

Financial Statements
of Askari Bank Limited
for the year ended December 31, 2008

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Statement of Compliance

With the Code of Corporate Governance for the Year Ended December 31, 2008

This statement is being presented to comply with the Prudential Regulation No.XXIX, responsibilities of the Board of Directors, issued vide BSD Circular No.15, dated June 13, 2002 and the Code of Corporate Governance (the Code) as contained in Listing Regulations of the stock exchanges where the Bank's shares are listed for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes 5 non-executive Directors of which 2 independent Directors represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Bank Limited, except Mr Tariq Iqbal Khan who has been exempted for the purpose of this clause by the Securities and Exchange Commission of Pakistan (SECP).
3. All Directors are resident and 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. During the year two casual vacancies occurred on the Board, which were filled within the prescribed period.
5. The Bank has prepared a statement of ethics and business practices, which has been signed by all Directors and employees of the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. 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. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members participated in an orientation course to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer, however, appointment of Chief Financial Officer is in process.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board except for the financial statements for the third quarter of 2008 and for the year ended December 31, 2008 when Chief Financial Officer position was vacant.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

Statement of Compliance

With the Code of Corporate Governance for the Year Ended December 31, 2008

14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of 3 members of which 2 are non-executive Directors including the Chairman.
16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee were fully complied with.
17. The Board has set-up an effective internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



Lt. Gen. Javed Zia

Chairman

Rawalpindi
February 21, 2009

Review Report to the Members

On Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Askari Bank Limited (the Bank) to comply with Prudential Regulation No. XXIX, Responsibilities of Board of Directors issued vide BSD Circular No. 15 dated June 13, 2002, Listing Regulation No. 37 of Karachi Stock Exchange, chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank'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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, as applicable to the Bank for the year ended December 31, 2008 with the best practices contained in the Code of Corporate Governance.

Islamabad
February 21, 2009



A.F. Ferguson & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Bank Limited (the Bank) as at December 31, 2008 and the related profit and loss account, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 16 branches which have been audited by us and 1 branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.


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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 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 Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change in accounting policy as disclosed in note 5.5 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008 and its true balance of the profit, its changes in equity and cash flows 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.

Islamabad
February 21, 2009



A.F. Ferguson & Co.
Chartered Accountants

Balance Sheet

As at December 31, 2008

Rupees in '000	Notes	2008	2007
Assets			
Cash and balances with treasury banks	6	16,029,635	13,356,055
Balances with other banks	7	3,954,814	3,497,054
Lendings to financial institutions	8	4,479,754	14,444,143
Investments	9	35,677,755	39,431,005
Advances	10	128,818,242	100,780,162
Operating fixed assets	11	8,266,458	5,128,428
Deferred tax assets		–	–
Other assets	12	8,964,480	5,535,038
		206,191,138	182,171,885
Liabilities			
Bills payable	13	2,584,828	2,627,051
Borrowings	14	15,190,148	17,553,525
Deposits and other accounts	15	167,676,572	143,036,707
Sub-ordinated loans	16	2,996,100	2,997,300
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	17	12,987	471,519
Other liabilities	18	4,759,140	3,219,796
		193,219,775	169,905,898
Net assets		12,971,363	12,265,987
Represented by			
Share capital	19	4,058,774	3,006,499
Reserves	20	7,667,141	6,948,336
Unappropriated profit		308,980	2,144,810
		12,034,895	12,099,645
Surplus on revaluation of assets - net of tax	21	936,468	166,342
		12,971,363	12,265,987

Contingencies and commitments

22

The annexed notes 1 to 48 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.14.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Profit and Loss Account

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
Mark-up / return / interest earned	25	18,393,313	15,143,241
Mark-up / return / interest expensed	26	10,650,719	8,685,624
Net mark-up / interest income		7,742,594	6,457,617
Provision against non-performing loans and advances	10.4	3,824,778	3,920,240
Provision for impairment in the value of investments	9.2.1	508	1,501
Bad debts written off directly		247,311	–
		4,072,597	3,921,741
Net mark-up / interest income after provisions		3,669,997	2,535,876
Non mark-up / interest income			
Fee, commission and brokerage income		1,257,584	1,072,868
Dividend income		173,621	137,079
Income from dealing in foreign currencies		873,512	655,761
Gain on sale of securities - net	27	36,743	2,361,251
Unrealised gain on revaluation of investments classified as held for trading - net		22,384	1,728
Other income	28	343,156	336,809
Total non-markup / interest income		2,707,000	4,565,496
		6,376,997	7,101,372
Non mark-up / interest expenses			
Administrative expenses	29	5,904,169	4,789,536
Other provisions / write-offs		459	–
Other charges	30	10,987	12,051
Total non-markup / interest expenses		5,915,615	4,801,587
		461,382	2,299,785
Extra ordinary / unusual items		–	–
Profit before taxation		461,382	2,299,785
Taxation – current year		17,363	98,535
– prior years'		(50,000)	(233,950)
– deferred		107,794	(245,812)
	31	75,157	(381,227)
Profit after taxation		386,225	2,681,012
Unappropriated profit brought forward		2,144,810	1,799,979
Profit available for appropriation		2,531,035	4,480,991
Basic / diluted earnings per share - Rupees	32	0.95	6.61

The annexed notes 1 to 48 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.14.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Statement of Changes in Equity

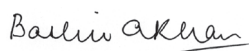
For the year ended December 31, 2008

Rupees in '000	Share capital	Capital reserve for issue of bonus shares	Statutory reserve	General reserve	Un-appropriated profit	Total
Balance as at January 1, 2007	2,004,333	-	2,299,264	3,515,490	1,799,979	9,619,066
Net profit for the year ended December 31, 2007	-	-	-	-	2,681,012	2,681,012
Transfer to:						
Statutory reserve	-	-	536,202	-	(536,202)	-
General reserve	-	-	-	597,380	(597,380)	-
Final dividend for the year ended December 31, 2006 declared subsequent to year end	-	-	-	-	(200,433)	(200,433)
Bonus shares declared / issued subsequent to year ended December 31, 2006	1,002,166	-	-	-	(1,002,166)	-
Balance as at January 1, 2008	3,006,499	-	2,835,466	4,112,870	2,144,810	12,099,645
Net profit for the year ended December 31, 2008	-	-	-	-	386,225	386,225
Transfer to:						
Statutory reserve	-	-	77,245	-	(77,245)	-
General reserve	-	-	-	641,560	(641,560)	-
Final dividend for the year ended December 31, 2007 declared subsequent to year end	-	-	-	-	(450,975)	(450,975)
Bonus shares declared / issued subsequent to year ended December 31, 2007	1,052,275	-	-	-	(1,052,275)	-
Balance as at December 31, 2008	4,058,774	-	2,912,711	4,754,430	308,980	12,034,895

The annexed notes 1 to 48 form an integral part of these financial statements.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Cash Flow Statement

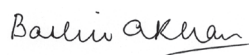
For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
Cash flow from operating activities			
Profit before taxation		461,382	2,299,785
Less: Dividend income		(173,621)	(137,079)
		287,761	2,162,706
Adjustments:			
Depreciation		511,063	400,230
Provision against non-performing advances (net)		3,824,778	3,920,240
Provision for impairment in the value of investments		508	1,501
Bad debts written-off directly		247,311	-
Net loss / (profit) on sale of operating fixed assets		3,989	(6,255)
Provision against other assets		459	-
		4,588,108	4,315,716
		4,875,869	6,478,422
(Increase) / decrease in operating assets			
Lendings to financial institutions		9,139,389	(6,051,193)
Held for trading securities		310,530	(153,654)
Advances		(32,110,169)	(5,521,030)
Other assets (excluding advance taxation)		(2,501,809)	(831,246)
		(25,162,059)	(12,557,123)
Increase / (decrease) in operating liabilities			
Bills payable		(42,223)	787,974
Borrowings		(2,363,377)	2,589,438
Deposits and other accounts		24,639,865	11,197,424
Other liabilities (excluding current taxation)		1,532,773	617,958
		23,767,038	15,192,794
Cash flow before tax		3,480,848	9,114,093
Income tax paid		(884,285)	(743,711)
Net cash flow from operating activities		2,596,563	8,370,382
Cash flow from investing activities			
Net investments in available-for-sale securities		2,477,452	(11,682,052)
Net investments in held-to-maturity securities		(617,596)	(228,876)
Net investments in subsidiaries / associate		(72,000)	(40,789)
Dividend income		162,451	137,192
Investments in operating fixed assets - net of adjustment		(1,843,902)	(1,758,105)
Sale proceeds of operating fixed assets - disposed off		48,976	46,033
Net cash flow from / (used) in investing activities		155,381	(13,526,597)
Cash flow from financing activities			
Payments of sub-ordinated loans		(1,200)	(1,200)
Dividends paid		(444,404)	(201,708)
Net cash flow used in financing activities		(445,604)	(202,908)
Increase / (decrease) in cash and cash equivalents		2,306,340	(5,359,123)
Cash and cash equivalents at beginning of the year	33	18,353,109	23,712,232
Cash and cash equivalents at end of the year	33	20,659,449	18,353,109

The annexed notes 1 to 48 form an integral part of these financial statements.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Notes to the Financial Statements

For the year ended December 31, 2008

1. Status and nature of business

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 200 branches (2007: 150 branches); 199 in Pakistan and Azad Jammu and Kashmir, including 18 Islamic Banking branches, 11 sub-branches and a wholesale bank branch in the Kingdom of Bahrain.

The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

2. Basis of presentation

2.1 These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a 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 facilities actually utilized and the appropriate portion of mark-up thereon.

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

3. Statement of compliance

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

International Accounting Standard 39, Financial Instruments: Recognition and Measurement, International Accounting Standard 40, Investment Property and International Financial Reporting Standard 7, "Financial Instruments: Disclosures" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

a) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but they are not relevant to the Bank's operations:

IFRIC 11	Group and treasury share transaction
IFRIC 12	Service concession arrangements
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

Certain minor amendments in following IASs have been introduced through IASB's Annual Improvements Project published in May 2008.

		Effective for periods beginning on or after
IAS 1	Presentation of financial statements (Revised)	January 1, 2009
IAS 16	Property, plant and equipment	January 1, 2009
IAS 19	Employee benefits	January 1, 2009
IAS 36	Impairment of assets	January 1, 2009
IAS 38	Intangible assets	January 1, 2009
IFRIC 13	Customer loyalty programs	July 1, 2008

c) **Amendments and interpretations to existing standards that are not yet effective and not relevant to the Bank's operations**

		Effective for periods beginning on or after
IAS 20	Accounting for government grants and disclosure of government assistance	January 1, 2009
IAS 23	Borrowing costs	January 1, 2009
IAS 27	Consolidated and separate financial statements	January 1, 2009
IAS 28	Investment in associates	January 1, 2009
IAS 29	Financial reporting in hyperinflationary economies	January 1, 2009
IAS 31	Interest in joint ventures	January 1, 2009
IAS 32	Financial instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 41	Agriculture	January 1, 2009
IFRS 1	First-time adoption of International Financial Reporting Standards	January 1, 2009
IFRS 2	Share-based payments	January 1, 2009
IFRS 3	Business combinations	July 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations	July 1, 2009
IFRS 8	Operating segments	January 1, 2009
IFRIC 15	Agreements for the construction of real estates	January 1, 2009
IFRIC 16	Hedges of a net investment in a foreign operation	October 1, 2008
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009

4. Basis of measurement

These financial statements have been prepared under the historical cost convention as modified for certain investments, freehold and leasehold land which are shown at revalued amounts.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 43.

5. Summary of significant accounting policies

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.3 Investments

Investments are classified as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet. Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

Notes to the Financial Statements

For the year ended December 31, 2008

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

Investments in subsidiaries and associate are carried at cost.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

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

5.4 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.4.2.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.5 Capital work-in-progress, operating fixed assets and depreciation

Capital work in progress

Capital work-in-progress is stated at cost.

Owned assets

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which are not depreciated. Upto last year land was being carried at cost. Had the freehold and leasehold land not been revalued their carrying amount would have been Rs 415.752 million and Rs 1,239.738 million respectively.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the balance sheet. Except to the extent actually realised on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Bank or utilized directly or indirectly by way of dividend or bonus.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase/acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

Assets subject to finance lease

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

5.6 Impairment

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account except for the impairment loss on available for sale investments which has been taken to equity in terms of SBP BSD Circular No. 4 dated February 13, 2009 as referred to in paragraph 9.14 below. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.7 Taxation

Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable for previous years.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date, expected to be applicable at the time of its reversal. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax, on revaluation of investments, if any, is recognised as an adjustment to surplus / (deficit) arising on such revaluation.

5.8 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The Actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of its employees.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

Compensated absences

The Bank grants compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

5.9 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

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

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

Gains and losses on sale of investments are included in income currently.

5.10 Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the balance sheet date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in profit and loss account currently.

Foreign operation

The monetary assets and liabilities of wholesale bank branch are translated to Pak. Rupee at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

Translation gains and losses

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

Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupee at the rates of exchange ruling on the balance sheet date.

Notes to the Financial Statements

For the year ended December 31, 2008

5.11 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net of expected recoveries.

5.12 Off-setting

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

5.13 Appropriations subsequent to balance sheet date

Appropriations subsequent to year end are now recognised during the year in which those appropriations are made.

5.14 Segment reporting

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

5.14.1 Business segment

Corporate financing

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

Trading and sales

Trading and sales includes the Bank's treasury and money market activities classified as held for trading.

Retail banking

Retail banking segment provides services to small borrowers and includes loans, deposits and other transactions with retail customers and credit card business.

Commercial banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

Agency service

Agency service includes income from rent of lockers provided to customers.

Sub-ordinated loans

It represents Term Finance Certificates issued by the Bank.

5.14.2 Geographical segments

The Bank operates in two geographic regions; Pakistan and the Middle East.

5.15 Functional and presentation currency

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

Rupees in '000	Notes	2008	2007
6. Cash and balances with treasury banks			
In hand:			
Local currency		2,843,732	1,937,577
Foreign currencies		994,256	571,861
		3,837,988	2,509,438
National Prize Bonds		15,378	12,722
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	6,455,757	8,493,467
Foreign currency current account	6.1	1,360,567	1,002,742
Foreign currency deposit account	6.2	3,734,701	973,201
		11,551,025	10,469,410
With National Bank of Pakistan in:			
Local currency current accounts		625,244	364,485
		16,029,635	13,356,055

6.1 Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

6.2 This represents statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate 0.0% (2007: 3.6%) per annum.

Rupees in '000	Note	2008	2007
7. Balances with other banks			
In Pakistan			
On current accounts		451,035	250,629
On deposit accounts		113,763	448,669
		564,798	699,298
Outside Pakistan			
On current accounts		656,115	549,305
On deposit accounts	7.1	2,733,901	2,248,451
		3,390,016	2,797,756
		3,954,814	3,497,054

7.1 These represent overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.1% to 3% (2007: 2.37% to 4.69%) per annum receivable on maturity.

Rupees in '000	Note	2008	2007
8. Lendings to financial institutions			
Call money lendings	8.1	675,000	1,500,000
Repurchase agreement lendings (reverse repo)	8.2	2,554,754	8,836,151
Purchase under resale arrangement of equity securities	8.3	1,150,000	449,992
		3,704,754	9,286,143
Trade related deals		–	558,000
Others	8.4	100,000	3,100,000
		4,479,754	14,444,143

8.1 These carry mark-up at rates ranging from 12.5% to 20% (2007: 9.65% to 10%) per annum.

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rates ranging from 12% to 14.9% (2007: 9.25% to 9.95%) per annum and maturities of upto 2 months (2007: upto 2 months).

Notes to the Financial Statements

For the year ended December 31, 2008

8.3 These represent shares of companies purchased under resale agreement carrying mark-up at rates ranging from 18% to 18.01% (2007: 11.2% to 12.5%) per annum with maturity of upto 1 month (2007: upto 1 month). These include lending under repurchase agreement amounting to Rs 500,000 thousand (2007: Nil) to a related party.

8.4 This represents lendings to a financial institution carrying mark-up at rate of 19% (2007: 9.65% to 10.3%) per annum with maturity of 5 days (2007: upto 3 months).

Rupees in '000	2008	2007
8.5 Particulars of lending		
In local currency	4,479,754	13,886,143
In foreign currencies	-	558,000
	4,479,754	14,444,143

Rupees in '000	2008			2007		
	Held by the bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.6 Securities held as collateral against lendings to financial institutions						
Market Treasury Bills	2,554,754	-	2,554,754	8,536,151	-	8,536,151
Pakistan Investment Bonds	-	-	-	300,000	-	300,000
Purchase under resale arrangement of listed shares	1,150,000	-	1,150,000	449,992	-	449,992
	3,704,754	-	3,704,754	9,286,143	-	9,286,143

9. Investments

Rupees in '000	Notes	2008			2007		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types:							
Held for trading securities							
Fully paid ordinary shares		134,454	–	134,454	465,640	–	465,640
Available for sale securities							
Market Treasury Bills		15,276,144	767,310	16,043,454	20,195,793	5,868,488	26,064,281
Pakistan Investment Bonds		3,086,099	44,000	3,130,099	1,884,256	1,194,000	3,078,256
Fully paid ordinary shares		1,868,417	–	1,868,417	1,597,170	–	1,597,170
Fully paid preference shares	9.5	125,000	–	125,000	125,000	–	125,000
Askari Income Fund - Units	9.7	986,265	–	986,265	450,000	–	450,000
Askari Islamic Income Fund		100,000	–	100,000	–	–	–
Askari Islamic Asset Allocation Fund		100,000	–	100,000	–	–	–
Term Finance Certificates		6,707,845	–	6,707,845	1,565,358	–	1,565,358
National Investment Trust (NIT) Units		196,955	–	196,955	46,955	–	46,955
Sukuk – Certificates	9.8	1,508,280	–	1,508,280	400,000	–	400,000
Foreign securities	9.9	181,287	–	181,287	98,034	–	98,034
		30,136,292	811,310	30,947,602	26,362,566	7,062,488	33,425,054
Held to maturity securities							
Term Finance Certificates		1,029,907	–	1,029,907	1,248,571	–	1,248,571
Pakistan Investment Bonds		1,516,837	–	1,516,837	1,706,824	–	1,706,824
Government of Pakistan Sukuk – Bonds	9.2.4	948,676	–	948,676	743,232	–	743,232
Government of Pakistan Euro Bonds	9.2.4	949,330	–	949,330	744,999	–	744,999
Sukuk – Certificates	9.11	930,979	–	930,979	400,000	–	400,000
Credit Linked Notes	9.12	395,493	–	395,493	310,000	–	310,000
		5,771,222	–	5,771,222	5,153,626	–	5,153,626
Investment in associate							
Askari General Insurance Company Limited	9.10	11,182	–	11,182	11,182	–	11,182
Investment in subsidiaries							
Askari Investment Management Limited	9.4	135,000	–	135,000	100,000	–	100,000
Askari Securities Limited	9.4	77,789	–	77,789	40,789	–	40,789
Investment at cost		36,265,939	811,310	37,077,249	32,133,803	7,062,488	39,196,291
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,896)	–	(3,896)	(3,388)	–	(3,388)
Investments (net of provision)		36,262,043	811,310	37,073,353	32,130,415	7,062,488	39,192,903
Add / (less):							
Surplus on revaluation of held for trading securities - net		22,384	–	22,384	1,728	–	1,728
(Deficit) / surplus on revaluation of available for sale securities - net		(1,413,392)	(4,590)	(1,417,982)	136,136	100,238	236,374
Total investments at market value		34,871,035	806,720	35,677,755	32,268,279	7,162,726	39,431,005

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
9.2 Investments by segments:			
Federal Government Securities	9.2.3		
Market Treasury Bills		16,043,454	26,064,281
Pakistan Investment Bonds		4,646,936	4,785,080
Government of Pakistan Sukuk – Bonds	9.2.4	948,676	743,232
Government of Pakistan Euro Bonds	9.2.4	949,330	744,999
		22,588,396	32,337,592
Fully paid up ordinary shares			
Listed companies	9.3	3,144,638	2,468,312
Unlisted companies	9.4	268,469	196,469
		3,413,107	2,664,781
Fully paid preference shares			
Listed companies	9.5	125,000	125,000
Term Finance Certificates	9.6		
Listed Term Finance Certificates		1,252,367	1,853,121
Unlisted Term Finance Certificates		6,485,385	960,808
		7,737,752	2,813,929
Foreign Securities			
Mena Transformation Fund	9.9	181,287	98,034
Credit Linked Notes	9.12	395,493	310,000
		576,780	408,034
Other Investments			
Sukuk – Certificates		2,439,259	800,000
National Investment Trust (NIT) – Units		196,955	46,955
		2,636,214	846,955
Total investment at cost		37,077,249	39,196,291
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,896)	(3,388)
Investments (net of provisions)		37,073,353	39,192,903
Add: Surplus on revaluation of held for trading securities - net		22,384	1,728
(Less) / Add : (Deficit) / surplus on revaluation of available for sale securities - net		(1,417,982)	236,374
Total investments at market value		35,677,755	39,431,005
9.2.1 Particulars of provision for impairment in value of investments			
Opening balance		3,388	1,887
Charge for the year		508	1,501
Reversals		–	–
		508	1,501
Closing balance		3,896	3,388
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted company		3,896	3,388

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon
Market Treasury Bills	January 2009 to June 2009	On maturity	9.44% to 14.01%	at maturity
Pakistan Investment Bonds	April 2009 to August 2017	On maturity	7% to 14%	semi-annually
Government of Pakistan Sukuk – Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually

9.2.4 These represent investments by the wholesale bank branch.

9.3 Investments in listed shares

No. of ordinary shares		Paid-up / break up value per share / unit Rupees	Name of company / mutual fund	2008	2007
2008	2007			Rupees in '000	
1,234,728	1,160,422	53.36	Sui Northern Gas Pipelines Limited	65,890	63,565
6,350,000	4,249,500	9.06	Atlas Fund of Funds	57,514	40,471
743,500	595,000	9.45	Meezan Balanced Fund	7,029	5,950
347,946	800,000	132.13	National Bank of Pakistan	45,974	195,277
4,704	–	135.20	MCB Bank Limited	636	–
40,881	–	1.03	Arif Habib Bank Limited	42	–
75	–	53.33	First National Equities Limited	4	–
156	–	6.41	Invest and Finance Securities Limited	1	–
7,428	–	56.14	Jahangir Siddiqui and Company Limited	417	–
2,452	–	11.42	Javed Omer Vohra and Company Limited	28	–
4,000	–	6.75	Pervez Ahmed Securities Limited	27	–
86	–	11.63	Dawood Equities Limited	1	–
6,280	–	13.54	Faysal Bank Limited	85	–
650,000	–	15.51	Samba Bank Limited	10,083	–
202	–	24.75	Bank Al-Habib Limited	5	–
151	–	119.21	EFU General Insurance Limited	18	–
701	–	12.84	D.S. Industries Limited	9	–
595	–	18.49	Azgard Nine Limited	11	–
137,500	–	25.91	Nishat Mills Limited (Chunian)	3,562	–
524	–	43.89	Dawood Lawrencepur Limited	23	–
21,124	–	0.95	Dewan Salman Fibres Limited	20	–
970	–	3.09	Al-Abbas Cement Industries Limited	3	–
81,771	–	3.41	Dewan Cement Limited	279	–
352	–	19.89	Pioneer Cement Limited	7	–
62	–	16.13	Thatta Cement Limited	1	–
4,234	–	86.21	Pakistan Refinery Limited	365	–
11,320	–	3.27	Bosicor Pakistan Limited	37	–
5,901	–	11.69	Sui Southern Gas Company Limited	69	–
69	–	101.45	Mari Gas Company Limited	7	–
480	–	29.17	Eye Television Network Limited	14	–
1,865	–	27.35	Netsol Technologies Limited	51	–
61	–	114.75	BOC Pakistan Limited	7	–
2,483	–	16.11	Sitara Peroxide Limited	40	–
556	–	25.18	Pakistan Electron Limited	14	–
13,812	–	10.72	Pace Pakistan Limited	148	–
100,568	–	49.72	Reliance Income Fund	5,000	–
5,000,000	–	10.00	ABL Income Fund	50,000	–
1,077	–	2.79	Maple Leaf Cement Company Limited	3	–
49,352	375,000	22.82	D. G. Khan Cement Company Limited	1,126	38,704
1,033,719	300,000	24.36	Pakistan Telecommunication Company Limited	25,184	12,961
1,613,280	1,250,500	29.14	Hub Power Company Limited	47,006	37,091
587,974	350,100	71.13	Oil and Gas Development Company Limited	41,820	41,250
1,427,000	1,952,500	9.53	Pakistan Strategic Allocation Fund	13,601	19,524
153,906	–	11.58	Pakistan Premier Fund	1,782	–
7,917	40,000	155.24	Pakistan State Oil Company Limited	1,229	16,863
1,827	–	55.83	Fauji Fertilizer Company Limited	102	–
1,034,336	345,000	47.33	Lucky Cement Limited	48,950	44,153
882,599	220,000	114.79	Pakistan Oilfields Limited	101,311	72,792
187,380	193,000	187.65	Pakistan Petroleum Limited	35,161	43,532
113,050	70,000	221.25	Engro Chemical (Pakistan) Limited	25,012	18,602
798,243	285,000	81.20	Crescent Steel Mills Limited	64,821	26,577
156,927	157,500	53.88	Honda Atlas Cars Limited	8,455	9,850
300,000	110,000	308.88	Packages Limited	92,663	40,460
6,195	10,000	73.77	ICI Pakistan Limited	457	1,966
3,641	855,000	15.11	The Bank of Punjab	55	81,836

Notes to the Financial Statements

For the year ended December 31, 2008

No. of ordinary shares		Paid-up / break up value per share / unit	Name of company / mutual fund	2008	2007
2008	2007	Rupees		Rupees in '000	
6,204	150,000	21.92	Nishat Textile Mills Limited	136	17,213
2,213,915	616,000	38.61	Fauji Fertilizer Bin Qasim Limited	85,485	27,232
100,086	21,500	293.55	Adamjee Insurance Company Limited	29,380	7,705
3,387	–	33.66	Allied Bank Limited	114	–
2,380,000	1,300,000	7.45	UTP Large Capital Fund	17,737	11,910
140,000	–	43.02	Kot Addu Power Company Limited	6,023	–
228,201	20,000	60.67	Pakistan Re-Insurance Limited	13,846	7,820
730,000	312,500	4.62	Golden Arrow Selected Stock Fund	3,371	2,053
1,696,825	264,000	26.55	PICIC Growth Fund	45,056	8,040
7,508,500	7,500,000	10.00	Pak Oman Advantage Fund	75,069	75,000
1,107,159	363,100	69.09	Arif Habib Securities Limited	76,499	60,476
888	–	74.32	Arif Habib Limited	66	–
1,500,000	300,000	11.43	IGI Investment Bank Limited	17,151	3,595
261	94,600	38.31	JS Investments Limited	10	6,432
181,165	394,187	16.00	Bank Islami Pakistan Limited	2,899	6,434
204,809	370,000	29.80	Meezan Bank Limited	6,104	14,375
640,000	105,500	20.94	MyBank Limited	13,404	2,385
219,392	226,800	231.33	Habib Bank Limited	50,751	58,349
310,511	110,000	97.28	United Bank Limited	30,208	18,503
189,941	400,250	10.52	JS Bank Limited	1,999	6,737
4,300,000	984,000	19.99	NIB Bank Limited	85,961	18,558
500,000	285,700	10.51	Atlas Bank Limited	5,256	3,648
2,018,600	114,200	35.45	Soneri Bank Limited	71,557	4,541
1,172,187	1,172,187	12.50	Hira Textile Mills Limited	14,652	14,652
54,300	25,000	73.39	Attock Cement Limited	3,985	2,400
113,400	140,000	28.92	Cherat Cement Limited	3,279	5,482
969,606	300,000	11.46	Fauji Cement Company Limited	11,109	4,761
632	215,000	64.87	Attock Refinery Limited	41	53,936
110,000	55,000	314.94	National Refinery Limited	34,643	19,642
60,875	65,000	313.89	Shell Pakistan Limited	19,108	25,513
218,700	50,500	282.23	Pak Suzuki Motor Company Limited	61,724	17,865
50,029	45,500	338.42	Indus Motor Company Limited	16,931	16,563
2,500,000	2,500,000	98.06	Askari Asset Allocation Fund	245,141	245,140
1,000,000	–	100.00	Askari Islamic Income Fund	100,000	–
1,000,000	–	100.00	Askari Islamic Asset Allocation Fund	100,000	–
516,899	516,899	96.73	MCB Dynamic Cash Fund	50,000	50,000
100,000	100,000	100.00	HBL Stock Fund	10,000	10,000
254,814	239,047	98.11	JS Income Fund	25,000	25,000
6,090	–	2.79	JS Value Fund	17	–
462,939	100,000	31.91	Bank Alfalah Limited	14,771	5,370
101,455	7,000	419.08	Attock Petroleum Limited	42,518	3,983
3,575	10,000	8.11	Dost Steel Mills Limited	29	343
30	79,000	66.67	Searle Pakistan Limited	2	3,591
–	146,000	–	Pakistan PTA Limited	–	719
–	513,239	–	HBL Income Fund	–	50,000
–	505,255	–	United Growth and Income Fund	–	50,000
–	503,906	–	AKD Income Fund	–	25,000
–	201,557	–	AMZ Plus Income Fund	–	20,000
–	300,000	–	Alfalah GHP Income Multiplier Fund	–	15,000
–	201,073	–	IGI Income Fund	–	20,000
–	249,829	–	Dawood Money Market Fund	–	25,000
–	203,000	–	First Habib Income Fund	–	20,000
–	67,500	–	Pakistan International Container Terminal Limited	–	3,990
–	241,289	–	KASB Liquid Fund	–	25,000
3,056,611	2,351,241	3.66	Askari General Insurance Company Limited	–	–
			- note 9.10	11,182	11,182
9,798,740	4,761,601	100.65	Askari Income Fund	986,265	450,000

No. of ordinary shares		Paid-up / break up value per share / unit Rupees	Name of company / mutual fund	2008	2007
2008	2007			Rupees in '000	
–	563,500	–	Karachi Electric Supply Company Limited	–	2,986
–	17,500	–	Cherat Paper Sack Limited	–	3,317
–	308,000	–	World Call Telecom Limited	–	5,113
–	8,600	–	Glaxo Smithkline Limited	–	1,655
–	6,000	–	Highnoon Laboratories Limited	–	501
–	777,600	–	Pakistan Industrial Credit and Investment Corporation Limited	–	56,080
–	30,000	–	Tri Pak Films Limited	–	6,099
				3,144,638	2,468,312
(Less) / Add: (Deficit) / surplus on revaluation of shares – (net)				(1,036,413)	31,562
Market value as on December 31				2,108,225	2,499,874

9.4 Particulars of investments held in unlisted companies

Investee	Notes	Percentage of holding	Number of shares	Cost/paid up value per share Rupees	Total Paid-up Value Rupees in '000	Break up Value	Based on audited financial statements as at	Name of Chief Executive
Khushhali Bank Limited	9.4.1	2.93	5,000,000	10	50,000	53,947	31 Dec 2007	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10	5,680	1,784	31 Dec 2007	Mr. S.M. Zaeem
Askari Investment Management Limited -subsidiary	9.4.3	100	13,500,000	10	135,000	188,126	31 Dec 2008	Mr. Saeed Aziz Khan
Askari Securities Limited -subsidiary	9.4.4	74	13,320,000	10	77,789	61,965	31 Dec 2008	Mr. Muhammad Ramzan Bhatti
					268,469			

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 7, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale / transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid-up value and break-up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 3,896 thousand (2007: Rs. 3,388 thousand) is considered as impairment and has been fully provided for.

