARE DEPOSIT MONEY</b>			
	The Bank has received Rs.10,000,000 (thousand) from the Government of the Punjab (GOPb) as advance subscription money as explained in Note 1.2. Return on share deposit money is payable at the rate equal to 3 months weighted average T-Bill rate applicable during the period.		
<b>24. Surplus on Revaluation of Assets</b>			
Surplus on revaluation of fixed assets	24.1	856,928	864,055
Deficit on revaluation of investments - Available for sale securities	24.2	(135,935)	(219,026)
		<u>720,993</u>	<u>645,029</u>
<b>24.1 Surplus on revaluation of operating fixed assets</b>			
As on 01 January		984,311	984,311
Incremental depreciation			
-Opening balance		(43,507)	(20,778)
-Adjustment during the year		-	(11,188)
-Transferred to accumulated loss in respect of incremental depreciation charge during the year-net of tax		(7,127)	(7,502)
-Related deferred tax liability		(3,837)	(4,039)
Accumulated incremental depreciation		<u>(54,471)</u>	<u>(43,507)</u>
As on 31 December		929,840	940,804
Less: Related deferred tax liability			
-Opening balance		(76,749)	(52,667)
-Adjustment during the year		-	(28,121)
-Deferred tax recorded during the year		3,837	4,039
-Closing balance	13	<u>(72,912)</u>	<u>(76,749)</u>
		<u>856,928</u>	<u>864,055</u>
<b>24.2 Deficit on revaluation of investments - available for sale securities</b>			
Federal Government securities		(348,549)	(20,082)
Quoted securities		184,634	(7,880)
NIT Units		-	(120,763)
Mutual Fund Units		(43,491)	(152,301)
Term Finance Certificates		3,108	(934)
	10.1	<u>(204,298)</u>	<u>(301,960)</u>
Less:			
Related Deferred Tax assets	13	68,363	82,934
		<u>(135,935)</u>	<u>(219,026)</u>



## 25. Contingencies and Commitments

### 25.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2010	2009
	Rupees in '000'	
- Financial institutions	-	-
- Others	853,542	3,162,896
	<u>853,542</u>	<u>3,162,896</u>

### 25.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

	2010	2009
	Rupees in '000'	
- Government	76,136	2,137,378
- Financial institutions	65,383	230,664
- Others	12,835,832	12,703,017
	<u>12,977,351</u>	<u>15,071,059</u>

### 25.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of :

- Government	727,045	1,656,409
- Financial institutions	470	17,778
- Others	10,956,683	7,850,702
	<u>11,684,198</u>	<u>9,524,889</u>

### 25.4 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Inland Revenue Appeals {(CIT (A))}. CIT (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank and the Department has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the order of CIT (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,727 thousand. The management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

The Company's assessments, except for the assessment year 1995-96 and 1996-97, have been finalised upto assessment year 2002-03. The Taxation Officer issued notices for finalisation of the set-aside assessment for the assessment years 1995-96 and 1996-97, which were complied with but the orders have not yet been received.

Returns filed by the Company for tax years 2003 to 2009 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2011.

### 25.5 Corporate compliance

The Registrar Modaraba Companies and Modarabas (the Registrar), vide order dated 27 August 2009, has imposed penalty of Rs. 150 (thousand) each on the Ex-Chief Executive, one Ex-Director, one existing Director and the Company through its Chief Executive due to violation of certain provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981. The Company has filed an appeal before the Appellate Bench Securities and Exchange Commission of Pakistan, which is pending adjudication.

### 25.6 Other Contingencies

Claims against the Group not acknowledged as debts	<u>12,677,637</u>	<u>4,877,227</u>
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### 25.7 Commitments in respect of forward exchange contracts

Purchase	1,364,614	546,671
Sale	1,138,760	756,899
	<u>2,503,374</u>	<u>1,303,570</u>

### 25.8 Commitments for the acquisition of operating fixed assets

	<u>4,707</u>	<u>28,422</u>
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	Note	2010 Rupees in '000'	2009
<b>26. Mark-up/Return/Interest earned</b>			
a) On loans and advances to:			
i) Customers		12,046,843	11,698,388
ii) Financial institutions		9,221	4,550
b) On Investments in:			
i) Available for sale securities		5,499,268	3,006,168
ii) Held to maturity securities		250,324	250,700
c) On Deposits with financial institutions		64,327	68,321
d) On securities purchased under resale agreements		347,600	612,574
		<u>18,217,583</u>	<u>15,640,701</u>
<b>27. Mark-up/Return/Interest expensed</b>			
Deposits		16,077,846	17,527,998
Return on share deposit money		1,228,681	732,847
Securities sold under repurchase agreements		1,272,743	677,850
Other short term borrowings		222,372	83,799
		<u>18,801,642</u>	<u>19,022,494</u>
<b>28. Gain / (Loss ) on sale and redemption of securities</b>			
NIT Units		(31,069)	-
Federal Government securities		4,145	11,336
Mutual funds units		97,047	(139,891)
Listed securities		219,922	4,317
Unlisted term finance certificates		3,258	-
		<u>293,303</u>	<u>(124,238)</u>
<b>29. Other Income</b>			
Rent on lockers		26,686	19,401
Net profit on sale of property and equipment	12.2.1	10,527	10,344
Service charges		164,695	234,414
Others		271,147	254,394
		<u>473,055</u>	<u>518,553</u>
<b>30. Administrative Expenses</b>			
Salaries, allowances, etc.		1,766,095	1,515,907
Contribution to defined contribution plans		71,324	62,093
Provision for gratuity	37.1.1	45,507	49,863
Provision for compensated absences	37.1.2	21,717	23,617
Non-executive directors' fees	38	2,175	2,275
Taxes, insurance, electricity, etc.		159,699	130,569
Legal and professional charges		25,290	44,462
Communications		93,452	91,737
Repairs and maintenance		74,409	69,673
Rent for bank premises	30.1	198,649	162,346
Finance charge on leased assets		2,332	3,395
Stationery and printing		77,973	76,700
Advertisement and publicity		18,575	16,427
Auditors' remuneration	30.2	5,423	5,039
Depreciation	12.2	323,771	303,847
Amortization on intangible assets		-	7,512
Traveling		43,073	43,561
Vehicle expenses		179,854	136,766
Cash remittance charges		35,184	32,477
Bank charges		81,204	75,228
Others		209,343	184,863
		<u>3,435,049</u>	<u>3,038,357</u>

### 30.1 Operating lease

Operating lease rentals are charged in profit and loss account on a time proportion basis over the term of lease agreements.

	Note	2010	2009
		Rupees in '000'	
<b>30.2 Auditors' remuneration</b>			
Audit fee		1,750	1,750
Fee for audit of subsidiary - Hameed Chaudhary & Co.		58	50
Special certifications, half yearly review and others		1,955	1,634
Out-of-pocket expenses		1,660	1,605
		<u>5,423</u>	<u>5,039</u>
<b>31. Other charges</b>			
Penalties imposed by SBP		<u>1,605</u>	<u>794</u>
<b>32. Taxation</b>			
<b>For the year</b>			
Current		-	-
Deferred		(2,157,119)	(4,372,218)
		<u>(2,157,119)</u>	<u>(4,372,218)</u>
<b>For the prior year</b>			
Current	32.2	1,461	78,491
Deferred		-	(11,188)
		<u>1,461</u>	<u>67,303</u>
		<u>(2,155,658)</u>	<u>(4,304,915)</u>

**32.1** The Group has suffered a loss during the year, therefore, numerical reconciliation between tax expense and accounting profit has not been presented.

**32.2** The Company's Tax Advisors have certified total refunds due from the Tax Department aggregate Rs. 6,338, (thousand) so reversal amounting to Rs. 1,461 (thousand) is incorporated in these consolidated financial statements to reconcile income tax refundable with Tax Department.

	Note	2010	2009
		Rupees in '000'	
<b>33 Basic Loss Per Share</b>			
<b>Basic loss per share - after tax</b>			
Loss for the year - Rupees in thousand		<u>(4,046,554)</u>	<u>(10,094,677)</u>
Weighted average number of ordinary shares - Number		<u>528,797,376</u>	<u>528,797,376</u>
Basic loss per share - after tax - Rupees		<u>(7.65)</u>	<u>(19.09)</u>
<b>34. Diluted Loss Per Share</b>			
There is no dilution effect on basic earnings per share.			
<b>35. Cash and cash equivalents</b>			
Cash and Balances with Treasury Banks	7	14,069,601	13,043,705
Balance with other banks	8	3,276,234	2,185,782
Overdrawn nostro accounts	17	-	(56,077)
		<u>17,345,835</u>	<u>15,173,410</u>
		2010	2009
		Number	
<b>36. Staff strength</b>			
Permanent		3,604	3,475
Temporary/on contractual basis		861	805
Deputed staff		1	1
Bank's own staff strength at the end of the year		<u>4,466</u>	<u>4,281</u>
Outsourced		-	-
Total Staff Strength		<u>4,466</u>	<u>4,281</u>
<b>37. Employees benefits</b>			
<b>37.1 Defined benefit plans</b>			
<b>37.1.1 Gratuity</b>			

The Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof subject to minimum of five years of service. The Bank makes annual provision in the consolidated financial statements for its liabilities on the basis of actuarial valuation.

#### Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.8.2 to these financial statements.

	2010	2009
	Rupees in '000'	
<b>Reconciliation of payable to defined benefit plan</b>		
Present value of defined benefit obligation	129,422	87,196
Fair value of any plan assets	(38,463)	(37,333)
Benefit payments payable	4,411	-
	<b>95,370</b>	<b>49,863</b>
<b>Movement in payable to defined benefit plan</b>		
Opening balance	49,863	37,042
Charge for the year	45,507	49,863
Contribution made	-	(37,042)
	<b>95,370</b>	<b>49,863</b>
<b>Changes in present value of defined benefit obligations</b>		
Opening balance	87,196	37,042
Current service cost	51,460	44,281
Interest cost	10,462	4,445
Benefit payable	(4,411)	-
Benefit paid	(2,145)	(227)
Actuarial (gain) / loss	(13,140)	1,655
	<b>129,422</b>	<b>87,196</b>
<b>Changes in fair value of plan assets</b>		
Opening balance	37,333	-
Expected return on plan assets	4,480	-
Contributions made	-	37,042
Benefits paid	(2,145)	(227)
Actuarial (loss) / gain	(1,205)	518
	<b>38,463</b>	<b>37,333</b>
<b>Charge for defined benefit plan</b>		
Current service cost	51,460	44,281
Interest cost	10,462	4,445
Expected return on plan assets	(4,480)	-
Actuarial gains and losses recognized	(11,935)	1,137
	<b>45,507</b>	<b>49,863</b>
<b>Actual return on plan assets</b>	<b>3,275</b>	<b>518</b>
<b>Composition of fair value of plan assets</b>		
NIT Government Bond Fund	28,009	25,334
Cash at bank	10,454	11,999
	<b>38,463</b>	<b>37,333</b>

### 37.1.2 Compensated absences

The Bank makes annual provision in the consolidated financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used "Projected Unit Credit Method" for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days are ignored.

#### Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.8.3 to these consolidated financial statements.

	2010	2009
	Rupees in '000'	
<b>Present value of defined benefit obligations</b>	<b>184,041</b>	164,352
<b>Movement in payable to defined benefit plan</b>		
Opening balance	164,352	142,518
Charge for the year	21,717	23,617
Benefit paid	(2,028)	(1,783)
Closing balance	<b>184,041</b>	164,352
<b>Charge for defined benefit plan</b>		
Current service cost	16,478	17,812
Interest cost	19,668	21,377
Actuarial gains recognised	(14,429)	(15,572)
	<b>21,717</b>	23,617

**Reconciliation of net liability recognized for compensated absences for the five years are as follows:**

	2010	2009	2008	2007	2006
	Rupees in '000'				
Opening net liability	164,352	142,518	115,594	93,804	74,149
Net charge for the year	19,689	21,834	26,924	21,790	19,655
	<b>184,041</b>	164,352	142,518	115,594	93,804

### 38. Compensation of directors and executives

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Chief Executive Officer, Directors and Executives of the Group was as follows:

	Chairman		President/ Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009	2010	2009
Rupees in '000'								
Fees	-	-	-	-	2,175*	2,275*	-	-
Managerial remuneration	321	882	14,268	14,268	-	-	182,543	115,434
Bonus **	-	207	2,378	2,378	-	-	29,356	18,718
Contribution to defined contribution plan	-	-	-	-	-	-	82	79
Rent and house maintenance	-	-	1,332	1,332	-	-	69,294	42,454
Utilities	-	-	1,200	1,200	-	-	17,561	10,912
Medical	-	-	-	-	-	-	17,387	10,611
Other allowances	-	846	1,000	-	-	-	11,759	1,585
	<u>321</u>	<u>1,935</u>	<u>20,178</u>	<u>19,178</u>	<u>2,175</u>	<u>2,275</u>	<u>327,982</u>	<u>199,793</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>14</u>	<u>10</u>	<u>208</u>	<u>138</u>

\* This represents the fee paid to non-executive directors for attending the Board meetings.

\*\* This represents regular bonus paid to staff on eve of Eids as per the Group's policy.

President/Chief Executive Officer and Executives are provided with free use of the Group's maintained cars.

In addition to the above, contribution to defined contribution and benefits plans have been made in accordance with the Group's policy.

Executive means officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

### 39. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2010		2009	
	Book value	Fair value	Book value	Fair value
Rupees in '000'				
<b>On balance sheet financial instruments</b>				
<b>Assets</b>				
Cash and balances with treasury banks	14,069,601	14,069,601	13,043,705	13,043,705
Balances with other banks	3,276,234	3,276,234	2,185,782	2,185,782
Lendings to financial institutions	7,309,587	7,309,587	1,053,550	1,053,550
Investments - net	56,359,404	55,975,785	57,923,172	57,480,863
Advances - net	120,796,694	120,796,694	121,303,368	121,303,368
Other assets	4,119,775	4,119,775	3,207,632	3,207,632
	<u>205,931,295</u>	<u>205,547,676</u>	<u>198,717,209</u>	<u>198,274,900</u>
<b>Liabilities</b>				
Bills payable	581,100	581,100	875,618	875,618
Borrowings	11,526,783	11,526,783	14,040,014	14,040,014
Deposits and other accounts	208,176,902	208,176,902	190,858,087	190,858,087
Liabilities against assets subject to finance lease	13,887	13,887	19,907	19,907
Other liabilities	5,223,152	5,223,152	4,700,569	4,700,569
	<u>225,521,824</u>	<u>225,521,824</u>	<u>210,494,195</u>	<u>210,494,195</u>
<b>Off balance sheet financial instruments</b>				
Forward sale of foreign exchange contracts	1,138,760	1,135,062	756,899	752,504
Forward purchase of foreign exchange contracts	1,364,614	1,350,030	546,671	544,460

#### Investments

All quoted investments have been stated at their market values except securities classified as held to maturity, which have been valued at their amortized cost. These held to maturity securities have market value of Rs.1,768,014 (thousand) {2009: Rs. 2,298,802 (thousand)}. All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

#### Advances

Fair value of advances can not be determined with reasonable accuracy due to absence of current and active market. Advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations by the SBP.

### Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Carrying values of deposits other than long term fixed deposits approximate their fair values as they are short term in nature or are frequently repriced.

### Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

## 40. Segment Details with respect to business activities

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
Rupees in '000'						
<b>2010</b>						
Total income	7,025,486	1,103,814	11,541,211	357,434	75,084	20,103,029
Total expenses	6,334,556	2,851,201	17,029,789	74,124	15,571	26,305,241
Income taxes	-	-	-	-	-	(2,155,658)
Net income / (loss)	690,930	(1,747,387)	(5,488,578)	283,310	59,513	(4,046,554)
Segment assets (gross)	82,823,069	8,178,226	155,802,262	-	-	246,803,557
Segment non performing loans / investments	3,316,883	2,512,493	74,881,435	-	-	80,710,811
Segment provision required	3,316,883	1,066,010	28,254,455	-	-	32,637,348
Segment liabilities	13,703,087	33,850,281	177,968,456	-	-	225,521,824
Segment return on net assets (ROA) (%)	11.75%	21.46%	16.93%	-	-	-
Segment cost of funds (%)	12.52%	9.81%	10.61%	-	-	-
<b>2009</b>						
Total income	4,988,321	1,300,037	11,094,939	404,186	71,967	17,859,450
Total expenses	2,934,514	3,750,961	25,492,483	68,777	12,307	32,259,042
Income taxes	-	-	-	-	-	(4,304,915)
Net income / (loss)	2,053,807	(2,450,924)	(14,397,544)	335,409	59,660	(10,094,677)
Segment assets (gross)	74,533,931	8,767,041	151,880,329	-	-	235,181,301
Segment non performing loans / investments	1,044,397	2,940,910	74,401,475	-	-	78,386,782
Segment provision required	1,044,397	1,196,079	29,003,524	-	-	31,244,000
Segment liabilities	12,961,163	31,713,209	165,819,823	-	-	210,494,195
Segment Return on net Assets (ROA) (%)	16.53%	23.98%	15.66%	-	-	-
Segment cost of funds (%)	10.27%	10.93%	11.46%	-	-	-



#### 41. Related Party Transactions

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 38.

	2010	2009
	Rupees in '000'	
<b>First Punjab Modaraba</b>		
<b>(Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
Advances		
Outstanding at beginning of the year	973,315	1,041,116
Loans granted during the year	2,882,886	4,091,171
Repayments received during the year	(2,914,576)	(4,158,972)
Outstanding at the end of the year	<u>941,625</u>	<u>973,315</u>
Provision for doubtful debts	-	-
Mark-up/return earned	<u>131,840</u>	<u>144,960</u>
Deposits in current account	<u>27,174</u>	<u>7</u>
Placement		
Outstanding at beginning of the year	300,000	300,000
Made during the year	300,000	1,200,000
Repaid/matured during the year	(300,000)	(1,200,000)
Outstanding at the end of the year	<u>300,000</u>	<u>300,000</u>
Mark-up/return earned	<u>39,284</u>	<u>43,562</u>
Lease liability		
Outstanding at beginning of the year	19,907	30,632
Lease contracts entered into during the year	6,236	-
Repayments	(12,256)	(10,725)
Outstanding at the end of the year	<u>13,887</u>	<u>19,907</u>
Security deposit receivable in respect of leases	-	-
<b>Key Management Personnel</b>		
Deposits		
Opening balances	13,006	5,956
Received during the year	228,748	137,316
Withdrawal during the year	(229,131)	(130,266)
Closing Balances	<u>12,623</u>	<u>13,006</u>
Mark-up / interest Expensed	<u>343</u>	<u>215</u>
<b>Bankers Avenue Co-operative Housing Society</b>		
<b>(A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	<u>14,728</u>	<u>23,921</u>
<b>Contribution to Employees Provident Fund</b>	<u>54,012</u>	<u>46,725</u>

Although Government of the Punjab (GOPb) holds 51% shares of the Bank (2009: 51%) transactions with GOPb have not been treated as related party transactions for the purpose of this disclosure.

## 42. Capital Adequacy

### 42.1 Scope of application

The Bank is the only entity in the Group to which Basel II capital adequacy framework applies. The Bank has only one subsidiary; Punjab Modaraba Services (private) Limited, whose financial statements are included in the consolidated financial statements.

### 42.2 Capital adequacy

The Basel II Framework for a capital adequacy is applicable to the Bank both at the consolidated level (including the subsidiary) and also on a stand alone basis. The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

In addition, the SBP requires that the paid up capital of locally incorporated banks should be raised to Rs. 10 billion by 31 December 2013 in a phased manner. The Bank plans to increase its paid up share capital, through right issue, to comply with the aforesaid requirement. The paid-up capital (net of losses) requirement as at 31 December 2010 is Rs. 7 billion. The Bank's paid-up capital (net of losses) as at 31 December 2010 is Rs. 0.93 billion, including share deposit money of Rs. 10 billion deposited by the GOPb.

The SBP requires that banks doing business in Pakistan should maintain regulatory capital for credit, market, and operational risks, the amount of which should at least be equal to 10% of their risk weighted assets. The Group's capital adequacy ratio as at 31 December 2010 is 1.08%. The SBP has given relaxation to the Bank for minimum required CAR as explained in Note 1.2.

The State Bank of Pakistan's regulatory capital as managed by the Bank is analyzed into following tiers:

- Tier I capital, which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which includes general reserve for loan losses, revaluation reserves, exchange translation reserves and subordinated debts.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

The Bank calculates capital requirement as per Basel II regulatory framework, using the following approaches:

Credit risk	Standardised Approach
Market risk	Standardised Approach
Operational risk	Basic Indicator Approach

	2010	2009
	Rupees in '000'	
<b>Tier I Capital</b>		
Paid up capital	5,287,974	5,287,974
Share deposit money	10,000,000	10,000,000
Share premium account	37,882	37,882
Accumulated loss	(14,411,509)	(10,372,082)
	<u>914,347</u>	<u>4,953,774</u>
Deductions:		
Deficit on account of revaluations	204,298	301,960
<b>Total eligible Tier I capital</b>	<u>710,049</u>	<u>4,651,814</u>
<b>Tier II Capital</b>		
General provisions subject to 1.25% of total Risk Weighted Assets	1,638,380	561,195
Revaluation reserve (upto 45%)	324,447	290,263
	<u>1,962,827</u>	<u>851,458</u>
<b>Total eligible Tier II capital</b>	<u>1,962,827</u>	<u>851,458</u>
<b>Tier III Capital</b>	-	-
<b>Total Eligible Capital</b>	<u><u>1,420,098</u></u>	<u><u>5,503,272</u></u>



The Bank has not transferred public issue ratings, issued by PACRA and JCR-VIS, onto comparable assets in the banking book in its calculations, instead ECAI ratings and ECA scores are aligned with risk buckets as determined by the SBP.

#### Credit exposures subject to Standardized Approach:

Risk buckets	Amount Outstanding/ credit equivalent (rated and unrated)	Credit Risk Mitigation (CRM) deduction	Net Amount
----- Rupees in '000'-----			
0%	70,855,425	1,155,033	69,700,392
20%	13,991,101	5,008,103	8,982,998
35%	650,884	-	650,884
50%	17,460,550	3,632,061	13,828,489
75%	1,379,985	187,432	1,192,553
100%	116,033,710	28,659,932	87,373,778
150%	30,438,007	20,249,517	10,188,490
	<b>250,809,662</b>	<b>58,892,078</b>	<b>191,917,584</b>

#### 43.1.1 Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000')	Percent	(Rupees in '000')	Percent	(Rupees in '000')	Percent
Agribusiness	4,669,491	3.11	7,557,599	3.63	-	-
Textile and ginning	45,127,554	30.06	911,569	0.44	2,751,664	10.78
Cement	5,561,542	3.70	13,418	0.01	6,500	0.03
Sugar	5,461,747	3.64	167,580	0.08	325,951	1.28
Financial	1,236,766	0.83	4,099,876	1.97	65,853	0.26
Construction and real estate	11,883,310	7.92	7,112,842	3.42	2,650,818	10.39
Oil and gas	396,204	0.26	2,011,512	0.97	479,133	1.88
Auto & allied	2,062,369	1.37	55,447	0.03	127,839	0.50
Food and allied	4,653,147	3.10	655,229	0.31	149,294	0.59
Chemical and pharmaceuticals	2,861,276	1.91	225,231	0.11	1,094,579	4.29
Fertilizers	2,776,545	1.85	3,610,813	1.73	554,872	2.17
Cable, electrical and engineering	9,716,506	6.47	728,674	0.35	2,313,678	9.07
Production and transmission of energy	3,826,902	2.55	85,955	0.04	4,997,570	19.59
Transport, Storage and Communication	4,181,650	2.79	5,927,887	2.85	463,570	1.82
Government						
- Public Sector Enterprises	749,250	0.50	16,241,017	7.80	5,836,267	22.87
- Federal and Provincial Governments	18,616,063	12.40	104,171,758	50.04	803,181	3.15
Individuals	2,181,172	1.45	35,891,871	17.24	-	-
Trading and commerce	13,726,454	9.14	5,310,444	2.55	632,700	2.48
Services	3,888,083	2.59	4,333,411	2.08	244,875	0.96
Others	6,541,128	4.36	9,064,769	4.35	2,016,747	7.89
	<b>150,117,159</b>	<b>100.00</b>	<b>208,176,902</b>	<b>100.00</b>	<b>25,515,091</b>	<b>100.00</b>

#### 43.1.2 Segment by sector

	2010					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000')	Percent	(Rupees in '000')	Percent	(Rupees in '000')	Percent
Public/ Government	19,365,313	12.90	120,412,775	57.84	6,639,448	26.02
Private	130,751,846	87.10	87,764,127	42.16	18,875,643	73.98
	<b>150,117,159</b>	<b>100.00</b>	<b>208,176,902</b>	<b>100.00</b>	<b>25,515,091</b>	<b>100.00</b>

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

	2010		2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'		Rupees in '000'	
Agribusiness	1,944,227	710,154	2,492,528	803,641
Textile and ginning	28,503,519	11,146,682	23,657,447	12,560,150
Cement	4,337,585	2,303,988	4,479,417	1,724,332
Sugar	1,650,864	624,400	1,689,329	457,532
Financial	1,305,920	255,850	244,817	244,817
Construction and real estate	9,750,324	4,048,372	12,159,356	4,878,158
Oil and gas	146,117	81,103	84,085	83,108
Auto & allied	2,055,688	771,123	1,649,839	762,365
Food and allied	3,052,340	1,532,875	3,216,476	1,502,049
Chemical and pharmaceuticals	448,636	269,394	604,828	115,223
Fertilizers	57,838	19,901	6,942	6,942
Cable, electrical and engineering	5,733,675	808,953	7,419,965	888,578
Production and transmission of energy	2,353,838	455,174	1,682,761	454,622
Transport, Storage and Communication	250,052	196,329	270,300	175,224
Government:				
- Public Sector Enterprises	-	-	1,500,000	-
- Federal and Provincial Governments	-	-	-	-
Individuals	368,655	265,800	244,301	182,399
Trading and commerce	9,509,721	3,510,751	10,289,635	3,325,200
Services	2,374,222	836,843	2,153,892	554,989
Others	3,550,707	1,463,766	3,496,467	1,454,976
	<b>77,393,928</b>	<b>29,301,458</b>	<b>77,342,385</b>	<b>30,174,305</b>

#### 43.1.4 Details of non-performing advances and specific provisions by sector

Public Sector / Government	-	-	1,500,000	-
Private	77,393,928	29,301,458	75,842,385	30,174,305
	<b>77,393,928</b>	<b>29,301,458</b>	<b>77,342,385</b>	<b>30,174,305</b>

#### 43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

### 43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Bank's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

#### 43.2.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Group. To minimize this risk the Group's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Group.

### 43.2.1.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2010

Effective yield / interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years	Above 10 years		
Rupees in '000'												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	14,069,601	570,247	-	-	-	-	-	-	-	-	13,499,354
Balances with other banks	4.58%	3,276,234	750,288	-	-	-	-	-	-	-	-	2,525,946
Lending to financial institutions	12.59%	7,309,587	6,835,145	474,442	-	-	-	-	-	-	-	-
Investments	10.19%	56,359,404	2,115,952	9,826,809	34,338,853	366,370	266,600	600,000	1,280,995	1,750,000	350,000	5,463,825
Advances	7.72%	20,796,694	37,508,008	76,821,221	6,467,465	-	-	-	-	-	-	-
Other assets	-	4,119,775	-	-	5,000	-	-	-	-	-	-	4,114,775
		205,931,295	47,779,640	87,122,472	40,806,318	371,370	266,600	600,000	1,280,995	1,750,000	350,000	25,603,900
<b>Liabilities</b>												
Bills payable	-	581,100	-	-	-	-	-	-	-	-	-	581,100
Borrowings	12.16%	11,526,783	2,918,649	2,166,596	6,441,538	-	-	-	-	-	-	-
Deposits and other accounts	8.41%	208,176,902	15,935,408	106,256,261	19,148,656	30,464,946	2,298,723	951,141	413,559	-	-	32,708,208
Liabilities against assets subject to finance lease	15.24%	13,887	13,887	-	-	-	-	-	-	-	-	-
Other liabilities	-	5,223,152	-	-	-	-	-	-	-	-	-	5,223,152
		225,521,824	18,867,944	108,422,857	25,590,194	30,464,946	2,298,723	951,141	413,559	-	-	38,512,460
<b>On-balance sheet gap</b>		<b>(19,590,529)</b>	<b>28,911,696</b>	<b>(21,300,385)</b>	<b>15,216,124</b>	<b>(30,093,576)</b>	<b>(2,032,123)</b>	<b>(351,141)</b>	<b>867,436</b>	<b>1,750,000</b>	<b>350,000</b>	<b>(12,908,560)</b>
<b>Off-balance sheet financial instruments</b>												
<b>Forward foreign exchange contracts</b>												
- purchase		1,364,614	1,324,826	32,788	7,000	-	-	-	-	-	-	-
- sale		1,138,760	846,417	292,343	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>225,854</b>	<b>478,409</b>	<b>(259,555)</b>	<b>7,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total yield/interest risk sensitivity gap</b>			<b>29,390,105</b>	<b>(21,559,940)</b>	<b>15,223,124</b>	<b>(30,093,576)</b>	<b>(2,032,123)</b>	<b>(351,141)</b>	<b>867,436</b>	<b>1,750,000</b>	<b>350,000</b>	<b>(12,908,560)</b>
<b>Cumulative yield/interest risk sensitivity gap</b>			<b>29,390,105</b>	<b>7,830,165</b>	<b>23,053,289</b>	<b>(7,040,287)</b>	<b>(9,072,410)</b>	<b>(9,423,551)</b>	<b>(8,556,115)</b>	<b>(6,806,115)</b>	<b>(6,456,115)</b>	<b>(19,364,675)</b>

### 43.22 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration.

2010

	Assets	Liabilities	Off-balance sheet items	Net foreign currency
Rupees in '000'				
Pakistan Rupee	227,484,528	222,225,359	(225,854)	5,033,315
United States Dollar	1,205,094	2,237,713	(356,299)	(1,388,918)
Great Britain Pound	73,092	260,481	181,203	(6,186)
Japanese Yen	2,894	-	-	2,894
Euro	351,333	798,271	400,950	(45,988)
Others	14,833	-	-	14,833
	<b>229,131,774</b>	<b>225,521,824</b>	<b>-</b>	<b>3,609,950</b>

### 43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Group that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

### 43.3 Liquidity Risk

**43.3.1** Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Group's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Group manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Group are given significant importance.