9.4.3 Askari Investment Management Limited is a wholly owned subsidiary of the Bank, licensed as a non-banking finance company (NBFC), to undertake asset management and investment advisory services under Non Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC and NE Regulations).

9.4.4 Askari Securities Limited is a partly owned subsidiary of the Bank, incorporated under the Companies Ordinance, 1984 as a public limited company to undertake the business of share brokerage, investment advisory and consultancy services.

Notes to the Financial Statements

For the year ended December 31, 2008

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value per share	Investee	Rate	Book Value		Market Value	
2008	2007				2008	2007	2008	2007
		Rupees		%	Rupees in '000			
10,000,000	10,000,000	10	Chenab Limited	9.25	100,000	100,000	81,700	80,000
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
					125,000	125,000	106,700	105,000

9.6 Investment in Term Finance Certificates – Listed

No. of certificates		Company's Name	Redeemed value per certificate		
2008	2007			2008	2007
			Rupees	Rupees in '000	
6,067	6,067	Worldcall Telecom Limited	4,996	30,311	30,323
30,000	30,000	Bank Al-Habib Limited	4,992	149,760	149,820
35,000	35,000	Bank Alfalah Limited	4,993	174,760	174,827
4,600	4,600	Royal Bank of Scotland (Formerly ABN AMRO Bank Pakistan)	4,993	22,968	22,977
12,000	12,000	Soneri Bank Limited	4,993	59,916	59,940
10,000	10,000	Standard Chartered Bank Limited	4,995	49,950	49,970
24,431	24,431	United Bank Limited	4,993	121,988	122,036
40,000	39,992	Pakistan Mobile Communication (Private) Limited	4,995	199,800	199,920
5,000	–	NIB Bank Limited	4,224	21,121	–
18,669	18,669	Allied Bank Limited	4,996	93,270	93,308
15,000	15,000	Pace Pakistan Limited	4,999	74,985	75,000
–	60,000	Pak American Fertilizers Limited	–	–	300,000
–	60,000	Azgard Nine Limited	–	–	300,000
8,000	1,500	Orix Leasing Limited	5,069	40,548	150,000
43,493	20,000	Pak Arab Fertilizer Limited	4,897	212,990	100,000
–	5,000	Jahangir Siddique and Company Limited	–	–	25,000
Book value as on December 31				1,252,367	1,853,121

Unlisted

–	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Rashid Khan)	–	–	59,960
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Aijaz Haroon)	3,542	247,907	306,238
140,000	400	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,999	699,800	383,333
–	18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Taufique Sayeed Saigol)	–	–	11,250
–	18,995	Dewan Cement Limited (Chief Executive: Mr. Dewan M. Yousuf Farooqui)	–	–	63,784
20,000	20,000	Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	1,250	25,000	50,000
2,200	–	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	100,032	220,070	–
33,000	–	Jahangir Siddique and Company (Chief Executive: Mr. Munaf Ibrahim)	5,023	165,744	–
15,200	15,200	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	5,000	76,000	76,000
5,000	5,000	Kashf Foundation (Chief Executive: Dr. Ishrat Hussain)	5,000	25,000	10,243

No. of certificates		Company's Name	Redeemed value per certificate	2008	2007
2008	2007			Rupees	Rupees in '000
86,000	–			Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,005
59,023	–	Worldcall Telecom Limited (Chief Executive: Mr. Baber Ali Syed)	5,000	295,112	–
140,000	–	Engro Chemicals Pakistan Limited (Chief Executive: Mr. Asad Umar)	5,000	700,000	–
233,333	–	Islamabad Electric Supply Company Limited (Chief Executive: Brig. (Retd) Shahbaz Azam)	5,000	1,166,665	–
233,333	–	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Ahmad Saeed Akhter)	5,000	1,166,665	–
233,333	–	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Rana Muhammad Ashraf Zahid)	5,000	1,166,665	–
10,000	–	Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000	50,000	–
10,000	–	KASB Securities Limited (Chief Executive: Mr. Farrukh H. Sabzwari)	5,037	50,370	–
Book value as on December 31				6,485,385	960,808

These carry rate of return ranging from 8.45% to 19.43% (2007: 8.45% to 14.40%) per annum and having maturity periods of upto 8 years (2007: 8 years).

9.7 This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.

9.8 Sukuk Certificates

Name of Investee	Rate	Maturity	2008	2007
			Rupees in '000	
Kohat Cement Limited	Average of offer side of 6 month KIBOR plus 1.8% p.a.	December 13, 2012	241,500	250,000
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 08, 2014	100,000	–
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a.	June 20, 2014	200,000	–
Pak American Fertilizer Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 05, 2015	300,000	–
Sitara peroxide Limited	Average of offer side of 3 month KIBOR plus 1.1% p.a.	August 19, 2013	190,000	–
K.S. Sulmanji & Esmailji & Sons Private Limited	Average of offer side of 3 month KIBOR plus 1.3% p.a.	June 28, 2012	200,000	–
Eden Builders Private Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a.	March 08, 2014	66,250	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 13, 2012	150,000	150,000
Pakistan Domestic Sukuk Company Limited	Weighted avg yield of 6 months market treasury bills	September 26, 2011	10,000	–
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	50,530	–
			1,508,280	400,000

9.9 The Bank has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

9.10 Investment in associate represents 15% (2007: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2008: Rs. 91,668 thousand ; 2007: Rs. 154,124 thousand).

Notes to the Financial Statements

For the year ended December 31, 2008

9.11 Sukuk Certificates

Name of Investee	Rate	Maturity	2008	2007
			Rupees in '000	
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a.	June 28, 2012	200,000	200,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
Karachi Shipyard and Engineering Works	Average of offer side of 6 month KIBOR minus 0.4% p.a.	February 04, 2016	150,979	–
Educational Excellence Limited	Average of offer side of 6 month KIBOR minus 2.5% p.a.	November 19, 2013	270,000	–
Arzoo Textile Limited	Average of offer side of 6 month KIBOR minus 2% p.a.	April 14, 2014	110,000	–
			930,979	400,000

9.12 This represents investments by the wholesale bank branch in credit linked notes issued by Standard Chartered Bank, Singapore at 3 month USD LIBOR plus 3.50% per annum maturing on December 20, 2012.

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating

9.13 Quality of Available for Sale Securities

Market Treasury Bills - note 9.13.1	16,028,763	unrated	26,010,637	unrated
Pakistan Investment Bonds - note 9.13.1	2,901,990	unrated	3,331,991	unrated
Fully paid up ordinary shares - note 9.13.2				
Sui Northern Gas Pipelines Limited	26,497	AA	76,066	AA
Atlas Fund of Funds	31,750	5 - Star	35,696	5 - Star
Meezan Balanced Fund	2,952	5 - Star	4,998	5 - Star
National Bank of Pakistan	17,005	AAA	23,215	AAA
MCB Bank Limited	592	AA+	–	–
Arif Habib Bank Limited	226	A	893	A–
First National Equities Limited	4	A–	–	–
Invest and Finance Securities Limited	1	BBB–	–	–
Jahangir Siddiqui and Company Limited	388	AA+	–	–
Javed Omer Vohra and Company Limited	22	BB+	–	–
Pervez Ahmed Securities Limited	14	unrated	–	–
Dawood Equities Limited	1	unrated	–	–
Faysal Bank Limited	72	AA	–	–
Samba Bank Limited	3,211	A	–	–
Bank Al-Habib Limited	5	AA	–	–
EFU General Insurance Limited	20	AA	–	–
D.S. Industries Limited	10	unrated	–	–
Azgard Nine Limited	10	A+	–	–
Nishat Mills Limited (Chunian)	1,330	unrated	–	–
Dawood Lawrencepur Limited	26	unrated	–	–
Dewan Salman Fibres Limited	30	unrated	–	–
Al-Abbas Cement Industries Limited	3	unrated	–	–
Dewan Cement Limited	248	BB	–	–
Pioneer Cement Limited	8	BBB	–	–
Thatta Cement Limited	1	unrated	–	–
Pakistan Refinery Limited	417	unrated	–	–
Bosicor Pakistan Limited	53	unrated	–	–
Sui Southern Gas Company Limited	62	AA–	–	–
Mari Gas Company Limited	7	unrated	–	–
Eye Television Network Limited	16	unrated	–	–
Netsol Technologies Limited	47	unrated	–	–
BOC Pakistan Limited	7	unrated	–	–
Sitara Peroxide Limited	45	unrated	–	–
Pakistan Electron Limited	13	A	–	–

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating
Pace Pakistan Limited	119	A+	–	–
Reliance Income Fund	4,735	unrated	–	–
ABL Income Fund	52,083	A	–	–
Maple Leaf Cement Company Limited	4	BBB+	–	–
D. G. Khan Cement Company Limited	1,050	unrated	30,777	unrated
Pakistan Telecommunication Company Limited	17,460	unrated	12,615	unrated
Hub Power Company Limited	22,731	unrated	38,140	unrated
Oil and Gas Development Company Limited	24,404	AAA	11,945	AAA
Pakistan Strategic Allocation Fund	3,254	4 - Star	17,768	4 - Star
Pakistan Premier Fund	311	5 - Star	–	–
Pakistan State Oil Company Limited	1,145	AAA	–	–
Fauji Fertilizer Company Limited	107	unrated	–	–
Lucky Cement Limited	9,710	unrated	34,367	unrated
Pakistan Oilfields Limited	9,490	unrated	70,224	unrated
Pakistan Petroleum Limited	18,854	unrated	35,042	unrated
Engro Chemical (Pakistan) Limited	10,905	AA	–	–
Crescent Steel Mills Limited	13,594	A+	27,759	A+
Honda Atlas Cars Limited	1,808	unrated	8,521	unrated
Packages Limited	24,357	AA	29,104	AA
ICI Pakistan Limited	426	unrated	–	–
The Bank of Punjab	48	AA–	29,829	AA
Nishat Textile Mills Limited	140	A+	15,780	A1+
Fauji Fertilizer Bin Qasim Limited	28,560	unrated	2,102	unrated
Adamjee Insurance Company Limited	10,193	AA	–	–
Allied Bank Limited	106	A	–	–
UTP Large Capital Fund	5,474	4 – Star	10,530	5 – Star
Kot Addu Power Company Limited	4,418	unrated	–	–
Pakistan Re-Insurance Limited	5,406	unrated	8,075	unrated
Golden Arrow Selected Stock Fund	1,489	5 - Star	2,000	5 - Star
PICIC Growth Fund	9,485	unrated	7,524	2 - Star
Pak Oman Advantage Fund	56,464	AA–	61,875	AA–
Arif Habib Securities Limited	21,205	A+	27,383	unrated
Arif Habib Limited	76	unrated	–	–
IGI Investment Bank Limited	4,725	A	4,425	A
JS Investments Limited	11	AA–	4,243	unrated
Bank Islami Pakistan Limited	1,313	A–	3,502	A–
Meezan Bank Limited	4,399	A+	14,245	A+
MyBank Limited	7,424	A	2,527	A
Habib Bank Limited	16,424	AA+	44,381	AA+
United Bank Limited	11,461	AA+	19,019	AA+
JS Bank Limited	1,090	A–	8,740	A–
NIB Bank Limited	20,081	AA–	63,361	A+
Atlas Bank Limited	1,660	A–	4,857	A–
Soneri Bank Limited	22,205	AA–	4,956	AA–
Hira Textile Mills Limited	2,649	unrated	9,319	unrated
Attock Cement Limited	2,046	unrated	2,493	unrated
Cherat Cement Limited	1,294	unrated	5,558	unrated
Fauji Cement Company Limited	4,557	unrated	4,470	unrated
Attock Refinery Limited	38	AA	47,747	AA–
National Refinery Limited	10,468	AAA	18,050	unrated
Shell Pakistan Limited	18,890	unrated	26,409	unrated
Pak Suzuki Motor Company Limited	17,411	unrated	11,702	unrated
Indus Motor Company Limited	6,148	unrated	14,523	unrated
Askari Asset Allocation Fund	114,874	unrated	241,722	unrated
Askari Islamic Income Fund	100,000	unrated	–	–
Askari Islamic Asset Allocation Fund	100,000	unrated	–	–
MCB Dynamic Cash Fund	51,013	unrated	54,123	AM3
HBL Stock Fund	5,798	unrated	10,240	unrated

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating
JS Income Fund	25,701	5 - Star	25,305	unrated
JS Value Fund	27	5 - Star	-	-
Bank Alfalah Limited	7,745	AA	-	-
Attock Petroleum Limited	14,645	unrated	-	-
Dost Steel Mills Limited	28	unrated	-	-
Searle Pakistan Limited	2	BBB	-	-
Pakistan PTA Limited	-	-	737	unrated
HBL Income Fund	-	-	53,664	unrated
United Growth and Income Fund	-	-	52,961	A
AKD Income Fund	-	-	26,585	AM3+
AMZ Plus Income Fund	-	-	21,353	A
Alfalah GHP Income Multiplier Fund	-	-	15,777	unrated
IGI Income Fund	-	-	21,100	AM3
Dawood Money Market Fund	-	-	26,347	5 - Star
First Habib Income Fund	-	-	21,268	unrated
Pakistan International Container Terminal Limited	-	-	4,752	unrated
KASB Liquid Fund	-	-	25,381	AM3
Pakistan Export Finance Guarantee Agency Limited	1,784	unrated	2,292	unrated
Khushhali Bank Limited	50,000	unrated	50,000	A-
Fully Paid Preference shares				
Chenab Limited	81,700	unrated	80,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
Askari Income Fund Units - 9.13.2	921,376	5 - Star	503,254	5 - Star
Term Finance Certificates				
World Call Telecom Limited	329,998	AA-	34,885	AA-
United Bank Limited	23,943	AA	23,616	AA
Allied Bank Limited	101,858	AA-	101,858	A+
Pace Pakistan Limited	74,985	AA-	75,000	AA-
Orix Leasing Limited	260,768	AA+	150,000	AA+
Pak Arab Fertilizer Limited	217,422	AA	100,000	AA
Pak American Fertilizer Limited	700,550	AA-	683,333	AA-
Jahangir Siddique and Company	166,418	AA+	25,000	AA+
Avari Hotels Limited	76,000	A-	76,000	A-
Kashf Foundation	25,078	A-	10,243	A
Engro Chemical Pakistan Limited	704,200	AA	-	-
Islamabad Electric Supply Company	1,166,665	unrated	-	-
Faisalabad Electric Supply Company	1,166,665	unrated	-	-
Gujranwala Electric Supply Company	1,166,665	unrated	-	-
Shakarganj Mills Limited	50,000	A-	-	-
KASB Securities Limited	50,370	AA-	-	-
Azgard Nine Limited	431,675	AA-	300,000	A+
NIB Bank Limited	24,995	A+	-	-
	6,738,255		1,579,935	
National Investment Trust (NIT) Units	79,705	4 - Star	51,286	4 - Star
Sukuk Certificates	1,508,280	unrated	400,000	unrated
Foreign securities				
Mena Transformation Fund	170,040	unrated	85,575	unrated
	29,525,724		33,658,040	

9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 Ratings for these equity securities / units represent 'Entity Ratings'.

9.13.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign security has been rated separately by Moodys, Standard & Poor's and Fitch; international rating companies. These ratings reflect independent credit risk assessment by respective credit rating entities.

9.14 The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a Floor Mechanism on the market value of securities based on the closing prices prevailing as on August 27, 2008. Under the Floor Mechanism, the individual price of equity security could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of Floor Mechanism by KSE, the market volume declined significantly during the period from August 28, 2008 to December 15, 2008. There was lower price floor on a number of securities at the close of December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 in terms of the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, in terms of the SBP BSD Circular No. 4 dated February 13, 2009 the banks have option to adopt Securities and Exchange Commission of Pakistan's (SECP) notification SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as Available for Sale (AFS) to quoted market prices may be shown under the equity. The impairment loss taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. The impairment loss taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend. The impairment loss as at December 31, 2008 has been determined at Rs 440,866 million.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

Rupees in '000	2008
Increase in 'Impairment Loss' in Profit and Loss Account	440,866
Decrease in tax charge for the year	154,303
Decrease in profit for the year - after tax	286,563

Rupees	2008
Decrease in earnings per share - after tax	0.71

Rupees in '000	2008
Decrease in deficit on revaluation of available for sale securities	440,866
Decrease in unappropriated profit	229,250
Decrease in statutory reserve	57,313

Rupees in '000	2008	2007
9.15 Unrealized gain on revaluation of investments classified as held for trading		
Fully paid ordinary shares	22,384	1,728

9.16 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

9.17 Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
10. Advances			
Loans, cash credits, running finances, etc.			
In Pakistan		120,029,501	90,321,149
Outside Pakistan		2,993,878	2,332,750
		123,023,379	92,653,899
Ijara Financing - In Pakistan	10.2	2,092,884	549,809
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,737,310	5,634,323
Payable outside Pakistan		8,865,648	8,230,162
		14,602,958	13,864,485
		139,719,221	107,068,193
Financing in respect of continuous funding system		111,752	1,120,574
Advances - gross		139,830,973	108,188,767
Provision against non performing advances	10.4		
Specific provision		(10,025,157)	(6,528,040)
General provision		(573,390)	(434,690)
General provision against consumer loans		(414,184)	(445,875)
		(11,012,731)	(7,408,605)
Advances - net of provision		128,818,242	100,780,162
10.1 Particulars of advances			
10.1.1 In local currency		130,774,111	95,024,960
In foreign currencies		9,056,862	13,163,807
		139,830,973	108,188,767
10.1.2 Short term (for upto one year)		111,043,245	81,372,426
Long term (for over one year)		28,787,728	26,816,341
		139,830,973	108,188,767

Rupees in '000	2008				2007			
	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
10.2 Ijara Financing - In Pakistan								
Ijara rentals receivable	651,713	1,468,852	-	2,120,565	101,165	402,897	-	504,062
Residual value	6,520	536,621	-	543,141	21,176	105,562	-	126,738
Minimum Ijara payments	658,233	2,005,473	-	2,663,706	122,341	508,459	-	630,800
Profit for future periods	222,807	348,015	-	570,822	25,833	55,158	-	80,991
Present value of minimum Ijara payments	435,426	1,657,458	-	2,092,884	96,508	453,301	-	549,809

10.3 Advances include Rs. 11,689,417 thousand (2007: Rs.6,907,591 thousand) which have been placed under non-performing status as detailed below :

		2008								
Category of classification	Notes	Classified advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Special mention	10.3.1	-	-	-	208,954	-	208,954	208,954	-	208,954
Other Assets Especially Mentioned	10.3.2	9,565	-	9,565	-	-	-	-	-	-
Substandard		383,712	-	383,712	93,309	-	93,309	93,309	-	93,309
Doubtful		1,683,322	-	1,683,322	757,706	-	757,706	757,706	-	757,706
Loss		9,612,818	-	9,612,818	8,965,188	-	8,965,188	8,965,188	-	8,965,188
		11,689,417	-	11,689,417	10,025,157	-	10,025,157	10,025,157	-	10,025,157

10.3.1 This represents provision made pursuant to the State Bank of Pakistan's advice.

10.3.2 This represents classification made for agricultural finances.

		2008				2007			
Rupees in '000	Note	Specific	General	Consumer financing	Total	Specific	General	Consumer financing	Total
				- General				- General	
10.4 Particulars of provision against non-performing advances									
Opening balance		6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507
Charge / (reversal) for the year		3,717,769	138,700	(31,691)	3,824,778	3,845,551	(7,791)	82,480	3,920,240
Amounts written-off	10.6	(220,652)	-	-	(220,652)	(34,325)	-	-	(34,325)
Other adjustments		-	-	-	-	(22,817)	-	-	(22,817)
Closing balance		10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605

10.4.1 The State Bank of Pakistan has amended the Prudential Regulation vide BSD Circular No. 2 of 2009 dated January 27, 2009 in relation to provision for loans and advances, thereby allowing benefit of 30% of Forced Sale Value (FSV) of pledged stocks, mortgaged commercial and residential properties held as collateral against non performing advances. This change has resulted in reduced charge for specific provision for the year by Rs 685.843 million. Had the basis for determining the specific provision was not changed, profit before tax and profit after tax would have been lower by Rs 685.843 million and Rs 445.80 million respectively.

10.4.2 The general provision is maintained at the rate of 0.5% on advances other than non-performing advances and consumer financing.

		2008				2007			
Rupees in '000		Specific	General	Consumer financing	Total	Specific	General	Consumer financing	Total
				- General				- General	
10.4 Particulars of provision against non-performing advances									
In local currency		9,927,604	529,336	414,184	10,871,124	6,470,161	369,160	445,875	7,285,196
In foreign currencies		97,553	44,054	-	141,607	57,879	65,530	-	123,409
		10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008	2007
10.6 Particulars of write-offs:		
10.6.1 Against provisions	220,652	34,325
Directly charged to profit and loss account	247,311	–
	467,963	34,325
10.6.2 Write offs of Rs. 500,000 and above	467,963	34,168
Write offs of below Rs. 500,000	–	157
	467,963	34,325

10.7 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2008 is given at Annexure-I.

Rupees in '000	Notes	2008	2007
10.8 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		195,967	162,372
Loans granted during the year		298,558	136,412
Repayments		(92,950)	(102,817)
Balance at end of year		401,575	195,967
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		–	–
Loans granted during the year		–	–
Repayments		–	–
Balance at end of year		–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		193,454	217,236
Loans granted during the year		500,000	5,000
Repayments		(61,550)	(28,782)
Balance at end of year		631,904	193,454
		1,033,479	389,421
11. Operating fixed assets			
Capital work-in-progress	11.1	1,237,010	1,743,449
Property and equipment	11.2	7,029,448	3,384,979
		8,266,458	5,128,428
11.1 Capital work-in-progress			
Civil works		–	–
Advances to suppliers and contractors		1,237,010	1,743,449
		1,237,010	1,743,449

11.2 Property and equipment

Rupees in '000	2008											
	COST					DEPRECIATION					Book Value as at December 31, 2008	Annual rate of depreciation %
	as at January 1, 2008	additions	Revaluation Surplus	transfers / (deletions) / adjustments*	as at December 31, 2008	as at January 1, 2008	charge for the year	on (deletions) / adjustments*	as at December 31, 2008			
Land - freehold	404,943	10,809	999,050	-	1,414,802	-	-	-	-	1,414,802	-	
Land - leasehold	465,970	956,829	859,106	(183,061)	2,098,844	-	-	-	-	2,098,844	-	
Buildings on freehold land	570,103	13,096	-	-	583,199	160,782	21,037	-	181,819	401,380	5	
Buildings on leasehold land	796,861	434,298	-	183,061	1,414,220	163,080	92,678	-	255,758	1,158,462	5	
Renovation of leased premises	606,617	367,935	-	(28,211)	946,341	330,239	116,802	(13,695)	433,346	512,995	20	
Furniture, fixtures and office equipment	292,022	111,528	-	(16,330)	387,220	94,785	25,787	(6,110)	114,462	272,758	10	
Carpets	15,686	3,156	-	(357)	18,485	10,072	2,003	(296)	11,779	6,706	20	
Machine and equipment	647,008	308,587	-	(31,159)	924,436	334,113	100,021	(19,516)	414,618	509,818	20	
Computer equipment	734,191	254,898	-	(29,866)	959,223	376,056	100,570	(18,907)	457,719	501,504	20	
Vehicles	476,400	35,836	-	(12,517)	222,257	166,155	45,840	(6,951)	149,059	73,198	20	
				(277,462)*				(55,985)*				
Other assets	56,565	74,846	-	-	131,411	46,105	6,325	-	52,430	78,981	20	
	5,066,366	2,571,818	1,858,156	(118,440)	9,100,438	1,681,387	511,063	(65,475)	2,070,990	7,029,448		
				(277,462)*				(55,985)*				

Rupees in '000	2007											
	COST					DEPRECIATION					Book Value as at December 31, 2007	Annual rate of depreciation %
	as at January 1, 2007	additions	Revaluation Surplus	transfers/ (deletions)	as at December 31, 2007	as at January 1, 2007	charge for the year	on (deletions)	as at December 31, 2007			
Land - freehold	404,943	-	-	-	404,943	-	-	-	-	404,943	-	
Land - leasehold	409,030	56,940	-	-	465,970	-	-	-	-	465,970	-	
Buildings on freehold land	514,693	55,410	-	-	570,103	139,487	21,295	-	160,782	409,321	5	
Buildings on leasehold land	782,581	14,280	-	-	796,861	129,788	33,292	-	163,080	633,781	5	
Renovation of leased premises	480,093	129,388	-	(2,864)	606,617	247,800	85,071	(2,632)	330,239	276,378	20	
Furniture, fixtures and office equipment	250,946	44,812	-	(3,736)	292,022	75,792	20,477	(1,484)	94,785	197,237	10	
Carpets	13,505	3,359	-	(1,178)	15,686	9,049	1,762	(739)	10,072	5,614	20	
Machine and equipment	545,866	110,606	-	(9,464)	647,008	271,964	68,550	(6,401)	334,113	312,895	20	
Computer equipment	631,325	104,209	-	(1,343)	734,191	296,572	80,176	(692)	376,056	358,135	20	
Vehicles	324,705	220,101	-	(68,406)	476,400	117,162	84,258	(35,265)	166,155	310,245	20	
Other assets	56,565	-	-	-	56,565	40,756	5,349	-	46,105	10,460	20	
	4,414,252	739,105	-	(86,991)	5,066,366	1,328,370	400,230	(47,213)	1,681,387	3,384,979		

11.2.1 Cost of fully depreciated property and equipment still in use was Rs.176,193 thousand (2007: Rs. 139,235 thousand).

11.2.2 The Bank's freehold and leasehold land have been revalued by valuers approved by Pakistan Banks Association at December 31, 2008 on the basis of the professional assessment of the their present market value. The revaluation resulted in a net surplus of Rs 1,858.156 million over book value which has been incorporated in the books of account of the Bank as at December 31, 2008.

11.2.3 Adjustment in vehicles represents cost and depreciation of vehicles in use of executives of the Bank transferred to advances under note 10 consequent to change in employees' service rules of the Bank.

Notes to the Financial Statements

For the year ended December 31, 2008

11.2.4 Detail of disposals of operating fixed assets

Particulars of assets Rupees in '000	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
Suzuki Cultus	560	336	224	306	As per Bank policy	Mr. Rana Iqbal Ahmed - Executive
Suzuki Cultus	560	560	-	223	-do-	Mr. Tahir A Malik - Executive
Suzuki Cultus	560	560	-	196	-do-	Mr. Sami Mahmood - Executive
Toyota Corolla	1,103	331	772	803	-do-	Mr. Nehal Ahmed - Executive
Honda Civic	1,003	585	418	543	-do-	Mr. Agha Ali Imam - Executive
Suzuki Cultus	665	233	432	410	-do-	Dr. Javaid - Ex Executive
Suzuki Cultus	560	411	149	250	-do-	Mr. Tayyab Malik - Ex Executive
Honda City	921	430	491	610	-do-	Mr. Tauseef Asim - Ex Executive
Suzuki Baleno	699	699	-	245	-do-	Mr. Ehsan Qadir - Executive
Toyota Corolla	849	575	274	344	-do-	Mr. Farooq Abid Tung - Executive
Suzuki Cultus	661	408	253	331	-do-	Mr. Shahzad Ahmed Alvi - Ex Executive
Suzuki Baleno	739	739	-	258	-do-	Mr. Amir Khalil - Executive
Suzuki Cultus	560	344	216	215	-do-	Mr. Ashfaq Haider - Ex Executive
Suzuki Cultus	560	140	420	420	-do-	Syed Mobeen - Ex Executive
Suzuki Cultus	630	105	525	526	Insurance claim	Askari General Insurance Company Limited - A related Party
Suzuki Cultus	555	194	361	525	-do-	-do-
Suzuki Cultus	560	159	401	510	-do-	-do-
Suzuki Cultus	560	84	476	476	-do-	-do-
Honda Motor cycle	71	44	27	56	-do-	-do-
Honda Motor cycle	70	6	64	64	-do-	-do-
Honda Motor cycle	71	8	63	63	-do-	-do-
	12,517	6,951	5,566	7,374		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000 other than vehicles sold to Bank's executives / related party	105,923	58,524	47,399	41,602		
2008	118,440	65,475	52,965	48,976		
2007	86,991	47,213	39,778	46,033		

Rupees in '000	Notes	2008	2007
12. Other assets			
Income / mark-up accrued in local currency	12.1	5,154,173	3,199,174
Income / mark-up accrued in foreign currencies		148,122	264,279
Advances, deposits, advance rent and other prepayments		1,423,635	713,134
Advance taxation (payments less provisions)		1,929,441	1,012,519
Un-realized gain on forward foreign exchange contracts - net		-	147,711
Suspense account		15,770	40,449
Stationary and stamps in hand		52,996	53,707
Dividend receivable		17,945	6,775
Others		222,857	97,290
		8,964,939	5,535,038
Less: Provision against other assets	12.2	(459)	-
Other assets - net of provision		8,964,480	5,535,038

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 2,176,886 thousand (2007: 1,205,460 thousand).

Rupees in '000	Notes	2008	2007
12.2 Provision against other assets			
Opening balance		–	–
Charge for the year		459	–
Reversals		–	–
Amount written-off		–	–
Closing balance		459	–
13. Bills payable			
In Pakistan		2,584,828	2,627,051
14. Borrowings			
In Pakistan		15,189,514	17,436,850
Outside Pakistan		634	116,675
		15,190,148	17,553,525
14.1 Particulars of borrowings with respect to currencies			
In local currency		15,189,514	17,436,850
In foreign currencies		634	116,675
		15,190,148	17,553,525
14.2 Details of borrowings – secured / unsecured			
In Pakistan – local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	12,090,551	7,588,156
Long term financing of export oriented projects	14.2.2	1,811,653	2,330,206
Repurchase agreement borrowings (repo)	14.2.3	767,310	7,018,488
Unsecured			
Call borrowings	14.2.4	520,000	500,000
		15,189,514	17,436,850
Outside Pakistan – foreign currencies			
Overdrawn nostro accounts – unsecured		634	116,675
		15,190,148	17,553,525

14.2.1 This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 6.5% (2007: 6.5%) per annum payable on a quarterly basis.

14.2.2 The effective mark-up rate is 5% (2007: 5%) per annum payable on a quarterly basis.

14.2.3 These are secured against pledge of Government Securities, and carry mark-up ranging from 9.5% to 12.5% (2007: 9.2% to 9.6%) per annum and have maturities of upto 3 (2007: 1) month.

14.2.4 These represent borrowings at annual mark up rates ranging from 14.5% to 15.25% (2007: 9.65%) per annum and have maturities of upto 1 (2007: 1) month.

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008	2007
15. Deposits and other accounts		
Customers		
Fixed deposits	39,675,699	29,997,574
Savings deposits	80,428,214	81,605,907
Current accounts – non-remunerative	43,245,593	28,465,592
Special exporters' account	30,562	90,474
Margin accounts	1,983,653	1,640,800
Others	257,099	415,904
Financial institutions		
Remunerative deposits	2,047,388	818,132
Non-remunerative deposits	8,364	2,324
	167,676,572	143,036,707
15.1 Particulars of deposits		
In local currency	141,885,129	123,505,671
In foreign currencies	25,791,443	19,531,036
	167,676,572	143,036,707

15.1.1 The above include deposits of related parties amounting to Rs. 1,791,611 thousand (2007: Rs.1,046,119 thousand).

Rupees in '000	2008	2007
16. Sub-ordinated loans		
Term Finance Certificates - I	1,497,900	1,498,500
Term Finance Certificates - II	1,498,200	1,498,800
	2,996,100	2,997,300

The Bank raised unsecured sub-ordinated loans in two separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows:

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount - Rupees in thousand	1,497,900	1,498,200
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

Rupees in '000	2008	2007
17. Deferred tax liabilities		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	673,675	409,007
Tax loss for the year	(164,394)	(473,364)
Minimum tax for the year	–	(20,638)
Profit on securities recognized but not received	–	486,482
(Deficit) / surplus on revaluation of securities	(496,294)	70,032
	12,987	471,519

Rupees in '000	2008	2007
18. Other liabilities		
Mark-up / return / interest payable in local currency	1,907,178	1,099,359
Mark-up / return / interest payable in foreign currencies	92,209	92,044
Unearned income / commission	203,750	15,716
Accrued expenses	193,024	225,450
Advance payments	119,877	187,238
Security deposits against Ijara financing	577,965	–
Unclaimed dividends	38,027	31,456
Branch adjustment account	1,253,935	1,115,340
Payable against purchase of listed shares	7,216	1,327
Withholding taxes payable	26,496	16,499
Federal excise duty payable	3,848	7,528
Others	335,615	427,839
	4,759,140	3,219,796

19. Share capital

19.1 Authorized capital

2008	2007		2008	2007
Number of shares				
700,000,000	700,000,000	Ordinary shares of Rs. 10 each	7,000,000	7,000,000

19.2 Issued, subscribed and paid up

2008	2007		2008	2007
Number of shares				
67,500,000	67,500,000	Ordinary shares of Rs. 10 each:		
338,377,308	233,149,859	Fully Paid in cash	675,000	675,000
		Issued as bonus shares	3,383,774	2,331,499
405,877,308	300,649,859		4,058,774	3,006,499

19.3 Capital risk management

The Bank's objectives when managing capital risks are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In terms of BSD circular No. 19 of 2008 issued by the State Bank of Pakistan, the Bank is required to enhance its existing paid up capital to Rs 23 billion (net of losses) to be achieved in phased manner as follows:

Minimum paid up capital (net of losses)

By December 31, 2008	Rs 5 billion
By December 31, 2009	Rs 6 billion
By December 31, 2010	Rs 10 billion
By December 31, 2011	Rs 15 billion
By December 31, 2012	Rs 19 billion
By December 31, 2013	Rs 23 billion

The required minimum capital requirement can be achieved by the Bank either by fresh capital injection or retention of profits. The stock dividend declared after meeting all the legal and regulatory requirements, and duly disclosed in the annual audited accounts will be counted towards the required paid up capital of the Bank pending completion of the formalities for issuance of bonus shares. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date, in this year.

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	Statutory Reserve	General Reserves	2008	2007
20. Reserves				
Balance as at January 01	2,835,466	4,112,870	6,948,336	5,814,754
Transfer from profit and loss account	77,245	641,560	718,805	1,133,582
Balance as at December 31	2,912,711	4,754,430	7,667,141	6,948,336

20.1 Reserves as at December 31, 2008 include Rs 685.843 million (2007: Rs Nil) in respect of benefit of 30% of Forced Sale Value of pledged stocks, mortgaged commercial and residential properties against provision for non-performing advances allowed under BSD Circular No 02 of 2009 dated January 27, 2009 as referred to in note 10.4.1 above. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

20.2 As discussed in detail in note 9.14, the impairment loss of Rs 286.563 million (net of tax) in Available for Sale investments taken to equity shall be treated as a charge to profit and loss account for the purpose of distribution as dividend.

Rupees in '000	2008	2007
21. Surplus on revaluation of assets		
Surplus on revaluation of land	1,858,156	–
(Deficit) / surplus on revaluation of available for sale securities		
i) Federal Government securities	(242,800)	200,090
ii) Listed shares	(1,160,212)	29,834
iii) Other securities	(14,970)	6,450
	(1,417,982)	236,374
Less: related deferred tax effect	496,294	(70,032)
	(921,688)	166,342
	936,468	166,342
22. Contingencies and commitments		
22.1 Direct credit substitutes		
i) Government	3,577,163	3,566,548
ii) Others	7,832,474	8,717,304
	11,409,637	12,283,852
22.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	7,545	10,323
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	61,883,864	40,962,744
ii) Banks and other financial institutions	942,566	909,521
iii) Others	12,580,856	10,686,421
	75,407,286	52,558,686
	75,414,831	52,569,009
22.3 Trade-related contingent liabilities	31,333,855	24,076,077
22.4 Other contingencies		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	4,215,064	3,616,814

22.5 For the assessments carried out to date, approximate tax demand of Rs. 2,179 million relates to provision against non performing loans (NPLs) and provision for diminution in the value of investments. The Income Tax Appellate Tribunal (ITAT) upto tax year 2006 has decided appeals in favour of the Bank on the issue of provision against NPLs, while provision for diminution in value of investment has been set aside by ITAT in all relevant years. The Income Tax Department has filed reference applications before the High Court on the above issues which have not yet been admitted for regular hearing. The management is hopeful that High Court will uphold the decision of Appellate Authorities.

Notwithstanding the above, should these contingencies materialize at a later stage; these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization, if any, of these receivables.

The department issued re-amended assessment orders for Tax years 2005 to 2008 on the issue of taxing commission and brokerage income at normal tax rate instead of under Presumptive Tax Regime and allocation of expenditure to dividend / capital gains raising tax demand of Rs. 1,330 million. The Bank filed appeals against the orders before Commissioner of Income Tax (Appeals) [CIT(A)]. Subsequent to year end, orders from CIT(A) received upholding the decision of taxation officer. The Bank is in the process of filing appeals before the ITAT against these orders and based on advice from its tax consultant, the management is confident of a favourable decision in this respect.

The department has also raised a tax demand of Rs. 65 million in respect of additional tax for the tax year 2005 on the alleged incorrect adjustment of tax refund which is contested by the Bank before CIT(A), the decision is pending for disposal.

The management is hopeful that issues in appeal will ultimately be decided in the Bank's favor.

Rupees in '000	2008	2007
22.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	2,571,940	8,878,046
Sale and repurchase agreements	795,391	7,156,700
22.7 Commitments in respect of forward purchase / sale of listed equity securities		
Purchase	–	389,091
Sale	153,126	586,539
22.8 Commitments in respect of forward exchange contracts		
Purchase	15,722,257	7,691,144
Sale	10,319,270	9,141,067
22.9 Commitments for the acquisition of operating fixed assets	280,440	374,749

22.10 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 1,354,550 thousand (2007: Rs 1,850,000 thousand).

Rupees in '000	2008	2007
22.11 Bills for collection		
Payable in Pakistan	3,722,886	819,514
Payable outside Pakistan	12,300,025	9,531,204
	16,022,911	10,350,718

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

Notes to the Financial Statements

For the year ended December 31, 2008

23. Off balance sheet financial instruments

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

24. Derivative instruments

The Bank does not deal in derivative instruments.

Rupees in '000	Note	2008	2007
25. Mark-up / return / interest earned			
On loans and advances to:			
i) Customers		13,871,412	10,688,187
ii) Financial institutions		70,736	65,602
On investments			
i) Available for sale securities		3,148,301	497,395
ii) Held to maturity securities		487,423	2,401,138
On deposits with financial institutions		453,092	1,031,175
On securities purchased under resale agreements	25.1	362,349	459,744
		18,393,313	15,143,241

25.1 These include amount of Rs 23,881 thousand (2007:Nil) on account of income received from related parties.

Rupees in '000	Note	2008	2007
26. Mark-up / return / interest expensed			
On deposits		8,528,319	7,320,720
On securities sold under repurchase agreements		730,393	189,184
On sub-ordinated loans		383,785	355,093
On other short term borrowings		1,008,222	820,627
		10,650,719	8,685,624
27. Gain on sale of securities - net			
Federal Government Securities			
Market Treasury Bills		266	349
Pakistan Investment Bonds		1,091	1,391
Term Finance Certificates		-	250
Shares - Listed		6,682	2,355,482
Others		28,704	3,779
		36,743	2,361,251
28. Other income			
Rent of property	28.1	30,537	26,285
Net (loss) / profit on sale of operating fixed assets		(3,989)	6,255
Rent of lockers		11,855	10,938
Recovery of expenses from customers		304,753	293,331
		343,156	336,809

28.1 This includes an amount of Rs. 24,217 thousand (2007: Rs. 21,359 thousand) on account of rent received from related parties.

Rupees in '000	Notes	2008	2007
29. Administrative expenses			
Salaries, allowances, etc.		2,959,447	2,287,805
Charge for defined benefit plan	35.6	109,116	48,878
Contribution to defined contribution plan		101,208	70,481
Non-executive directors' fees, allowances and other expenses		755	825
Rent, taxes, insurance, electricity, etc.		661,968	428,808
Legal and professional charges		33,561	50,387
Brokerage and commission		141,021	129,550
Communications		260,808	275,781
Repairs and maintenance		164,183	162,378
Stationery and printing		104,381	98,436
Advertisement and publicity		152,793	296,028
Auditors' remuneration	29.1	5,107	4,574
Depreciation	11.2	511,063	400,230
Other expenditure (travelling, security services, vehicle running expenses, etc.)		698,758	535,375
		5,904,169	4,789,536
29.1 Auditors' remuneration			
Audit fee		2,200	1,900
Fee for the audit of provident and gratuity funds		70	65
Special certifications, half year review and the audit of consolidated financial statements		2,312	1,985
Out-of-pocket expenses		525	624
		5,107	4,574
30. Other charges			
Penalties imposed by the State Bank of Pakistan		10,987	12,051
31. Taxation			
For the year			
Current		17,363	98,535
Deferred		107,794	(245,812)
		125,157	(147,277)
For prior years			
Current		(50,000)	(245,941)
Deferred		-	11,991
		(50,000)	(233,950)
		75,157	(381,227)
31.1 Relationship between tax expense and accounting profit			
Profit before taxation		461,382	2,299,785
Tax at applicable tax rate of 35 percent (2007: 35 percent)		161,484	804,925
Effect of:			
– Income chargeable to tax at lower rates		(43,405)	(133,302)
– Income exempt from tax		-	(823,036)
– Prior years' adjustment		(50,000)	(233,950)
– Amounts not deductible for tax purposes		3,845	4,218
– Others		3,233	(82)
		75,157	(381,227)

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000		2008	2007
32. Basic / diluted earnings per share			
Profit for the year	Rupees in '000	386,225	2,681,012
Weighted average number of Ordinary Shares	numbers	405,877,308	405,877,308
Basic / diluted earnings per share	Rupees	0.95	6.61

There is no dilutive effect on the basic earnings per share of the Bank.

Weighted average number of ordinary shares for 2007 has been restated to give effect of bonus shares issued during the year.

Rupees in '000		2008	2007
33. Cash and cash equivalents			
Cash and balances with treasury banks		16,029,635	13,356,055
Balances with other banks		3,954,814	3,497,054
Call money lendings		675,000	1,500,000
		20,659,449	18,353,109

Number of employees		2008	2007
34. Staff strength			
Permanent		4,252	3,834
Temporary / on contractual basis		1,703	1,273
Daily wagers		-	-
Commission based		541	789
Bank's own staff strength at the end of the year		6,496	5,896
Outsourced		1,064	912
Total staff strength at the end of the year		7,560	6,808

35. Defined benefit plan

35.1 General description

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

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

Rupees in '000		2008	2007
35.2 The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligation		538,472	438,354
Fair value of plan assets		(326,881)	(248,040)
		211,591	190,314
Unrecognised actuarial losses		(211,591)	(190,314)
Net liability		-	-
35.3 The amounts recognised in profit and loss account are as follows:			
Current service cost		73,809	40,892
Interest on obligation		43,835	26,617
Expected return on plan assets		(24,804)	(21,293)
Actuarial loss recognised		16,276	2,662
		109,116	48,878

Rupees in '000	2008	2007
35.4 Actual return on plan assets	(2,952)	27,274
35.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	438,354	266,173
Current service cost	73,810	40,892
Interest cost	43,835	26,617
Actuarial loss	9,796	132,987
Benefits paid	(27,323)	(28,315)
Closing defined benefit obligation	538,472	438,354
35.6 Changes in fair value of plan assets		
Opening fair value of plan assets	248,040	212,931
Expected return	24,804	21,293
Actuarial losses	(27,756)	(6,747)
Contributions by employer	109,116	48,878
Benefits paid	(27,323)	(28,315)
Closing fair value of plan assets	326,881	248,040

The Bank expects to contribute Rs 131,329 thousand to its defined benefit gratuity plan in 2009.

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

	2008		2007	
	Rupees'000	%age	Rupees'000	%age
35.7 Break-up of category of assets				
Defense saving certificates	57,452	18	97,524	39
Pakistan investment bonds	153,808	47	101,599	41
Bank deposit account	115,621	35	48,917	20
	326,881	100	248,040	100

35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2008 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2008	2007
Discount rate - per annum	15%	10%
Expected rate of increase in salaries - per annum	15%	10%
Expected rate of return on plan assets - per annum	15%	10%

35.9 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2008	2007	2006	2005	2004
As at December 31,					
Defined benefit obligation	538,472	438,354	266,173	199,511	168,820
Plan assets	(326,881)	(248,040)	(212,931)	(182,281)	(163,289)
Deficit	211,591	190,314	53,242	17,230	5,531
Experience adjustments					
Actuarial loss on obligation	(9,796)	(132,987)	(35,523)	(7,992)	(38,125)
Actuarial (loss) / gain on plan assets	(27,756)	(6,747)	(489)	(3,707)	33,079

Notes to the Financial Statements

For the year ended December 31, 2008

36. Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee.

37. Compensated absences

37.1 General description

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave are accumulated upto a maximum of 120 days which could be encashed at any time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2008 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2008 was Rs 115,571 thousand against related liability of Rs 79,675 thousand carried at December 31, 2007. Expense for the year of Rs 35,896 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	15 percent per annum
Expected rate of increase in salaries	15 percent per annum
Leave accumulation factor	5 days

38. Compensation of directors and executives

Rupees in '000	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
Fees	110	135	755	825	-	-
Managerial remuneration	6,000	6,600	-	-	423,121	278,284
Charge for defined benefit plan	7,390	550	-	-	55,144	105,681
Contribution to defined contribution plan	1,065	627	-	-	67,517	21,711
Rent and house maintenance	2,700	2,846	-	-	190,404	122,399
Utilities	600	660	-	-	42,312	27,828
Medical	600	586	-	-	42,312	26,131
Bonus	1,750	2,750	-	-	87,719	44,949
	20,215	14,754	755	825	908,529	626,983
Number of persons	2	1	11	12	464	339

Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Chief Executive and executives are also provided with Bank maintained car.

39. Fair value of financial instruments

Rupees in '000	2008		2007	
	Book value	Fair value	Book value	Fair value
39.1 On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	16,029,635	16,029,635	13,356,055	13,356,055
Balances with other banks	3,954,814	3,954,814	3,497,054	3,497,054
Lendings to financial institutions	4,479,754	4,479,754	14,444,143	14,444,143
Investments	35,677,755	35,677,755	39,431,005	39,431,005
Advances				
Term loans	35,825,637	35,825,637	29,801,847	29,801,847
Staff advances	3,159,605	3,159,605	913,891	913,891
Other advances	89,833,000	89,833,000	70,064,424	70,064,424
Other assets	8,964,480	8,964,480	5,535,038	5,535,038
	197,924,680	197,924,680	177,043,457	177,043,457
Liabilities				
Bills payable	2,584,828	2,584,828	2,627,051	2,627,051
Borrowings	15,190,148	15,190,148	17,553,525	17,553,525
Deposits and other accounts				
Current and saving accounts	128,000,873	128,000,873	113,039,133	113,039,133
Term deposits	39,675,699	39,675,699	29,997,574	29,997,574
Sub-ordinated loans	2,996,100	2,996,100	2,997,300	2,997,300
Liabilities against assets subject to finance lease	–	–	–	–
Other liabilities	4,759,140	4,759,140	3,219,796	3,219,796
	193,206,788	193,206,788	169,434,379	169,434,379
39.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	15,722,257	15,722,257	7,691,144	7,691,144
Sale and repurchase agreements	795,391	795,391	7,156,700	7,156,700
Forward sale of foreign exchange	10,319,270	10,319,270	9,141,067	9,141,067
Purchase and resale agreements	2,571,940	2,571,940	8,878,046	8,878,046

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 44.3.4.

Notes to the Financial Statements

For the year ended December 31, 2008

40. Segment details with respect to business activities

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

Rupees in '000	2008								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-ordinated Loans
Total income	54,754	134,328	1,443,099	19,420,093	41,944	6,095	-	-	-
Total expenses	15,351	37,660	1,124,418	19,064,250	11,759	1,708	-	-	383,785
Net income (loss)	39,403	96,668	318,681	355,843	30,185	4,387	-	-	(383,785)
Segment Assets (Gross)	30,939	232,741	17,860,780	199,052,264	23,701	3,444	-	-	-
Segment Non Performing Loans	-	-	1,826,499	9,862,918	-	-	-	-	-
Segment Provision Required	-	-	1,963,567	9,049,164	-	-	-	-	-
Segment Liabilities	7,160	17,565	188,717	189,870,694	5,486	797	-	-	3,129,356
Segment Return on net Assets (ROA) (%)	0.03%	0.07%	0.74%	10.00%	0.02%	0.00%	-	-	0.00%
Segment Cost of funds (%)	0.01%	0.02%	0.62%	10.50%	0.01%	0.00%	-	-	0.21%

Rupees in '000	2007								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	47,393	2,413,009	2,641,408	14,526,273	69,740	10,914	-	-	-
Total expenses	11,517	586,406	1,230,894	15,205,442	16,948	2,652	-	-	355,093
Net income (loss)	35,876	1,826,603	1,410,514	(679,169)	52,792	8,262	-	-	(355,093)
Segment Assets (Gross)	17,314	1,348,891	17,305,393	170,879,429	25,477	3,986	-	-	-
Segment Non Performing Loans	-	-	974,004	5,933,587	-	-	-	-	-
Segment Provision Required	-	-	1,235,212	6,173,393	-	-	-	-	-
Segment Liabilities	184	14,345	1,241,851	165,551,111	271	42	-	-	3,098,094
Segment Return on net Assets (ROA) (%)	0.02%	1.05%	0.81%	0.00%	0.03%	0.00%	-	-	-
Segment Cost of funds (%)	0.01%	0.36%	0.76%	9.36%	0.01%	0.00%	-	-	0.22%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.76% (2007: 4.06%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.43% (2007: 1.21%) of the total liabilities have been allocated to segments based on their respective assets.

41. Related party transactions

As Army Welfare Trust (AWT) holds 50.17 % (2007: 49.42%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary companies, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

Details of transactions with related parties and balances with them at the year end were as follows:

	As at December 31, 2008					As at December 31, 2007				
	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Companies	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Companies	Employee Funds
Rupees in '000										
Balances outstanding at the year end										
- Advances	-	524	631,904	-	-	-	1,144	193,454	-	-
- Deposits	780,947	59,063	609,455	177,523	164,623	388,389	13,201	549,912	11,155	83,462
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	7,545	-	-	-	-	10,733	-	-
- Investments in shares / Lendings - at cost	-	-	1,248,268	712,789	-	-	-	723,913	140,789	-
- Reimbursable expenses on behalf of Askari Investment Management Limited (AIML), a wholly owned subsidiary of the Bank	-	-	-	-	-	-	-	-	226	-
Transactions during the year										
- Net mark-up / interest earned	-	-	47,207	-	-	-	2,052	23,010	-	-
- Net mark-up / interest expensed	49,029	2,816	23,336	3,497	992	28,063	416	26,933	220	1,044
- Contribution to employees' funds	-	-	-	-	210,324	-	-	-	-	119,359
- Rent of property / service charges received	12,080	-	11,886	251	-	13,362	-	7,997	23	-
- Rent of property paid / service charges paid	72,532	-	23,440	-	-	46,194	-	33,671	-	-
- Insurance claims received	-	-	1,502	-	-	-	-	934	-	-
- Insurance premium paid	-	-	56,925	-	-	-	-	62,475	-	-
- Dividend income	-	-	73,886	-	-	-	-	2,320	-	-
- Security services costs	-	-	97,160	-	-	-	-	65,526	-	-
- Fee, commission and brokerage income	296	-	165	-	-	367	-	115	-	-
- Payments and recovery to / from AIML	-	-	-	138	-	-	-	-	400	-

Transactions entered into with key management personnel including the Chief Executive as per their terms of employment are excluded from related party transactions since these are disclosed else where in these financial statements.

42. Capital-assessment and adequacy basel II specific

42.1 Scope of applications

Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

The Bank has two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL). AIML is the wholly-owned subsidiary of Askari Bank Limited while ASL is 74% owned by the Bank. Both these entities are included while calculating Capital Adequacy for the Bank using full consolidation method. The fact that Askari Bank has neither any significant minority investments in banking, securities, or any other financial entities nor does it have any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Bank does not indulge in any securitization activity that shields it from the risk inherent in securitization.

Notes to the Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008	2007
42.2 Capital structure		
Tier I Capital		
Shareholders equity	4,058,774	3,006,499
Reserves	7,667,141	6,948,336
Unappropriated profits	308,980	2,144,810
Less:		
Deficit on account of revaluation of investments	(921,689)	–
Investment in equity of subsidiary companies	(106,395)	(70,395)
Total Tier I Capital	11,006,811	12,029,250
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,396,880	2,997,300
General Provisions subject to 1.25% of Total Risk Weighted Assets	987,574	880,565
Revaluation reserves upto 45%	836,170	13,425
Less: Investment in equity to subsidiary companies	(106,395)	(70,395)
Total Tier II Capital	4,114,229	3,820,895
Eligible Tier III Capital	–	–
Total Regulatory Capital Base	15,121,040	15,850,145

42.3 Capital adequacy

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

Rupees in '000	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
Credit risk				
Sovereigns	170,821	151,058	1,898,006	1,888,231
Public sector entities	568,378	131,392	6,315,308	1,642,399
Banks	124,239	917,298	1,380,434	11,466,224
Corporates	7,736,337	8,665,227	85,959,300	108,315,333
Retail	2,180,628	738,516	24,229,197	9,231,452
Residential mortgages	267,297	153,118	2,969,970	1,913,978
Past due loans	266,862	89,993	2,965,134	1,124,914
Investments in premises, plant and equipment and other fixed assets	743,981	410,274	8,266,457	5,128,428
Other assets	329,597	194,780	3,662,185	2,434,750
Foreign exchange contracts	8,041	21,267	89,348	265,838
	12,396,181	11,472,923	137,735,339	143,411,547
Equity exposure risk in banking books	11,064	895	122,934	11,182
Market risk				
Interest rate risk	220,035	305,683	2,750,438	3,821,038
Equity exposure risk	401,467	542,844	5,018,338	6,785,550
Foreign exchange risk	35,299	15,148	441,238	189,350
	656,801	863,675	8,210,014	10,795,938
Operational risk	1,441,205	1,230,200	18,015,057	15,377,501
Total	14,505,251	13,567,693	164,083,344	169,596,168
Capital Adequacy Ratio				
Total eligible regulatory capital held (a)	15,121,040	15,850,145		
Total Risk Weighted Assets (b)	164,083,344	169,596,168		
Capital Adequacy Ratio (a) / (b)	9.22%	9.35%		

43. Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification of investments (note 9)
- ii) Provision against investments (note 9.2.1) and advances (note 10)
- iii) Revaluation of freehold and leasehold land (note 11)
- iv) Useful life of property and equipments (note 11)
- v) Income taxes (note 31)
- vi) Staff retirement benefits (note 35 and note 37)

44. Risk management

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Limited, risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a management level committee primarily responsible for the identification, measurement, monitoring and controlling of the Bank's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

44.1 Credit risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group exposure.

The Bank has built and maintained a sound loan portfolio in terms of a well defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watch list" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering, Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

Notes to the Financial Statements

For the year ended December 31, 2008

44.1.1 Segment information

Segment information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
44.1.1.1 Segment by class of business						
Agriculture / Agribusiness	6,208,356	4.44	1,944,943	1.16	397,197	0.26
Automobiles & Allied	1,818,675	1.30	1,732,652	1.03	286,858	0.19
Cables / Electronics	6,908,436	4.94	1,873,917	1.12	1,162,699	0.76
Carpets	462,739	0.33	341,219	0.20	633,824	0.41
Cements	4,071,542	2.91	339,732	0.20	414,532	0.27
Chemicals / Pharmaceuticals	5,283,065	3.78	1,283,598	0.77	3,064,031	2.00
Engineering	473,755	0.34	320,356	0.19	1,330,360	0.87
Fertilizers	2,617,165	1.87	912,883	0.54	1,568,090	1.02
Food & Allied	2,191,902	1.57	519,945	0.31	615,503	0.40
Fuel / Energy	6,449,217	4.61	7,835,112	4.67	8,703,000	5.67
Ghee & Edible Oil	3,923,510	2.81	311,933	0.19	1,755,435	1.14
Glass and Ceramics	1,361,235	0.97	423,352	0.25	319,186	0.21
Hotels and Restaurants	133,029	0.10	64,294	0.04	102,739	0.07
Individuals	17,045,318	12.19	57,143,946	34.08	482,521	0.31
Insurance	–	–	104,764	0.06	410	0.00
Investment Banks / Scheduled Banks	–	–	1,912,796	1.14	67,957,265	44.25
Leasing	830,108	0.59	113,579	0.07	–	–
Leather Products and Shoes	1,002,352	0.72	454,559	0.27	147,902	0.10
Modarabas	82,409	0.06	29,377	0.02	–	–
Paper and Board	1,147,398	0.82	175,536	0.10	236,008	0.15
Plastic products	849,252	0.61	392,069	0.23	800,959	0.52
Ready-made garments	2,490,626	1.78	626,838	0.37	850,315	0.55
Real Estate / Construction	10,439,152	7.47	8,779,158	5.24	14,906,724	9.71
Rice Processing and trading	5,163,019	3.69	784,342	0.47	660,568	0.43
Rubber Products	159,845	0.11	235,615	0.14	51,982	0.03
Services (Other than Financial, Hotelling & Travelling)	2,628,252	1.88	4,610,600	2.75	1,733,867	1.13
Sports goods	809,694	0.58	461,558	0.28	114,867	0.07
Sugar	246,350	0.18	83,010	0.05	202,300	0.13
Surgical equipment / Metal Products	4,097,675	2.93	800,302	0.48	1,255,946	0.82
Synthetic & Rayon	584,863	0.42	110,162	0.07	123,068	0.08
Textile	28,622,346	20.47	2,758,870	1.65	8,662,340	5.64
Tobacco / Cigarette manufacturing	101,995	0.07	71,061	0.04	–	–
Transport and communication	2,500,221	1.79	2,002,932	1.19	7,984,281	5.20
Travel Agencies	131,656	0.09	237,753	0.14	263,109	0.17
Woollen	54,602	0.04	98,017	0.06	827	0.00
Public sector / Government	6,112,482	4.37	42,402,665	25.29	20,087,081	13.08
Others	12,828,732	9.17	25,383,127	15.14	6,694,567	4.36
	139,830,973	100.00	167,676,572	100.00	153,570,361	100.00
44.1.1.2 Segment by sector						
Public sector / Government	6,112,482	4.37	42,402,665	25.29	20,087,081	13.08
Private	133,718,491	95.63	125,273,907	74.71	133,483,280	86.92
	139,830,973	100.00	167,676,572	100.00	153,570,361	100.00

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

Rupees in '000	2008		2007	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	26,417	–	13,691	–
Automobiles & Allied	568,724	451,616	331,890	331,890
Cables / Electronics	959,781	787,220	301,447	301,447
Chemicals / Pharmaceuticals	32,418	25,164	34,134	33,276
Food & Allied	156,201	118,906	192,462	170,715
Fuel / Energy	640,664	845,568	674	209,628
Individuals	1,826,499	1,548,976	976,064	791,397
Leather Products and Shoes	66,186	47,637	285,309	275,309
Real Estate / Construction	302,710	88,198	303,649	303,649
Services (Other than Financial, hotelling and Travelling)	22,577	19,863	15,841	15,841
Textile	3,995,739	3,520,832	2,524,050	2,261,989
Others	3,091,501	2,571,177	1,928,380	1,832,899
	11,689,417	10,025,157	6,907,591	6,528,040

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

Public sector / Government	–	–	–	–
Private	11,689,417	10,025,157	6,907,591	6,528,040
	11,689,417	10,025,157	6,907,591	6,528,040

44.1.1.5 Geographical segment analysis

Rupees in '000	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	362,094	200,430,685	12,718,608	153,570,361
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East–Note 44.1.1.5.1	99,288	5,760,453	252,755	–
Others	–	–	–	–
	461,382	206,191,138	12,971,363	153,570,361

44.1.1.1 These do not include intra group items of Rs. 5,431,350 thousand (2007: Rs. 4,703,351 thousand) eliminated upon consolidation of foreign branch results.

44.1.1.2 Contingencies and commitments include amounts given in note 22 except bills for collection.

44.1.2 Credit risk - General disclosures basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

44.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach.