#### 43.3.2 Maturities of Assets and Liabilities

	2010									
	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 month and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
	Rupees in '000'									
<b>Assets</b>										
Cash and balances with treasury banks	14,069,601	14,069,601	-	-	-	-	-	-	-	-
Balances with other banks	3,276,234	3,276,234	-	-	-	-	-	-	-	-
Lending to financial institutions	7,309,587	6,835,145	474,442	-	-	-	-	-	-	-
Investments	56,359,404	1,431,688	7,276,620	25,564,668	1,191,899	3,185,790	3,291,366	11,818,832	2,078,314	520,277
Advances	120,796,694	37,533,933	20,762,487	6,367,390	7,705,202	6,204,105	6,129,355	13,470,887	21,380,250	1,243,085
Operating fixed assets	3,534,660	16,125	32,249	48,374	96,748	193,496	193,496	386,992	967,480	1,599,700
Deferred tax assets	14,063,694	-	-	-	-	-	-	14,063,694	-	-
Other assets	9,721,900	4,143,026	192,457	40,789	5,308,709	36,919	-	-	-	-
	229,131,774	67,305,752	28,738,255	32,021,221	14,302,558	9,620,310	9,614,217	39,740,405	24,426,044	3,363,012
<b>Liabilities</b>										
Bills payable	581,100	581,100	-	-	-	-	-	-	-	-
Borrowings	11,526,783	2,918,649	2,166,596	6,441,538	-	-	-	-	-	-
Deposits and other accounts	208,176,902	35,407,483	44,883,336	29,807,093	41,123,383	12,957,160	11,609,578	11,071,996	10,658,437	10,658,436
Liabilities against assets subject to finance lease	13,887	422	860	1,152	1,922	4,026	5,111	394	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	5,223,152	4,903,021	-	-	-	-	-	320,131	-	-
	225,521,824	43,810,675	47,050,792	36,249,783	41,125,305	12,961,186	11,614,689	11,392,521	10,658,437	10,658,436
<b>Net assets</b>	<u>3,609,950</u>	<u>23,495,077</u>	<u>(18,312,537)</u>	<u>(4,228,562)</u>	<u>(26,822,747)</u>	<u>(3,340,876)</u>	<u>(2,000,472)</u>	<u>28,347,884</u>	<u>13,767,607</u>	<u>(7,295,424)</u>
Share capital	5,287,974									
Reserves	2,012,492									
Accumulated loss	(14,411,509)									
	(7,111,043)									
Share deposit money	10,000,000									
	2,888,957									
Surplus on revaluation of assets	720,993									
	<u>3,609,950</u>									

**43.3.3** Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

### 43.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.



**44. Date of authorization for issue**

These consolidated financial statements were authorized for issue on 29 March 2012 by the Board of Directors of the Bank.

**45. General**

**45.1** These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by the SBP vide BSD Circular No. 04 dated 17 February 2006.

**45.2** Figures have been rounded off to the nearest thousand rupees.

**45.3** Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison.

**Chairman**

**President**

**Director**

**Director**

**Statement showing written-off loans or any other financial relief  
of five hundred thousand rupees or above provided  
during the year ended 31 December 2010**

Annexure-I

Rs in '000'

S. No.	Name and address of the borrower	Name of Individuals/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year						Interest /Mark up /Other Charges capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total
				Branch Name	Region	Principal	Interest/Mark up /Other charges capitalized	Interest/markup	Others				
1	Shaheen Gas Company 6-A, Gulshan Colony Boson Road, Multan	1- M. Mushtaq Arif 42000-6773376-3 2- Rana Ihtiaq Ahmed 36302-4386433-6 3- M. Aftab Aziz 36302-4538764-9 4- Shahid Ahmed 36101-0243445-5	1- S/O Ch. Abdul Aziz 2- S/O Rana Abdul Aziz 3- S/O Abdul Aziz 4- S/O Qadeer Ahmed	Hasipur	Bahawalpur	25,925	-	5,263	-	31,188	-	2,368	2,368
2	Tanveer Ahmed 60-Ahmad Block, New Garden Town, Lahore.	Tanveer Ahmed 35202-4409769-3	S/O Sheikh Khurshid Ahmad	LHR (New Garden Town)	Lahore South	33,250	-	8,786	-	42,036	-	1,528	1,528
3	Sardar Muhammad Asif Nakai R/O Mouza Wan Adhan Tehsil Pattoki Distt. Kasur	Sardar Muhammad Asif Nakai, Individual. 35103-4313929-1	Sardar Muhammad Arif Nakai	Renala Khurd	Lahore	24,714	-	2,195	-	26,909	-	867	867
4	Malik Aashiq Awan R/O Mouza Roday Pattoki Distt. Kasur	Malik Aashiq Awan Individual. 35200-2038338-9	Faqeer Ali	Pattoki	Lahore	9,997	-	3,438	-	13,435	-	1,203	1,203
		<b>Total</b>				<b>93,886</b>	<b>-</b>	<b>19,682</b>	<b>-</b>	<b>113,538</b>	<b>-</b>	<b>5,966</b>	<b>5,966</b>

## 1. Ordinary shares / certificates of listed companies and modarabas - at cost

## Held for Trading

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
-	25,000	Arif Habib Securities Limited	-	1,192
50,000	-	Engro Corporation Limited	9,686	-
-	400,000	Jahangir Siddiqui Bank Limited	-	2,141
100,000	25,000	Lucky Cement Limited	7,526	1,658
2,100,000	175,000	National Bank of Pakistan	143,311	12,858
1,000,000	-	Nishat Power Limited	16,206	-
50,000	70,000	Pakistan State Oil	14,831	20,876
-	1,700,000	PTCL-A	-	31,207
			<b>191,560</b>	<b>69,932</b>

## Available for Sale

70,500	-	(Colony) Sarhad Textile Mills Limited	16	-
518,516	-	Abbot Laboratories (Pakistan) Limited	50,815	-
98,000	-	Accord Textile Limited	59	-
12,600	-	Adamjee Floorings*	-	-
28,500	-	Adil Polypropylene Limited	-	-
57,700	-	Adamjee Papers*	-	-
13,700	-	Afsar-Afsar Textile Mills	-	-
13,200	-	Al-Hussany Industries Limited *	-	-
40,500	-	Arag Industries Limited *	-	-
305,287	-	Al- Abbas Sugar Mills Limited	27,567	-
168,647	-	Al-Abbas Cement Ind Limited	1,599	-
243,841	-	Al-Abid Silk Mills Limited	10,158	-
68,500	-	Alif Textile Mills Limited*	-	-
126,844	-	Al-Noor Sugar Mills Limited	3,676	-
77,000	-	Al-Qaim Textile Mills Limited	85	-
134,866	-	Altern Energy Limited	1,482	-
4,500	-	Amazai Textile Mills Limited *	2	-
60,500	-	Apex Fabrics Limited *	-	-
14,504	-	Aruj Garment Accessories Limited	112	-
8,500	-	Asel-Aslo Electronics	-	-
244,000	-	Asim Textile Mills Limited	634	-
7,425,000	-	Askari Bank Limited	140,695	-
36,200	-	Aswan Tentage Limited *	-	-
3,587,638	-	Atlas Bank Limited	9,974	-
5,385	-	Atlas Engineering Limited*	99	-
35,928	-	Atlas Honda Limited	4,452	-
13,377	-	Attock Cement Pak Limited	951	-
125,000	-	Attock Refinery Limited	15,384	-
45,500	-	Awan Textile Mills Limited	-	-
44,500	-	Ayaz Textile Mills Limited	-	-
20,000	-	Azam Textile Mills Limited	32	-
1,100,000	-	Azgard Nine Limited	13,097	-
89,160	-	B. F. Modaraba	356	-
14,000	-	Bahawalpur Textile Mills Limited	-	-
167,500	-	Baluchistan Particle Board Limited	184	-
340,689	-	Baluchistan Wheels Limited	11,004	-
400,000	-	Bank Al-Falah Limited	4,433	-
8,300,000	-	Bank Al-Falah Limited	90,435	-
9,363,519	-	Bank Al-Habib Limited	271,168	-
72,705	-	Bankislami Pak	420	-
231,717	-	Bata Pakistan Limited	165,678	-
57,500	-	Bela Engineering Limited	-	-
623,500	-	Bankers Equity *	-	-
132,220	-	Berger Paints Pakistan Limited	3,082	-
16,000	-	Balochistan Tower*	-	-
206,845	-	Boc (Pak) Limited	26,240	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
100,000	-	Brothers Textile Mills Limited	51	-
190,000	-	Guardian Modaraba*	378	-
18,100	-	Bawany Textile Mills	-	-
37,493	-	Buxly Paints Limited*	652	-
11,000	-	Casspak Industries Limited	-	-
7,500	-	Central Cotton *	-	-
2,000	-	Charsada Sugar	-	-
50	-	Charsada Sugar Pref Shares	-	-
9,400	-	Chilya C. Board*	-	-
2,729,464	-	Cherat Cement Company Limited	32,208	-
17,500	-	Crescent Knitwear	-	-
332,176	-	Clariant Pakistan Limited	55,194	-
325,590	-	Colony Mills Limited	2,387	-
71,829	-	Colony Sugar Mills	606	-
182,456	-	Crescent Fibres Limited	2,427	-
314,853	-	Crescent Jute Proudcnts Limited	394	-
156,000	-	Crescent Spinning Mills Limited	-	-
801,192	-	Crescent Steel & Allied	21,568	-
224,374	-	Crescent Sugar Mills And Distillery Limited	1,571	-
440,811	-	Crescent Textile Mills Limited	12,563	-
68,000	-	Crown Textile*	-	-
65,026	-	D. M. Textile Mills Limited	156	-
190,051	-	D.S. Industries Limited	582	-
15,000	-	Dadabhoy Construction Technology Limited	26	-
79,500	-	Dadabhoy Leasing Company Limited*	-	-
41,587	-	Dar-Es-Salaam Textile Mills Limited	104	-
21,000	-	Data Agro Limited	-	-
119,286	-	Data Textile Limited	50	-
142,045	-	Dawood Capital Management Limited	369	-
50,206	-	Dawood Hercules Chemicals	10,533	-
49,443	-	Dawood Lawrancepur Limited	2,918	-
111,418	-	Descon Chemicals	407	-
1,027,047	-	Dewan Cement Limited	3,174	-
59,804	-	Dewan Khalid Textile Mills Limited	149	-
51,446	-	Dewan Mushtaq Texytile Mills Limited	170	-
6,373	-	Din Textile Mills Limited	-	-
350,000	-	Dynea Pakistan	4,176	-
140,000	-	Ellicot Spinning Mills Limited	3,445	-
161,539	-	Emco Industries Limited	717	-
151,339	-	English Leasing	168	-
83,236	-	Exide Pakistan Limited	16,599	-
82,491	-	Faran Sugar Mills Limited	1,362	-
4,900	-	Fateh Industries Limited	29	-
9,700	-	Fateh Sports Wear Limited	-	-
4,975	-	Fateh Tixtile Mills Limited	1,741	-
134,500	-	Fatima Enterprizes Limited	-	-
2,000,000	-	Fauji Fertilizer Co. Limited	219,380	-
265,173	709,996	Faysal Bank Limited	-	12,527
14,498	-	Fazal Textile Mills Limited	5,799	-
9,000	-	Fazal Vegetable Ghee Mills Limited	-	-
50,616	-	Elite Capital Modarba First	134	-
369,654	-	Fecto Cement Limited	3,549	-
350,000	-	Fem-Equity Modarba First	609	-
199,020	-	Ferozsons Laboratories Limited	18,549	-
219,987	-	First Fidelity Leasing Modarba	462	-
221,348	-	First Al-Noor Modaraba	600	-
860,101	-	First Capital Sec. Corp Limited	5,825	-
-	4,610,400	First Credit & Investment Bank	-	46,104
338,958	-	First Habib Modarba	2,440	-
305,299	-	First Ibl Modarba	760	-
978,000	978,000	First National Bank Modarba	9,780	9,780