For domestic claims, Export Credit Agencies (ECAs) recommended by State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR–VIS Credit Rating Company Limited (JCR–VIS) were used. For foreign currency claims on sovereigns, risk weights were assigned on the basis of the consensus country risk scores of ECAs participating in the "Arrangement on Officially Supported Export Credits" as per instructions contained in page 12 of SBP circular "Minimum Capital Requirements for Banks and DFIs" (hereafter referred to as Basel II circular). For claims on foreign entities, rating of S&P, Moody's, and Fitch Ratings were used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Types of exposure for which each agency is used in the year ended 2008;

Notes to the Financial Statements

For the year ended December 31, 2008

Exposures	JCR-VIS	PACRA	Others
Corporate	YES	YES	S & P, Moodys and Fitch
Banks	YES	YES	S & P, Moodys and Fitch
Sovereigns	-	-	ECAs
PSEs	YES	YES	S & P, Moodys and Fitch
Retail	-	-	-
Securitized	-	-	-

A database of all existing PACRA and JCR-VIS entity ratings and issue ratings was compiled. A matching process was run to determine which, if any, of the Bank's claim in the banking book were rated by the afore-mentioned. Issue-specific ratings, if available and applicable to the Bank's claims, were used. If no issue-specific rating for a claim was available, then entity rating of the obligor was applied. Issue-specific ratings were not used for rating other claims on the same entity. Short-term entity ratings were used for un-rated claims on banks and corporates with maturity of less than 3 months. Longterm entity ratings were used otherwise. In the event of an issue or entity being rated by more than one rating agency, the rating which mapped into the higher risk weight was applied. Ratings for one entity with in a corporate group were not used to risk weight other entities within the same group. SBP indicative mapping process, as disclosed in the Basel II circular and in tables below, was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

SBP Rating Grade	ECA Score	PACRA	JCR-VIS	S & P	Moody's	Fitch
1	0,1	AA- & above	AA- & above	AA- & above	Aa3 & above	AA- & above
2	2	A- to A+	A- to A+	A- to A+	A3 to A1	A- to A+
3	3	BBB- to BBB+	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1	BBB- to BBB+
4	4	BB- to BB+	BB- to BB+	BB- to BB+	Ba3 to Ba1	BB- to BB+
5	5,6	B- to B+	B- to B+	B- to B+	B3 to B1	B- to B+
6	7	CCC+ & below	CCC+ & below	CCC+ & below	Caa1 & below	CCC+ & below

For exposure amount after risk mitigation subject to the standardized approach, amount of the Bank's outstanding (rated and unrated) in each risk bucket as well as those that are deducted.

(Rupees in '000)	Rating Category	2008			2007		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	2,892,253	-	2,892,253	2,305,145	200,000	2,105,145
	2	4,288,524	184,000	4,104,524	2,752,514	-	2,752,514
	3,4	129,384	757	128,627	292,200	-	292,200
	5,6	-	-	-	-	-	-
Banks	1	497,284	-	497,284	474,502	-	474,502
	2,3	455,409	-	455,409	82,917	-	82,917
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
PSEs	1	1,599,095	-	1,599,095	44,537	-	44,537
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
Unrated		167,485,157	12,814,776	154,670,381	143,116,151	10,285,756	132,830,395
Total		177,347,106	12,999,533	164,347,573	149,067,966	10,485,756	138,582,210

Following is list of main types of collateral taken by the Bank.

- Cash margins or deposits under lien
- Lien on SSCs, DSCs, etc.
- Residential / commercial mortgage (registered)
- Residential / commercial mortgage (equitable)
- Secured by agricultural land
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of stocks - perishable / non-perishable
- Shares of public listed companies
- Guarantees of Government, Banks and Autonomous bodies
- Local bills - cheques / documentary bills
- Import bills - clean
- Export bills - clean

Collateral used by the Bank for Credit Risk Mitigation (CRM) in the simple approach was as follows:

- Cash margin
- Government Securities (with value discounted by 20%)
- Government Securities (for repo-style transactions satisfying conditions for zero-H)
- Guarantees of Government, Banks, PSEs, and rated Corporates

44.2 Equity position risk in the banking book–Basel II Specific

Askari Bank has banking book equity exposure in Askari General Insurance Company Limited (AGICO) which is a public limited company listed on all stock exchanges of Pakistan. The Bank has taken this exposure for strategic reasons and the investment constitutes a holding of 15% of the company.

Equity position risk in the banking book

Exposure	Book Value	No of shares	(Rupees in '000)	
			Fair Value	Unrealised
Askari General Insurance Company Limited	11,182	3,056,611	91,668	80,486

44.3 Market Risk:

Market risk is the risk that market prices and rates can change and that this can have an adverse effect on profitability and / or capital. The Bank is exposed to a number of market risk in its daily operations, arising from open positions in interest rates, currency, and equity products, all of which are exposed to general and specific market movements. For the purpose of market risk management, the Bank makes a distinction between traded and non-traded market risk exposures. The Bank identifies its main traded market risk factors as equity position risk, interest rate risk, and foreign exchange risk. Traded market risk exposures originate from the Bank's money market and capital market operations.

The predominant non-traded market risk is interest rate risk in the banking book. Other non-traded market risks include structural foreign exchange risk arising from the Bank's capital investments in offshore operations, and equity position risk arising from the Bank's strategic investments.

The Bank, as a matter of policy, seek to identify, measure, monitor and control market risks in order to protect against adverse movement in market prices and rates and to optimize the risk/return profile of its open positions. The Bank has established, within its Risk Management Division (RMD), a Market Risk Management Department (MRMD) which is responsible for development and implementation of market risk policy and risk measuring/ monitoring methodology, and for review and reporting of market risk against limits. The MRMD applies a Value-at-Risk (VaR) methodology to measuring traded market risk of the Bank.

VaR is modeled using both variance-covariance and historical approaches, at a 99% confidence interval over a 1-day and 10-days holding period for debt and equity positions in the trading book, and foreign exchange positions throughout the trading and banking books. The VaR exercise is supplemented by daily back testing of VaR results against actual Profit and Loss. Because VaR is not an estimate of the maximum loss that the Bank could experience from an adverse change in market factors, the MRMD also calculates possible worst-case losses using historical data. Additionally, the MRMD conducts periodic stress tests based on extreme market scenarios to supplement the VaR figures, and to assess non-traded market risk, in particular interest rate risk in the banking book. The MRMD further calculates market risk capital charge for the Bank on a daily basis using Basel II Standardized Approach. Risk is monitored by MRMD through its daily revaluation of all traded market risk exposed positions and is controlled by ensuring that these positions do not breach limits established by the Bank.

Notes to the Financial Statements

For the year ended December 31, 2008

Level of Market Risk in terms of Capital Requirements – 2008

	(Rupees in '000)				
	Interest rate risk	Equity exposure risk	Foreign exchange risk	Options position risk	Total
Capital Requirements	220,035	401,467	35,299	–	656,801

44.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the earnings and / or capital will fluctuate due to changes in foreign exchange rates. The Bank's foreign exchange exposure consists of foreign currency cash in hand, balances with banks abroad, forward contracts, purchase of foreign bills, foreign currency placements with SBP, foreign currency deposits, and capital investments in wholesale bank branch. The Bank manages its foreign exchange exposures by matching foreign currency assets and liabilities. The net open position and nostro balances are maintained within statutory limits, as fixed by SBP and counterparty limits have been established to limit risk concentration. VaR is calculated for consolidated foreign exchange exposure with Treasury on a daily basis. Daily sensitivity analysis of the net open position to a change in USD / PKR parity is also carried out.

(Rupees in '000)	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	176,777,823	167,279,624	5,402,986	14,901,185
U.S. Dollars	18,255,815	22,248,492	(4,490,927)	(8,483,604)
Pound Sterling	1,033,590	1,813,493	(818,043)	(1,597,946)
Japanese Yen	67,860	760	64,289	131,389
Euro	1,648,822	1,863,785	(158,305)	(373,268)
Other European Currencies	13,567	–	–	13,567
Other Currencies	127,203	634	–	126,569
	197,924,680	193,206,788	–	4,717,892

Foreign Exchange Risk VaR at 99% confidence level.

	(Rupees in '000)		
	Average Value	Minimum Value	Maximum Value
Foreign Exchange VaR	1,580	98	11,509

44.3.2 Equity position risk

Equity position risk is the risk that the value of long or short equity position taken in the trading book and banking book will change as a result of general and specific equity market movements. The Bank bifurcates its equity exposures into held-for-trading, available for sale and strategic categories. Held-for-trading equity exposures are of a short term nature and are undertaken to earn profit through market imperfections and arbitrage opportunities, if any. Equities are held in the available for sale portfolio with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Bank.

All equity positions in the trading book are subject to exposure limits established by the Bank in line with general limits prescribed by SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectorial limits. MRMD conducts revaluation and calculates VaR on a daily basis for equity exposures.

Equity Position Risk VaR at 99% confidence level.

	(Rupees in '000)		
	Average Value	Minimum Value	Maximum Value
Equity VaR	38,084	26,716	48,306

44.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)–Basel II Specific

The Bank's interest rate exposure originates from its investing, lending and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The MRMD calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. VaR for the Bank's debt investments is also generated on a daily basis. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve on the Bank's capital using sensitivity positions is calculated applying earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for off-balance sheet instruments.

44.3.4 Mismatch of interest rate sensitive assets and liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

2008												
Rupees in '000	Effective Yield / Interest rate	Exposed to yield/ interest risk									Non-interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months						
						to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years		Above 10 Years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.91%	16,029,635	3,734,701	-	-	-	-	-	-	-	-	12,294,934
Balances with other banks	3.84%	3,954,814	2,847,664	-	-	-	-	-	-	-	-	1,107,150
Lendings to financial institutions	11.30%	4,479,754	4,223,393	256,361	-	-	-	-	-	-	-	-
Investments	9.59%	35,677,755	5,797,938	8,007,120	1,375,871	7,164,290	2,536,626	3,350,833	2,812,507	897,506	-	3,735,064
Advances	11.40%	128,818,242	19,963,856	29,765,057	29,800,553	31,513,779	1,821,203	1,135,437	4,308,183	1,303,993	9,206,181	-
Other assets	-	8,964,480	-	-	-	-	-	-	-	-	-	8,964,480
		197,924,680	36,567,552	38,028,538	31,176,424	38,678,069	4,357,829	4,486,270	7,120,690	2,201,499	9,206,181	26,101,628
Liabilities												
Bills payable	-	2,584,828	-	-	-	-	-	-	-	-	-	2,584,828
Borrowings	8.29%	15,190,148	2,901,275	8,813,322	3,475,551	-	-	-	-	-	-	-
Deposits and other accounts	5.72%	167,676,572	38,183,537	19,366,930	15,151,788	15,031,868	10,592,006	10,466,335	13,331,485	27,352	-	45,525,271
Sub-ordinated loans	12.81%	2,996,100	-	300	300	600	1,200	1,200	2,992,500	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	4,759,140	-	-	-	-	-	-	-	-	-	4,759,140
		193,206,788	41,084,812	28,180,552	18,627,639	15,032,468	10,593,206	10,467,535	16,323,985	27,352	-	52,869,239
On-balance sheet gap												
		4,717,892	(4,517,260)	9,847,986	12,548,785	23,645,601	(6,235,377)	(5,981,265)	(9,203,295)	2,174,147	9,206,181	(26,767,611)
Off-balance sheet financial instruments												
Purchase and resale agreements	14.28%	15,722,257	15,722,257	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	11.35%	795,391	795,391	-	-	-	-	-	-	-	-	-
Commitments to extend credits	-	1,354,550	-	-	-	-	-	-	-	-	-	1,354,550
Off-balance sheet gap												
		13,572,316	14,926,866	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap												
		10,409,606	9,847,986	12,548,785	23,645,601	(6,235,377)	(5,981,265)	(9,203,295)	2,174,147	9,206,181	(25,413,062)	
Cumulative yield / interest risk sensitivity gap												
		10,409,606	20,257,592	32,806,377	56,451,978	50,216,601	44,235,336	35,032,041	37,206,188	46,412,369	20,999,307	

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

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

44.4 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

Notes to the Financial Statements

For the year ended December 31, 2008

44.4.1 Maturities of Assets and Liabilities

Rupees in '000	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	16,029,635	16,029,635	-	-	-	-	-	-	-	-
Balances with other banks	3,954,814	3,954,814	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,479,754	4,223,393	256,361	-	-	-	-	-	-	-
Investments	35,677,755	5,797,938	8,007,120	1,375,871	10,540,927	2,615,401	3,350,833	2,812,507	964,370	212,788
Advances	128,818,242	19,963,856	29,765,057	29,800,553	31,513,779	1,821,203	1,135,437	4,308,183	1,303,993	9,206,181
Operating fixed assets	8,266,458	42,069	702,642	744,710	252,411	421,342	355,256	534,954	639,722	4,573,352
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	8,964,480	37,597	5,353,669	97,567	3,397,647	78,000	-	-	-	-
	206,191,138	50,049,302	44,084,849	32,018,701	45,704,764	4,935,946	4,841,526	7,655,644	2,908,085	13,992,321
Liabilities										
Bills payable	2,584,828	1,292,414	1,292,414	-	-	-	-	-	-	-
Borrowings	15,190,148	2,901,275	8,813,322	3,475,551	-	-	-	-	-	-
Deposits and other accounts	167,676,572	48,578,026	24,561,406	20,676,421	20,562,040	17,349,397	15,657,143	20,264,788	27,351	-
Sub-ordinated loans	2,996,100	-	300	300	600	1,200	1,200	2,992,500	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	12,987	-	-	-	(660,688)	-	-	673,675	-	-
Other liabilities	4,759,140	3,664,524	312,901	-	203,750	-	-	577,965	-	-
	193,219,775	56,436,239	34,980,343	24,152,272	20,105,702	17,350,597	15,658,343	24,508,928	27,351	-
Net assets	12,971,363	(6,386,937)	9,104,506	7,866,429	25,599,062	(12,414,651)	(10,816,817)	(16,853,284)	2,880,734	13,992,321
Share Capital	4,058,774									
Reserves	7,667,141									
Unappropriated profit	308,980									
Surplus on revaluation of assets	936,468									
	12,971,363									

44.5 Operational Risk

The Bank's operational risk is related to possible losses which may be incurred as a result of failures occurring in the Bank's day-to-day operations, such as breakdown in electronic and telecommunication, routines or other systems - additional factors being insufficient levels of professional skills or human errors. In order to keep the Bank's operational risks to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk. These tools include Risk and Control Self Assessments, Incident Management and Loss Data and Key Risk Indicators.

Our approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that we have sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

The core focus for the year 2008 was building resilience with business continuity management and disaster recovery site establishment for alternate processing site for critical business areas. Establishing and testing recovery site infrastructure to determine its suitability for meeting its recovery time objective.

Information risk from strategic perspective was treated and notably number of information risk management specific policies and standards were approved in 2008 with respect to Information Security. Protecting the Bank's information resources from a wide range of threats also enhances business operations and ensures business continuity.

44.5.1 Operational Risk and Disclosures Basel II Specific

The Bank approach in managing operational risk is to adopt practices that are fit for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational Risk Management (ORM) has been entrenched to increase the efficiency and effectiveness of the Bank's resources, minimize losses and utilize opportunities.

45. Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 21, 2009 has proposed a cash dividend of Nil (2007: Rs 1.5 per share). In addition, the directors have also announced a bonus issue of 25 percent (2007: 35 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2008 do not include the effect of the appropriation which will be accounted for in the financial statements for the year ending December 31, 2009 as follows:

Rupees in '000	2008	2007
Transfer from unappropriated profit to:		
Proposed dividend	–	450,975
Reserve for issue of bonus shares	–	1,052,275
General reserve	308,980	681,717
Transfer from general reserve to:		
Reserve for issue of bonus shares	1,014,694	–

46. Corresponding figures

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

47. General

47.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

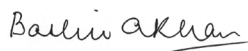
47.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these financial statements except for the balance sheet and profit and loss account.

48. Date of authorization

These financial statements were authorised for issue on February 21, 2009 by the Board of Directors of the Bank.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Annexure-I

Referred to in note 10.7 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2008.

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest /		Total				
					Mark-up	Others					
1	London Tanneries Private Limited Plot # 179, Sector-7 Korangi Industrial Area Karachi.	Gul Mohammad Butt (502-26-630080) Rafi Gul Butt (502-86-687672)	M. Abdul Latif Gul Mohammad Butt	168,280	50,979	-	219,259	141,831	50,979	-	192,810
2	Rebel Pelle Private Limited 2C, 12th Commercial Street Defence Housing Society Karachi.	Tariq Naseem Gul Butt (502-53-617902) Nasir Shaheen Gul Butt (502-91-786014) Naseema Begum (210-31-543676) Gul Rukh Samina Butt (502-91-786013)	Gul Mohammad Butt Gul Mohammad Butt Gul Mohammad Butt	110,093	35,833	-	145,926	75,284	35,833	-	111,117
3	Kaghan Ghee Mills Private Limited 4th Floor Bilour Plaza Peshawar Cantt.	Syed Abbas Shah (13501-3411193-5) Syed Noor-ud-Din (13501-0672958-1)	Syed Ghulam Ahmed Shah Syed Ghulam Ahmed Shah	29,496	6,260	-	35,756	1,911	6,260	-	8,171
4	Shahzad Siddique Private Limited 4.5 Km, Jaranwala Road Khurrianwala Faisalabad	Muhammad Siddique Chaudhry (33100-6598842-7) Sheraz Siddique (33100-1704018-3) Shahaz Siddique (331001-017331-1)	Ali Muhammad Chaudhry Mohammad Siddique Chaudhry Chaudhry Muhammad Siddique	875,986	77,935	-	953,921	187,376	54,042	-	241,418
5	Globe Textile Mills Limited 4th Floor KDLB, Building 58, West Wharf Road Karachi.	Ahmed Haji Habib (42301-1265108-5) Gul Banoo (42201-0258083-0) Farzeen Seemab (42201-0653367-4) Zeeshan Zafar (42000-5066006-1) Arif Haji Habib (516-88-144313)	Haji Habib Fazal Mahammad Muhammad Seemab Zafar Habib Habib Haji Muhammad	266,928	7,272	-	274,200	59,935	7,272	-	67,207
6	Universal Traders 1st Floor 427 Saddar Bazar Multan	Muhammad Sharif Siddique (330-91-008924)	Muhammad Siddique	1,626	806	-	2,432	1,626	806	-	2,432
7	Sh. M. Ramzan M. Islam Irfan Enterprises H-1273, Akbari Mandi. Lahore.	Sh. Muhammad Islam (35202-4934280-1)	Sh. Muhammad Ramzan	1,062	1,325	-	2,387	-	662	-	662
Total				1,453,471	180,410	-	1,633,881	467,963	155,854	-	623,817

Annexure-II

Islamic Banking Business

The Bank is operating 20 Islamic banking branches including 2 sub-branches at the end of 2008 as compared to 14 Islamic banking branches at the end of 2007.

Rupees in '000	2008	2007
Assets		
Cash and balances with treasury banks	402,465	251,081
Balances with and due from financial institutions	260,738	498,378
Investments	2,388,729	800,000
Financing and receivables		
– Murahaba	901,983	271,672
– Ijara	2,087,884	548,272
– Musharaka	–	–
– Diminishing musharaka	3,116,617	1,545,106
– Salam	139,098	91,092
– Other islamic modes	12,253	–
Other assets	724,014	548,575
Total Assets	10,033,781	4,554,176
Liabilities		
Bills payable	41,216	74,348
Due to financial institutions	520,000	–
Deposits and other accounts		
– Current accounts	861,287	308,400
– Saving accounts	1,396,961	874,086
– Term deposits	1,743,848	192,119
– Others	2,777	200,711
– Deposit from financial institutions –remunerative	1,393,078	605,590
– Deposits from financial institutions–Non remunerative	8,364	2,324
Due to head office	2,653,575	2,000,004
Other liabilities	658,995	20,135
	(9,280,101)	(4,277,717)
Net assets	753,680	276,459
Represented by		
Islamic Banking Fund	700,000	300,000
Reserves	–	–
Unappropriated/ unremitted profit/(loss)	53,680	(23,541)
	753,680	276,459
Surplus on revaluation of assets	–	–
	753,680	276,459
Remuneration to Shariah Advisor/Board	979	630
Charity fund		
Opening balance	318	–
Additions during the year	840	318
Payments/utilization during the year	(671)	–
Closing balance	487	318

Annexure-II

Profit and Loss Account (Islamic Banking)

Rupees in '000	2008	2007
Profit / return earned on financings, investment and placements	822,494	231,681
Return on deposits and other dues expensed	460,010	84,083
Net spread earned	362,484	147,598
Provision against non-performing financings	3,825	–
Provision against consumer financings	4,694	2,209
Provision for diminution in the value of investments	–	–
Bad debts written off directly	–	–
	8,519	2,209
Income after provisions	353,965	145,389
Other Income		
Fee, commission and brokerage Income	13,184	3,008
Dividend income	–	–
Income from dealing in foreign currencies	1,256	19
Capital gain on sale of securities	–	–
Unrealized gain / (loss) on revaluation of investments classified as held for trading	–	–
Other income	18,172	8,895
Total other income	32,612	11,922
	386,577	157,311
Other expenses		
Administrative expenses	309,356	142,159
Other provision / write-offs	–	–
Other charges	–	–
Total other expenses	309,356	142,159
	77,221	15,152
Extra ordinary / unusual items	–	–
Profit before taxation	77,221	15,152

Shariah Advisor's Report 2008

Alhamdulillah! The year 2008 has been a successful year for Askari Bank's Islamic Banking Services. There are now 18 full fledged Islamic Banking Branches and 2 Islamic sub-branches, on a stand-alone basis.

As per Shariah requirements, special care is taken to ensure that the funds and products of Islamic Banking are managed separately from the conventional banking side. All funds obtained, invested and shared are in Halal modes of investments, under my supervision as the Shariah Advisor of the Bank.

As a Shariah Advisor, I have reviewed each class of transactions conducted during the year. Relevant documentation and procedures adopted in this connection were also reviewed and vetted by me. In order to facilitate this work, Shariah Audit and Shariah Compliance departments have been created and are functioning under my supervision.

In my opinion, the affairs of Askari Bank Limited - Islamic Banking have been carried out in accordance with the rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules, as well as with specific fatawa and rulings issued by me, as the Shariah Advisor from time to time.

Besides, the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any), relating to PLS accounts also conform to the basis vetted by me as the Shariah Advisor, in accordance with the Shariah rules and principles.

Any earnings that have been realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

We are fully contributing and committed to capacity building and promoting the cause of Islamic Banking in Pakistan.

May Allah Almighty bless these sincere efforts!



Dr. Muhammad Tahir Mansoori
Shariah Advisor

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Consolidated
Financial Statements
of Askari Bank Limited
and its Subsidiaries
for the year ended December 31, 2008

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Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Askari Bank Limited (the Bank) and its subsidiary companies as at December 31, 2008 and the related consolidated Profit and Loss Account, consolidated Statement of Changes in Equity and consolidated Cash Flow Statement, together with the notes forming part thereof for the year then ended; These financial statements include unaudited certified returns from the branches, except for 16 branches, which have been audited by us and 1 branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary companies Askari Investment Management Limited and Askari Securities (Pvt) Limited. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, based on 16 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purpose of our audit, present fairly the financial position of Askari Bank Limited and its subsidiary companies as at December 31, 2008 and the results of their operations, changes in equity and their cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad
February 21, 2009



A.F. Fergousan & Co.
Chartered Accountants

Consolidated Balance Sheet

as at December 31, 2008

Rupees in '000	Notes	2008	2007
Assets			
Cash and balances with treasury banks	6	16,029,666	13,356,066
Balances with other banks	7	3,967,816	3,554,364
Lendings to financial institutions	8	4,479,754	14,444,143
Investments	9	35,464,972	39,344,702
Advances	10	128,818,242	100,781,205
Operating fixed assets	11	8,345,054	5,185,160
Deferred tax assets		–	–
Other assets	12	9,021,883	5,580,122
		206,127,387	182,245,762
Liabilities			
Bills payable	13	2,584,828	2,627,051
Borrowings	14	15,190,148	17,553,525
Deposits and other accounts	15	167,505,312	143,028,177
Sub-ordinated loans	16	2,996,100	2,997,300
Liabilities against assets subject to finance lease	17	16,573	6,271
Deferred tax liabilities	18	16,173	473,439
Other liabilities	19	4,779,448	3,268,400
		193,088,582	169,954,163
Net assets		13,038,805	12,291,599
Represented by			
Share capital	20	4,058,774	3,006,499
Reserves	21	7,689,227	6,930,265
Unappropriated profit		338,225	2,184,967
		12,086,226	12,121,731
Surplus on revaluation of assets – net of tax	22	936,468	166,342
Minority Interest		16,111	3,526
		13,038,805	12,291,599

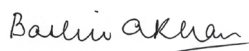
Contingencies and commitments

23

The annexed notes 1 to 49 form an integral part of these consolidated financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.14.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Consolidated Profit and Loss Account

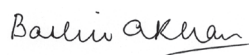
For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
Mark-up / return / interest earned	26	18,395,742	15,143,380
Mark-up / return / interest expensed	27	10,647,277	8,685,472
Net mark-up / interest income		7,748,465	6,457,908
Provision against non-performing loans and advances	10.4	3,824,778	3,920,240
Provision for impairment in the value of investments	9.2.1	508	1,501
Bad debts written off directly		247,360	–
		4,072,646	3,921,741
Net mark-up / interest income after provisions		3,675,819	2,536,167
Non mark-up / interest income			
Fee, commission and brokerage income		1,418,588	1,217,841
Dividend income		173,743	137,079
Income from dealing in foreign currencies		873,512	655,761
Gain on sale of securities - net	28	42,824	2,361,585
Unrealized gain on revaluation of investments classified as held for trading - net		22,375	5,903
Other income	29	343,435	338,207
Total non-markup / interest income		2,874,477	4,716,376
		6,550,296	7,252,543
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	30	6,035,800	4,878,431
Other provisions / write offs		739	–
Other charges	31	10,987	12,051
Total non-markup / interest expenses		6,047,526	4,890,482
Extra ordinary / unusual items		502,770	2,362,061
		–	–
PROFIT BEFORE TAXATION		502,770	2,362,061
Taxation – current		29,698	109,150
– prior years'		(51,043)	(232,907)
– deferred		109,060	(235,134)
	32	87,715	(358,891)
PROFIT AFTER TAXATION		415,055	2,720,952
Minority interest		415	217
		415,470	2,721,169
Unappropriated profit brought forward		2,184,967	1,781,908
Profit available for appropriation		2,600,437	4,503,077
Basic / diluted earnings per share - Rupees	33	1.02	6.70

The annexed notes 1 to 49 form an integral part of these consolidated financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.14.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Consolidated Statement of Changes in Equity

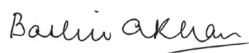
For the year ended December 31, 2008

Rupees in '000	Share capital	Capital reserve for issue of bonus shares	Statutory reserve	General reserve	Un-appropriated profit	Total
Balance as at January 1, 2007	2,004,333	-	2,299,264	3,515,490	1,781,908	9,600,995
Net profit for the year ended December 31, 2007	-	-	-	-	2,721,169	2,721,169
Transfer to:						
Statutory reserve	-	-	536,202	-	(536,202)	-
General reserve	-	-	-	579,309	(579,309)	-
Final dividend for the year ended December 31, 2006 declared / issued subsequent to year end	-	-	-	-	(200,433)	(200,433)
Bonus shares issued declared subsequent to year ended December 31, 2006	1,002,166	-	-	-	(1,002,166)	-
Balance as at January 1, 2008	3,006,499	-	2,835,466	4,094,799	2,184,967	12,121,731
Net profit for the year ended December 31, 2008	-	-	-	-	415,470	415,470
Transfer to:						
Statutory reserve	-	-	77,245	-	(77,245)	-
General reserve	-	-	-	681,717	(681,717)	-
Final dividend for the year ended December 31, 2007 declared subsequent to year end	-	-	-	-	(450,975)	(450,975)
Bonus shares declared / issued subsequent to year ended December 31, 2007	1,052,275	-	-	-	(1,052,275)	-
Balance as at December 31, 2008	4,058,774	-	2,912,711	4,776,516	338,225	12,086,226

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Consolidated Cash Flow Statement

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
Cash flow from operating activities			
Profit before taxation		502,770	2,362,061
Less: Dividend income		(173,743)	(137,079)
		329,027	2,224,982
Adjustments:			
Depreciation		519,310	405,202
Provision against non-performing advances – net		3,824,778	3,920,240
Provision for impairment in the value of investments		508	1,501
Bad debts written-off directly		247,360	–
Net loss / (profit) on sale of operating fixed assets		3,989	(5,215)
Finance charges on leased assets		1,403	768
Provision against other assets		459	–
		4,597,807	4,322,496
		4,926,834	6,547,478
(Increase) / decrease in operating assets			
Lendings to financial institutions		9,139,389	(6,051,193)
Held for trading securities		365,010	(172,078)
Advances		(32,109,175)	(5,522,004)
Other assets (excluding advance taxation)		(2,509,783)	(863,754)
		(25,114,559)	(12,609,029)
Increase / (decrease) in operating liabilities			
Bills payable		(42,223)	787,974
Borrowings		(2,363,377)	2,589,438
Deposits and other accounts		24,477,135	11,190,947
Other liabilities (excluding current taxation)		1,504,477	652,557
		23,576,012	15,220,916
Cash flow before tax		3,388,287	9,159,365
Income tax paid		(899,922)	(752,106)
Net cash flow from operating activities		2,488,365	8,407,259
Cash flow from investing activities			
Net investments in available-for-sale securities		2,477,452	(11,682,052)
Net investments in held-to-maturity securities		(617,596)	(218,880)
Proceeds from the issue of share capital to minority share holder		13,000	–
Dividend income		162,573	137,192
Investments in operating fixed assets – net of adjustment		(1,874,257)	(1,803,101)
Sale proceeds of operating fixed assets – disposed off		49,220	48,155
Net cash flow from / (used) in investing activities		210,392	(13,518,686)
Cash flow from financing activities			
Payments of sub-ordinated loans		(1,200)	(1,200)
Lease obligations - net		8,899	1,063
Dividends paid		(444,404)	(201,708)
Net cash flow used in financing activities		(436,705)	(201,845)
Increase / (decrease) in cash and cash equivalents		2,262,052	(5,313,272)
Cash and cash equivalents at beginning of the year	34	18,410,430	23,716,069
Cash and cash equivalents acquired on ASL acquisition		–	7,633
Cash and cash equivalents at end of the year	34	20,672,482	18,410,430

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

1. Status and nature of business

The Group consists of Askari Bank Limited, the holding company, Askari Investment Management Limited, a wholly owned subsidiary company and Askari Securities Limited, a partly owned subsidiary company.

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 200 branches (2007: 150 branches); 199 in Pakistan and Azad Jammu and Kashmir, including 18 Islamic Banking branches, 11 sub-branches and a wholesale bank branch in the Kingdom of Bahrain. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

Askari Investment Management Limited (AIML) was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations). The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Islamabad. AIML obtained its certificate of commencement of business on September 22, 2005.

Askari Securities Limited (ASL) was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company and obtained corporate membership of the Islamabad Stock Exchange on December 24, 1999. The Bank acquired 74% of Ordinary Shares of ASL on October 1, 2007. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of the Company is situated at AWT Plaza, The Mall, Rawalpindi.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the half year ended December 31, 2008.

2. Basis of presentation

- 2.1** These consolidated financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.
- 2.2** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a 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 facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.3** The financial results of the Islamic banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions / balances. Key figures of the Islamic banking branches are disclosed in Annexure II to these consolidated financial statements.

3. Statement of compliance

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

International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property and International Financial Reporting Standard 7, "Financial Instruments: Disclosures" are not applicable to banking companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

a) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but they are not relevant to the Bank's operations:

IFRIC 11	Group and treasury share transaction
IFRIC 12	Service concession arrangements
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

Certain minor amendments in following IASs have been introduced through IASB's Annual Improvements Project published in May 2008.

		Effective for periods beginning on or after
IAS 1	Presentation of financial statements (Revised)	January 1, 2009
IAS 16	Property, plant and equipment	January 1, 2009
IAS 19	Employee benefits	January 1, 2009
IAS 36	Impairment of assets	January 1, 2009
IAS 38	Intangible assets	January 1, 2009
IFRIC 13	Customer loyalty programs	July 1, 2008

c) Amendments and interpretations to existing standards that are not yet effective and not relevant to the Bank's operations

		Effective for periods beginning on or after
IAS 20	Accounting for government grants and disclosure of government assistance	January 1, 2009
IAS 23	Borrowing costs	January 1, 2009
IAS 27	Consolidated and separate financial statements	January 1, 2009
IAS 28	Investment in associates	January 1, 2009
IAS 29	Financial reporting in hyperinflationary economies	January 1, 2009
IAS 31	Interest in joint ventures	January 1, 2009
IAS 32	Financial instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation	January 1, 2009
IAS 41	Agriculture	January 1, 2009
IFRS 1	First-time adoption of International Financial Reporting Standards	January 1, 2009
IFRS 2	Share-based payments	January 1, 2009
IFRS 3	Business combinations	July 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations	July 1, 2009
IFRS 8	Operating segments	January 1, 2009
IFRIC 15	Agreements for the construction of real estates	January 1, 2009
IFRIC 16	Hedges of a net investment in a foreign operation	October 1, 2008
IFRIC 17	Distribution of non-cash assets to owners	July 1, 2009

4. Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention as modified for certain investments, freehold and leasehold land which are shown at revalued amounts.

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgements in application of accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 44.

5. Summary of significant accounting policies

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2006: 100%) and ASL with 74% holding (2007: 74%).

Subsidiaries are those enterprises in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has 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 control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiaries.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks, call money lendings and other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of change in value.

5.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.4 Investments

The Bank classifies its investments as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet. Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

The Group holds 15% shares in Askari General Insurance Company Limited (AGICO). For the purposes of consolidated financial statements, this investment is carried at cost less impairment losses, if any, and has not been accounted for using equity method since it does not qualify as associate under International Accounting Standard (IAS) 28 'Accounting for Investment in Associates' as the Group shareholding is less than 20% and the Group does not exercise significant influence on AGICO.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

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

5.5 Advances

Advances of the Bank are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition a general provision is maintained for advances other than consumer advances as per details given in note 10.4.2.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.6 Capital work-in-progress, operating fixed assets and depreciation

Capital work-in-progress

The Group's capital work-in-progress is stated at cost.

Owned assets

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land. Land is carried at revalued amounts which are not depreciated. Upto last year land was being carried at cost. Had the freehold and leasehold land not been revalued their carrying amount would have been Rs 415.752 million and Rs 1,239.738 million respectively.

Land is revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value. Surplus / (deficit) arising on revaluation of fixed assets is credited / (debited) to the surplus on revaluation of assets account and is shown below the shareholders' equity in the balance sheet. Except to the extent actually realised on disposal of land which are revalued, the surplus on revaluation of land shall not be applied to set-off or reduce any deficit or loss, whether past, current or future, or in any manner applied, adjusted or treated so as to add to the income, profit or surplus of the Bank or utilized directly or indirectly by way of dividend or bonus.

Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

Assets subject to finance lease

The Group's assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

Intangible assets

On acquisition of an entity, excess of the purchase consideration over the fair value of identifiable assets and liabilities acquired, is initially recognized as goodwill and tested for impairment annually.

Membership card of ASL is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

5.7 Impairment

The carrying amount of the Bank's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment loss is recognised as expense in the profit and loss account except for the impairment loss on available for sale investments which has been taken to equity in terms of SBP BSD Circular No. 4 dated February 13, 2009 as referred to in paragraph 9.14 below. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.8 Taxation

Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable for previous years.

ASL falls in the ambit of presumptive tax regime regarding commission income under section 233A of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on income from transfer of physical shares to CDC and other operating income is based on taxable income at the prevailing current rates.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date, expected to be applicable at the time of its reversal. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax, on revaluation of investments, if any, is recognised as an adjustment to surplus / (deficit) arising on such revaluation.

5.9 Staff retirement benefits

Defined benefit plan

The Bank and AIML operates approved funded gratuity schemes for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the average expected remaining working life of its employees.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

ASL operates an unfunded gratuity scheme for all its regular employees. The employees are entitled to gratuity on completion of three years of continuous service with the Company. The gratuity is payable on the basis of last drawn basic salary for E-1 grade employees and gross for other employees for each completed year of service.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by the Company and the staff at the rate of 6% of the salary.

ASL operates an unfunded provident fund scheme for all its regular employees for which equal monthly contributions are made by the Company and the employees at the rate of 10% of basic salary of the employee.

Compensated absences

The Bank grants compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

AIML also provides for compensated absences. Obligations under the scheme are charged to income currently.

5.10 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

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

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

Gains and losses on sale of investments are included in income currently.

Management fee is recognized by AIML on the accrual basis, based on annual average net asset value of the Fund under management.

5.11 Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupee at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the balance sheet date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in profit and loss account currently.

Foreign operation

The monetary assets and liabilities of whole sale bank branch are translated to Pak. Rupee at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

Translation gains and losses

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

Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupee at the rates of exchange ruling on the balance sheet date.

5.12 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net of expected recoveries.

5.13 Off-setting

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

5.14 Appropriations subsequent to balance sheet date

Appropriations subsequent to year end are recognised during the year in which those appropriations are made.

5.15 Operating leases

Leases where significant portion of risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

5.16 Segment reporting

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

5.16.1 Business segment**Corporate financing**

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

Trading and sales

Trading and sales includes the Bank's treasury and money market activities classified as held for trading.

Retail banking

Retail banking segment provides services to small borrowers and includes loans, deposits and other transactions with retail customers and credit card business.

Commercial banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

Agency service

Agency service includes income from rent of lockers provided to customers.

Sub-ordinated loans

It represents Term Finance Certificates issued by the Bank.

5.16.2 Geographical Segment

The Bank operates in two geographic regions; Pakistan and the Middle East.

5.17 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pak. Rupee, which is the Group's functional currency.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
6. Cash and balances with treasury banks			
In hand:			
Local currency		2,843,763	1,937,588
Foreign currencies		994,256	571,861
		3,838,019	2,509,449
National Prize Bonds		15,378	12,722
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	6,455,757	8,493,467
Foreign currency current account	6.1	1,360,567	1,002,742
Foreign currency deposit account	6.2	3,734,701	973,201
		11,551,025	10,469,410
With National Bank of Pakistan in:			
Local currency current accounts		625,244	364,485
		16,029,666	13,356,066

6.1 Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

6.2 This represents statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate 0.0% (2007: 3.6%) per annum.

Rupees in '000	Note	2008	2007
7. Balances with other banks			
In Pakistan			
On current accounts		457,505	255,659
On deposit accounts		120,295	500,949
		577,800	756,608
Outside Pakistan			
On current accounts		656,115	549,305
On deposit accounts	7.1	2,733,901	2,248,451
		3,390,016	2,797,756
		3,967,816	3,554,364

7.1 These represents overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 0.1% to 3% (2007: 2.37% to 4.69%) per annum receivable on maturity.

Rupees in '000	Notes	2008	2007
8. Lendings to financial institutions			
Call money lendings	8.1	675,000	1,500,000
Repurchase agreement lendings (reverse repo)	8.2	2,554,754	8,836,151
Purchase under resale arrangement of equity securities	8.3	1,150,000	449,992
		3,704,754	9,286,143
Trade related deals		—	558,000
Others	8.4	100,000	3,100,000
		4,479,754	14,444,143

8.1 These carry mark-up at rates ranging from 12.5% to 20% (2007: 9.65% to 10%) per annum.

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up at rates ranging from 12% to 14.9% (2007: 9.25% to 9.95%) per annum and maturities of upto 2 (2007: upto 2) months.

8.3 This represents shares of companies purchased under resale agreement carrying mark-up at rates ranging from 18% to 18.01% (2007: 11.2% to 12.5%) per annum with maturity of upto 1 month (2007: upto 1 month). These include lending under repurchase agreement amounting to Rs. 500,000 thousand (2007: Nil) to related party .

8.4 This represents lendings to a financial institution carrying mark-up at rate of 19% (2007: 9.65% to 10.30%) per annum with maturity of 5 days (2007: upto 3 months).

Rupees in '000	2008	2007
8.5 Particulars of lending		
In local currency	4,479,754	13,886,143
In foreign currencies	–	558,000
	4,479,754	14,444,143

Rupees in '000	2008			2007		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.6 Securities held as collateral against lendings to financial institutions the Bank						
Market Treasury Bills	2,554,754	–	2,554,754	8,536,151	–	8,536,151
Pakistan Investment Bonds	–	–	–	300,000	–	300,000
Purchase under resale arrangement of shares	1,150,000	–	1,150,000	449,992	–	449,992
	3,704,754	–	3,704,754	9,286,143	–	9,286,143

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

9. Investments

Rupees in '000	Notes	2008			2007		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types:							
Held for trading securities							
Fully paid ordinary shares		134,469	–	134,469	514,890	–	514,890
Available for sale securities							
Market Treasury Bills		15,276,144	767,310	16,043,454	20,195,793	5,868,488	26,064,281
Pakistan Investment Bonds		3,086,099	44,000	3,130,099	1,884,256	1,194,000	3,078,256
Fully paid ordinary shares		1,868,417	–	1,868,417	1,597,170	–	1,597,170
Fully paid preference shares	9.5	125,000	–	125,000	125,000	–	125,000
Askari Income Fund – Units	9.7	986,265	–	986,265	450,000	–	450,000
Askari Islamic Income Fund		100,000	–	100,000	–	–	–
Askari Islamic Asset Allocation Fund		100,000	–	100,000	–	–	–
Term Finance Certificates		6,707,845	–	6,707,845	1,565,358	–	1,565,358
National Investment Trust (NIT) – Units		196,955	–	196,955	46,955	–	46,955
Sukuk – Certificates	9.8	1,508,280	–	1,508,280	400,000	–	400,000
Foreign securities	9.9	181,287	–	181,287	98,034	–	98,034
		30,136,292	811,310	30,947,602	26,362,566	7,062,488	33,425,054
Held to maturity securities							
Term Finance Certificates		1,029,907	–	1,029,907	1,248,571	–	1,248,571
Pakistan Investment Bonds		1,516,837	–	1,516,837	1,706,824	–	1,706,824
Government of Pakistan Sukuk – Bonds	9.2.4	948,676	–	948,676	743,232	–	743,232
Government of Pakistan Euro Bonds	9.2.4	949,330	–	949,330	744,999	–	744,999
Sukuk – Certificates	9.11	930,979	–	930,979	400,000	–	400,000
Credit Linked Notes	9.12	395,493	–	395,493	310,000	–	310,000
		5,771,222	–	5,771,222	5,153,626	–	5,153,626
Investment in associate							
Askari General Insurance Company Limited	9.10	11,182	–	11,182	11,182	–	11,182
Investment at cost		36,053,165	811,310	36,864,475	32,042,264	7,062,488	39,104,752
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,896)	–	(3,896)	(3,388)	–	(3,388)
Investments (net of provision)		36,049,269	811,310	36,860,579	32,038,876	7,062,488	39,101,364
Add / (less):							
Surplus on revaluation of held for trading securities - net		22,375	–	22,375	6,964	–	6,964
(Deficit) / surplus on revaluation of available for sale securities - net		(1,413,392)	(4,590)	(1,417,982)	136,136	100,238	236,374
Total investments at market value		34,658,252	806,720	35,464,972	32,181,976	7,162,726	39,344,702

Rupees in '000	Notes	2008	2007
9.2 Investments by segments:			
Federal Government Securities	9.2.3		
Market Treasury Bills		16,043,454	26,064,281
Pakistan Investment Bonds		4,646,936	4,785,080
Government of Pakistan Sukuk - Bonds	9.2.4	948,676	743,232
Government of Pakistan Euro Bonds	9.2.4	949,330	744,999
		22,588,396	32,337,592
Fully paid up ordinary shares:			
Listed companies	9.3	3,144,653	2,517,562
Unlisted companies	9.4	55,680	55,680
		3,200,333	2,573,242
Fully paid preference shares			
Listed companies	9.5	125,000	125,000
Term Finance Certificates	9.6		
Listed Term Finance Certificates		1,252,367	1,853,121
Unlisted Term Finance Certificates		6,485,385	960,808
		7,737,752	2,813,929
Foreign Securities			
Mena Transformation Fund	9.9	181,287	98,034
Credit Linked Notes	9.12	395,493	310,000
		576,780	408,034
Other Investments			
Sukuk - Certificates		2,439,259	800,000
National Investment Trust (NIT) - Units		196,955	46,955
		2,636,214	846,955
Total investment at cost		36,864,475	39,104,752
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,896)	(3,388)
Investments (net of provisions)		36,860,579	39,101,364
Add: Surplus on revaluation of held for trading securities - net		22,375	6,964
(Less) / Add: (Deficit) / surplus on revaluation of available for sale securities - net		(1,417,982)	236,374
Total investments at market value		35,464,972	39,344,702
9.2.1 Particulars of provision for impairment in value of investments.			
Opening balance		3,388	1,887
Charge for the year		508	1,501
Reversals		-	-
		508	1,501
Closing balance		3,896	3,388
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted company		3,896	3,388

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon
Market Treasury Bills	January 2009 to June 2009	On maturity	9.44% to 14.01%	at maturity
Pakistan Investment Bonds	April 2009 to August 2017	On maturity	7% to 14%	semi-annually
Government of Pakistan Sukuk - Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually

9.2.4 These represent investments by the wholesale bank branch.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

9.3 Investments in listed shares

No. of ordinary shares		Paid-up / break up value per share / unit Rupees	Name of company / mutual fund	2008	2007
2008	2007			Rupees in '000	
1,234,728	1,160,422	53.36	Sui Northern Gas Pipelines Limited	65,890	63,565
6,350,000	4,249,500	9.06	Atlas Fund of Funds	57,514	40,471
743,500	595,000	9.45	Meezan Balanced Fund	7,029	5,950
347,946	800,000	132.13	National Bank of Pakistan	45,974	195,277
4,704	–	135.20	MCB Bank Limited	636	–
40,881	–	1.03	Arif Habib Bank Limited	42	–
75	–	53.33	First National Equities Limited	4	–
156	–	6.41	Invest and Finance Securities Limited	1	–
7,428	–	56.14	Jahangir Siddiqui and Company Limited	417	–
2,452	–	11.42	Javed Omer Vohra and Company Limited	28	–
4,000	–	6.75	Pervez Ahmed Securities Limited	27	–
86	–	11.63	Dawood Equities Limited	1	–
6,280	–	13.54	Faysal Bank Limited	85	–
650,000	–	15.51	Samba Bank Limited	10,083	–
202	–	24.75	Bank Al-Habib Limited	5	–
151	–	119.21	EFU General Insurance Limited	18	–
701	–	12.84	D.S. Industries Limited	9	–
595	–	18.49	Azgard Nine Limited	11	–
137,500	–	25.91	Nishat Mills Limited (Chunian)	3,562	–
524	–	43.89	Dawood Lawrencepur Limited	23	–
21,124	–	0.95	Dewan Salman Fibres Limited	20	–
970	–	3.09	Al-Abbas Cement Industries Limited	3	–
81,771	–	3.41	Dewan Cement Limited	279	–
352	–	19.89	Pioneer Cement Limited	7	–
62	–	16.13	Thatta Cement Limited	1	–
4,234	–	86.21	Pakistan Refinery Limited	365	–
11,320	–	3.27	Bosicor Pakistan Limited	37	–
5,901	–	11.69	Sui Southern Gas Company Limited	69	–
69	–	101.45	Mari Gas Company Limited	7	–
480	–	29.17	Eye Television Network Limited	14	–
1,865	–	27.35	Netsol Technologies Limited	51	–
61	–	114.75	BOC Pakistan Limited	7	–
2,483	–	16.11	Sitara Peroxide Limited	40	–
556	–	25.18	Pakistan Electron Limited	14	–
13,812	–	10.72	Pace Pakistan Limited	148	–
100,568	–	49.72	Reliance Income Fund	5,000	–
5,000,000	–	10.00	ABL Income Fund	50,000	–
1,077	–	2.79	Maple Leaf Cement Company Limited	3	–
49,352	375,000	22.82	D. G. Khan Cement Company Limited	1,126	38,704
1,033,719	300,000	24.36	Pakistan Telecommunication Company Limited	25,184	12,961
1,613,280	1,250,500	29.14	Hub Power Company Limited	47,006	37,091
587,974	350,100	71.13	Oil and Gas Development Company Limited	41,820	41,250
1,427,000	1,952,500	9.53	Pakistan Strategic Allocation Fund	13,601	19,524
153,906	–	11.58	Pakistan Premier Fund	1,782	–
7,917	40,000	155.24	Pakistan State Oil Company Limited	1,229	16,863
1,827	–	55.83	Fauji Fertilizer Company Limited	102	–
1,034,336	345,000	47.33	Lucky Cement Limited	48,950	44,153
882,599	220,000	114.79	Pakistan Oilfields Limited	101,311	72,792
187,380	193,000	187.65	Pakistan Petroleum Limited	35,161	43,532
113,112	70,057	221.26	Engro Chemical (Pakistan) Limited	25,027	18,615
798,243	285,000	81.20	Crescent Steel Mills Limited	64,821	26,576
156,927	157,500	53.88	Honda Atlas Cars Limited	8,455	9,850
300,000	110,000	308.88	Packages Limited	92,663	40,460
6,195	10,000	73.77	ICI Pakistan Limited	457	1,966

No. of ordinary shares		Paid-up / break up value per share / unit	Name of company / mutual fund	2008	2007
2008	2007	Rupees		Rupees in '000	
3,641	855,000	15.11	The Bank of Punjab	55	81,836
6,204	150,000	21.92	Nishat Textile Mills Limited	136	17,213
2,213,915	616,000	38.61	Fauji Fertilizer Bin Qasim Limited	85,485	27,232
100,086	21,500	293.55	Adamjee Insurance Company Limited	29,380	7,705
3,387	–	33.66	Allied Bank Limited	114	–
2,380,000	1,300,000	7.45	UTP Large Capital Fund	17,737	11,910
140,000	–	43.02	Kot Addu Power Company Limited	6,023	–
228,201	20,000	60.67	Pakistan Re-Insurance Limited	13,846	7,820
730,000	312,500	4.62	Golden Arrow Selected Stock Fund	3,371	2,053
1,696,825	264,000	26.55	PICIC Growth Fund	45,056	8,040
7,508,500	7,500,000	10.00	Pak Oman Advantage Fund	75,069	75,000
1,107,159	363,100	69.09	Arif Habib Securities Limited	76,499	60,476
888	–	74.32	Arif Habib Limited	66	–
1,500,000	300,000	11.43	IGI Investment Bank Limited	17,151	3,595
261	94,600	38.31	JS Investments Limited	10	6,432
181,165	394,187	16.00	Bank Islami Pakistan Limited	2,899	6,434
204,809	370,000	29.80	Meezan Bank Limited	6,104	14,375
640,000	105,500	20.94	MyBank Limited	13,404	2,385
219,392	226,800	231.33	Habib Bank Limited	50,751	58,349
310,511	110,000	97.28	United Bank Limited	30,208	18,503
189,941	400,250	10.52	JS Bank Limited	1,999	6,737
4,300,000	984,000	19.99	NIB Bank Limited	85,961	18,558
500,000	285,700	10.51	Atlas Bank Limited	5,256	3,648
2,018,600	114,200	35.45	Soneri Bank Limited	71,557	4,541
1,172,187	1,172,187	12.50	Hira Textile Mills Limited	14,652	14,652
54,300	25,000	73.39	Attock Cement Limited	3,985	2,400
113,400	140,000	28.92	Cherat Cement Limited	3,279	5,482
969,606	300,000	11.46	Fauji Cement Company Limited	11,109	4,761
632	215,000	64.87	Attock Refinery Limited	41	53,936
110,000	55,000	314.94	National Refinery Limited	34,643	19,642
60,875	65,000	313.89	Shell Pakistan Limited	19,108	25,513
218,700	50,500	282.23	Pak Suzuki Motor Company Limited	61,724	17,865
50,029	45,500	338.42	Indus Motor Company Limited	16,931	16,563
2,500,000	2,500,000	98.06	Askari Asset Allocation Fund	245,141	245,140
1,000,000	–	100.00	Askari Islamic Income Fund	100,000	–
1,000,000	–	100.00	Askari Islamic Asset Allocation Fund	100,000	–
516,899	516,899	96.73	MCB Dynamic Cash Fund	50,000	50,000
100,000	100,000	100.00	HBL Stock Fund	10,000	10,000
254,814	239,047	98.11	JS Income Fund	25,000	25,000
6,090	–	2.79	JS Value Fund	17	–
462,939	100,000	31.91	Bank Alfalah Limited	14,771	5,370
101,455	7,000	419.08	Attock Petroleum Limited	42,518	3,983
3,575	10,000	8.11	Dost Steel Mills Limited	29	343
30	79,000	66.67	Searle Pakistan Limited	2	3,591
–	146,000	–	Pakistan PTA Limited	–	719
–	513,239	–	HBL Income Fund	–	50,000
–	505,255	–	United Growth and Income Fund	–	50,000
–	503,906	–	AKD Income Fund	–	25,000
–	315,747	–	AMZ Plus Income Fund	–	30,000
–	300,000	–	Alfalah GHP Income Multiplier Fund	–	15,000
–	201,073	–	IGI Income Fund	–	20,000
–	249,829	–	Dawood Money Market Fund	–	25,000
–	203,000	–	First Habib Income Fund	–	20,000
–	67,500	–	Pakistan International Container Terminal Limited	–	3,990
–	241,289	–	KASB Liquid Fund	–	25,000
3,056,611	2,351,241	3.66	Askari General Insurance Company Limited – note 9.10	11,182	11,182

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

No. of ordinary shares		Paid-up / break up value per share / unit Rupees	Name of company / mutual fund	2008		2007	
2008	2007			Rupees in '000		Rupees in '000	
9,798,740	5,064,671	100.65	Askari Income Fund	986,265		479,237	
-	563,500	-	Karachi Electric Supply Company Limited	-		2,986	
-	17,500	-	Cherat Paper Sack Limited	-		3,317	
-	308,000	-	World Call Telecom Limited	-		5,113	
-	8,600	-	Glaxo Smithkline Limited	-		1,655	
-	6,000	-	Highnoon Laboratories Limited	-		501	
-	777,600	-	Pakistan Industrial Credit and Investment Corporation Limited	-		56,080	
-	30,000	-	Tri Pak Films Limited	-		6,099	
-	100,000	-	Pak Oman Bank of Punjab Advantage Plus Fund	-		5,000	
-	100,000	-	Bank Alfalah GHP fund	-		5,000	
				3,144,653		2,517,562	
(Less) / Add: (Deficit) / surplus on revaluation of shares - (net)				(1,036,422)		36,798	
Market value as on December 31				2,108,231		2,554,360	

9.4 Particulars of investments held in unlisted companies

Investee	Notes	Percentage of holding	Number of shares	Cost/paid up value per share Rupees	Total		Based on audited financial statements as at	Name of Chief Executive
					Paid-up Value Rupees in '000	Break up Value		
Khushhali Bank Limited	9.4.1	2.93	5,000,000	10	50,000	53,947	31 Dec 2007	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10	5,680	1,784	31 Dec 2007	Mr. S.M. Zaeem
					55,680			

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 7, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale / transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid-up value and break-up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 3,896 thousand (2007: Rs. 3,388 thousand) is considered as impairment and has been fully provided for.

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value per share Rupees	Investee	Rate %	Book Value		Market Value	
2008	2007				2008	2007	2008	2007
					Rupees in '000			
10,000,000	10,000,000	10	Chenab Limited	9.25	100,000	100,000	81,700	80,000
2,500,000	2,500,000	10	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
					125,000	125,000	106,700	105,000

9.6 Investment in Term Finance Certificates – Listed

No. of certificates		Company's Name	Redeemed value	2008	2007
2008	2007		per certificate		
			Rupees	Rupees in '000	
6,067	6,067	Worldcall Telecom Limited	4,996	30,311	30,323
30,000	30,000	Bank Al-Habib Limited	4,992	149,760	149,820
35,000	35,000	Bank Alfalah Limited	4,993	174,760	174,827
4,600	4,600	Royal Bank of Scotland (Formerly ABN AMRO Bank Pakistan)	4,993	22,968	22,977
12,000	12,000	Soneri Bank Limited	4,993	59,916	59,940
10,000	10,000	Standard Chartered Bank Limited	4,995	49,950	49,970
24,432	24,431	United Bank Limited	4,993	121,988	122,036
40,000	39,992	Pakistan Mobile Communication (Private) Limited	4,995	199,800	199,920
5,000	–	NIB Bank Limited	4,224	21,121	–
18,669	18,669	Allied Bank Limited	4,996	93,270	93,308
15,000	15,000	Pace Pakistan Limited	4,999	74,985	75,000
–	60,000	Pak American Fertilizers Limited	–	–	300,000
–	60,000	Azgard Nine Limited	–	–	300,000
8,000	1,500	Orix Leasing Limited	5,069	40,548	150,000
43,493	20,000	Pak Arab Fertilizer Limited	4,897	212,990	100,000
–	5,000	Jahangir Siddique and Company Limited	–	–	25,000
Book value as on December 31				1,252,367	1,853,121
Unlisted					
–	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Rashid Khan)	–	–	59,960
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Aijaz Haroon)	3,542	247,907	306,238
140,000	400	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	4,999	699,800	383,333
–	18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Taufique Sayeed Saigol)	–	–	11,250
–	18,995	Dewan Cement Limited (Chief Executive: Dewan M. Yousuf Farooqui)	–	–	63,784
20,000	20,000	Dewan Farooque Spinning Mills Limited (Chief Executive: Mr. Dewan Abdul Baqi Farooqui)	1,250	25,000	50,000
2,200	–	Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	100,032	220,070	–
33,000	–	Jahangir Siddique and Company (Chief Executive: Mr. Munaf Ibrahim)	5,023	165,744	–
15,200	15,200	Avari Hotels Limited (Chief Executive: Mr. Byram Dinshawji Avari)	5,000	76,000	76,000
5,000	5,000	Kashf Foundation (Chief Executive: Dr. Ishrat Hussain)	5,000	25,000	10,243
86,000	–	Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	5,005	430,387	–
59,023	–	Worldcall Telecom Limited (Chief Executive: Mr. Baber Ali Syed)	5,000	295,112	–
140,000	–	Engro Chemicals Pakistan Limited (Chief Executive: Mr. Asad Umar)	5,000	700,000	–
233,333	–	Islamabad Electric Supply Company Limited (Chief Executive: Brig. (Retd) Shahbaz Azam)	5,000	1,166,665	–
233,333	–	Faisalabad Electric Supply Company Limited (Chief Executive: Mr. Ahmad Saeed Akhter)	5,000	1,166,665	–
233,333	–	Gujranwala Electric Supply Company Limited (Chief Executive: Mr. Rana Muhammad Ashraf Zahid)	5,000	1,166,665	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

No. of certificates		Company's Name	Redeemed value per certificate	2008	2007
2008	2007			Rupees	Rupees in '000
10,000	–			Shakarganj Mills Limited (Chief Executive: Mr. Ahsan M. Saleem)	5,000
10,000	–	KASB Securities Limited (Chief Executive: Mr. Farrukh H. Sabzwari)	5,037	50,370	–
Book value as on December 31				6,485,385	960,808

These carry rate of return ranging from 8.45% to 19.43% (2007: 8.45% to 14.4%) per annum and having maturity periods of upto 8 years (2007: 8 years).

9.7 This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.

9.8 Sukuk – Certificates

Name of Investee	Rate	Maturity	2008	2007
			Rupees in '000	
Kohat Cement Company Limited	Average of offer side of 6 month KIBOR plus 1.8% p.a.	December 13, 2012	241,500	250,000
House Building Finance Corporation	Average of offer side of 6 month KIBOR plus 1% p.a.	May 08, 2014	100,000	–
JDW Sugar Mills Limited	Average of offer side of 3 month KIBOR plus 1.25% p.a.	June 20, 2014	200,000	–
Pak American Fertilizer Limited	Average of offer side of 6 month KIBOR plus 2% p.a.	August 05, 2015	300,000	–
Sitara peroxide Limited	Average of offer side of 3 month KIBOR plus 1.1% p.a.	August 19, 2013	190,000	–
K.S. Sulmanji & Esmailji & Sons Private Limited	Average of offer side of 3 month KIBOR plus 1.3% p.a.	June 28, 2012	200,000	–
Eden Builders Private Limited	Average of offer side of 3 month KIBOR plus 2.3% p.a.	March 08, 2014	66,250	–
Shahraj Fabric Limited	Average of offer side of 6 month KIBOR plus 2.1% p.a.	December 13, 2012	150,000	150,000
Pakistan Domestic Sukuk Company Limited	Weighted avg yield of 6 months market treasury bills	September 26, 2011	10,000	–
Pak Electron Limited	Average of offer side of 3 month KIBOR plus 1.75% p.a.	September 28, 2012	50,530	–
			1,508,280	400,000

9.9 The Bank has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

9.10 Investment in associate represents 15% (2007: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2008: Rs. 91,668 thousand ; 2007: Rs. 154,124 thousand).

The audited financial statements of AGICO for the year ended December 31, 2008 were not available , however the summarized financial position and results, as per the most recent available financial statements as at September 30, 2008 are as follows.

Rupees in '000

Total assets	1,188,245
Total liabilities	861,887
Net assets	326,358

Total revenue and profit after tax for the nine months ended September 30 , 2008 were Rs. 75,137 thousands and Rs. 37,061 thousands respectively.

9.11 Sukuk Certificates

Name of Investee	Rate	Maturity	2008	2007
			Rupees in '000	
Sui Southern Gas Company Limited	Average of offer side of 3 month KIBOR plus 0.8% p.a.	June 28, 2012	200,000	200,000
WAPDA	Average of offer side of 6 month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	200,000
Karachi Shipyard & Engineering Works	Average of offer side of 6 month KIBOR minus 0.4% p.a.	February 04, 2016	150,979	–
Educational Excellence Limited	Average of offer side of 6 month KIBOR minus 2.5% p.a.	November 09, 2013	270,000	–
Arzoo Textile Limited	Average of offer side of 6 month KIBOR minus 2% p.a.	April 14, 2014	110,000	–
			930,979	400,000

9.12 This represents investments by the wholesale bank branch in credit linked notes issued by Standard Chartered Bank, Singapore at 3 month USD Libor plus 3.50% per annum maturing on December 20, 2012.