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	Rupees in '000'	
2010	2009		2010	2009
8,200	-	First Paramount Modaraba	78	-
249,935	-	First Punjab Modaraba	375	-
62,610	-	First Tri-Star Modaraba	85	-
8,125	-	First U.D.L. Modaraba	47	-
12,600	-	Greaves Aircondition *	-	-
35,300	-	Gypsum Corporation *	-	-
805,839	-	General Tyre And Rubber Co. Of Pak. Limited	21,605	-
125,000	-	Ghandara Nissan Limited	625	-
99,724	-	Ghani Glass Mills Limited	5,077	-
10,000	-	Ghulam Dadabhoy *	-	-
1,294,866	-	Glaxosmithkline (Pak) Limited	125,602	-
14,500	-	Globe Textile Mills Limited	239	-
67,598	-	Grays Of Combridge (Pakistan) Limited	3,651	-
9,900	-	Ghaffar Text Mills	-	-
62,500	-	Gulistan Spinning Mills Limited	530	-
484,500	-	Gulistan Textile Mills Limited	12,010	-
257,480	-	Gulshan Spinning Mills Limited	1,556	-
10,554,080	-	Habib Metropolitan Bank Limited	261,281	-
1,428,258	-	Habib Sugar Mills Limited	34,607	-
25,467	-	Habib-Adm	407	-
1,500	-	Hafiz Textile Mills Limited	23	-
105,855	-	Hajra Textile Mills Limited	68	-
55,500	-	Hakkim Textile Mills Limited	49	-
34,500	-	Hashmi Can Company Limited	207	-
89,731	-	Highnoon Laboratories Limited	2,782	-
108,948	-	Hinopak Motors Limited	19,186	-
853,595	-	Honda Atlas Cars (Pakistan) Limited	13,931	-
24,200	-	H-Shaikh	-	-
-	975,000	Hub Power Company Limited	-	30,236
291,523	-	Huffaz Seamless Pipe Industries Limited	5,329	-
21,000	-	Hyderabad Electronic *	-	-
63,177	-	Ibl Healthcare Limited	589	-
389,127	-	Ibrahim Fibre Limited	14,047	-
425	-	Idbpl-Industrial Development Bank	-	-
86,759	-	Indus Dyeing Manufacturing Co. Limited	17,257	-
7,538	-	Innovative Invest Bank Limited	-	-
1,863,299	-	International Industries Limited	91,094	-
25,495	-	International Knit Wear	293	-
1,555,914	-	Invest Capital Invest Bank	2,256	-
35,500	-	Ittefaq Textile Mills Limited *	34	-
136,935	-	J. A. Textile Mills Limited	375	-
72,923	-	J. K. Spinning Mills Limited	563	-
361,097	-	Javed Omer Vohra And Company Limited	2,820	-
122,893	-	Johnson And Phillips (Pakistan) Limited	1,634	-
4,382,370	-	Js Bank Limited	17,617	-
7,378	-	Js Investments Limited	65	-
8,000	-	Junaid Cotton Mills Limited	-	-
8,000	-	Kaiser Art And Kraft Mills Limited	-	-
76,654	-	Karam Ceramices Limited	767	-
23,600	-	Karim Cotton Mills Limited	-	-
4,000	-	Karim Silk Mills Limited	-	-
385,267	-	Kasb Bank Limited	1,726	-
147,163	-	Kasb Modaraba	359	-
34,700	-	Saleem Denim Industries Ltd.(Kapoor Tex)*	35	-
149,892	-	Khalid Siraj Textile Mills Limited	177	-
6,153	-	Kohat Textile Mills Limited	8	-
13,500	-	Kohinoor Cotton *	-	-
71,569	-	Kohinoor Industries Limited	152	-
36,500	-	Kohinoor Looms Limited	-	-
520,684	-	Kohinoor Mills Limited	1,734	-
62,088	-	Kohinoor Power Company Limited	416	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
128,885	-	Kohinoor Spinning Mills Limited	251	-
151,223	-	Kohinoor Sugar Mills Limited	752	-
685,753	-	Kohinoor Textile Mills Limited	5,294	-
56,833	-	Koninoor Energy Limited	1,796	-
100,000	-	Kot Addu Power	4,208	-
33,498	-	Karachi Pipe *	-	-
4,447,965	-	Lafarge Pakistan Cement Limited	20,461	-
95,846	-	Land Mark Spinning Industries Limited	259	-
5,837	-	Leiner Pak Gelatine Limited	146	-
19,000	-	Lafayette Industries Synthetics Limited *	-	-
1,100,000	-	Lotte Pak Pta Limited	14,885	-
243,093	-	Maple Leaf Cement Factory Limited	1,094	-
356,508	-	Maqbool Textile Mills Limited	4,103	-
895,568	-	Mari Gas Company Limited	120,684	-
25,300	-	Marr Fabrics Limited *	-	-
433,485	-	Masood Textile Mills Limited	10,384	-
158,100	-	Mbl-Mehran Bank Limited	-	-
63,000	-	Medi Glass Limited	43	-
10,000	-	Mehr Dastgir Textile Mills Limited	-	-
26,500	-	Mehran Jute Mills Limited	-	-
110,220	-	Merit Packaging Limited	1,802	-
21,081	-	Metropolitan Steel Corporation Limited	270	-
37,500	-	Mian Mohammed Sugar Mills Limited	-	-
42,563	-	Mian Textile Industries Limited	17	-
192,993	-	Mirpurkhas Sugar Mills Limited	12,911	-
398,060	-	Mohd Farooq Textile Mills Limited	1,035	-
34,300	-	Mohib Textile Mills Limited	-	-
24,710	-	Moonlite (Pak) Limited	273	-
12,000	-	Morafoo Industries Limited	-	-
12,000	-	Mubarik Dairies Limited	-	-
100,000	-	Mustehkam Cement Limited	-	-
550,147	-	National Bank Of Pakistan	38,549	-
20,000	-	National Refinery Limited	3,610	-
15,100	-	Naveed Textile Mills	-	-
5,600	-	Nowshera Engg	-	-
2,225,000	-	Nib Bank Limited	9,189	-
300,000	-	Nishat (Chunian) Limited	6,894	-
190,245	-	Nishat (Chunian)15% Nvccp	-	-
200,000	-	Nishat Mills Limited	13,135	-
156,065	-	Natover Lease & Refinance	-	-
5,600	-	National Match Industries	-	-
4,772	-	Noon Sugar Mills Limited	89	-
29,207	-	Norrie Textile Mills Limited	-	-
5,300	-	National Overseas	-	-
65,600	-	Nusrat Textile Mills	-	-
9,170	-	Olympia Spinning And Weaving Mills Limited	25	-
76,681	-	Olympia Textile Mills Limited	173	-
22,514	-	Otsuka Pakistan Limited	889	-
117,853	-	Packages Limited	14,335	-
30,625	-	Pak Datacom Limited	3,139	-
65,877	-	Pak Elektron Convrt Pref Shares	-	-
324,795	-	Pak Elektron Limited	4,453	-
12,500	-	Pak Ghee Industries Limited	2	-
529,004	-	Pak Suzuki Motor Co. Limited	43,779	-
197,632	-	Pak-Elektron-Non Convertible	-	-
20,769	-	Pakistan Gum And Chemiclas Limited	613	-
515,721	-	Pakistan International Airlines	1,516	-
93,415	-	Pakistan National Shipping Corporation	4,670	-
66,666	-	Pakistan Paper Products Limited	2,220	-
284,142	-	Pakistan Refinery Limited	30,525	-
175,725	-	Pakistan Services Limited	20,553	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	2010	2009
2010	2009		Rupees in '000'	
30,200	-	Pakistan State Oil Co. Limited	9,356	-
1,193,372	-	Pakistan Telecommunication	25,073	-
17,998	-	Pakistan Telephone Cables Limited	40	-
300	-	Pakistan Tobacco Co. Limited	33	-
166,865	-	Pangrio Sugar Mills Limited	1,001	-
413,405	-	Parmount Spinning Mills Limited	3,345	-
95,100	-	Punjab Building	-	-
12,000	-	Punjab Cotton	-	-
49,200	-	Pearl Fabrics	-	-
272,088	-	Pioneer Cement Limited	2,860	-
22,200	-	Pak Paper Corporation	-	-
100,000	-	Premium Textile Mills Limited	2,665	-
23,100	-	Punjab Lamp	-	-
15,500	-	Qayyum Spinning Mills Limited	-	-
500	-	Quality Steel Works Limited	-	-
74,173	-	Ravi Textile Mills Limited	990	-
12,000	-	Rex Baren Battery	-	-
4,200	-	Rcd Ball	-	-
167,500	-	Redco Textiles Limited	159	-
18,500	-	Regal Ceramics Limited	-	-
130,669	-	Ruby Textile Mills Limited	1,433	-
340,646	-	Rupali Polyester Limited	11,919	-
69,195	-	S. G. Power Limited	100	-
77,000	-	Saitex Spinning Mills Limited	-	-
67,817	-	Sajjad Textile Mills Limited	98	-
65,774	-	Salman Noman Enterprises Limited	110	-
2,584,177	-	Samba Bank Limited	7,753	-
29,945	-	Samin Textiles Limited	284	-
227,582	-	Sanghar Sugar Mills Limited	2,845	-
49,100	-	Sanofi-Aventis Pakistan Limited	7,427	-
31,500	-	Sardar Chemical Industries Limited	49	-
70,000	-	Saritow Spinning Mills Limited	126	-
664,565	-	Saudi Pak Leasing Co. Limited	797	-
55,000	-	Schon Textiles Limited	-	-
165,603	-	Scll-Standard Chartered Leasing	609	-
392,611	-	Security Paper Limited	18,527	-
35,000	-	Service (Textile) Industries Limited	26	-
289,000	-	Service Fabrics Limited	72	-
359,907	-	Service Industries (Shoes)	111,852	-
756,615	-	Shabbir Tiles And Ceramics Limited	8,701	-
514,180	-	Shahmurad Sugar Mills Limited	5,383	-
74,900	-	Shahpur Textile Mills Limited	22	-
171,546	-	Shahtaj Sugar Mills Limited	13,552	-
16,800	-	Shahyar Txt Mills	-	-
1,400,000	-	Shakerganj Mills Limited	9,100	-
200,000	-	Shams Textile Mills Limited	3,768	-
328,251	-	Shell Gas Lpg	17,726	-
244,187	-	Shezan International Limited	29,334	-
202,004	-	Siemens Pakistan Engineering Co. Limited	272,780	-
23,500	-	Siftaq Internatioanal Limited	24	-
9,792,864	-	Silkbank Limited	31,050	-
151,000	-	Sind Alkalis Limited	-	-
16,500	-	Sind Fine Textile Mills Limited	148	-
153,248	-	Sitara Chemical Industries Limited	22,951	-
54,804	-	Sitara Energy Limited	1,178	-
94,300	-	Sunshine Cloth Mills Limited	-	-
3,300	-	Sunrise Textile Mills Limited	-	-
14,841,289	-	Sonari Bank Limited	130,100	-
47,500	-	Shahyar Textile Mill	-	-
2,896,000	-	Sui Northern Gas Limited	90,859	-
33,237	-	Summit Bank Limited	203	-

\* Delisted Companies

## Annexure-II

Number of shares		Name of company/modaraba	Rupees in '000'	
2010	2009		2010	2009
58,109	-	Sunrays Tetile Mills Limited	1,947	-
91,500	-	Sunshine Cotton Mills Limited	29	-
11,500	-	Suraj Ghee Industries Limited	-	-
3,500	-	Syed Match Co. Limited	-	-
20,000	-	Taga Pakistan Limited	-	-
301,500	-	Taj Textile Mills Limited	139	-
9,000	-	Tariq Cotton Mills Limited	-	-
26,500	-	Tawakkal Garments Industries Limited	-	-
24,000	-	Tawakkal Limited	-	-
101,000	-	Tawakkal Modarba 1St.	-	-
1,884,363	-	Treet Corporation Limited	124,495	-
134,695	-	Tristar Ployester Limited	154	-
3,881,537	3,881,537	Trust Investment Bank Limited	99,907	99,907
500	500	Trust Modarba	6	6
37,000	-	Turbo Tubes Limited	-	-
25	-	Unilever Pakistan	101	-
74,500	-	Unicap Modaraba	15	-
525,000	-	United Bank Limited	35,406	-
96,797	-	United Distributors Pakistan Limited	1,939	-
29,500	-	Uqab Breeding Farms Limited	-	-
136,224	-	Wah-Nobel Chemicals Limited	6,798	-
66,995	1,100,000	World Call Telecom Limited	308	3,849
23,875	-	Wyeth Pak Limited	26,263	-
254,340	-	Yousuf Weaving Mills Limited	537	-
104,000	-	Zahur Cotton Mills Limited	31	-
88,000	-	Zahur Textile Mills Limited	-	-
104,047	-	Zeal Pak Cement Factory Limited	-	-
3,822,698	3,822,698	Zephyr Textiles Limited	38,227	38,227
14,200	-	Zaffar Textile	-	-
			<b>3,708,718</b>	<b>405,579</b>
		<b>* Delisted Companies</b>	<b>3,900,278</b>	<b>475,511</b>

## 2. Preference shares of listed companies - at cost

Number of shares		Name of company		
2010	2009			
1,545,397	3,090,794	Azgard Nine Limited	15,454	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
			<b>195,454</b>	<b>210,908</b>



**Other particulars of preference shares are as follows:**

<b>Particulars</b>	<b>Nominal value per share</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at six month Kibor ask side +2.5% per annum.	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of 3 years from the date of issue by giving atleast 60 days notice.
Pak Elektron Limited (PEL)	10	Dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% of the total issue within 90 days from the end of each financial year commencing from 3rd year and ending on 5th year and 100% of the issue size within 90 days of the end of each financial year commencing from 5th year by giving a notice of 30 days. 25% investment convertible at the option of investor exercisable after the 5th year in accordance with the formula mentioned in the prospectus.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue at the option of holder in whole or in part or convertible by the Company in whole or part through tender. Conversion is set in the ratio of 167 ordinary shares for every 1,000 preference shares at face value of Rs. 10 each.

**3. Ordinary shares of unlisted company - at cost**

<b>Number of shares</b>		<b>Name of company</b>	<b>2010</b>	<b>2009</b>
<b>2010</b>	<b>2009</b>		<b>Rupees in '000'</b>	
<b>2,000,000</b>	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Shafqaat Ahmed)	<b>25,000</b>	25,000

## 4. Investment in mutual funds - at cost

Number of Units		Name of fund	2010	2009
2010	2009		Rupees in '000'	
<b>Open ended mutual funds</b>				
29,718,333	19,721,532	ABL Income Fund	300,000	200,000
-	200,000	AKD Income Value Fund	-	10,630
2,631,771	2,631,770	AMZ Plus Stock Market Fund	246,730	246,729
288,759	-	Askari Sovereign Cash Fund	30,000	-
279,705	279,705	Atlas Income Fund	150,000	150,000
297,082	297,082	Atlas Stock Market Fund	200,000	200,000
100,000	-	Faysal Islamic Saving Growth Fund	10,000	-
1,000,000	-	Faysal Money Market Fund	100,000	-
9,494,505	17,071,047	Faysal Saving Growth	1,001,094	1,800,000
905,862	879,062	First Habib Income Fund	96,926	94,183
86,043	-	HBL Income Fund	8,062	-
272,903	246,403	IGI Income Fund	27,737	25,000
-	250,822	IGI Stock Fund	-	25,000
2,212,705	2,506,335	KASB Asset Allocation Fund (formerly KASB Balanced Fund)	112,028	127,217
-	1,127,446	KASB Liquid Fund	-	125,000
-	881	KASB Stock Market Fund	-	-
1,618,286	1,618,287	MCB Dynamic Stock Fund	200,000	200,000
16,873,263	16,873,263	NAFA Stock Fund	200,000	200,000
-	594,549	NAMCO Income Fund	-	50,000
2,000,000	2,012,657	Pakistan Int'l Element Islamic Fund	100,000	96,913
-	1,901,203	Pakistan Stock Market Fund	-	170,803
14,370,315	14,370,315	POBOP Advantage Fund	750,000	750,000
8,390,906	8,390,906	Reliance Income Fund	450,000	450,000
-	2,091,500	Unit Trust of Pakistan	-	369,246
2,747,393	2,747,393	United Growth & Income Fund (Income)	294,234	294,234
-	159,061	Islamic Fund (previously JS Islamic Fund)	-	111,368
<b>Close ended mutual funds</b>				
1,253,700	1,253,700	Atlas Fund of Funds	11,940	11,940
-	20,000,000	JS - Large Capital Fund (ABAMCO Composite Fund)	-	200,000
1,814,184	-	JS Growth Fund	7,710	-
7,500,000	7,500,000	NAMCO Balance Fund	75,000	75,000
-	42,640,000	Pakistan Capital Protected Fund	-	400,000
-	17,500,000	Pakistan Strategic Allocation Fund	-	175,252
1,380,758	-	PICIC Growth Fund	17,674	-
2,162,924	-	PICIC Inv.Fund	11,874	-
			<b>4,401,009</b>	<b>6,558,515</b>

## 5. Listed Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company/modaraba	2010	2009
2010	2009	Rupees in '000'		Rupees in '000'	
10,000	10,000	5	Askari Bank Limited	49,980	50,000
7,369	7,369	5	Azgard Nine Limited	25,969	25,969
35,000	35,000	5	Bank AL Habib Limited	174,790	174,930
2,000	2,000	5	Bank AL Habib Limited - 1st issue	9,976	9,980
10,000	10,000	5	Engro Chemical	48,816	48,836
1,178	1,178	5	Jahangir Siddiqui & Co Ltd	6,016	6,019
-	336	5	Jahangir Siddiqui & Co Ltd	-	1,228
5,000	5,000	5	Jahangir Siddiqui & Co Ltd	24,958	24,968
13,886	13,886	5	JS ABAMCO	40,485	52,052
3,406	3,406	5	NIB Bank Limited	14,074	14,080
40,000	40,000	5	Orix Leasing Pakistan Limited	99,921	166,533
16,655	16,655	5	Pak Arab Fertilizers Limited	66,242	71,188
10,000	10,000	5	Standard Chartered Bank (Pakistan) Limited - 2nd issue	12,500	34,960
-	4,516	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	-	4,516
8,782	8,782	5	United Bank Limited	37,399	37,417
10,000	10,000	5	United Bank Limited - 1st issue	49,885	49,904
6,000	6,000	5	World Call Communication	9,991	19,984
				<b>671,002</b>	<b>792,564</b>

## Other particulars of listed TFCs are as follows:

Particulars	Mark-up rate per annum	Mark-up payment	Redemption terms
Askari Bank Limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.32% of principal in the first 96 months and remaining principal in four equal semi-annual installment of 24.92% each starting from the 102nd from issue date.
Azgard Nine Limited	6 months KIBOR + 240 bps without any floor or cap.	Semi-annually	In ten unequal semi-annual installments starting from 30th month.
Bank AL Habib Limited	15.50% for the first five years and 16.00% for the next three years without any floor or cap	Quarterly	0.56% of principal in the first 84 months and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from issue date
Bank AL Habib Limited - 1st issue	Average 6 months KIBOR + 150 bps with a Floor of 3.50% and Cap of 10.00%.	Semi-annually	0.02% of principal in the first 78 months and remaining principal in three equal semi-annual installments of 33.25% each after 84th month from issue date.
Engro Chemical Pak Limited	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84 months and remaining principal in two equal semi-annual installments of 49.86% starting from 90th month.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.