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating
9.13 Quality of Available for Sale Securities				
Market Treasury Bills - note 9.13.1	16,028,763	unrated	26,010,637	unrated
Pakistan Investment Bonds - note 9.13.1	2,901,990	unrated	3,331,991	unrated
Fully paid up ordinary shares - note 9.13.2				
Sui Northern Gas Pipelines Limited	26,497	AA	76,066	AA
Atlas Fund of Funds	31,750	5 - Star	35,696	5 - Star
Meezan Balanced Fund	2,952	5 - Star	4,998	5 - Star
National Bank of Pakistan	17,005	AAA	23,215	AAA
MCB Bank Limited	592	AA+	–	–
Arif Habib Bank Limited	226	A	893	A–
First National Equities Limited	4	A–	–	–
Invest and Finance Securities Limited	1	BBB–	–	–
Jahangir Siddiqui and Company Limited	388	AA+	–	–
Javed Omer Vohra and Company Limited	22	BB+	–	–
Pervez Ahmed Securities Limited	14	unrated	–	–
Dawood Equities Limited	1	unrated	–	–
Faysal Bank Limited	72	AA	–	–
Samba Bank Limited	3,211	A	–	–
Bank Al-Habib Limited	5	AA	–	–
EFU General Insurance Limited	20	AA	–	–
D.S. Industries Limited	10	unrated	–	–
Azgard Nine Limited	10	A+	–	–
Nishat Mills Limited (Chunian)	1,330	unrated	–	–
Dawood Lawrencepur Limited	26	unrated	–	–
Dewan Salman Fibres Limited	30	unrated	–	–
Al-Abbas Cement Industries Limited	3	unrated	–	–
Dewan Cement Limited	248	BB	–	–
Pioneer Cement Limited	8	BBB	–	–
Thatta Cement Limited	1	unrated	–	–
Pakistan Refinery Limited	417	unrated	–	–
Bosicor Pakistan Limited	53	unrated	–	–
Sui Southern Gas Company Limited	62	AA–	–	–
Mari Gas Company Limited	7	unrated	–	–
Eye Television Network Limited	16	unrated	–	–
Netsol Technologies Limited	47	unrated	–	–
BOC Pakistan Limited	7	unrated	–	–
Sitara Peroxide Limited	45	unrated	–	–
Pakistan Electron Limited	13	A	–	–

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating
Pace Pakistan Limited	119	A+	–	–
Reliance Income Fund	4,735	unrated	–	–
ABL Income Fund	52,083	A	–	–
Maple Leaf Cement Company Limited	4	BBB+	–	–
D. G. Khan Cement Company Limited	1,050	unrated	30,777	unrated
Pakistan Telecommunication Company Limited	17,460	unrated	12,615	unrated
Hub Power Company Limited	22,731	unrated	38,140	unrated
Oil and Gas Development Company Limited	24,404	AAA	11,945	AAA
Pakistan Strategic Allocation Fund	3,254	4 - Star	17,768	4 - Star
Pakistan Premier Fund	311	5 - Star	–	–
Pakistan State Oil Company Limited	1,145	AAA	–	–
Fauji Fertilizer Company Limited	107	unrated	–	–
Lucky Cement Limited	9,710	unrated	34,367	unrated
Pakistan Oilfields Limited	9,490	unrated	70,224	unrated
Pakistan Petroleum Limited	18,854	unrated	35,042	unrated
Engro Chemical (Pakistan) Limited	10,905	AA	–	–
Crescent Steel Mills Limited	13,594	A+	27,759	A+
Honda Atlas Cars Limited	1,808	unrated	8,521	unrated
Packages Limited	24,357	AA	29,104	AA
ICI Pakistan Limited	426	unrated	–	–
The Bank of Punjab	48	AA–	29,829	AA
Nishat Textile Mills Limited	140	A+	15,780	A1+
Fauji Fertilizer Bin Qasim Limited	28,560	unrated	2,102	unrated
Adamjee Insurance Company Limited	10,193	AA	–	–
Allied Bank Limited	106	A	–	–
UTP Large Capital Fund	5,474	4 - Star	10,530	5 - Star
Kot Addu Power Company Limited	4,418	unrated	–	–
Pakistan Re-Insurance Limited	5,406	unrated	8,075	unrated
Golden Arrow Selected Stock Fund	1,489	5 - Star	2,000	5 - Star
PICIC Growth Fund	9,485	unrated	7,524	2 - Star
Pak Oman Advantage Fund	56,464	AA–	61,875	AA–
Arif Habib Securities Limited	21,205	A+	27,383	unrated
Arif Habib Limited	76	unrated	–	–
IGI Investment Bank Limited	4,725	A	4,425	A
JS Investments Limited	11	AA–	4,243	unrated
Bank Islami Pakistan Limited	1,313	A–	3,502	A–
Meezan Bank Limited	4,399	A+	14,245	A+
MyBank Limited	7,424	A	2,527	A
Habib Bank Limited	16,424	AA+	44,381	AA+
United Bank Limited	11,461	AA+	19,019	AA+
JS Bank Limited	1,090	A–	8,740	A–
NIB Bank Limited	20,081	AA–	63,361	A+
Atlas Bank Limited	1,660	A–	4,857	A–
Soneri Bank Limited	22,205	AA–	4,956	AA–
Hira Textile Mills Limited	2,649	unrated	9,319	unrated
Attock Cement Limited	2,046	unrated	2,493	unrated
Cherat Cement Limited	1,294	unrated	5,558	unrated
Fauji Cement Company Limited	4,557	unrated	4,470	unrated
Attock Refinery Limited	38	AA	47,747	AA–
National Refinery Limited	10,468	AAA	18,050	unrated
Shell Pakistan Limited	18,890	unrated	26,409	unrated
Pak Suzuki Motor Company Limited	17,411	unrated	11,702	unrated
Indus Motor Company Limited	6,148	unrated	14,523	unrated
Askari Asset Allocation Fund	114,874	unrated	241,722	unrated
Askari Islamic Income Fund	100,000	unrated	–	–
Askari Islamic Asset Allocation Fund	100,000	unrated	–	–
MCB Dynamic Cash Fund	51,013	unrated	54,123	AM3
HBL Stock Fund	5,798	unrated	10,240	unrated

Rupees in '000	2008		2007	
	Market Value	Rating	Market Value	Rating
JS Income Fund	25,701	5 - Star	25,305	unrated
JS Value Fund	27	5 - Star	-	-
Bank Alfalah Limited	7,745	AA	-	-
Attock Petroleum Limited	14,645	unrated	-	-
Dost Steel Mills Limited	28	unrated	-	-
Searle Pakistan Limited	2	BBB	-	-
Pakistan PTA Limited	-	-	737	unrated
HBL Income Fund	-	-	53,664	unrated
United Growth and Income Fund	-	-	52,961	A
AKD Income Fund	-	-	26,585	AM3+
AMZ Plus Income Fund	-	-	21,353	A
Alfalah GHP Income Multiplier Fund	-	-	15,777	unrated
IGI Income Fund	-	-	21,100	AM3
Dawood Money Market Fund	-	-	26,347	5 - Star
First Habib Income Fund	-	-	21,268	unrated
Pakistan International Container Terminal Limited	-	-	4,752	unrated
KASB Liquid Fund	-	-	25,381	AM3
Pakistan Export Finance Guarantee Limited	1,784	unrated	2,292	unrated
Khushhali Bank Limited	50,000	unrated	50,000	A-
Fully Paid Preference shares				
Chenab Limited	81,700	unrated	80,000	unrated
Masood Textile Mills Limited	25,000	unrated	25,000	unrated
Askari Income Fund Units - Note 9.13.2	921,376	5 - Star	503,254	5 - Star
Term Finance Certificates				
World Call Telecom Limited	329,998	AA-	34,885	AA-
United Bank Limited	23,943	AA	23,616	AA
Allied Bank Limited	101,858	AA-	101,858	A+
Pace Pakistan Limited	74,985	AA-	75,000	AA-
Orix Leasing Limited	260,768	AA+	150,000	AA+
Pak Arab Fertilizer Limited	217,422	AA	100,000	AA
Pak American Fertilizer Limited	700,550	AA-	683,333	AA-
Jahangir Siddique and Company	166,418	AA+	25,000	AA+
Avari Hotels Limited	76,000	A-	76,000	A-
Kashf Foundation	25,078	A-	10,243	A
Engro Chemical Pakistan Limited	704,200	AA	-	-
Islamabad Electric Supply Company	1,166,665	unrated	-	-
Faisalabad Electric Supply Company	1,166,665	unrated	-	-
Gujranwala Electric Supply Company	1,166,665	unrated	-	-
Shakarganj Mills Limited	50,000	A-	-	-
KASB Securities Limited	50,370	AA-	-	-
Azgard Nine Limited	431,675	AA-	300,000	A+
NIB Bank Limited	24,995	A+	-	-
	6,738,255		1,579,935	
National Investment Trust (NIT) Units - Note 9.13.2	79,705	4 - Star	51,286	4 - Star
Sukuk Certificates	1,508,280	unrated	400,000	unrated
Foreign securities				
Mena Transformation Fund	170,040	unrated	85,575	unrated
	29,525,730		33,658,040	

9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 Ratings for these equity securities / units represent 'Entity Ratings'.

9.13.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign security has been rated separately by Moodys, Standard & Poor's and Fitch; international rating companies. These ratings reflect independent credit risk assessment by respective credit rating entities.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

9.14 The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a Floor Mechanism on the market value of securities based on the closing prices prevailing as on August 27, 2008. Under the Floor Mechanism, the individual price of equity security could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of Floor Mechanism by KSE, the market volume declined significantly during the period from August 28, 2008 to December 15, 2008. There was lower price floor on a number of securities at the close of December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 in terms of the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, in terms of the SBP BSD Circular No. 4 dated February 13, 2009 the banks have option to adopt Securities and Exchange Commission of Pakistan's (SECP) notification SRO 150 (1) / 2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as Available for Sale (AFS) to quoted market prices may be shown under the equity. The impairment loss taken to equity including any adjustment /effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. The impairment loss taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend. The impairment loss as at December 31, 2008 has been determined at Rs 440.866 million.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

Rupees in '000	2008
Increase in 'Impairment Loss' in Profit and Loss Account	440,866
Decrease in tax charge for the year	154,303
Decrease in profit for the year - after tax	286,563

Rupees	2008
Decrease in earnings per share - after tax	0.71

Rupees in '000	2008
Decrease in deficit on revaluation of available for sale securities	440,866
Decrease in unappropriated profit	229,250
Decrease in statutory reserve	57,313

Rupees in '000	2008	2007
9.15 Unrealized gain on revaluation of investments classified as held for trading		
Fully paid ordinary shares	22,375	6,964

9.16 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

9.17 Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.

Rupees in '000	Notes	2008	2007
10. Advances			
Loans, cash credits, running finances, etc.			
In Pakistan		120,029,501	90,322,192
Outside Pakistan		2,993,878	2,332,750
		123,023,379	92,654,942
Ijara Financing - In Pakistan	10.2	2,092,884	549,809
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,737,310	5,634,323
Payable outside Pakistan		8,865,648	8,230,162
		14,602,958	13,864,485
		139,719,221	107,069,236
Financing in respect of continuous funding system		111,752	1,120,574
Advances - gross		139,830,973	108,189,810
Provision against loans and advances	10.4		
Specific provision		(10,025,157)	(6,528,040)
General provision		(573,390)	(434,690)
General provision against consumer loans		(414,184)	(445,875)
		(11,012,731)	(7,408,605)
Advances - net of provision		128,818,242	100,781,205
10.1 Particulars of advances			
10.1.1 In local currency		130,774,111	95,026,003
In foreign currencies		9,056,862	13,163,807
		139,830,973	108,189,810
10.1.2 Short term (for upto one year)		111,043,274	81,373,469
Long term (for over one year)		28,787,699	26,816,341
		139,830,973	108,189,810

Rupees in '000	2008				2007			
	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
10.2 Ijara Financing - In Pakistan								
Ijara rentals receivable	651,713	1,468,852	-	2,120,565	101,165	402,897	-	504,062
Residual value	6,520	536,621	-	543,141	21,176	105,562	-	126,738
Minimum ijara payments	658,233	2,005,473	-	2,663,706	122,341	508,459	-	630,800
Profit for future periods	222,807	348,015	-	570,822	25,833	55,158	-	80,991
Present value of minimum Ijara payments	435,426	1,657,458	-	2,092,884	96,508	453,301	-	549,809

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

10.3 Advances include Rs. 11,689,417 thousand (2007: Rs.6,907,591 thousand) which have been placed under non-performing status as detailed below :

Category of classification	Notes	2008								
		Classified advances			Provision required			Provision held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Special mention	10.3.1	-	-	-	208,954	-	208,954	208,954	-	208,954
Other Assets Especially Mentioned	10.3.2	9,565	-	9,565	-	-	-	-	-	-
Substandard		383,712	-	383,712	93,309	-	93,309	93,309	-	93,309
Doubtful		1,683,322	-	1,683,322	757,706	-	757,706	757,706	-	757,706
Loss		9,612,818	-	9,612,818	8,965,188	-	8,965,188	8,965,188	-	8,965,188
		11,689,417	-	11,689,417	10,025,157	-	10,025,157	10,025,157	-	10,025,157

10.3.1 This represents provision made pursuant to the State Bank of Pakistan's advice.

10.3.2 This represents classification made for agricultural finances.

Rupees in '000	Note	2008				2007			
		Specific	General	Consumer financing		Specific	General	Consumer financing	
				-General	Total			-General	Total
10.4 Particulars of provision against non-performing advances									
Opening balance		6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507
Charge / (reversal) for the year		3,717,769	138,700	(31,691)	3,824,778	3,845,551	(7,791)	82,480	3,920,240
Amounts written-off	10.6	(220,652)	-	-	(220,652)	(34,325)	-	-	(34,325)
Others		-	-	-	-	(22,817)	-	-	(22,817)
Closing balance		10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605

10.4.1 The State Bank of Pakistan has amended the Prudential Regulation vide BSD Circular No. 2 of 2009 dated January 27, 2009 in relation to provision for loans and advances, thereby allowing benefit of 30% of Forced Sale Value (FSV) of pledged stocks, mortgaged commercial and residential properties held as collateral against non performing advances. This change has resulted in reduced charge for specific provision for the year by Rs 685.843 million. Had the basis for determining the specific provision was not changed profit before tax and profit after tax would have been lower by Rs 685.843 million and Rs 445.80 million respectively.

10.4.2 The general provision is maintained at the rate of 0.5% on advances other than non-performing advances and consumer financing.

Rupees in '000	2008				2007			
	Specific	General	Consumer financing		Specific	General	Consumer financing	
			-General	Total			-General	Total
10.5 Particulars of provision against non-performing advances								
In local currency	9,927,604	529,336	414,184	10,871,124	6,470,161	369,160	445,875	7,285,196
In foreign currencies	97,553	44,054	-	141,607	57,879	65,530	-	123,409
	10,025,157	573,390	414,184	11,012,731	6,528,040	434,690	445,875	7,408,605

Rupees in '000	Note	2008	2007
10.6 Particulars of write-offs:			
10.6.1 Against provisions	10.4	220,652	34,325
Directly charged to profit and loss account		247,360	–
		468,012	34,325
10.6.2 Write offs of Rs. 500,000 and above		467,963	34,168
Write offs of below Rs. 500,000		49	157
		468,012	34,325

10.7 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 Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2008 is given at Annexure-I.

Rupees in '000	Notes	2008	2007
10.8 Particulars of loans and advances to directors, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		196,898	162,439
Loans granted during the year		298,558	142,166
Repayments		(92,950)	(107,707)
Balance at end of year		402,506	196,898
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		–	–
Loans granted during the year		–	–
Repayments		–	–
Balance at end of year		–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		193,454	217,236
Loans granted during the year		500,000	5,000
Repayments		(61,550)	(28,782)
Balance at end of year		631,904	193,454
		1,034,410	390,352
11. Operating fixed assets			
Capital work-in-progress	11.1	1,237,010	1,746,469
Property and equipment	11.2	7,073,403	3,404,050
Intangible assets	11.3	34,641	34,641
		8,345,054	5,185,160
11.1 Capital work-in-progress			
Civil works		–	–
Advances to suppliers and contractors		1,237,010	1,746,469
		1,237,010	1,746,469

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

11.2 Property and equipment

Rupees in '000	2008											
	COST					DEPRECIATION					Book Value as at December 31, 2008	Annual rate of depreciation %
	as at January 1, 2008	additions	Revaluation Surplus	transfers / (deletions) / adjustments*	as at December 31, 2008	as at January 1, 2008	charge for the year	on deletions / adjustments*	as at December 31, 2008			
Land - freehold	404,943	10,809	999,050	-	1,414,802	-	-	-	-	1,414,802	-	
Land - leasehold	465,970	956,829	859,106	(183,061)	2,098,844	-	-	-	-	2,098,844	-	
Buildings on freehold land	570,103	13,096	-	-	583,199	160,782	21,037	-	181,819	401,380	5	
Buildings on leasehold land	796,861	434,298	-	183,061	1,414,220	163,080	92,678	-	255,758	1,158,462	5	
Renovation of leased premises	612,386	378,479	-	(28,211)	962,654	332,412	118,845	(13,695)	437,562	525,092	20	
Furniture, fixtures and office equipment	296,401	115,398	-	(16,580)	395,219	95,508	26,389	(6,115)	115,782	279,437	10	
Carpets	15,686	3,156	-	(357)	18,485	10,072	2,003	(296)	11,779	6,706	20	
Machine and equipment	647,008	308,587	-	(31,159)	924,436	334,113	100,021	(19,516)	414,618	509,818	20	
Computer equipment	738,948	256,845	-	(29,866)	965,927	378,791	101,461	(18,907)	461,345	504,582	20	
Vehicles	476,820	37,975	-	(12,517)	224,816	166,548	46,278	(6,952)	149,889	74,927	20	
Other assets	61,672	75,553	-	-	137,225	47,288	7,675	-	54,963	82,262	20-25	
	5,086,798	2,591,025	1,858,156	(118,690)	9,139,827	1,688,594	516,387	(65,481)	2,083,515	7,056,312		
Assets held under finance lease:				(277,462)*				(55,985)*				
Vehicles	8,302	14,168	-	-	22,470	2,456	2,923	-	5,379	17,091		
	5,095,100	2,605,193	1,858,156	(118,690)	9,162,297	1,691,050	519,310	(65,481)	2,088,894	7,073,403		
				(277,462)*				(55,985)*				

Rupees in '000	2007											
	COST					DEPRECIATION					Book Value as at December 31, 2007	Annual rate of depreciation %
	as at January 1, 2007	additions	Revaluation Surplus	transfers / (deletions)	as at December 31, 2007	as at January 1, 2007	charge for the year	on (deletions)	as at December 31, 2007			
Land - freehold	404,943	-	-	-	404,943	-	-	-	-	404,943	-	
Land - leasehold	409,030	56,940	-	-	465,970	-	-	-	-	465,970	-	
Buildings on freehold land	514,693	55,410	-	-	570,103	139,487	21,295	-	160,782	409,321	5	
Buildings on leasehold land	782,581	14,280	-	-	796,861	129,788	33,292	-	163,080	633,781	5	
Renovation of leased premises	485,862	129,388	-	(2,864)	612,386	248,969	86,075	(2,632)	332,412	279,974	20	
Furniture, fixtures and office equipment	253,919	46,256	-	(3,774)	296,401	76,240	20,756	(1,488)	95,508	200,893	10	
Carpets	13,505	3,359	-	(1,178)	15,686	9,049	1,762	(739)	10,072	5,614	20	
Machine and equipment	545,866	110,606	-	(9,464)	647,008	271,964	68,550	(6,401)	334,113	312,895	20	
Computer equipment	634,644	106,052	-	(1,748)	738,948	297,416	82,137	(762)	378,791	360,157	20	
Vehicles	325,654	220,110	-	(68,944)	476,820	117,571	84,440	(35,463)	166,548	310,272	20	
Other assets	61,672	-	-	-	61,672	41,939	5,349	-	47,288	14,384	20	
	4,432,369	742,401	-	(87,972)	5,086,798	1,332,423	403,656	(47,485)	1,688,594	3,398,204		
Assets held under finance lease:				(2,802)				(350)				
Vehicles	6,238	4,866	-	(2,802)	8,302	1,163	1,643	-	2,456	5,846	20	
	4,438,607	747,267	-	(90,774)	5,095,100	1,333,586	405,299	(47,835)	1,691,050	3,404,050		

11.2.1 Cost of fully depreciated property and equipment still in use was Rs. 176,193 thousand (2007: Rs. 139,235 thousand).

11.2.2 The Bank's freehold and leasehold land have been revalued by valuers approved by Pakistan Banks Association at December 31, 2008 on the basis of the professional assessment of the their present market value. The revaluation resulted in a net surplus of Rs 1,858.156 million over book value which has been incorporated in the books of account of the Bank as at December 31, 2008.

11.2.3 Adjustment in vehicles represents cost and depreciation of vehicles in use of executives of the Bank transferred to advances under note 10 consequent to change in employees' service rules of the Bank.

11.2.4 Detail of disposals of operating fixed assets

Particulars of assets Rupees in '000	Original cost	Accumulated depreciation	Book depreciation	Sale value	Mode of proceeds	Particulars of buyer disposal
Suzuki Cultus	560	336	224	306	As per Bank policy	Mr. Rana Iqbal Ahmed – Executive
Suzuki Cultus	560	560	–	223	–do–	Mr. Tahir A Malik - Executive
Suzuki Cultus	560	560	–	196	–do–	Mr. Sami Mahmood - Executive
Toyota Corolla	1,103	331	772	803	–do–	Mr. Nehal Ahmed – Executive
Honda Civic	1,003	585	418	543	–do–	Mr. Agha Ali Imam – Executive
Suzuki Cultus	665	233	432	410	–do–	Dr. Javaid – Ex Executive
Suzuki Cultus	560	411	149	250	–do–	Mr. Tayyab Malik – Ex Executive
Honda City	921	430	491	610	–do–	Mr. Tauseef Asim – Ex Executive
Suzuki Baleno	699	699	–	245	–do–	Mr. Ehsan Qadir – Executive
Toyota Corolla	849	575	274	344	–do–	Mr. Farooq Abid Tung – Executive
Suzuki Cultus	661	408	253	331	–do–	Mr. Shahzad Ahmed Alvi – Ex Executive
Suzuki Baleno	739	739	–	258	–do–	Mr. Amer Khalil – Executive
Suzuki Cultus	560	345	215	215	–do–	Mr. Ashfaq Haider – Ex Executive
Suzuki Cultus	560	140	420	420	–do–	Mr. Syed Mubeen – Ex Executive
Suzuki Cultus	630	105	525	526	Insurance claim	Askari General Insurance Company Limited – A related Party
Suzuki Cultus	555	194	361	525	–do–	–do–
Suzuki Cultus	560	159	401	510	–do–	–do–
Suzuki Cultus	560	84	476	476	–do–	–do–
Honda Motorcycle	70	6	64	64	–do–	–do–
Honda Motorcycle	71	8	63	63	–do–	–do–
Honda Motorcycle	71	44	27	56	–do–	–do–
	12,517	6,952	5,565	7,374		
Other assets having book value of less than Rs. 250,000/- or cost of less than Rs. 1,000,000/- other than vehicles sold to Bank's executives / related party	106,173	58,529	47,644	41,846		
2008	118,690	65,481	53,209	49,220		
2007	90,774	47,835	42,939	48,155		

Rupees in '000

2008

2007

11.3 Intangible assets

Goodwill	30,136	30,136
Islamabad Stock Exchange membership card	4,505	4,505
	34,641	34,641

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	Notes	2008	2007
12. Other assets			
Income / mark-up accrued in local currency	12.1	5,154,173	3,199,174
Income / mark-up accrued in foreign currencies		148,122	264,279
Advances, deposits, advance rent and other prepayments		1,446,908	759,130
Advance taxation (payments less provisions)		1,932,874	1,011,607
Un-realized gain on forward foreign exchange contracts-net		–	147,711
Suspense account		15,770	40,449
Stationary and stamps in hand		52,997	53,707
Dividend receivable		17,945	6,775
Others		253,553	97,290
		9,022,342	5,580,122
Less: Provision against other assets	12.2	(459)	–
Other assets - net of provision		9,021,883	5,580,122

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 2,176,886 thousand (2007: 1,226,276 thousand).

Rupees in '000	Notes	2008	2007
12.2 Provision against other assets			
Opening balance		–	–
Charge for the year		459	–
Reversals		–	–
Amount written off		–	–
Closing balance		459	–
13. Bills payable			
In Pakistan		2,584,828	2,627,051
14. Borrowings			
In Pakistan		15,189,514	17,436,850
Outside Pakistan		634	116,675
		15,190,148	17,553,525
14.1 Particulars of borrowings with respect to currencies			
In local currency		15,189,514	17,436,850
In foreign currencies		634	116,675
		15,190,148	17,553,525
14.2 Details of borrowings - secured / unsecured			
In Pakistan - local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	12,090,551	7,588,156
Long term financing of export oriented projects	14.2.2	1,811,653	2,330,206
Repurchase agreement borrowings (repo)	14.2.3	767,310	7,018,488
Unsecured			
Call borrowings	14.2.4	520,000	500,000
		15,189,514	17,436,850
Outside Pakistan - foreign currencies			
Overdrawn nostro accounts - unsecured		634	116,675
		15,190,148	17,553,525

14.2.1 This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up at rate is 6.5% (2007: 6.5%) per annum payable on a quarterly basis.

14.2.2 The effective mark-up at rate of 5% (2007: 5%) per annum payable on a quarterly basis.

14.2.3 These are secured against pledge of Government Securities, and carry mark-up ranging from 9.5% to 12.5% (2007: 9.2% to 9.60%) per annum and have maturities of upto 3 (2007: 1) months.

14.2.4 These represent borrowings at rates ranging from 14.5% to 15.25% (2007: 9.65%) per annum and have maturity of upto 1 month (2007: 1 month).

Rupees in '000	2008	2007
15. Deposits and other accounts		
Customers		
Fixed deposits	39,675,699	29,997,574
Savings deposits	80,256,954	81,597,377
Current accounts - non-remunerative	43,245,593	28,465,592
Special exporters' account	30,562	90,474
Margin accounts	1,983,653	1,640,800
Others	257,099	415,904
Financial institutions		
Remunerative deposits	2,047,388	818,132
Non - remunerative deposits	8,364	2,324
	167,505,312	143,028,177
15.1 Particulars of deposits		
In local currency	141,713,869	123,497,141
In foreign currencies	25,791,443	19,531,036
	167,505,312	143,028,177

15.1.1 The above include deposits of related parties amounting to Rs. 1,614,088 thousand (2007: Rs. 1,034,964 thousand).

Rupees in '000	2008	2007
16. Sub-ordinated loans		
Term Finance Certificates - I	1,497,900	1,498,500
Term Finance Certificates - II	1,498,200	1,498,800
	2,996,100	2,997,300

The Bank raised unsecured sub-ordinated loans in two separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows:

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount - Rupees in thousand	1,497,900	1,498,200
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008			2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
17. Liabilities against assets subject to finance lease						
Not later than one year	4,995	2,114	2,881	1,858	590	1,268
Later than one year and not later than five years	16,855	3,163	13,692	5,731	728	5,003
	21,850	5,277	16,573	7,589	1,318	6,271

The liabilities represent the obligations for car lease financing from Bank Alfalah Limited and Faysal Bank Limited. The rates of mark-up payable on facilities with Bank Alfalah Limited are six month average KIBOR plus 2.5% with floor of 11.5% per annum, six month average KIBOR plus 3% with a floor of 12.5%, six month average KIBOR plus 2.75% with a floor of 12.5% and six month average KIBOR plus 3% with a floor of 13.5%. Car Finance facility availed from Faysal Bank Limited carries mark-up at one year average KIBOR plus 4% with an option to purchase the assets at the end of the lease tenure at the guaranteed residual value.

Rupees in '000	2008	2007
18. Deferred tax liabilities		
Deferred credits / (debits) arising due to:		
Accelerated tax depreciation	676,479	410,490
Tax loss for the year	(164,394)	(473,364)
Minimum tax for the year	–	(20,638)
Excess of accounting book value of leased assets over lease liabilities	941	(356)
Profit on securities recognized but not received	–	486,482
Provision for compensated absences of AIML	–	(103)
Pre commencement expenditure of AIML	(559)	(935)
Unrealized gain on investments of AIML	–	1,831
(Deficit) / surplus on revaluation of securities	(496,294)	70,032
	16,173	473,439

18.1 Deferred tax asset (net) related to ASL has not been recognised on unused tax losses amounting to Rs. 46,407 thousand (2007: Rs. 43,281 thousand), provision for doubtful debts amounting to Rs. 67,724 thousand (2007: Rs. 67,724 thousand), provision for gratuity amounting to Rs. 1,480 thousand (2007: Rs. 1,160 thousand) and accelerated tax depreciation amounting to Rs. 190 thousand (2007: Rs. 120 thousand), cost of intangibles claimed in prior years Rs. 4,505 thousand (2007: Rs. Nil) and liability against asset subject to finance lease amounting to Rs. 205 thousand (2007: Rs Nil) since future profitability of ASL is not certain to realise deferred tax asset.

Rupees in '000	2008	2007
19. Other liabilities		
Mark-up / return / interest payable in local currency	1,907,178	1,099,359
Mark-up / return / interest payable in foreign currencies	92,209	92,044
Unearned income / commission	203,750	21,716
Accrued expenses	194,389	228,120
Advance payments	119,877	187,238
Security deposits against Ijara financing	577,965	–
Unclaimed dividends	38,027	31,456
Branch adjustment account	1,253,935	1,115,340
Payable against purchase of listed shares	7,216	1,327
Withholding taxes payable	27,001	16,879
Federal excise duty payable	3,848	7,528
Payable to Gratuity / compensated absences	1,699	3,492
Payable to defined benefit plan	4,112	–
Others	348,242	463,901
	4,779,448	3,268,400

Rupees in '000			2008	2007
20. Share capital				
20.1 Authorized capital				
	2008	2007		
	Number of shares			
	700,000,000	700,000,000	Ordinary shares of Rs. 10 each	7,000,000
				7,000,000
20.2 Issued, subscribed and paid up				
	Number of shares		Ordinary shares of Rs. 10 each:	
	67,500,000	67,500,000	Fully Paid in cash	675,000
	338,377,308	233,149,859	Issued as bonus shares	3,383,774
	405,877,308	300,649,859		3,006,499

20.3 Capital risk management

The Bank's objectives when managing capital risks are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In terms of BSD circular No. 19 of 2008 issued by the State Bank of Pakistan, the Bank is required to enhance its existing paid up capital to Rs 23 billion (net of losses) to be achieved in phased manner as follows:

Minimum paid up capital (net of losses)

By December 31, 2008	Rs 5 billion
By December 31, 2009	Rs 6 billion
By December 31, 2010	Rs 10 billion
By December 31, 2011	Rs 15 billion
By December 31, 2012	Rs 19 billion
By December 31, 2013	Rs 23 billion

The required minimum capital requirement can be achieved by the Bank either by fresh capital injection or retention of profits. The stock dividend declared after meeting all the legal and regulatory requirements, and duly disclosed in the annual audited accounts will be counted towards the required paid up capital of the Bank pending completion of the formalities for issuance of bonus shares. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date, in this year.

Rupees in '000	Statutory Reserve	General Reserves	2008	2007
21. Reserves				
Balance as at January 01	2,835,466	4,094,799	6,930,265	5,814,754
Transfer from profit and loss account	77,245	681,717	758,962	1,115,511
Balance as at December 31	2,912,711	4,776,516	7,689,227	6,930,265

21.1 Reserves as at December 31, 2008 include Rs 685.843 million (2007: Rs Nil) in respect of benefit of 30% of Forced Sale Value of pledged stocks, mortgaged commercial and residential properties against provision for non-performing advances allowed under BSD Circular No 02 of 2009 dated January 27, 2009 as referred to in note 10.4.1 above. Reserves to that extent are not available for payment of cash or stock dividend in terms of above referred circular.

21.2 As discussed in detail in note 9.14, the impairment loss of Rs 286.563 million (net of tax) in Available for Sale investments taken to equity shall be treated as a charge to profit and loss account for the purpose of distribution as dividend.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008	2007
22. Surplus on revaluation of assets		
Surplus on revaluation of land	1,858,156	-
(Deficit) / surplus on revaluation of available for sale securities		
i) Federal Government securities	(242,800)	200,090
ii) Listed shares	(1,160,212)	29,834
iii) Other securities	(14,970)	6,450
	(1,417,982)	236,374
Less: related deferred tax effect	496,294	(70,032)
	(921,688)	166,342
	936,468	166,342
23. Contingencies and commitments		
23.1 Direct credit substitutes		
i) Government	3,577,163	3,566,548
ii) Others	7,832,474	8,717,304
	11,409,637	12,283,852
23.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	7,545	10,323
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	61,883,864	40,962,744
ii) Banks and other financial institutions	942,566	909,521
iii) Others	12,580,856	10,686,421
	75,407,286	52,558,686
	75,414,831	52,569,009
23.3 Trade-related contingent liabilities	31,333,855	24,076,077
23.4 Other contingencies		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	4,215,064	3,616,814

23.5 For the assessments carried out to date, approximate tax demand of Rs. 2,179 million relates to provision against non performing loans (NPLs) and provision for diminution in the value of investments. The Income Tax Appellate Tribunal (ITAT) upto tax year 2006 has decided appeals in favour of the Bank on the issue of provision against NPLs, while provision for diminution in value of investment has been set aside by ITAT in all relevant years. The Income Tax Department has filed reference applications before the High Court on the above issues which have not yet been admitted for regular hearing. The management is hopeful that High Court will uphold the decision of Appellate Authorities.

Notwithstanding the above, should these contingencies materialize at a later stage; these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization, if any, of these receivables.

The department issued re-amended assessment orders for Tax years 2005 to 2008 on the issue of taxing commission and brokerage income at normal tax rate instead of under Presumptive Tax Regime and allocation of expenditure to dividend / capital gains raising tax demand of Rs. 1,330 million. The Bank filed appeals against the orders before Commissioner (Appeals) CIT (A). Subsequent to year end, orders from CIT(A) received upholding the decision of taxation officer. The Bank is in the process of filing appeals before the ITAT against these orders and based on advice from its tax consultant, the management is confident of a favourable decision in this respect.

The department has also raised a tax demand of Rs. 65 million in respect of additional tax for the tax year 2005 on the alleged incorrect adjustment of tax refund which is contested by the Bank before CIT(A), the decision is pending for disposal.

- 23.6** Disputed demands amounting to Rs 907 thousand for ASL income tax relating to assessment year 2002-2003 decided in favor of ASL by the CIT(A), are currently in appeal by the tax department. ASL is confident that there are reasonable grounds for a favorable decision.

Rupees in '000	2008	2007
23.7 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	2,571,940	8,878,046
Sale and repurchase agreements	795,391	7,156,700
23.8 Commitments in respect of forward purchase / sale of listed equity securities		
Purchase	–	389,091
Sale	153,126	586,539
23.9 Commitments in respect of forward exchange contracts		
Purchase	15,722,257	7,691,144
Sale	10,319,270	9,141,067
23.10 Commitments for the acquisition of operating fixed assets	280,440	374,749

23.11 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn except for Rs 1,354,550 thousand (2007: Rs 1,850,000 thousand).

Rupees in '000	2008	2007
23.12 Bills for collection		
Payable in Pakistan	3,722,886	819,514
Payable outside Pakistan	12,300,025	9,531,204
	16,022,911	10,350,718

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

24. Off balance sheet financial instruments

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

25. Derivative instruments

The Group does not deal in derivative instruments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	Note	2008	2007
26. Mark-Up / Return / Interest Earned			
On loans and advances to:			
i) Customers		13,873,841	10,688,187
ii) Financial institutions		70,736	65,602
On investments:			
i) Available for sale securities		3,148,301	497,557
ii) Held to maturity securities		487,423	2,401,138
On deposits with financial institutions		453,092	1,031,152
On securities purchased under resale agreements	26.1	362,349	459,744
		18,395,742	15,143,380

26.1 These include amount of Rs 23,881 thousand (2007:Nil) on account of income received from related parties.

Rupees in '000	Note	2008	2007
27. Mark-Up / Return / Interest Expensed			
On deposits		8,524,877	7,320,568
On securities sold under repurchase agreements		730,393	189,184
On sub-ordinated loans		383,785	355,093
On other short term borrowings		1,008,222	820,627
		10,647,277	8,685,472
28. Gain on sale of securities - net			
Federal Government Securities:			
Market Treasury Bills		266	349
Pakistan Investment Bonds		1,091	1,391
Term Finance Certificates		–	250
Shares - Listed		12,763	2,355,816
Others		28,704	3,779
		42,824	2,361,585
29. Other income			
Rent of property	29.1	30,012	26,285
Net (loss) / profit on sale of operating fixed assets		(3,989)	5,215
Rent of lockers		11,855	10,938
Recovery of expenses from customers		304,481	293,331
Others		1,076	2,438
		343,435	338,207

29.1 This includes an amount of Rs. 23,966 thousand (2007: Rs. 21,359 thousand) on account of rent received from related parties.

Rupees in '000	Notes	2008	2007
30. Administrative expenses			
Salaries, allowances, etc.		3,020,726	2,332,553
Charge for defined benefit plan		110,854	48,878
Contribution to defined contribution plan		101,208	70,481
Non-executive directors' fees, allowances and other expenses		755	825
Rent, taxes, insurance, electricity, etc.		673,374	434,597
Legal and professional charges		38,089	51,243
Brokerage and commission		171,363	146,037
Communications		261,045	275,846
Repairs and maintenance		165,087	163,376
Stationery and printing		105,989	100,651
Advertisement and publicity		154,667	297,838
Auditors' remuneration	30.1	5,832	5,017
Depreciation	11.2	519,310	405,202
Finance charges on leased assets		1,403	768
Other expenditure (travelling, security services, vehicle running expenses, etc.)		706,098	545,119
		6,035,800	4,878,431
30.1 Auditors' remuneration			
Audit fee		2,200	1,900
Fee for audit of provident and gratuity funds		70	65
Special certifications, half yearly review , audit of subsidiary companies and audit of consolidated financial statements		2,972	2,415
Out-of-pocket expenses		590	637
		5,832	5,017
31. Other charges			
Penalties imposed by the State Bank of Pakistan		10,987	12,051
32. Taxation			
For the year			
Current		29,698	109,150
Deferred		109,060	(235,134)
		138,758	(125,984)
For prior years			
Current		(51,043)	(245,941)
Deferred		-	13,034
		(51,043)	(232,907)
		87,715	(358,891)
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		502,770	2,362,061
Tax at applicable tax rate of 35 percent (2007: 35 percent)		175,970	826,721
Effect of:			
- Income chargeable to tax at lower rates		(45,332)	(133,302)
- Income exempt from tax		-	(823,036)
- Prior years' adjustment		(50,000)	(232,907)
- Amounts not deductible for tax purposes		3,846	4,218
- Others		3,231	(585)
		87,715	(358,891)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

		2008	2007
33. Basic / Diluted earnings per share			
Profit for the year	Rupees in '000	415,470	2,721,169
Weighted average number of Ordinary Shares	Numbers	405,877,308	405,877,308
Basic / diluted earnings per share	Rupees	1.02	6.70

There is no dilutive effect on the basic earnings per share of the Group.

Weighted average number of ordinary shares for 2007 has been restated to give effect of bonus shares issued during the year.

Rupees in '000		2008	2007
34. Cash and cash equivalents			
Cash and balances with treasury banks		16,029,666	13,356,066
Balances with other banks		3,967,816	3,554,364
Call money lendings		675,000	1,500,000
		20,672,482	18,410,430

In Number		2008	2007
35. Staff strength			
Permanent		4,306	3,882
Temporary / on contractual basis		1,707	1,274
Daily wagers		–	–
Commission based		541	789
Group's staff strength at the end of the year		6,554	5,945
Outsourced		1,064	912
Total staff strength at the end of the year		7,618	6,857

36. Defined benefit plan

36.1 General description

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

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

Rupees in '000		2008	2007
36.2 The amounts recognised in the balance sheet are as follows:			
Present value of defined benefit obligations		542,214	440,376
Fair value of plan assets		(327,885)	(249,019)
		214,329	191,357
Unrecognised actuarial losses		(211,697)	(190,465)
Net liability		2,632	892
36.3 The amounts recognised in profit and loss account are as follows:			
Current service cost		75,423	41,683
Interest on obligation		44,114	26,718
Expected return on plan assets		(24,964)	(21,293)
Actuarial loss recognized		16,281	2,662
		110,854	49,770

Rupees in '000	2008	2007
36.4 Actual return on plan assets	6,564	27,276
36.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	440,376	268,182
Current service cost	75,423	41,683
Interest cost	44,114	26,718
Actuarial loss	9,624	133,140
Benefits paid	(27,323)	(29,347)
Closing defined benefit obligation	542,214	440,376
36.6 Changes in fair value of plan assets		
Opening fair value of plan assets	249,035	212,931
Expected return	24,864	21,293
Actuarial loss	(27,807)	(6,745)
Contribution by employer	109,116	50,887
Benefits paid	(27,323)	(29,347)
Closing fair value of plan assets	327,885	249,019

The Group expects to contribute Rs 133,444 thousand to its defined benefit gratuity plan in 2009.

The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Group, at the beginning of the period, for returns over the entire life of the related obligation.

	2008		2007	
	Rupees'000	%age	Rupees'000	%age
36.7 Break-up of category of assets				
Defence saving certificates	57,452	18	97,524	39
Pakistan investment bonds	153,808	47	101,599	41
Investment in mutual fund	367	–	196	–
Bank deposit account	116,258	35	49,700	20
	327,885	100	249,019	100

36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2008 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2008	2007
Discount rate - per annum	15%	10%
Expected rate of increase in salaries - per annum	15%	10%
Expected rate of return on plan assets - per annum	15%	10%

36.9 Amounts for current and previous four annual periods are as follows:

Rupees in '000	2008	2007	2006	2005	2004
As at December 31,					
Defined benefit obligation	542,214	440,376	266,173	199,511	168,820
Plan assets	(327,885)	(249,019)	(212,931)	(182,281)	(163,289)
Deficit	214,329	191,357	53,242	17,230	5,531
Experience adjustments					
Actuarial loss on obligation	(9,624)	(133,140)	(35,523)	(7,992)	(38,125)
Actuarial (loss) / gain on plan assets	(27,807)	(6,745)	(489)	(3,707)	33,079

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

37. Defined contribution plan

- 37.1** The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate 8.33% of basic salary of the employee.
- 37.2** AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by the Company and the staff at the rate of 6% of basic salary of the employee.
- 37.3** ASL operates an unfunded provident fund scheme for all its regular employees for which equal monthly contributions are made by the Company and the employees at the rate of 10% of basic salary of the employee.

38. Compensated absences

38.1 General description

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees are entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave are accumulated upto a maximum of 120 days which could be encashed at any time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

38.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2008 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2008 was Rs 115,571 thousand against related liability of Rs 79,675 thousand carried at December 31, 2007. Expense for the year of Rs 35,896 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	15 percent per annum
Expected rate of increase in salaries	15 percent per annum
Leave accumulation factor	5 days

39. Compensation of directors and executives

Rupees in '000	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
Fees	110	135	755	1,220	615	30
Managerial remuneration	6,000	6,600	-	-	451,141	289,719
Charge for defined benefit plan	7,390	550	-	-	55,144	106,713
Contribution to defined contribution plan	1,065	627	-	-	68,950	22,814
Rent and house maintenance	2,700	2,846	-	-	196,692	127,814
Utilities	600	660	-	-	42,348	29,044
Medical	600	586	-	-	42,312	26,131
Bonus	1,750	2,750	-	-	94,886	55,440
Others	-	-	-	-	8,855	3,974
	20,215	14,754	755	1,220	960,943	661,679
Number of persons	2	1	11	19	488	354

Executives mean employees, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in a financial year. Chief Executive and executives are also provided with Group maintained car.

40. Fair value of financial instruments

Rupees in '000	2008		2007	
	Book value	Fair value	Book value	Fair value
40.1 On-balance sheet financial instruments				
Assets				
Cash and balances with treasury banks	16,029,666	16,029,666	13,356,066	13,356,066
Balances with other banks	3,967,816	3,967,816	3,554,364	3,554,364
Lendings to financial institutions	4,479,754	4,479,754	14,444,143	14,444,143
Investments	35,464,972	35,464,972	39,344,702	39,344,702
Advances				
Term loans	35,825,637	35,825,637	29,801,847	29,801,847
Staff advances	3,159,605	3,159,605	914,925	914,925
Other advances	89,833,000	89,833,000	70,064,433	70,064,433
Other assets	9,021,883	9,021,883	5,580,122	5,580,122
	197,782,333	197,782,333	177,060,602	177,060,602
Liabilities				
Bills payable	2,584,828	2,584,828	2,627,051	2,627,051
Borrowings	15,190,148	15,190,148	17,553,525	17,553,525
Deposits and other accounts				
Current and saving accounts	127,829,613	127,829,613	113,030,603	113,030,603
Term deposits	39,675,699	39,675,699	29,997,574	29,997,574
Sub-ordinated loans	2,996,100	2,996,100	2,997,300	2,997,300
Liabilities against assets subject to finance lease	16,573	16,573	6,271	6,271
Other liabilities	4,779,448	4,779,448	3,268,400	3,268,400
	193,072,409	193,072,409	169,480,724	169,480,724
40.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	15,722,257	15,722,257	7,691,144	7,691,144
Sale and repurchase agreements	795,391	795,391	7,156,700	7,156,700
Forward sale of foreign exchange	10,319,270	10,319,270	9,141,067	9,141,067
Purchase and resale agreements	2,571,940	2,571,940	8,878,046	8,878,046

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5. The maturity profile and effective rates are stated in note 45.3.4.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Rupees in '000	2008								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-ordinated Loans
Total income	54,754	134,328	1,443,099	19,415,854	41,944	6,095	165,382	8,763	-
Total expenses	15,350	37,660	1,124,418	19,060,011	11,759	1,709	122,630	10,130	383,785
Net income (loss)	39,404	96,668	318,681	355,843	30,185	4,386	42,752	(1,367)	(383,785)
Segment Assets (Gross)	30,939	232,742	17,860,780	198,668,219	23,700	3,444	217,105	103,186	-
Segment Non Performing Loans	-	-	1,826,499	9,862,918	-	-	-	-	-
Segment Provision Required	-	-	1,963,567	9,049,164	-	-	-	-	-
Segment Liabilities	7,160	17,564	188,717	189,699,433	5,485	797	28,979	11,091	3,129,356
Segment Return on net Assets (ROA) (%)	0.03%	0.07%	0.74%	10.00%	0.02%	0.00%	0.09%	0.00%	0.00%
Segment Cost of funds (%)	0.01%	0.02%	0.62%	10.50%	0.01%	0.00%	0.07%	0.01%	0.21%

Rupees in '000	2007								
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Payment and Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	47,393	2,413,009	2,641,408	14,526,249	69,740	10,914	147,493	3,550	-
Total expenses	11,517	586,406	1,230,894	15,205,442	16,948	2,652	84,578	4,165	355,093
Net income (loss)	35,876	1,826,603	1,410,514	(679,193)	52,792	8,262	62,915	(615)	(355,093)
Segment Assets (Gross)	17,386	1,352,581	17,309,433	170,760,850	25,484	4,004	138,937	45,692	-
Segment Non Performing Loans	-	-	974,004	5,933,587	-	-	-	-	-
Segment Provision Required	-	-	1,235,212	6,173,393	-	-	-	-	-
Segment Liabilities	185	14,395	1,242,001	165,542,378	272	43	22,278	34,517	3,098,094
Segment Return on net Assets (ROA) (%)	0.02%	1.05%	0.81%	-	0.03%	-	0.04%	-	0.00%
Segment Cost of funds (%)	0.01%	0.36%	0.76%	9.36%	0.01%	-	0.05%	-	0.22%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 5.84% (2007: 4.06%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.44% (2007: 1.21%) of the total liabilities have been allocated to segments based on their respective assets.

42. Related party transactions

As Army Welfare Trust (AWT) holds 50.17 % (2007: 49.42%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

Details of transactions with related parties and balances with them at the year end were as follows:

Rupees in '000	As at December 31, 2008				As at December 31, 2007			
	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds
Balances outstanding at the year end								
- Advances	-	524	631,904	-	-	1,144	193,454	-
- Deposits	780,947	59,063	609,455	164,623	388,389	13,201	549,912	83,462
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	7,545	-	-	-	10,733	-
- Investment in shares – at cost	-	-	1,248,268	-	-	-	755,944	-
- Reimbursable expenses on behalf of Askari income fund	-	-	493	-	-	-	323	-
- Management fee & commission receivable from Askari income fund	-	-	4,855	-	-	-	15,811	-
- Reimbursable expenses on behalf of Askari Asset Allocation Fund	-	-	170	-	-	-	335	-
- Management fee & commission receivable from Askari Asset Allocation Fund	-	-	789	-	-	-	1,841	-
- Reimbursable expenses on behalf of Askari Islamic Income Fund	-	-	1,100	-	-	-	-	-
- Management fee & commission receivable from Askari Islamic Income Fund	-	-	416	-	-	-	-	-
- Reimbursable expenses on behalf of Askari Islamic Asset Allocation Fund	-	-	1,100	-	-	-	-	-
- Management fee & commission receivable from Askari Islamic Asset Allocation Fund	-	-	818	-	-	-	-	-
Transactions during the year								
- Mark-up / interest earned	-	-	23,326	-	-	2,052	23,010	-
- Net mark-up / interest expensed	49,029	2,816	23,337	992	28,063	416	26,933	1,044
- Contributions to employees' funds	-	-	-	217,918	-	-	-	119,359
- Rent of property / service charges paid	72,557	-	23,550	-	46,194	-	33,934	-
- Rent of property received	12,080	-	11,886	-	13,362	-	7,997	-
- Insurance claims received	-	-	1,502	-	-	-	934	-
- Insurance premium paid	-	-	57,809	-	-	-	63,077	-
- Dividend Income	-	-	73,886	-	-	-	2,320	-
- Security services costs	-	-	97,668	-	-	-	65,613	-
- Fee, commission and brokerage income	296	-	153,540	-	367	-	142,434	-
- Recovery of expenses from Askari Income Fund by AIML	-	-	5,040	-	-	-	139	-
- Payment to associated undertaking	-	-	-	-	-	-	4,935	-

Transactions entered into with key management personnel including the Chief Executive as per their terms of employment are excluded from related party transactions, since these are disclosed else where in these consolidated financial statements.

43. Capital-assessment and adequacy Basel II specific

43.1 Scope of applications

Askari Bank currently uses Basel II framework for the Capital Assessment and Capital Adequacy purposes. Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

The Bank has two subsidiaries, Askari Investment Management Limited (AIML) and Askari Securities Limited (ASL). AIML is the wholly-owned subsidiary of Askari Bank Limited while ASL is 74% owned by the Bank. Both these entities are included while calculating Capital Adequacy for the Bank using full consolidation method. The fact that Askari Bank has neither any significant minority investments in banking, securities, or any other financial entities nor does it have any majority or significant minority equity holding in an insurance excludes it from a need for further consolidation. Furthermore, the Bank does not indulge in any securitization activity that shields it from the risk inherent in securitization.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Rupees in '000	2008	2007
43.2 Capital Structure		
Tier I Capital		
Shareholders equity	4,058,774	3,006,499
Reserves	7,689,227	6,930,265
Unappropriated profits	338,225	2,184,967
Minority in the equity of the subsidiaries	16,111	3,526
Less:		
Deficit on account of revaluation of investments	(921,689)	–
Book value of Goodwill and intangibles	(34,641)	(34,641)
Total Tier I Capital	11,146,007	12,090,616
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)	2,396,880	2,997,300
General Provisions subject to 1.25% of Total Risk Weighted Assets	987,574	880,565
Revaluation reserve upto 45%	836,170	13,425
Total Tier II Capital	4,220,624	3,891,290
Eligible Tier III Capital	–	–
Total Regulatory Capital Base	15,366,631	15,981,906

43.3 Capital Adequacy

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

Rupees in '000	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
Credit risk				
Sovereigns	170,821	151,058	1,898,006	1,888,231
Public sector entities	568,378	131,392	6,315,308	1,642,399
Banks	124,473	918,215	1,383,035	11,477,686
Corporates	7,736,337	8,666,295	85,959,302	108,328,689
Retail	2,180,628	738,579	24,229,197	9,232,234
Residential mortgages	267,297	153,118	2,969,970	1,913,978
Past due loans	266,862	90,012	2,965,134	1,125,150
Investment in premises, plant and equipment and other fixed assets	747,937	411,822	8,310,409	5,147,772
Other assets	334,763	198,713	3,719,586	2,483,907
Foreign exchange contracts	8,041	21,267	89,348	265,838
	12,405,537	11,480,471	137,839,295	143,505,884
Equity exposure risk in Banking books	11,064	895	122,934	11,182
Market risk				
Interest rate risk	220,035	305,683	2,750,438	3,821,038
Equity exposure risk	401,468	551,522	5,018,350	6,894,025
Foreign exchange risk	35,299	15,148	441,238	189,350
	656,802	872,353	8,210,026	10,904,413
Operational Risk	1,458,471	1,236,649	18,230,886	15,458,113
TOTAL	14,531,874	13,590,368	164,403,141	169,879,592
Capital Adequacy Ratio				
Total eligible regulatory capital held (a)	15,366,631	15,981,906		
Total Risk Weighted Assets (b)	164,403,141	169,879,592		
Capital Adequacy Ratio (a)/(b)	9.35%	9.41%		

44. Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification of investments (note 9)
- ii) Provision against investments (note 9.2.1) and advances (note 10)
- iii) Revaluation of freehold and leasehold land (note 11)
- iv) Useful life of property and equipments (note 11)
- v) Income taxes (note 32)
- vi) Staff retirement benefits (note 36 and note 38)

45. Risk management

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Limited, risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a management level committee primarily responsible for the identification, measurement, monitoring and controlling of the Bank's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

45.1 Credit risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group exposure.

The Bank has built and maintained a sound loan portfolio in terms of a well defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watch list" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering, Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Morabaha Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

45.1.1 Segment information

Segment information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
44.1.1.1 Segment by class of business						
Agriculture / Agribusiness	6,208,356	4.44	1,944,943	1.16	397,197	0.26
Automobiles & Allied	1,818,675	1.30	1,732,652	1.03	286,858	0.19
Cables / Electronics	6,908,436	4.94	1,873,917	1.12	1,162,699	0.76
Carpets	462,739	0.33	341,219	0.20	633,824	0.41
Cements	4,071,542	2.91	339,732	0.20	414,532	0.27
Chemicals / Pharmaceuticals	5,283,065	3.78	1,283,598	0.77	3,064,031	2.00
Engineering	473,755	0.34	320,356	0.19	1,330,360	0.87
Fertilizers	2,617,165	1.87	912,883	0.54	1,568,090	1.02
Food & Allied	2,191,902	1.57	519,945	0.31	615,503	0.40
Fuel / Energy	6,449,217	4.61	7,835,112	4.68	8,703,000	5.67
Ghee & Edible Oil	3,923,510	2.81	311,933	0.19	1,755,435	1.14
Glass and Ceramics	1,361,235	0.97	423,352	0.25	319,186	0.21
Hotels and Restaurants	133,029	0.10	64,294	0.04	102,739	0.07
Individuals	17,045,318	12.19	57,143,946	34.11	482,521	0.31
Insurance	–	–	104,764	0.06	410	0.00
Investment Banks / Scheduled Banks	–	–	1,741,536	1.04	67,957,265	44.25
Leasing	830,108	0.59	113,579	0.07	–	–
Leather Products and Shoes	1,002,352	0.72	454,559	0.27	147,902	0.10
Modarabas	82,409	0.06	29,377	0.02	–	–
Paper and Board	1,147,398	0.82	175,536	0.10	236,008	0.15
Plastic products	849,252	0.61	392,069	0.23	800,959	0.52
Ready- Made garments	2,490,626	1.78	626,838	0.37	850,315	0.55
Real Estate / Construction	10,439,152	7.47	8,779,158	5.24	14,906,724	9.71
Rice Processing and trading	5,163,019	3.69	784,342	0.47	660,568	0.43
Rubber Products	159,845	0.11	235,615	0.14	51,982	0.03
Services (Other than Financial, Hotelling & Travelling)	2,628,252	1.88	4,610,600	2.75	1,733,867	1.13
Sports goods	809,694	0.58	461,558	0.28	114,867	0.07
Sugar	246,350	0.18	83,010	0.05	202,300	0.13
Surgical equipment / Metal Products	4,097,675	2.93	800,302	0.48	1,255,946	0.82
Synthetic & Rayon	584,863	0.42	110,162	0.07	123,068	0.08
Textile	28,622,346	20.47	2,758,870	1.65	8,662,340	5.64
Tobacco / Cigarette manufacturing	101,995	0.07	71,061	0.04	–	–
Transport and communication	2,500,221	1.79	2,002,932	1.20	7,984,281	5.20
Travel Agencies	131,656	0.09	237,753	0.14	263,109	0.17
Woollen	54,602	0.04	98,017	0.06	827	0.00
Public sector / Government	6,112,482	4.37	42,402,665	25.31	20,087,081	13.08
Others	12,828,732	9.17	25,383,127	15.15	6,694,567	4.36
	139,830,973	100.00	167,505,312	100.00	153,570,361	100.00
45.1.1.2 Segment by sector						
Public sector / Government	6,112,482	0.22	42,402,665	25.31	20,087,081	13.08
Private	133,718,491	99.78	125,102,647	74.69	133,483,280	86.92
	139,830,973	100.00	167,505,312	100.00	153,570,361	100.00

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

Rupees in '000	2008		2007	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	26,417	–	13,691	–
Automobiles & Allied	568,724	451,616	331,890	331,890
Cables / Electronics	959,781	787,220	301,447	301,447
Chemicals / Pharmaceuticals	32,418	25,164	34,134	33,276
Food & Allied	156,201	118,906	192,462	170,715
Fuel / Energy	640,664	845,568	674	209,628
Individuals	1,826,499	1,548,976	976,064	791,397
Leather Products and Shoes	66,186	47,637	285,309	275,309
Real Estate / Construction	302,710	88,198	303,649	303,649
Services (Other than Financial, hotelling and Travelling)	22,577	19,863	15,841	15,841
Textile	3,995,739	3,520,832	2,524,050	2,261,989
Others	3,091,501	2,571,177	1,928,380	1,832,899
	11,689,417	10,025,157	6,907,591	6,528,040

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

Public sector / Government	–	–	–	–
Private	11,689,417	10,025,157	6,907,591	6,528,040
	11,689,417	10,025,157	6,907,591	6,528,040

45.1.1.5 Geographical segment analysis

Rupees in '000	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	403,479	200,366,931	12,786,047	153,570,361
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East-Note 45.1.1.5.1	99,288	5,760,453	252,755	–
Others	–	–	–	–
	502,767	206,127,384	13,038,802	153,570,361

45.1.1.5.1 These do not include intra group items of Rs. 5,431,350 thousand (2007: Rs. 4,703,351 thousand) eliminated upon consolidation of foreign branch results.

45.1.1.5.2 Contingencies and commitments include amounts given in note 23 except bills for collection.

45.1.2 Credit risk-general disclosures Basel II specific

Basel II Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

45.1.2.1 Credit risk: Disclosures for portfolio subject to the standardised approach

For domestic claims, ECAs recommended by State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used. For foreign currency claims on sovereigns, risk weights were assigned on the basis of the consensus country risk scores of export credit agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits" as per instructions contained in page 12 of SBP circular "Minimum Capital Requirements for Banks and DFIs" (hereafter referred to as Basel II circular). For claims on foreign entities, rating of S&P, Moody's, and Fitch Ratings were used. Foreign exposures not rated by any of the aforementioned rating agencies were categorized as unrated.

Types of exposure for which each agency is used for the year ended 2008;

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Exposures	JCR-VIS	PACRA	Others
Corporate	YES	YES	S & P, Moodys and Fitch
Banks	YES	YES	S & P, Moodys and Fitch
Sovereigns	–	–	ECAs
PSEs	YES	YES	S & P, Moodys and Fitch
Retail	–	–	–
Securitized	–	–	–

A database of all existing PACRA and JCR-VIS entity ratings and issue ratings was compiled. A matching process was run to determine which, if any, of the Bank's claim in the banking book were rated by the afore-mentioned. Issue-specific ratings, if available and applicable to the Bank's claims, were used. If no issue-specific rating for a claim was available, then entity rating of the obligor was applied. Issue-specific ratings were not used for rating other claims on the same entity. Short-term entity ratings were used for un-rated claims on banks and corporates with maturity of less than 3 months. Longterm entity ratings were used otherwise. In the event of an issue or entity being rated by more than one rating agency, the rating which mapped into the higher risk weight was applied. Ratings for one entity within a corporate group were not used to risk weight other entities within the same group. SBP indicative mapping process, as disclosed in the Basel II circular and in tables below, was used to map alphanumeric ratings of PACRA, JCR-VIS, S&P's, Moody's, Fitch Ratings, and numeric scores of ECAs, to SBP rating grades.

SBP Rating Grade	ECA Score	PACRA	JCR-VIS	S & P	Moody's	Fitch
1	0,1	AA- & above	AA- & above	AA- & above	Aa3 & above	AA- & above
2	2	A- to A+	A- to A+	A- to A+	A3 to A1	A- to A+
3	3	BBB- to BBB+	BBB- to BBB+	BBB- to BBB+	Baa3 to Baa1	BBB- to BBB+
4	4	BB- to BB+	BB- to BB+	BB- to BB+	Ba3 to Ba1	BB- to BB+
5	5,6	B- to B+	B- to B+	B- to B+	B3 to B1	B- to B+
6	7	CCC+ & below	CCC+ & below	CCC+ & below	Caa1 & below	CCC+ & below

For exposure amount after risk mitigation subject to the standardized approach, amount of the Bank's outstanding (rated and unrated) in each risk bucket as well as those that are deducted.