<b>Particulars</b>	<b>Mark-up rate per annum</b>	<b>Mark-up payment</b>	<b>Redemption terms</b>
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 250 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.1% of principal in the first 30 months, 24.98% of principal from 36th month till the 54th month and remaining principal of 74.92% in the 60th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 25 bps with a Floor of 6.00% and Cap of 16.00%.	Semi-annually	0.18% of principal in the first 54th month and remaining principal in two equal semi-annual installments of 49.91% each starting from 60th month from the issue date.
JS ABAMCO	6 months KIBOR + 200 bps with a Floor of 8.00% . and Cap of 16.00%	Semi-annually	In 12 equal semi-annual installments starting from 18th month.
NIB Bank Limited	6 months KIBOR + 115 bps without any floor or cap.	Semi-annually	0.02% of principal in the first 60th month and remaining principal in six equal semi-annual installments of 16.66% each starting from 66th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pak Arab Fertilizers Limited	6 months KIBOR + 150 bps without any floor or cap.	Semi-annually	In six stepped - up semi-annual installments starting from the 30th month.
Standard Chartered Bank (Pakistan) Limited - 2nd issue	Last cut-off yield of 5-year PIBs auction + 75 bps with a Floor of 5.00% and Cap of 10.75%.	Semi-annually	0.16% of principal in the first 48 months, 10.00% of principal from 54th month till the 60th month and remaining principal in two equal semi-annual installments of 44.92% starting from 66th month from the issue date.
Trust Investment Bank Limited	6 months KIBOR + 200 bps without any floor or cap.	Semi-annually	In 10 equal semi-annual installments starting from 6th month.
United Bank Limited	6 months KIBOR + 85 bps for the first five year and 6 months KIBOR + 135 bps for the remaining period without any floor or cap	Semi-annually	Bullet redemption at the end of 10th year.
United Bank Limited - 1st issue	Fixed at 100 bps + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	0.25% of principal in the first 78th month and remaining principal in three equal semi-annual installments of 33.25% each starting from 84th month from the issue date.
World Call Communication	6 months KIBOR + 275 bps without any floor or cap.	Semi-annually	In six equal semi-annual installments starting from 30th month.

## 6. Unlisted Term Finance Certificates - at cost

Number of certificates		Nominal value per certificate	Name of company	2010	2009
2010	2009	Rupees in '000'		Rupees in '000'	
33,000	33,000	5	Agri Tech Limited (Pak American Fertilizer Limited)	131,848	131,881
8,516	8,516	5	Agri Tech Limited (Pak American Fertilizer Limited)	38,455	38,455
259,792	260,000	5	Agri Tech Limited (Pak American Fertilizer Limited)	1,298,960	1,299,220
4,197	7,000	5	Al Abbas Sugar Millis	19,456	26,456
32,000	32,000	5	Arzoo Textile	160,000	160,000
99,920	10,000	5	Azgard Nine Limited	499,600	499,700
10,000	10,000	5	Bank Alfalah Limited	49,980	50,000
50,000	80,000	5	Eden House(SUKUK)	294,183	344,183
12,521	12,521	5	Engro Chemical Pak Limited	48,832	48,832
4,994	5,000	5	Jahangir Siddiqui & Co Ltd	21,784	21,794
62,222	80,000	5	JDW Sugar Mills Limited	311,111	400,000
5,343	6,114	5	JS ABAMCO	26,717	30,539
19,320	20,000	5	Kohat Cement(SUKUK)	72,450	72,450
23,931	23,951	5	Maple Leaf Cement Factory Limited	107,677	107,779
2,658	2,661	5	Optimus Limited	12,249	12,255
13,300	798	100	Orix Leasing Pakistan Limited	66,403	79,703
-	12,774	5	Pakistan Mobile Communication	-	60,748
21,632	26,000	5	Pakistan Mobile Company Limited - 3rd issue	108,160	129,818
4,571	8,000	5	PEL(Sukuk)	21,198	32,626
16,000	16,000	5	PEL(Sukuk)	70,743	70,743
43,452	50,000	5	PEL(Sukuk)	217,262	250,000
90,000	90,000	5	PEL(Sukuk)	450,000	450,000
14,865	21,000	5	Pakistan International Airline (PIA)	74,325	74,355
500,000	500,000	5	Power Holding	2,500,000	2,500,000
300,000	300,000	5	Power Holding - New Issue	1,500,000	-
5,392	10,000	5	Security Leasing(SUKUK)	26,958	33,989
7,617	15,000	5	Security Leasing(SUKUK)	33,846	42,635
750	3,000	5	SME Leasing	2,594	7,594
270,000	300,000	5	Sui Southren Gas Company	1,350,000	1,500,000
24,711	10	15,000	Syed Bhais (Pvt) Limited	123,554	148,297
				<b>9,638,344</b>	<b>8,624,052</b>

## Other particulars of unlisted TFCs are as follows:

<b>Particulars</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Agri Tech Limited (Pak Amercian Fertilizer Limited)	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Agri Tech Limited (Pak Amercian Fertilizer Limited)	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	Up to ten consecutive equal semi-annual installments starting from 30th month from the issue date.
Agri Tech Limited ( Pak Amercian Fertilizer Limited )	3 months KIBOR + 175 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Al-Abbas Sugar Mills Limited	6 months KIBOR + 175 bps without any floor or cap	Semi-annually	In 10 equal semi-annual installments starting from 18th month from the issue date.
Arzoo Textile (Sukuk)	6 months KIBOR + 200 bps for the first two year and 6 months KIBOR + 175 bps for the remaining period without any floor or cap	Quarterly	In ten equal semi-annual installments starting from 18th month from the draw down date.
Azgard Nine Limited	6 months KIBOR + 225 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in ten equal semi-annual installments of 9.992% each starting from 30th month from the issue date.
Bank Alfalah Limited	6 months KIBOR + 250 bps without any floor or cap	Semi-annually	0.56% of principal in the first 84th month and remaining principal in four equal quarterly installments of 24.86% each starting from 87th month from the issue date.
Eden House(SUKUK)	6 months KIBOR + 250 bps with a Floor of 7.00% . and Cap of 20.00%	Semi-annually	Not less than 8 consecutive semiannual units, the first such unit falling due not later than 18th months from last drawdown.
Engro Chemical Pak Limited	6 months KIBOR + 155 bps without any floor or cap	Semi-annually	0.28% of principal in the first 84th month and remaining principal in two equal semi-annual installments of 49.86% each starting from 90th month from the issue date.
Jahangir Siddiqui & Co Ltd	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
JDW Sugar Mills	3 months KIBOR + 125 bps without any floor or cap	Quarterly	In eighteen unequal quarterly installments starting from 21st month of the first drawdown.
JS ABAMCO	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	0.2% of principal in the first 60th month and remaining principal in two equal semi-annual installments of 49.9% each starting from 66th month from the issue date.
Kohat Cement(SUKUK)	6 months KIBOR + 180 bps without any floor or cap	Semi-annually	In ten semi-annual installments with the last falling due on September 2012.
Maple Leaf Cement Factory Limited	6 months KIBOR + 170 bps without any floor or cap	Semi-annually	In eight stepped-up semi-annual installments starting from 30th month from the date of contribution.

<b>Particulars</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Optimus Limited	6 months KIBOR + 210 bps without any floor or cap	Semi-annually	0.12% of principal in the first 36th month and remaining principal in four equal semi-annual installments of 24.97% each starting from 42th month from the issue date.
Orix Leasing Pakistan Limited	6 months KIBOR + 150 bps without any floor or cap	Semi-annually	0.08% of principal in the first 24th month and remaining principal in six equal semi-annual installments of 16.65% each starting from 30th month from the issue date.
Pakistan Mobile Communication	6 months KIBOR + 130 bps without any floor or cap	Semi-annually	In two equal semi-annual installments starting from 30th month.
Pakistan Mobile Company Limited-3rd issue	6 months KIBOR (ask) + 285 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 54th month.
PEL (Sukuk)	3 months KIBOR (ask) + 175 bps with a Floor of 10.00% and Cap of 25.00%	Quarterly	In fourteen quarterly units, the first unit falling due not later than end of seventh quarter from the issue date.
PEL (Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Quarterly	In not less than sixteen quarters starting not later than 39th month of 1st drawdown.
PEL(Sukuk)	6 months KIBOR + 300 bps without any floor or cap	Semi-annually	In twelve unequal semi-annual installments starting from 6th month from the issue date.
PEL(Sukuk)	3 months KIBOR (ask) + 100 bps with a Floor of 8.00% and Cap of 25.00%	Semi-annually	In sixteen quarterly units, the first unit falling due not later than end of 39th month from the issue date.
Pakistan International Airline (PIA)	SBP discount rate + 50 bps with a Floor of 8.00% and Cap of 12.50%	Semi-annually	15.2% of principal in the first 48th month and remaining principal in six equal semi-annual installments of 14.13% each starting from 54th month from the issue date.
Power Holding	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Power Holding (New Issue)	6 months KIBOR (ask) + 200 bps without any floor or cap	Semi-annually	In six equal semi-annual installments starting from 30th month from the issue date.
Security Leasing(SUKUK)	6 months KIBOR + 200 bps with a Floor of 2.00% . and Cap of 40.00%	Semi-annually	Up to eight equal semi-annual installment starting from 18th month from first drawdown date.
Security Leasing(SUKUK)	6 months KIBOR + 195 bps without any floor or cap	Semi-annually	In eight equal semi-annual installments starting from 18th month.
SME Leasing	3 months KIBOR + 150 bps without any floor or cap	Quarterly	Up to twelve equal quarterly installments starting from 3rd month from the issue date.
Sui Southren Gas Company	3 months KIBOR (ask) + 24 bps with a Floor of 5.00% and Cap of 20.00%	Quarterly	Not less than eight consecutive quarterly units the first unit falling due not later than 33rd month from the last draw down date.
Syed Bhais (Pvt) Limited	3 months KIBOR (ask) + 300 bps without any floor or cap	Quarterly	In sixteen equal quarterly installments starting from 27th month from the issue date.

## 7. Quality of available-for-sale securities

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
<b>Federal government securities</b>				
Pakistan Market Treasury Bills	35,387,257	Un-rated	32,838,016	Un-rated
Pakistan Investment Bonds	2,272,648	Un-rated	1,228,540	Un-rated
Government of Pakistan Ijara Sukuk Bonds	10,000	Un-rated	10,099	Un-rated
	<u>37,669,905</u>		<u>34,076,655</u>	
<b>Ordinary shares of listed companies</b>				
(Colony) Sarhad Textile Mills Limited	42	Un-rated	-	
Abbot Laboratories (Pakistan) Limited	56,902	Un-rated	-	
Accord Textile Limited	69	Un-rated	-	
Al- Abbas Sugar Mills Limited	28,972	A, A1	-	
Al-Abbas Cement Industries Limited	585	Un-rated	-	
Al-Abid Silk Mills Limited	8,188	Un-rated	-	
Al-Noor Sugar Mills Limited	6,415	A-, A-2	-	
Al-Qaim Textile Mills Limited	116	Un-rated	-	
Altern Energy Limited	1,354	Un-rated	-	
Amazai Textile Mills Limited *	2	Un-rated	-	
Aruj Garment Accessories Limited	76	Un-rated	-	
Asim Textile Mills Limited	610	Un-rated	-	
Askari Bank Limited	131,348	AA, A1+	-	
Atlas Bank Limited	5,848	Un-rated	-	
Atlas Engineering Limited*	93	Un-rated	-	
Atlas Honda Limited	4,490	Un-rated	-	
Attock Cement Pak Limited	844	Un-rated	-	
Attock Refinery Limited	15,585	Un-rated	-	
Azam Textile Mills Limited	53	Un-rated	-	
Azgard Nine Limited	10,626	D	-	
B. F. Modaraba	356	Un-rated	-	
Baluchistan Particle Board Limited	201	Un-rated	-	
Baluchistan Wheels Limited	11,522	Un-rated	-	
Bank Al-Falah Limited	4,484	Un-rated	-	
Bank Al-Falah Limited	93,043	AA, A1+	-	
Bank Al-Habib Limited	339,521	AA+, A1+	-	
Bankislami Pak	264	A, A1	-	
Bata Pakistan Limited	159,688	Un-rated	-	
Berger Paints Pakistan Limited	3,042	Un-rated	-	
Boc (Pak) Limited	18,844	Un-rated	-	
Brothers Textile Mills Limited	69	Un-rated	-	
Guardian Modaraba*	344	Un-rated	-	
Buxly Paints Limited*	544	Un-rated	-	
Cherat Cement Company Limited	29,342	Un-rated	-	
Clariant Pakistan Limited	60,788	Un-rated	-	
	<u>994,270</u>		<u>-</u>	
<b>*Delisted Companies</b>				



## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	<b>994,270</b>		-	
Colony Mills Limited	830	Un-rated	-	
Colony Sugar Mills	232	Un-rated	-	
Crescent Fibres Limited	2,392	Un-rated	-	
Crescent Jute Proudcts Limited	246	Un-rated	-	
Crescent Steel & Allied	22,041	Un-rated	-	
Crescent Sugar Mills And Distillery Limited	1,515	Un-rated	-	
Crescent Textile Mills Limited	10,456	Un-rated	-	
D. M. Textile Mills Limited	176	Un-rated	-	
D.S. Industries Limited	348	Un-rated	-	
Dadabhoj Leasing Company Limited*	8	Un-rated	-	
Dar-Es-Salaam Textile Mills Limited	146	Un-rated	-	
Data Textile Limited	60	Un-rated	-	
Dawood Capital Management Limited	276	Un-rated	-	
Dawood Hercules Chemicals	9,959	Un-rated	-	
Dawood Lawrancepur Limited	2,149	Un-rated	-	
Descon Chemicals	325	Un-rated	-	
Dewan Cement Limited	2,301	Un-rated	-	
Dewan Khalid Textile Mills Limited	191	Un-rated	-	
Dewan Mushtaq Taxytile Mills Limited	304	Un-rated	-	
Din Textile Mills Limited	171	Un-rated	-	
Dynea Pakistan	3,920	Un-rated	-	
Ellicot Spinning Mills Limited	2,807	Un-rated	-	
Emco Industries Limited	468	Un-rated	-	
Engl-English Leasing	168	Un-rated	-	
Exide Pakistan Limited	16,335	Un-rated	-	
Faran Sugar Mills Limited	1,719	Un-rated	-	
Fateh Industries Limited	27	Un-rated	-	
Fateh Tixtile Mills Limited	562	Un-rated	-	
Fatima Enterprizes Limited	1,789	Un-rated	-	
Fauji Fertilizer Company Limited	251,720	Un-rated	-	
Faysal Bank Limited	4,134	AA,A1+	12,354	Un-rated
Fazal Textile Mills Limited	5,799	Un-rated	-	
Elite Capital Modarba First	140	Un-rated	-	
Fecto Cement Limited	2,680	Un-rated	-	
Fem-Equity Modarba First	525	Un-rated	-	
Ferozsons Laboratories Limited	17,341	Un-rated	-	
First Fidelity Leasing Modarba	383	BBB+, A2	-	
First Al-Noor Modaraba	642	BBB, A-3	-	
First Capital Sec. Corp Limited	3,062	Un-rated	-	
First Credit & Investment Bank	-		15,445	Un-rated
First Habib Modarba	2,271	AA+, A1+	-	
First Ibl Modarba	546	Un-rated	-	
First National Bank Mod	6,435	A+, A-1	3,393	A+, A-1
First Paramount Modaraba	72	BBB, A-3	-	
First Punjab Modaraba	121,830	A-, A2	128,012	
First Tri-Star Modaraba	87	Un-rated	-	
First U.D.L. Modaraba	50	Un-rated	-	
General Tyre And Rubber Company Of Pak. Limited	18,212	Un-rated	-	
Ghandara Nissan Limited	615	Un-rated	-	
Ghani Glass Mills Limited	4,916	Un-rated	-	
Glaxosmithkline (Pak) Limited	114,194	Un-rated	-	
Globe Textile Mills Limited	160	Un-rated	-	
Grays Of Combridge (Pakistan) Limited	3,379	Un-rated	-	
Gulistan Spinning Mills Limited	431	Un-rated	-	
Gulistan Textile Mills Limited	9,026	Un-rated	-	
Gulshan Spinning Mills Limited	1,802	Un-rated	-	
Habib Metropolitan Bank Limited	305,963	AA+, A1+	-	
Habib Sugar Mills Limited	47,575	Un-rated	-	
Habib-Adm	323	Un-rated	-	
Hafiz Textile Mills Limited	29	Un-rated	-	
Hajra Textile Mills Limited	100	Un-rated	-	
Hakkim Textile Mills Limited	28	Un-rated	-	
Hashmi Can Company Limited	228	Un-rated	-	
Highnoon Laboratories Limited	2,597	Un-rated	-	
Hinopak Motors Limited	14,370	Un-rated	-	
Honda Atlas Cars (Pakistan) Limited	9,902	Un-rated	-	
	<b>2,027,756</b>		<b>159,204</b>	
<b>* Delisted Companies</b>				

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	2,027,756		159,204	
Hub Power Company Limited	-		30,469	Un-rated
Huffaz Seamless Pipe Industries Limited	4,551	Un-rated	-	
Ibl Healthcare Limited	519	Un-rated	-	
Ibrahim Fibre Limited	16,398	AA-, A1+	-	
Indus Dyeing Manufacturing Company Limited	28,474	A, A-2	-	
International Industries Limited	111,518	Un-rated	-	
International Knit Wear	227	Un-rated	-	
Invest Capital Invest Bank	1,214	D	-	
Ittefaq Textile Mills Limited *	32	Un-rated	-	
J. A. Textile Mills Limited	397	Un-rated	-	
J. K. Spinning Mills Limited	452	Un-rated	-	
Javed Omer Vohra And Company Limited	1,444	Un-rated	-	
Johnson And Phillips (Pakistan) Limited	1,159	Un-rated	-	
Js Bank Limited	11,307	Un-rated	-	
Js Investments Limited	49	Un-rated	-	
Karam Ceramices Limited	598	Un-rated	-	
Kasb Bank Limited	967	BBB, A3	-	
Kasbm-Kasb Modaraba	243	BBB+, A-3	-	
Saleem Denim Industries Ltd.(Kapoor Tex)*	35	Un-rated	-	
Khalid Siraj Textile Mills Limited	118	Un-rated	-	
Kohat Textile Mills Limited	9	Un-rated	-	
Kohinoor Industries Limited	114	Un-rated	-	
Kohinoor Mills Limited	1,531	Un-rated	-	
Kohinoor Power Company Limited	287	Un-rated	-	
Kohinoor Spinning Mills Limited	153	Un-rated	-	
Kohinoor Sugar Mills Limited	768	Un-rated	-	
Kohinoor Textile Mills Limited	3,442	Un-rated	-	
Koninoor Energy Limited	1,238	Un-rated	-	
Kot Addu Power	4,068	AA+, A-1+	-	
Lafarge Pakistan Cement Limited	14,278	Un-rated	-	
Land Mark Spinning Industries Limited	144	Un-rated	-	
Leiner Pak Gelatine Limited	87	Un-rated	-	
Lotte Pak Pta Limited	15,070	Un-rated	-	
Maple Leaf Cement Factory Limited	698	D, D	-	
Maqbool Textile Mills Limited	3,066	Un-rated	-	
Mari Gas Company Limited	111,919	Un-rated	-	
Masood Textile Mills Limited	8,670	Un-rated	-	
Medi Glass Limited	28	Un-rated	-	
Mehr Dastgir Textile Mills Limited	20	Un-rated	-	
Merit Packaging Limited	2,699	Un-rated	-	
Metropolitan Steel Corporation Limited	158	Un-rated	-	
Mian Textile Industries Limited	26	Un-rated	-	
Mirpurkhas Sugar Mills Limited	9,958	Un-rated	-	
Mohd Farooq Textile Mills Limited	549	Un-rated	-	
Moonlite (Pak) Limited	136	Un-rated	-	
Morafco Industries Limited	112	Un-rated	-	
Mubarik Dairies Limited	48	Un-rated	-	
Mustehkam Cement Limited	1,440	Un-rated	-	
National Bank Of Pakistan	42,262	AAA, A-1+	-	
National Refinery Limited	5,476	AAA, A1+	-	
Nib Bank Limited	6,564	AA-, A1+	-	
Nishat (Chunian) Limited	6,816	AA, A1+	-	
Nishat (Chunian)15% Nvccp	3,995	Un-rated	-	
Nishat Mills Limited	12,834	AA-, A1+	-	
	<u>2,466,121</u>		<u>189,673</u>	

\* Delisted Companies

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	<u>2,466,121</u>		<u>189,673</u>	
Noon Sugar Mills Limited	57	Un-rated	-	
Olympia Spinning And Weaving Mills Limited	14	Un-rated	-	
Olympia Textile Mills Limited	153	Un-rated	-	
Otsuka Pakistan Limited	739	Un-rated	-	
Packages Limited	15,157	AA, A1+	-	
Pak Datacom Limited	2,444	Un-rated	-	
Pak Elektron Limited	4,560	BBB, A3	-	
Pak Ghee Industries Limited	6	Un-rated	-	
Pak Suzuki Motor Company Limited	36,935	Un-rated	-	
Pakistan Gum And Chemiclas Limited	458	Un-rated	-	
Pakistan International Airlines	1,166	Un-rated	-	
Pakistan National Shipping Corporation	3,545	AA-, A1+	-	
Pakistan Paper Prouducts Limited	3,142	Un-rated	-	
Pakistan Refinery Limited	30,608	Un-rated	-	
Pakistan Services Limited	29,566	Un-rated	-	
Pakistan State Oil Company Limited	8,914	AA+, A1+	-	
Pakistan Telecommunication	23,175	Un-rated	-	
Pakistan Telephone Cables Limited	42	Un-rated	-	
Pakistan Tobacco Company Limited	33	Un-rated	-	
Pangrio Sugar Mills Limited	1,018	Un-rated	-	
Parmount Spinning Mills Limited	4,299	Un-rated	-	
Pioneer Cement Limited	1,842	Un-rated	-	
Premium Textile Mills Limited	2,830	Un-rated	-	
Qayyum Spinning Mills Limited	6	Un-rated	-	
Quality Steel Works Limited	6	Un-rated	-	
Ravi Textile Mills Limited	112	Un-rated	-	
Redco Textiles Limited	149	Un-rated	-	
Ruby Textile Mills Limited	653	Un-rated	-	
Rupali Polyester Limited	12,263	Un-rated	-	
S. G. Power Limited	86	Un-rated	-	
Sajjad Textile Mills Limited	100	Un-rated	-	
Salman Noman Enterprires Limited	329	Un-rated	-	
Samba Bank Limited	5,065	Un-rated	-	
Samin Textiles Limited	183	Un-rated	-	
Sanghar Sugar Mills Limited	3,277	Un-rated	-	
Sanofi-Aventis Pakistan Limited	6,972	Un-rated	-	
Sardar Chemical Industries Limited	28	Un-rated	-	
Saritow Spinning Mills Limited	140	Un-rated	-	
Saudi Pak Leasing Company Limited	366	Un-rated	-	
Standard Chartered Leasing	470	Un-rated	-	
Security Paper Limited	17,613	Un-rated	-	
Service (Textile) Industries Limited	14	Un-rated	-	
Service Fabircs Limited	87	Un-rated	-	
Service Industries (Shoes)	86,392	Un-rated	-	
Shabbir Tiles And Ceramics Limited	6,416	Un-rated	-	
Shahmurad Sugar Mills Limited	5,635	BBB+, A-2	-	
Shahpur Textile Mills Limited	25	Un-rated	-	
Shahtaj Sugar Mills Limited	13,749	Un-rated	-	
Shakerganj Mills Limited	7,742	D, D	-	
Shams Textile Mills Limited	5,000	Un-rated	-	
Shell Gas Lpg	11,105	Un-rated	-	
Shezan International Limited	28,401	Un-rated	-	
Siemens Pakistan Engineering Company Limited	253,214	Un-rated	-	
Siftaq Internatioanal Limited	23	Un-rated	-	
Silkbank Limited	25,657	A-, A-2	-	
Sind Fine Textile Mills Limited	116	Un-rated	-	
Sitara Chemical Industries Limited	19,577	A+, A-1	-	
Sitara Energy Limited	1,015	Un-rated	-	
	<u>3,148,810</u>		<u>189,673</u>	
<b>* Delisted Companies</b>				

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
	<b>3,148,810</b>		<b>189,673</b>	
Sonari Bank Limited	123,331	AA-, A1+	-	
Sui Northern Gas Limited	77,439	AA, A1+	-	
Summit Bank Limited	127	A, A-2	-	
Sunrays Tetile Mills Limited	2,098	Un-rated	-	
Sunshine Cotton Mills Limited	30	Un-rated	-	
Suraj Ghee Industries Limited	115	Un-rated	-	
Syed Match Company Limited	46	Un-rated	-	
Taj Textile Mills Limited	112	Un-rated	-	
Treet Corporation Limited	113,156	AA-, A-1	-	
Tristar Ployester Limited	85	Un-rated	-	
Trust Investment Bank Limited	6,831	BBB, A3	22,124	A-, A2
Trust Modaraba	1	Un-rated	1	Un-rated
Unilever Pakistan	109	Un-rated	-	
Unim-Unicap Modaraba	6	Un-rated	-	
United Bank Limited	35,821	AA+, A-1+	-	
United Distributors Pakistan Limited	977	Un-rated	-	
Wah-Nobel Chemicals Limited	4,922	Un-rated	-	
Worldcall Telecom Limited	194	BBB-, A3	4,103	Un-rated
Wyeth Pak Limited	25,109	Un-rated	-	
Yousuf Weaving Mills Limited	382	Un-rated	-	
Zahur Cotton Mills Limited	55	Un-rated	-	
Zephyre Textile	14,984	Un-rated	12,615	Un-rated
	<b>3,554,740</b>		<b>228,516</b>	
<b>Preference shares of listed companies</b>				
Azgard Nine Limited	15,145	D	30,290	A+, A1
Fazal Cloth Mills Limited	25,000	A-, A2	25,000	Un-rated
Pak Elektron Limited	80,000	BBB, A3	80,000	A, A1
Shakarganj Mills Limited	35,850	D	67,425	BBB+, A2
	<b>155,995</b>		<b>202,715</b>	
<b>Listed Term Finance Certificates</b>				
Askari Bank	50,730	AA-	48,679	AA
Azgard Nine Limited	-		27,499	AA-
Bank AL Habib Limited	175,114	AA	174,930	AA
Bank AL Habib Limited - 1st issue	9,460	AA	9,162	AA
Engro Chemical	48,951	Un-rated	45,417	Un-rated
Jahangir Siddiqui & Co Ltd	5,908	AA	6,028	AA+
Jahangir Siddiqui & Co Ltd	-		1,372	AA+
Jahangir Siddiqui & Co Ltd	25,074	AA	25,571	AA+
JS ABAMCO	40,043	Un-rated	50,857	Un-rated
NIB Bank Ltd	13,699	A+	15,620	A
Orix Leasing Pakistan Limited	99,127	AA+	167,236	AA+
Pak Arab Fertilizers Ltd	75,930	AA	78,159	AA
Standard Chartered Bank (Pakistan) Limited - 2nd issue	12,482	AAA	34,241	AAA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	-		4,328	A
United Bank Limited	35,582	AA	38,694	AA
United Bank Limited - 1st issue	46,105	AA	44,284	AA
World Call Communication	9,936	BBB-	19,553	A
	<b>648,141</b>		<b>791,630</b>	

## \* Delisted Companies

## Annexure-II

	2010		2009	
	Market value	Rating	Market value	Rating
	Rupees in '000'		Rupees in '000'	
<b>Un-Listed Term Finance Certificates</b>				
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	131,881	A+
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	38,455	A+
Agri Tech Limited (Pak American Fertilizer Limited)	-	D	1,299,220	A+
Al Abbas Sugar Millis	19,456	A+	26,456	A+
Arzoo Textile	-	Un-rated	160,000	Un-Rated
Azgard Nine Limited	-	D	499,700	AA-
Bank Alfalah Limited	49,980	AA-	50,000	AA-
Eden House(SUKUK)	220,684	D	344,183	Un-Rated
Engro Chemical Pak Limited	48,832	Un-rated	48,832	AA
Jahangir Siddiqui & Co Ltd	21,784	AA	21,794	AA+
JDW Sugar Mills Limited	311,111	A+	400,000	A
JS ABAMCO	26,717	Un-rated	30,539	AA-
Kohat Cement(SUKUK)	36,225	Un-rated	72,450	Un-Rated
Maple Leaf Cement Factory Limited	107,677	D	107,779	D
Optimus Limited	12,249	A	12,255	A
Orix Leasing Pakistan Limited	66,403	AA+	79,703	AA+
Pakistan Mobile Communication	-		60,748	AA-
Pakistan Mobile Company Limited - 3rd issue	108,160	A+	129,818	AA-
PEL(Sukuk)	21,198	BBB+	32,626	A
PEL(Sukuk)	70,743	BBB+	70,743	A
PEL(Sukuk)	217,262	BBB+	250,000	A+
PEL(Sukuk)	450,000	BBB+	450,000	A+
PIA	74,325	Un-rated	74,355	Un-Rated
Power Holding	2,500,000	Un-rated	2,500,000	Un-Rated
Power Holding - New Issue	1,500,000	Un-rated	-	
Security Leasing(SUKUK)	20,218	Un-rated	33,989	Un-Rated
Security Leasing(SUKUK)	25,384	Un-rated	42,635	Un-Rated
SME Leasing	2,594	Un-rated	7,594	Un-Rated
Sui Southren Gas Company	1,350,000	AA	1,500,000	AA
Syed Bhais (Pvt) Limited	120,275	Un-rated	148,297	Un-Rated
	<b>7,381,277</b>		<b>8,624,052</b>	

## Annexure-II

	2010		2009	
	Market value Rupees in '000'	Rating	Market value Rupees in '000'	Rating
<b>Mutual Funds</b>				
<b>NIT Units</b>	<b>775,471</b>	<b>3-Star</b>	5,625,161	5-Star
<b>Open ended mutual funds</b>				
ABL Income Fund	297,468	A+(f)	197,399	AA,A+(f)
AKD Income Value Fund	-		9,247	BBB(f)
Faysal Asset & Allocation Fund (formerly AMZ Plus Stock Market Fund)	173,606	Un-rated	159,091	2-Star
Askari Sovereign Cash Fund	30,163	Un-rated		
Atlas Income Fund	144,940	Un-rated	144,375	4-Star
Atlas Stock Market Fund	120,291	4-Star	137,323	5-Star
Faysal Islamic Saving Growth Fund	10,496	A+(f)		
Faysal Money Market Fund	100,530	AA+(f)		
Faysal Saving Growth Fund	998,347	A+(f)	1,756,781	A (f)
First Habib Income Fund	92,996	Un-rated	90,816	Un-rated
HBL Income Fund	8,652	A(f)		
IGI Income Fund	27,520	A+(f)	26,005	Un-rated
IGI Stock Fund	-		34,872	Un-rated
KASB Asset Allocation Fund (formerly KASB Balanced Fund)	97,168	1-Star	112,735	Un-rated
KASB Liquid Fund	-		99,879	Un-rated
MCB Dynamic Stock Fund	195,279	4-Star	162,445	Un-rated
NAFA Stock Fund	128,286	4-Star	121,622	Un-rated
NAMCO Income Fund	-		61,154	Un-rated
Pakistan Int'l Element Islamic Fund	91,714	3-Star	97,976	3-Star
Pakistan Stock Market Fund	-		117,589	5-Star
IGI Aggressive Income Fund (formerly POBOP Advantage Fund)	625,866	Un-rated	698,369	Un-rated
Reliance Income Fund	311,080	Un-rated	332,918	Un-rated
Unit Trust of Pakistan	-		239,498	5-Star
United Growth & Income Fund (Income)	263,813	BBB-(f)	278,703	A (f)
JS-Islamic Fund (formerly UTP Islamic Fund)	-		60,804	4-Star
<b>Close ended mutual funds</b>				
Atlas Fund of Funds	5,742	Un-rated	4,388	5-Star
JS Growth Fund	10,069	Un-rated	-	
JS-Large Capital Fund (ABAMCO Composite Fund)	-		92,000	5-Star
NAMCO Balance Fund	30,975	Un-rated	35,400	Un-rated
Pakistan Capital Protected Fund	-		400,000	Un-rated
Pakistan Strategic Allocation Fund	-		77,700	4-Star
PICIC Growth Fund	18,295	Un-rated	-	
PICIC Inv.Fund	13,865	Un-rated	-	
	<b>4,572,632</b>		<b>11,174,250</b>	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.

## List of Foreign Correspondent Banks 2010

### (1) Australia

Australia & New Zealand Banking Group Ltd Melbourne  
Australia & New Zealand Banking Group Ltd Sydney  
Australia & New Zealand Banking Group Ltd Brisbane  
Australia & New Zealand Banking Group Ltd Adelaide  
Australia & New Zealand Banking Group Ltd Perth  
JP Morgan Chase Bank N.A Sydney

### (2) Austria

Bank Austria AG Vienna  
Bank Austria Creditans Anstalt AG Vienna  
Citi Bank Vienna  
Raiffeisenland Bank Niederoesterreich Vienna  
Raiffeisen Central Bank Oesterreich Vienna  
Raiffeisenland Bank Oberoesterreich Linz

### (3) Bahrain

United Bank Limited Manama  
Bank Al Habib Limited Manama  
BNP Paribas Manama, Full Commercial  
Br (Fcb) Manama  
Mashreq Bank Manama

### (4) Bangladesh

Habib Bank Limited Dhaka  
Social Investment Bank Limited Dhaka  
Woori Bank, Dhaka Dhaka

### (5) Belgium

BNP Paribas S.A. Belgium - Belgium Branch Brussels  
Citi Bank Belgium NV/SA Brussels  
Commerzbank AG, The.Brussels Branch Brussels  
Credit Europe Bank N.V. Antwerp Branch Antwerpen  
Dexia Bank SA Brussels  
Fortis Banque Brussels  
Habib Bank Limited Brussels  
ING Belgium NV/SA Brussels  
KBC Bank NV Brussels  
KBC Bank NV Kortrijk  
KBC Bank NV Antwerpen  
The Royal Bank of Scotland n.v. (belgium) Brussels

### (6) Brazil

Banco Santander Central Hispano S.A. Sao Paulo  
Deutsche Bank S.A. - Banco Alemao Sao Paulo

### (7) Bulgaria

United Bulgarian Bank Sofia

### (8) Canada

HSBC Bank PLC Toronto  
National Bank of Canada Montreal  
Royal Bank Of Canada Toronto

### (9) China

The Royal Bank Of Scotland N.V.,  
(Hong Kong) Branch Hongkong  
Abn Amro Bank (China)Co., Ltd Shanghai  
Agricultural Bank of china Beijing  
Bank Of China (Head Office) Beijing  
Bank of China HongKong Limited Hongkong  
Bank of Communications Shanghai  
Bank Of Jiangsu Co Ltd Nanjing  
Bank Of New York Shanghai Branch Shanghai  
Bank of Tokyo Mitsubishi Limited Beijing  
Bank of Tokyo Mitsubishi Limited Dalian  
Bank of Tokyo Mitsubishi Limited Shanghai  
Bank of Tokyo Mitsubishi Limited Shenzhen  
Bank of Tokyo Mitsubishi Limited Tianjin  
China Construction Bank Corporation Beijing  
China Merchants Bank Shenzhen  
Citi Bank, N.A Hong Kong  
Citibank N.A. Shanghai  
DBS Bank (Hong Kong) Limited Hong Kong  
Deutsche Bank AG Hong Kong  
Guangdong Development Bank Guangzhou  
HBZ Finance Limited Hong Kong  
Hong Kong & Shanghai Banking Corp. Hong Kong  
Industrial and Commercial Bank of China Beijing  
JP Morgan Chase Bank N.A Beijing  
JP Morgan Chase Bank N.A Hong Kong  
JP Morgan Chase Bank N.A Shanghai  
JP Morgan Chase Bank N.A Tianjin  
Laiwu City Commercial Bank Laiwu  
Mashreq Bank Hongkong  
Nanjing City Commercial Bank Nanjing  
National Bank of Pakistan Hongkong  
Standard Chartered Bank Hongkong  
Standard Chartered Bank Shanghai  
The Bank of Nova Scotia Hong Kong  
Toronto Dominion Bank Hong Kong  
Union De Banques Et Francaises Hong Kong  
Habib Bank Limited Hong Kong  
Wing Hang Bank Limited Hong Kong  
Yinzhou Bank Ningbo

### (10) Cyprus

Bank of Cyprus Limited Nicosia  
Marfin Popular Bank Public Co Ltd Nicosia  
Hellenic Bank Public Company Ltd Nicosia

### (11) Croatia

Zagrebacka Banka DD Zagreb

### (12) Czech Republic

Citi Bank Prague  
HVB Bank Czech Republic A.S. Prague

Commerzbank AG Prague  
Raiffeisenbank A.S. Prague

### (13) Denmark

Amagerbanken A/S Copenhagen  
Danske Bank Copenhagen  
Nordea Bank Denmark A/S Copenhagen  
SYD Bank A/S Aabenraa

### (14) Egypt

Citi Bank Cairo  
Mashreq Bank Cairo  
National Bank of Egypt Cairo

### (15) Ethiopia

Dashen Bank Addis Abeba

### (16) Eritrea

Commercial Bank of Eritrea Asmara

### (17) Finland

Danske Bank Helsinki  
Nordea Bank Finland PLC Helsinki  
OKO Osuuspankkien Keskuspankki OYJ Helsinki  
Skandinaviska Enskilda Bank Helsinki

### (18) Fiji

Bank of South Pacific Limited Fiji

### (19) France

BNP-Paribas SA Bank Paris  
Citi Bank Paris  
Commerz Bank AG Paris  
Credit Industriel ET Commercial Paris  
Habib Bank Limited UK-PLC Paris  
National Bank of Pakistan Paris  
Union De Banques Et Francaises Paris

### (20) Germany

The Royal Bank Of Scotland N.V. (Germany) Frankfurt  
American Express Bank Frankfurt  
Bank Of America, N.A. Frankfurt  
Bank of Tokyo Mitsubishi Limited Duesseldorf  
Bayerische Hypovereins Bank Muenchen  
Commerz Bank AG Frankfurt  
Commerzbank Ag Hamburg  
Deutsche Bank AG Frankfurt  
Deutsche Bank AG Hannover  
Deutsche Bank AG Bielefeld  
Deutsche Bank AG Mainz  
Deutsche Bank AG Freiburg Im Breisgau  
Deutsche Bank AG Chemnitz  
Deutsche Bank AG Erfurt  
Deutsche Bank AG Leipzig

Deutsche Bank AG Berlin  
 Deutsche Bank AG Rostock  
 Deutsche Bank AG Duesseldorf  
 Deutsche Bank AG Essen  
 Deutsche Bank AG Koeln  
 Deutsche Bank AG Bremen  
 Deutsche Bank AG Hamburg  
 Deutsche Bank AG Muenchen  
 Deutsche Bank AG Mannheim  
 Deutsche Bank AG Stuttgart  
 Deutsche Bank Privat-Und Geschaefstkunden  
 Ag Frankfurt  
 Commerzbank AG (formerly Dresdner Bank  
 AG) Frankfurt  
 HSBC Trinkaus UND Burkhardt AG Duesseldorf  
 HSH Nordbank AG Hamburg  
 Kreissparkasse Koeln Koeln  
 Landesbank Baden-Wuerttemberg Stuttgart  
 M.M.warburg Hamburg  
 National Bank AG Essen  
 National Bank of Pakistan Frankfurt  
 SEB AG (Skandinaviska Enskilda Bank) Frankfurt  
 Shinhan Bank Europe GMBH Frankfurt  
 Sparkasse Pforzheim Calw Pforzheim  
 Sparkasse Westmunsterland Ahaus  
 Standard Chartered Bank Limited Frankfurt  
 Suedwest Bank Stuttgart  
 Westlb AG Duesseldorf

#### (21) Greece

Alpha Bank Athens  
 National Bank of Greece Athens  
 Bank Of Cyprus Public Company Limited Athens

#### (22) Hungary

Citi Bank Budapest  
 Unicredit Bank Hungary Zrt. Budapest  
 Raiffisen Bank ZRT. Budapest  
 Central-European International Bank Ltd. Budapest

#### (23) Ice Land

Landsbanki Islands Reykjavik

#### (24) India

The Royal Bank Of Scotland N.V. (India) Mumbai  
 Bank of Tokyo Mitsubishi Limited New Delhi  
 Canara Bank Mumbai  
 Central Bank of India Mumbai  
 Citibank N.A Mumbai  
 Deutshe Bank AG Mumbai  
 JP Morgan Chase Bank N.A Mumbai  
 Mashreq Bank Mumbai  
 Punjab National Bank Mumbai  
 Shinan Bank Mumbai

Standard Chartered Bank Mumbai  
 BNP Paribas India Mumbai

#### (25) Indonesia

Abn Amro Bank Jakarta  
 Bank Mandiri Jakarta  
 JP Morgan Chase Bank N.A Jakarta  
 NISP Bank Jakarta  
 Standard Chartered Bank Jakarta  
 Woori Bank, Indonesia PT Jakarta  
 Bank Sinarmas Jakarta

#### (26) Iran

Bank Saderat Iran Tehran  
 Bank Melli Iran Tehran

#### (27) Ireland

Citi Bank Dublin  
 Bank of Scotland Dublin

#### (28) Italy

Veneto Banca Holding Montebellun  
 Banca Agricola Mantovana SPA Mantova  
 Banca Antonveneta Spa Padova  
 Banca Di Roma S.P.A. Roma  
 Banca Intesa SPA Milano  
 Banca Monte Dei Paschi Di Siena S.P.A. Milano  
 Banca Popolare Di Milano S.C.A.R.L. Milano  
 Banca Popolare Di Vicenza Vicenza  
 Banca Popolare Friuladria SPA Pordenone  
 Banca Toscana S.PA Firenze  
 Banca Ubae Spa Roma  
 Banco Popolare Di Verona E Novera Verona  
 Banco Popolare Verona  
 Bayerische Hypo Und Vereinsbank Milano  
 Bipop-Carire SPA Brescia  
 Capitalia SPA (Banca De Roma S.PA) Roma  
 Cassa Di Risparmio Di Firenze S.PA. Firenze  
 Commerzbank AG Milano  
 Credito bergamasco S.PA Bergamo  
 Iccrea Banca, Milano Branch Milano  
 Iccrea Banca-Istituto Centrale Del Credito Roma  
 Intesa Sanpaolo SPA (Formerly Banca Intesa  
 SPA) Milano  
 Sanpaolo Banco Di Napoli Spa Napoli  
 UBI Banca  
 Unicredit Banca D'impresa Spa Verona  
 Unicredit Private Banking Spa Torino  
 Unicredito Italiano Roma  
 Unicredito Italiano SPA Milano  
 Veneto Banca S.C.A.R.L. Montebellun

#### (29) Jordan

Standard Chartered Bank Amman

#### (30) Japan

The Royal Bank Of Scotland Plc  
 (Former ABN Amro Bank N.V.) Tokyo  
 American Express Bank Tokyo  
 Bank of Tokyo Mitsubishi Limited Nagoya  
 Bank of Tokyo Mitsubishi Limited Osaka  
 Bank of Tokyo Mitsubishi Limited Tokyo  
 Calyon Tokyo  
 Bayerische Hypo-Und Vereinsbank AG Tokyo  
 JP Morgan Chase Bank N.A Tokyo  
 Hong Kong and Shanghai Banking Corp. Tokyo  
 National Bank of Pakistan Tokyo  
 Standard Chartered Bank Tokyo  
 Sumitomo Mitsui Banking Tokyo  
 Union De Banques Et Francaises Tokyo

#### (31) Kenya

Standard Chartered Bank Nairobi

#### (32) Kazakhstan

Citi Bank Alma-ata  
 Bank Turanalem Almaty

#### (33) Kuwait

Alahli Bank Of Kuwait K.S.C. Kuwait  
 Commercial Bank of Kuwait SAK Kuwait  
 National Bank of Kuwait Kuwait

#### (34) Korea

The Royal Bank Of Scotland N.V. (Seoul), Formerly  
 Known As Abn Amro Bank N.V., Seoul Branch Seoul  
 Bank of Tokyo Mitsubishi Limited Seoul  
 JP Morgan Chase Bank N.A Seoul  
 Kookmin Bank Seoul  
 Korea Development Bank Seoul  
 Korea Exchange Bank Seoul  
 National Bank of Pakistan Seoul  
 Pusan Bank Pusan  
 Shinhan Bank Seoul  
 Standard Chartered Bank Seoul  
 (U.B.A.F)Union De Banques Et Francaises Seoul  
 Woori Bank Seoul  
 Bank Of Tokyo-Mitsubishi UFJ, Ltd., Seoul  
 Daegu Bank, Ltd.,The Daegu

#### (35) Lebanon

Citi Bank Beirut  
 Credit Libanais S.A.L. Beirut  
 Habib Bank Limited Beirut

#### (36) Malaysia

The Royal Bank Of Scotland Berhad Kuala Lumpur  
 Alliance Bank Malaysia Berhad Kuala Lumpur  
 JP Morgan Chase Bank N.A Kuala Lumpur



Standard Chartered Bank Kuala Lumpur  
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad Kuala Lumpur

**(37) Morocco**

Attijariwafa Bank(Formerly Banque Comm. DU Maroc)  
Casablanca  
Citi Bank Casablanca

**(38) Mauritius**

Mauritius Commercial Bank Port Louis  
Mauritius Post&Co-operative Bank Port Louis

**(39) Myanmar**

Mayanma Investment & Comm. Bank Yangon

**(40) Macao**

Hongkong and Shanghai Banking Corp Macau  
Bnp Paribas Macau Branch Macau

**(41) Norway**

Den Norske Bank Oslo  
Nordea Bank Norge Oslo  
Fokus Bank, Part Of Danske Bank Group Trondheim

**(42) Netherlands**

Abn Amro Bank Amsterdam  
BNP Paribas S.A. - The Netherlands Branch Amsterdam  
Citi Bank Amsterdam  
Commerz Bank AG Amsterdam  
Credit Europe Bank NV Amsterdam  
Fortis Bank (Nederland) N.V. Rotterdam  
Fortis Bank (Nederland)N.V. Rotterdam  
Habib Bank Limited UK PLC Rotterdam  
Hollandsche Bank Rotterdam  
ING Bank N.V. Amsterdam  
Korea Exchange Bank, Amsterdam Branch Amstelveen

**(43) Newzealand**

Australia and New Zealand Bank Wellington

**(44) Nigeria**

Citi Bank Lagos

**(45) Oman**

Bank Muscat SAOG Muscat

**(46) Romania**

HVB Bank Romania SA Bucharest

**(47) Pakistan**

The Royal Bank Of Scotland Limited Karachi  
Allied Bank Limited Karachi  
Arif Habib Rupali Bank Limited Karachi  
Askari Commercial Bank Ltd Rawalpindi  
Atlas Bank Limited Karachi

Bank Al Falah Limited Karachi  
Bank Al Habib Limited Karachi  
Bank Islami Pakistan Limited Karachi  
Bank of Tokyo-Mitsubishi UFJ Ltd. Karachi  
Citi Bank Karachi  
Crescent Commercial Bank Limited Karachi  
Deutsche Bank AG Karachi  
Dubai Islamic Bank Pakistan Limited Karachi  
Emirates Global Islamic Bank Limited Karachi  
Faysal Bank Limited Karachi  
First Dawood Islamic Bank Karachi  
Habib Bank Limited Karachi  
Habib Metropolitan Bank Ltd. Karachi  
Hongkong And Shanghai Banking Corp Ltd Karachi  
JS Bank Limited Karachi  
KASB Bank Limited Karachi  
Meezan Bank Limited Karachi  
MCB Bank Limited Karachi  
My Bank Ltd. Karachi  
National Bank of Pakistan Karachi  
NIB Bank Limited Karachi  
PICIC Commercial Bank Limited. Karachi  
Silk Bank Limited Karachi  
Soneri Bank Limited Karachi  
Standard Chartered Bank Karachi  
The Bank Of Khyber Peshawar  
United Bank Limited Karachi  
Albaraka Islamic Bank B.S.C. (E.C.) Karachi

**(48) Philippines**

Banco De Oro Universal Bank Mandaluyong  
Development Bank of Philippines Manila  
Equitable PCI Bank, INC. Manila  
Asian Development Bank Manila

**(49) Portugal**

Banco BPI SA Lisbon  
Fortis Bank Lisbon

**(50) Poland**

Bank Handlowy w Warszawie SA Warszawa  
ING Bank Slaski I SA Katowice  
Nordea Bank Polska S.A. Gdynia

**(51) Papua New Guinea**

Bank Of South Pacific Limited Port Moresby

**(52) Qatar**

United Bank Limited Doha  
Doha Bank Doha  
Mashreq Bank Doha  
BNP Paribas, Doha Doha

**(53) Russia**

Citi Bank Moscow  
MDM Bank (Open Joint-Stock Company) Moscow

**(54) Saudi Arabia**

Alinma Bank Riyadh  
Bank Al-Jazira Jeddah  
Banque Saudi Fransi Riyadh  
Islamic Development Bank Jeddah  
Samba Financial Group Riyadh  
JP Morgan Chase Riyadh  
Saudi Hollandi Bank Riyadh  
Bank Al Bilad Riyadh  
National Bank of Pakistan Riyadh

**(55) Singapore**

The Royal Bank Of Scotland N.V. (Singapore) Singapore  
Bank Mandiri(Persero) PT Singapore  
Bank of America Singapore  
Bank of Tokyo Mitsubishi Limited Singapore  
Bayerische Hypo-Und Vereinsbank Singapore  
Citi Bank Singapore  
Commerz Bank AG Singapore  
Deutsche Bank AG Singapore  
Fortis Bank Singapore  
Habib Bank Limited Singapore  
HSBC Bank USA,N.A., Singapore  
JP Morgan Chase Bank N.A Singapore  
KBC Bank Singapore Branch Singapore  
Shinan Bank Singapore  
Skandinaviska Enskilda Singapore  
Standard Chartered Bank Singapore  
Sumitomo Mitsui Banking Corporation Singapore  
The Hongkong And Shanghai Banking Corporation Limited, Singapore  
Union De Banques Et Francaises Singapore

**(56) Slovenia**

Bank Austria Creditans Anstalt Ljubljana

**(57) Sudan**

Blue Nile Mashreg Bank Khartoum

**(58) Spain**

Banco De Sabadell S.A. Sabadell  
Bankinter,S.A Madrid  
BNP Paribas S.A. Sucursal En Espana Madrid  
Caixa D'Estalvis De Catalunya Barcelona  
Caixa D'Estalvis I Pensions De Barcelona Barcelona  
Caja Espana De Inversiones Leon  
Caja de Ahorros de Galicia Madrid  
Caja De Ahorros Del Mediterraneo Alicante  
Citi Bank International PLC Madrid  
Citibank Espana S.A Madrid  
Commerz Bank AG Madrid  
Fortis Bank Madrid

**(59) Sri Lanka**

NDB Bank Limited Colombo

Hatton National Bank Limited Colombo  
Habib Bank Limited Colombo  
Bank of Ceylon Colombo

**(60) South Africa**

First Rand Bank Durban  
HBZ Bank Limited Durban

**(61) Sweden**

The Royal Bank Of Scotland N.V. (Nordic) Stockholm  
Citi Bank Stockholm  
Nordea Bank Sweden Stockholm  
Skandinaviska Enskilda Stockholm  
Svenska Handelsbanken Stockholm  
Svenska Handelsbanken Malmo

**(62) Switzerland**

The Royal Bank Of Scotland N.V.,  
Amsterdam, Zurich Branch Zurich  
Abn Amro Bank (Switzerland) A.G. Zurich  
Banque Cantonale Vaudoise Lausanne  
Banque De Commerce Et De Placements S.A. Geneva  
BNP Paribas (Suisse) SA Geneva  
Commerz Bank AG Zurich  
Credit Agricole (Suisse) SA Geneva  
Credit Suisse Zurich  
HSBC Guyerzeller Bank AG Zurich  
United Bank Limited Zurich  
Zuercher Kantonal Bank Zurich  
Habibsons Bank Limited Zurich  
Habib Bank AG Zurich Zurich

**(63) Scotland**

Bank of Scotland Dublin  
Citibank Europe PLC Dublin

**(64) Slovakia**

Unibanka, A.S., (Unicredito Italiano Group) Bratislava  
Commerzbank AG Bratislava

**(65) Taiwan**

Australia And New Zealand Banking Group Limited,  
Taiwan Branch (Formerly Known As Abn Amro  
Bank N.V) Taipei  
Bank Of New York Taipei  
Bank of Tokyo Mitsubishi Limited Taipei  
Citibank N.A., Taipei Branch Taipei  
HSBC Bank (Taiwan) Limited Taipei  
JP Morgan Chase Bank N.A Taipei  
The Hongkong And Shanghai Banking  
Corporation Ltd. Taipei  
Standard Chartered Bank Taipei  
Sumitomo Mitsui Banking Corporation Taipei

**(66) Tunisia**

Arab Banking Corporation Tunis

Banque International Arabe De Tunisie Tunis

**(67) Thailand**

Bank of Tokyo Mitsubishi Limited Bangkok  
Export-Import Bank of Thailand Bangkok  
JP Morgan Chase Bank N.A Bangkok  
Standard Chartered Bank Bangkok  
Sumitomo Mitsui Banking Corporation Bangkok

**(68) Turkey**

Habib Bank UK-PLC Istanbul  
Oyak Bank A.S. Istanbul  
Tekstil Bankası A.S. Istanbul  
Turkiye Garanti Bankasi Istanbul  
Turkiye IS Bankasi Istanbul  
Yapi Ve kredi bankasi Istanbul  
Oyak Bank A.S.(Head Office) Istanbul  
T Bank-Turk land Bank A.S. Istanbul  
Fortis Bank A.S. Istanbul

**(69) United Arab Emirates**

BNP Paribas Dubai  
BNP Paribas Abu-Dhabi  
Citi Bank Dubai  
Commercial Bank of Dubai Dubai  
Doha Bank Dubai  
Emirates Bank International PJSC Dubai  
Emirates Islamic Bank Dubai  
First Gulf Bank Abu-Dhabi  
Habib Bank A.G. Zurich Dubai  
HSBC Bank Middle East Limited Dubai  
HSBC Bank Middle East Ltd Dubai  
Mashreq Bank Dubai  
National Bank of Fujairah Fujairah  
Standard Chartered Bank Dubai  
Union National Bank Abu-Dhabi  
United Bank Limited Sharjah  
Habib Bank Limited Dubai

**(70) United Kingdom**

Bank Leumi UK-PLC London  
Bank Of America, N.A. London  
Bank Of Cyprus UK London  
Bank of Tokyo Mitsubishi Limited London  
Citi Bank London  
Commerz Bank AG London  
EFG Private Bank Limited London  
Habib Bank AG Zurich London  
Habib Bank UK-PLC London  
HSBC Private Bank (UK) Ltd. London  
JP Morgan Chase Bank London  
KBC Bank NV London  
Landsbanki Islands Hf, London Branch London  
Mashreq Bank London  
National Westminster Bank London  
Nordea Bank Finland Plc London Branch London

Northern Bank (Part Of Danske Bank Group) Belfast  
Shinhan Bank London Branch London  
Standard Chartered Bank London  
United National Bank London  
Habibsons Bank Ltd London

**(71) United States**

The Royal Bank Of Scotland N.V. (New York) Newyork  
The Royal Bank Of Scotland N.V. (New York) Chicago  
American Express Bank Newyork  
Bank Of America, N.A. Newyork  
Bank of Newyork Newyork  
Bank of Tokyo Mitsubishi Limited Newyork  
Bank of Tokyo Mitsubishi Limited Los Angeles  
BNP Paribas U.S.A Newyork  
Citi Bank Newyork  
Commerce Bank N.A Kansas  
Commerz Bank AG Newyork  
Credit Suisse Bank Newyork  
Deutsche Bank Trust Company Americas Newyork  
Doha Bank Newyork  
First Commercial Bank Birmingham  
Habib American Bank Newyork  
Habib Bank Limited Newyork  
HSBC Bank USA,N.A Newyork  
JP Morgan Chase Bank Newyork  
Keybank National Association Cleveland,OH  
Mashreq Bank Newyork  
National Bank of Pakistan Newyork  
National City Bank Cleveland Cleveland  
Regions Bank Birmingham  
Standard Chartered Bank Newyork  
State Bank of India(California) Artesia  
Sumitomo Mitsui Banking Corporation Newyork  
Srterling National Bank Newyork  
U.S Bank Minneapolis  
UMB Bank, N.A. Kansas City  
United Bank Limited Newyork  
Washington Mutual Bank Seattle  
Wells Fargo Bank Newyork  
Wells Fargo Bank San Francisco  
Woori Bank Los Angeles  
China Construction Bank New York Branch Newyork

**(72) Vietnam**

Standard Chartered Bank Hanoi  
Shinanvina Bank Ho Chi Minh

**(73) Zambia**

Standard Chartered Bank Lusaka

# Form of Proxy

I/We \_\_\_\_\_

(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_

(Place)

being a member(s) of THE BANK OF PUNJAB hereby appoint

\_\_\_\_\_

(Name and Folio No./Participant Account No. & Sub-Account No.)

of \_\_\_\_\_

(Place)

another member of the Bank as my / our proxy to attend, speak and vote on my / our behalf at the 21<sup>st</sup> Annual General Meeting of the Bank to be held on **Wednesday, 30th May, 2012 at 9:30 a.m.** at Qasar-e-Noor, Main Boulevard, Gulberg-III, Lahore and at any adjournment thereof.

Signed this \_\_\_\_\_ Day \_\_\_\_\_ 2012.

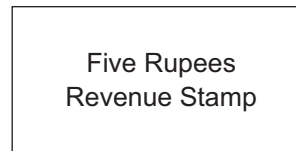
## WITNESSES:

1. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_



Signature of Member(s)

2. Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

CNIC or  
Passport No. \_\_\_\_\_

## NOTE:

This form of proxy duly completed must be deposited at **Corporate Affairs Department of the Bank at BOP Tower, 10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore** by not less than 48 hours before the time fixed for the Meeting.

AFFIX  
CORRECT  
POSTAGE

The Company Secretary

**The Bank of Punjab**

BOP Tower, Secretary's Office,  
10-B, Block-E-II, Main Boulevard, Gulberg-III, Lahore.



THE BANK OF PUNJAB

Head Office: BOP Tower, 10-B, Block E/II,  
Main Boulevard, Gulberg-III, Lahore  
[www.bop.com.pk](http://www.bop.com.pk)  
UAN: 111-200-100