(Rupees in '000)		2008			2007		
Exposure	Rating Category	Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Corporate	1	2,892,253	–	2,892,253	2,305,145	200,000	2,105,145
	2	4,288,524	184,000	4,104,524	2,752,514	–	2,752,514
	3,4	129,384	757	128,627	292,200	–	292,200
	5,6	–	–	–	–	–	–
Banks	1	497,284	–	497,284	474,502	–	474,502
	2,3	455,409	–	455,409	82,917	–	82,917
	4,5	–	–	–	–	–	–
	6	–	–	–	–	–	–
PSEs	1	1,599,095	–	1,599,095	44,537	–	44,537
	2,3	–	–	–	–	–	–
	4,5	–	–	–	–	–	–
	6	–	–	–	–	–	–
Unrated		167,604,050	12,814,776	154,789,274	143,256,843	10,285,756	132,971,087
Total		177,465,999	12,999,533	164,466,466	149,208,658	10,485,756	138,722,902

Following is list of main types of collateral taken by the Bank.

- Cash margins or deposits under lien
- Lien on SSCs, DSCs, etc.
- Residential / commercial mortgage (registered)
- Residential / commercial mortgage (equitable)
- Secured by agricultural land
- Registered charge on stocks, book debts, receivables and other assets
- Pledge of stocks – perishable / non-perishable
- Shares of public listed companies
- Guarantees of Government, Banks Autonomous bodies
- Local bills – cheques / documentary bills
- Import bills – clean
- Export bills – clean

Collateral used by the Bank for Credit Risk Mitigation (CRM) in the simple approach was as follows:

- Cash margin
- Government Securities (with value discounted by 20%)
- Government Securities (for repo-style transactions satisfying conditions for zero-H)
- Guarantees of Government, Banks, PSEs, and rated Corporates

45.2 Equity position risk in the banking book–Basel II Specific

Askari Bank has banking book equity exposure in Askari General Insurance Company Limited (AGICO) which is a public limited company listed on all stock exchanges of Pakistan. The Bank has taken this exposure for strategic reasons and the investment constitutes a holding of 15% on the company.

Equity position risk in the banking book

Exposure	Book Value	No of shares	(Rupees in '000)	
			Fair Value	Unrealised
Askari General Insurance Company Limited	11,182	3,056,611	91,668	80,486

45.3 Market Risk:

Market risk is the risk that market prices and rates can change and that this can have an adverse effect on profitability and / or capital. The Bank is exposed to a number of market risk in its daily operations, arising from open positions in interest rates, currency, and equity products, all of which are exposed to general and specific market movements. For the purpose of market risk management, the Bank makes a distinction between traded and non-traded market risk exposures. The Bank identifies its main traded market risk factors as equity position risk, interest rate risk, and foreign exchange risk. Traded market risk exposures originate from the Bank's money market and capital market operations.

The predominant non-traded market risk is interest rate risk in the banking book. Other non-traded market risks include structural foreign exchange risk arising from the Bank's capital investments in offshore operations, and equity position risk arising from the Bank's strategic investments.

The Bank, as a matter of policy, seek to identify, measure, monitor and control market risks in order to protect against adverse movement in market prices and rates and to optimize the risk / return profile of its open positions. The Bank has established, within its Risk Management Division (RMD), a Market Risk Management Department (MRMD) which is responsible for development and implementation of market risk policy and risk measuring / monitoring methodology, and for review and reporting of market risk against limits. The MRMD applies a Value-at-Risk (VaR) methodology to measuring traded market risk of the Bank.

VaR is modeled using both variance-covariance and historical approaches, at a 99% confidence interval over a 1-day and 10-days holding period for debt and equity positions in the trading book, and foreign exchange positions throughout the trading and banking books. The VaR exercise is supplemented by daily backtesting of VaR results against actual Profit and Loss. Because VaR is not an estimate of the maximum loss that the Bank could experience from an adverse change in market factors, the MRMD also calculates possible worst-case losses using historical data. Additionally, the MRMD conducts periodic stress tests based on extreme market scenarios to supplement the VaR figures, and to assess non-traded market risk, in particular interest rate risk in the banking book. The MRMD further calculates market risk capital charge for the Bank on a daily basis using Basel II Standardized Approach. Risk is monitored by MRMD through its daily revaluation of all traded market risk exposed positions and is controlled by ensuring that these positions do not breach limits established by the Bank.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Level of Market Risk in terms of Capital Requirements – 2008

	(Rupees in '000)				
	Interest rate risk	Equity exposure risk	Foreign exchange risk	Options position risk	Total
Capital Requirements	220,035	401,468	35,299	–	656,802

45.3.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the earnings and / or capital will fluctuate due to changes in foreign exchange rates. The Bank's foreign exchange exposure consists of foreign currency cash in hand, balances with banks abroad, forward contracts, purchase of foreign bills, foreign currency placements with SBP, foreign currency deposits, and capital investments in wholesale bank branch. The Bank manages its foreign exchange exposures by matching foreign currency assets and liabilities. The net open position and nostro balances are maintained within statutory limits, as fixed by SBP and counterparty limits have been established to limit risk concentration. VaR is calculated for consolidated foreign exchange exposure with Treasury on a daily basis. Daily sensitivity analysis of the net open position to a change in USD / PKR parity is also carried out.

(Rupees in '000)	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	176,635,476	167,145,245	5,402,986	14,893,217
U.S. Dollars	18,255,815	22,248,492	(4,490,927)	(8,483,604)
Pound Sterling	1,033,590	1,813,493	(818,043)	(1,597,946)
Japanese Yen	67,860	760	64,289	131,389
Euro	1,648,822	1,863,785	(158,305)	(373,268)
Other European Currencies	13,567	–	–	13,567
Other Currencies	127,203	634	–	126,569
	197,782,333	193,072,409	–	4,709,924

Foreign Exchange Risk VaR at 99% confidence level.

	(Rupees in '000)		
	Average Value	Minimum Value	Maximum Value
Foreign Exchange VaR	1,580	98	11,509

45.3.2 Equity position risk

Equity position risk is the risk that the value of long or short equity position taken in the trading book and banking book will change as a result of general and specific equity market movements. The Bank bifurcates its equity exposures into held-for-trading, available for sale and strategic categories. Held-for-trading equity exposures are of a short term nature and are undertaken to earn profit through market imperfections and arbitrage opportunities, if any. Equities are held in the available for sale portfolio with the intent to earn profit from fundamentals. Strategic investments are undertaken in line with the long-term strategy of the Bank.

All equity positions in the trading book are subject to exposure limits established by the Bank in line with general limits prescribed by SBP. These limits include intraday limits, stop-loss limits, exposure limits, portfolio limits, and sectorial limits. MRMD conducts revaluation and calculates VaR on a daily basis for equity exposures.

Equity Position Risk VaR at 99% confidence level.

	(Rupees in '000)		
	Average Value	Minimum Value	Maximum Value
Equity VaR	38,084	26,716	48,306

45.3.3 Yield / Interest Rate Risk in the Banking Book (IRRBB)–Basel II Specific

The Bank's interest rate exposure originates from its investing, lending and borrowing activities. Interest rate risk in the banking book is the risk of adverse changes in earnings and / or capital due to mismatched assets and liabilities in the banking book. The Asset and Liability Management Committee (ALCO) of the Bank monitors and controls mismatch of interest rate sensitive assets and liabilities. The MRMD calculates duration and convexity measures to assess the impact of interest rate changes on its investment portfolio. VaR for the Bank's debt investments is also generated on a daily basis. Interest rate risk stress tests are conducted bi-annually to assess the impact of a parallel shift in the yield curve on the Bank's capital using sensitivity positions is calculated applying earlier of contractual re-pricing or maturity date for on-balance sheet instruments, and settlement date for off-balance sheet instruments.

45.3.4 Mismatch of interest rate sensitive assets and liabilities

Yield / interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

Rupees in '000	Effective Yield / Interest rate	Total	2008 Exposed to yield / interest risk								Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months						
						to 1 Year	to 2 Years	to 3 Years	to 5 Years	to 10 Years		Above 10 Years
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.91%	16,029,666	3,734,701	-	-	-	-	-	-	-	-	12,294,965
Balances with other banks	3.84%	3,967,816	2,854,196	-	-	-	-	-	-	-	-	1,113,620
Lendings to financial institutions	11.30%	4,479,754	4,223,393	256,361	-	-	-	-	-	-	-	-
Investments	9.59%	35,464,972	5,797,941	8,007,120	1,375,871	7,164,296	2,536,625	3,350,832	2,812,506	897,505	-	3,522,276
Advances	11.40%	128,818,242	19,963,856	29,765,057	29,800,553	31,513,779	1,821,203	1,135,438	4,308,184	1,303,994	9,206,178	-
Other assets	-	9,021,883	-	-	-	-	-	-	-	-	-	9,021,883
		197,782,333	36,574,087	38,028,538	31,176,424	38,678,075	4,357,828	4,486,270	7,120,690	2,201,499	9,206,178	25,952,744
Liabilities												
Bills payable	-	2,584,828	-	-	-	-	-	-	-	-	-	2,584,828
Borrowings	8.29%	15,190,148	2,901,275	8,813,322	3,475,551	-	-	-	-	-	-	-
Deposits and other accounts	5.72%	167,505,312	38,147,973	19,346,379	15,125,698	15,011,317	10,571,455	10,445,784	13,304,084	27,351	-	45,525,271
Sub-ordinated loans	12.81%	2,996,100	-	300	300	600	1,200	1,200	2,992,500	-	-	-
Liabilities against assets subject to finance lease	11.89%	16,573	222	452	703	1,503	3,551	3,095	7,047	-	-	-
Other liabilities	-	4,779,449	-	-	-	-	-	-	-	-	-	4,779,448
		193,072,410	41,049,470	28,160,453	18,602,252	15,013,420	10,576,206	10,450,079	16,303,631	27,351	-	52,889,547
On-balance sheet gap		4,709,923	(4,475,383)	9,868,085	12,574,172	23,664,655	(6,218,378)	(5,963,809)	(9,182,941)	2,174,148	9,206,178	(26,936,803)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.75%	15,722,257	15,722,257	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	9.36%	795,391	795,391	-	-	-	-	-	-	-	-	-
Commitments to extend credit	-	1,354,550	-	-	-	-	-	-	-	-	-	1,354,550
Off-balance sheet gap		13,572,316	14,926,866	-	-	-	-	-	-	-	-	(1,354,550)
Total yield / interest risk sensitivity gap			10,451,483	9,868,085	12,574,172	23,664,655	(6,218,378)	(5,963,809)	(9,182,941)	2,174,148	9,206,178	(25,582,254)
Cumulative yield / interest risk sensitivity gap			10,451,483	20,319,568	32,893,740	56,558,395	50,340,017	44,376,208	35,193,267	37,367,415	46,573,593	20,991,339

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

45.4 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

45.4.1 Maturities of Assets and Liabilities

Rupees in '000	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	16,029,666	16,029,666	-	-	-	-	-	-	-	-
Balances with other banks	3,967,816	3,967,816	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,479,754	4,223,393	256,361	-	-	-	-	-	-	-
Investments	35,464,972	5,797,941	8,007,120	1,375,871	10,540,933	2,615,400	3,350,832	2,812,506	964,369	-
Advances	128,818,242	19,963,856	29,765,057	29,800,553	31,513,779	1,821,203	1,135,438	4,308,184	1,303,994	9,206,178
Operating fixed assets	8,345,054	42,069	707,488	754,402	262,103	435,880	364,948	534,954	669,858	4,573,352
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	9,021,883	72,316	5,360,847	106,139	3,399,285	79,337	189	3,543	227	-
	206,127,387	50,097,057	44,096,873	32,036,965	45,716,100	4,951,820	4,851,407	7,659,187	2,938,448	13,779,530
Liabilities										
Bills payable	2,584,828	1,292,414	1,292,414	-	-	-	-	-	-	-
Borrowings	15,190,148	2,901,275	8,813,322	3,475,551	-	-	-	-	-	-
Deposits and other accounts	167,505,312	48,536,907	24,540,846	20,655,862	20,541,480	17,328,837	15,636,583	20,237,375	27,422	-
Sub-ordinated loans	2,996,100	-	300	300	600	1,200	1,200	2,992,500	-	-
Liabilities against assets subject to	-	-	-	-	-	-	-	-	-	-
finance lease	16,573	222	452	703	1,503	3,551	3,095	7,047	-	-
Deferred tax liabilities	16,173	3,186	-	-	(660,688)	-	-	673,675	-	-
Other liabilities	4,779,448	3,681,578	312,918	26	203,801	103	925	578,996	1,101	-
	193,088,582	56,415,582	34,960,252	24,132,442	20,086,696	17,333,691	15,641,803	24,489,593	28,523	-
Net assets	13,038,805	(6,318,525)	9,136,621	7,904,523	25,629,404	(12,381,871)	(10,790,396)	(16,830,406)	2,909,925	13,779,530
Share Capital	4,058,774									
Reserves	7,689,227									
Unappropriated profit	338,225									
Minority Interest	16,111									
Surplus on revaluation of assets	936,468									
	13,038,805									

45.5 Operational Risk

The Bank's operational risk is related to possible losses which may be incurred as a result of failures occurring in the Bank's day-to-day operations, such as breakdown in electronic and telecommunication, routines or other systems - additional factors being insufficient levels of professional skills or human errors. In order to keep the Bank's operational risks to a minimum level, various suites of risk tools are used to manage operational risk using a common categorization of risk. These tools include Risk and Control Self Assessments, Incident Management and Loss Data and Key Risk Indicators.

Our approach to operational risk is not designed to eliminate risk, rather, to contain it within the acceptable levels, as determined by senior management, and to ensure that we have sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses.

The core focus for the year 2008 was building resilience with business continuity management and disaster recovery site establishment for alternate processing site for critical business areas. Establishing and testing recovery site infrastructure to determine its suitability for meeting its recovery time objective.

Information risk from strategic perspective was treated and notably number of information risk management specific policies and standards were approved in 2008 with respect to Information Security. Protecting the Bank's information resources from a wide range of threats also enhances business operations and ensures business continuity.

45.5.1 Operational risk and disclosures Basel II specific

The Bank approach in managing operational risk is to adopt practices that are fit for the purpose to suit the organizational maturity and particular environments in which our business operates. Operational Risk Management (ORM) has been entrenched to increase the efficiency and effectiveness of the Bank's resources, minimize losses and utilize opportunities.

46. Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 21, 2009 has proposed a cash dividend of Nil (2007: Rs 1.5 per share). In addition, the directors have also announced a bonus issue of 25 percent (2007: 35 percent). The appropriation will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2008 do not include the effect of the appropriation which will be accounted for in the consolidated financial statements for the year ending December 31, 2009 as follows:

Rupees in '000	2008	2007
Transfer from unappropriated profit to:		
Proposed dividend	–	450,975
Reserve for issue of bonus shares	–	1,052,275
General reserve	338,225	681,717
Transfer from general reserve to:		
Reserve for issue of bonus shares	1,014,694	1,052,275

47. Corresponding figures

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

48. General

481 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

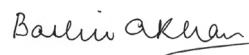
48.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the balance sheet and profit and loss account.

49. Date of authorization

These consolidated financial statements were authorised for issue on February 21, 2009 by the Board of Directors of the Bank.



M. R. Mehkari
President & Chief Executive



Dr. Bashir Ahmad Khan
Director



Lt. Gen. (R) Imtiaz Hussain
Director



Lt. Gen. Javed Zia
Chairman

Annexure-I

Referred to in note 10.7 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2008.

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Other Financial relief provided	Total
				Principal	Interest /		Total				
					Mark-up	Others					
1	London Tanneries Private Limited Plot # 179, Sector-7 Korangi Industrial Area Karachi.	Gul Mohammad Butt (502-26-630080) Rafi Gul Butt (502-86-687672)	M. Abdul Latif Gul Mohammad Butt	168,280	50,979	-	219,259	141,831	50,979	-	192,810
2	Rebel Pelle Private Limited 2C, 12th Commercial Street Defence Housing Society Karachi.	Tariq Naseem Gul Butt (502-53-617902) Nasir Shaheen Gul Butt (502-91-786014) Naseema Begum (210-31-543676) Gul Rukh Samina Butt (502-91-786013)	Gul Mohammad Butt Gul Mohammad Butt Gul Mohammad Butt	110,093	35,833	-	145,926	75,284	35,833	-	111,117
3	Kaghan Ghee Mills Private Limited 4th Floor Bilour Plaza Peshawar Cantt.	Syed Abbas Shah (13501-3411193-5) Syed Noor-ud-Din (13501-0672958-1)	Syed Ghulam Ahmed Shah Syed Ghulam Ahmed Shah	29,496	6,260	-	35,756	1,911	6,260	-	8,171
4	Shahzad Siddique Private Limited 4.5 Km, Jaranwala Road Khurrianwala Faisalabad	Muhammad Siddique Chaudhry (33100-6598842-7) Sheraz Siddique (33100-1704018-3) Shahaz Siddique (331001-017331-1)	Ali Muhammad Chaudhry Mohammad Siddique Chaudhry Chaudhry Muhammad Siddique	875,986	77,935	-	953,921	187,376	54,042	-	241,418
5	Globe Textile Mills Limited 4th Floor KDLB, Building 58, West Wharf Road Karachi.	Ahmed Haji Habib (42301-1265108-5) Gul Banoo (42201-0258083-0) Farzeen Seemab (42201-0653367-4) Zeeshan Zafar (42000-5066006-1) Arif Haji Habib (516-88-144313)	Haji Habib Fazal Mahammad Muhammad Seemab Zafar Habib Habib Haji Muhammad	266,928	7,272	-	274,200	59,935	7,272	-	67,207
6	Universal Traders 1st Floor 427 Saddar Bazar Multan	Muhammad Sharif Siddique (330-91-008924)	Muhammad Siddique	1,626	806	-	2,432	1,626	806	-	2,432
7	Sh. M. Ramzan M. Islam Irfan Enterprises H-1273, Akbari Mandi. Lahore.	Sh. Muhammad Islam (35202-4934280-1)	Sh. Muhammad Ramzan	1,062	1,325	-	2,387	-	662	-	662
Total				1,453,471	180,410	-	1,633,881	467,963	155,854	-	623,817

Annexure-II

Islamic Banking Business

The Bank is operating 20 Islamic banking branches including 2 sub-branches at the end of 2008 as compared to 14 Islamic banking branches at the end of 2007.

Rupees in '000	2008	2007
Assets		
Cash and balances with treasury banks	402,465	251,081
Balances with and due from financial institutions	260,738	498,378
Investments	2,388,729	800,000
Financing and receivables		
– Murahaba	901,983	271,672
– Ijara	2,087,884	548,272
– Musharaka	–	–
– Diminishing musharaka	3,116,617	1,545,106
– Salam	139,098	91,092
– Other islamic modes	12,253	–
Other assets	724,014	548,575
Total Assets	10,033,781	4,554,176
Liabilities		
Bills payable	41,216	74,348
Due to financial institutions	520,000	–
Deposits and other accounts		
– Current accounts	861,287	308,400
– Saving accounts	1,396,961	874,086
– Term deposits	1,743,848	192,119
– Others	2,777	200,711
– Deposit from financial institutions –remunerative	1,393,078	605,590
– Deposits from financial institutions–Non remunerative	8,364	2,324
Due to head office	2,653,575	2,000,004
Other liabilities	658,995	20,135
	(9,280,101)	(4,277,717)
Net assets	753,680	276,459
Represented by		
Islamic Banking Fund	700,000	300,000
Reserves	–	–
Unappropriated/ unremitted profit/(loss)	53,680	(23,541)
	753,680	276,459
Surplus on revaluation of assets	–	–
	753,680	276,459
Remuneration to Shariah Advisor/Board	979	630
Charity fund		
Opening balance	318	–
Additions during the year	840	318
Payments/utilization during the year	(671)	–
Closing balance	487	318

Annexure-II

Profit and Loss Account (Islamic Banking)

Rupees in '000	2008	2007
Profit / return earned on financings, investment and placements	822,494	231,681
Return on deposits and other dues expensed	460,010	84,083
Net spread earned	362,484	147,598
Provision against non-performing financings	3,825	–
Provision against consumer financings	4,694	2,209
Provision for diminution in the value of investments	–	–
Bad debts written off directly	–	–
	8,519	2,209
Income after provisions	353,965	145,389
Other Income		
Fee, commission and brokerage Income	13,184	3,008
Dividend income	–	–
Income from dealing in foreign currencies	1,256	19
Capital gain on sale of securities	–	–
Unrealized gain / (loss) on revaluation of investments classified as held for trading	–	–
Other income	18,172	8,895
Total other income	32,612	11,922
	386,577	157,311
Other expenses		
Administrative expenses	309,356	142,159
Other provision / write-offs	–	–
Other charges	–	–
Total other expenses	309,356	142,159
	77,221	15,152
Extra ordinary / unusual items	–	–
Profit before taxation	77,221	15,152

Shariah Advisor's Report 2008

Alhamdulillah! The year 2008 has been a successful year for Askari Bank's Islamic Banking Services. There are now 18 full fledged Islamic Banking Branches and 2 Islamic sub-branches, on a stand-alone basis.

As per Shariah requirements, special care is taken to ensure that the funds and products of Islamic Banking are managed separately from the conventional banking side. All funds obtained, invested and shared are in Halal modes of investments, under my supervision as the Shariah Advisor of the Bank.

As a Shariah Advisor, I have reviewed each class of transactions conducted during the year. Relevant documentation and procedures adopted in this connection were also reviewed and vetted by me. In order to facilitate this work, Shariah Audit and Shariah Compliance departments have been created and are functioning under my supervision.

In my opinion, the affairs of Askari Bank Limited - Islamic Banking have been carried out in accordance with the rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules, as well as with specific fatawa and rulings issued by me, as the Shariah Advisor from time to time.

Besides, the allocation of funds, weightages, profit sharing ratios, profits and charging of losses (if any), relating to PLS accounts also conform to the basis vetted by me as the Shariah Advisor, in accordance with the Shariah rules and principles.

Any earnings that have been realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

We are fully contributing and committed to capacity building and promoting the cause of Islamic Banking in Pakistan.

May Allah Almighty bless these sincere efforts!



Dr. Muhammad Tahir Mansoori
Shariah Advisor

Pattern of Shareholding

as at December 31, 2008

Number of shareholders	Shareholding		Total shares held
	From	To	
3,298	1	100	146,241
4,996	101	500	1,541,708
3,189	501	1000	2,540,396
7,351	1001	5000	18,763,576
2,088	5001	10000	14,597,403
1,200	10001	110000	33,835,064
82	110001	345000	15,122,153
17	345001	500000	7,331,375
8	500001	790000	5,388,276
5	860001	990000	4,652,844
21	1020001	9070000	58,339,601
4	12355001	203615000	243,618,671
22,259			405,877,308

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	21,671	93,903,410	23.14
Investment / brokerage companies	209	19,411,245	4.78
Insurance companies	22	14,281,960	3.52
Joint stock companies	49	6,534,866	1.61
Financial institutions	72	39,225,503	9.66
Modaraba and Mutual Funds	52	14,967,391	3.69
Charitable and other trusts	43	205,932,668	50.74
Foreign investors	136	11,426,882	2.82
Others	5	193,383	0.05
Total	22,259	405,877,308	100.00

Note 1: Individual include 8 directors holding 8,635 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

Held by

Particulars	Number of shareholders	Shares held	Percentage
Associated company			
Army Welfare Trust	1	203,631,590	50.17
NIT / ICP			
National Investment (Unit) Trust	1	18,855,563	4.65
Investment Corporation of Pakistan	1	7,506	0.00
Directors & Chief Executive			
Lt. Gen. Javed Zia	1	1,615	0.00
Lt. Gen (R.) Zarrar Azim	1	1,615	0.00
Mr. Kashif Mateen Ansari	1	1,615	0.00
Mr. Zafar Alam Khan Sumbal	1	1,615	0.00
Dr. Bashir Ahmad Khan	1	675	0.00
Mr. Muhammad Riyazul Haque	1	500	0.00
Mr. Ali Noormahomed Rattansey	1	500	0.00
Mr. Shahid Mahmud	1	500	0.00
Mr. M. R. Mehkari	-	-	0.00
	8	8,635	0.00
Executives of the Bank	14	53,439	0.01
Public sector companies and corporations	-	-	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	396	75,557,896	18.62
Individuals	21,766	95,549,997	23.54
Others	72	12,212,682	3.01
Total	22,259	405,877,308	100

Note 2: There have been no trades in the shares of the Bank, carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children.

Correspondent Network

1. **Algeria**
Banque de l'Agriculture et du
Development Rural
2. **Argentina**
HSBC Bank Argentina SA
3. **Armenia**
HSBC Bank Armenia Jsc
4. **Australia**
Australia & Newzealand Banking Group
Commonwealth Bank of Australia
Habib Finance Australia Limited
HSBC Bank Australia Limited
St. George Bank Limited
WestPac Banking Corporation
5. **Austria**
Bank Austria Creditanstalt AG
Citibank International Plc
Oberosterreichische Landsbank AG
Raiffeisen Zentralbank Osterreich (RZB)
Schoellerbank AG
6. **Azerbaijan**
The International Bank of Azerbaijan
Republic
7. **Bangladesh**
Export Import Bank of Bangladesh
United Commercial Bank Limited
8. **Belgium**
Dexia Bank Belgium
Fortis Bank, NV/SA
ING Belgium NV/SA
KBC Bank NV
9. **Bosnia Herzegovina**
HVB Central Profit Banka dd
10. **Brazil**
Banco Citibank SA
11. **Bulgaria**
HVB Bank Biochim AD
12. **Canada**
Canadian Imperial Bank of Commerce
HSBC Bank Canada
National Bank of Canada
Royal Bank of Canada
Toronto-Dominion Bank
13. **Chile**
BBV Banco BHIF
14. **China**
Agricultural Bank of China
Bank of China Limited
Bank of Communications
China Construction Bank Corporation
China Merchants Bank
China Minsheng Banking Corporation
Export Import Bank of China (EXIM Bank)
Guangdong Development Bank
Industrial and Commercial Bank of
China Limited
Jinan City Commercial Bank
15. **Croatia**
HVB Splitska banka dd Split
Zagrebacka Banka dd
16. **Cyprus**
Cyprus Popular Bank Public
Company Limited
Hellenic Bank Public Company Limited
17. **Czech Republic**
Ceskoslovenska Obchodni Banka as
HVB Bank Czech Republic a.s.
Raiffeisenbank as
18. **Denmark**
Danske Bank Aktieselskab
Nordea Bank Denmark A/S
Spar Nord Bank
19. **Egypt**
Bank of Alexandria
20. **Finland**
Sampo Bank plc
Nordea Bank plc
21. **France**
BNP Paribas SA
CALYON
Credit Lyonnais
Credit Agricole SA
HSBC France
Societe Generale
Union de Banques et de Francaises
(UBAF)
22. **Germany**
Bayerische Landesbank
Bayerische Hypo-Und Vereinsbank AG
Commerzbank A.G
Deutsche Bank, A.G
Dresdner Bank, A.G
DZ Bank AG Deutsche Zentral-
Genosschaftsbank
Sparkasse Aachen
WGZ-Bank AG Westdeutsche
Genossenschafts-Zentralbank
23. **Greece**
Alpha Bank AE
24. **Hong Kong**
Bank of China (Hong Kong) Ltd
Bank of East Asia Ltd. (The)
Hang Seng Bank
Hong Kong & Shanghai Banking Corp.
25. **Hungary**
Budapest Credit & Development Bank Rt
Citibank Zrt
HVB Bank Hungary Zrt
Raiffeisen Bank Zrt
26. **India**
State Bank of India
ICICI Bank Ltd
27. **Indonesia**
PT Bank Lippo Tbk
PT. Bank Mandiri (Persero) Tbk
28. **Iran**
Bank Mellat
Bank Melli Iran
Bank Saderat Iran
29. **Ireland**
Bank of Ireland
Hypo Public Finance Bank
30. **Italy**
Banca di Roma SpA
Banca Nazionale Del Lavoro SpA
Banca Antonveneta SpA
Banca Intesa SpA
Banca Cassa Di Risparmio Di
Tortona SpA
Banca UBAE SpA
UniCredito Italiano SPA
31. **Japan**
The Bank of Tokyo - Mitsubishi UFJ Ltd.
Mizuho Corporate Bank Ltd
Resona Bank Limited
Somitomo Mitsui Banking Corp.
32. **Jordan**
Jordan Ahli Bank Plc
The Housing Bank for Trade & Finance
33. **Kazakhstan**
ABN AMRO Bank Kazakhstan
Alliance Bank Joint Stock Company
Bank TuranAlem
Citibank Kazakhstan
34. **Kenya**
African Banking Corporation Ltd.
Kenya Commercial Bank
Stanbic Bank Kenya Ltd
35. **Korea (South)**
Daegu Bank Ltd
Kookmin Bank
KorAm Bank
Korea Exchange Bank
Shinhan Bank
36. **Kuwait**
Al-Ahli Bank of Kuwait KSC
Bank of Kuwait and Middle East
Commercial Bank of Kuwait
Gulf Bank KSC
37. **Lebanon**
Byblos Bank SAL
38. **Luxemburg**
Banque Geneale De Luxemburg
39. **Malaysia**
HSBC Bank Malaysia Berhad
Public Bank Berhad
RHB Bank Berhad
40. **Mauritius**
The Mauritius Commercial Bank
41. **Mexico**
HSBC Mexico SA
42. **Monaco**
HSBC Private Bank (Monaco) SA
43. **Morocco**
Banque Marocaine du Commerce
Exterieur SA
44. **Nepal**
Himalayan Bank Ltd
45. **Netherlands**
ABN AMRO Bank
Fortis Bank (Nederland) NV
F Van Lanschot Bankiers NV
ING Bank
46. **New Zealand**
Bank of New Zealand
ANZ National Bank Ltd.
47. **Norway**
Christiana Bank Og Kreditkasse
48. **Oman**
Bank Muscat SAOG
Oman International Bank SAOG
49. **Panama**
HSBC bank Panama

Correspondent Network

- 50. Pakistan**
Allied Bank of Pakistan
Habib Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
- 51. Paraguay**
Banco Bilbao Vizcaya Argentaria
Paraguay SA
- 52. Philippines**
Bank of the Philippine Islands
Metropolitan Bank & Trust Co.
RIZAL Commercial Banking Corporation
Security Bank Corporation
- 53. Poland**
ABN AMRO Bank (Polska) SA
Bank Polska Kasa Opieki SA
Bank Handlowy Warszawa SA
Bank BPH SA
BRE Bank SA
Raiffeisen Bank Polska SA
- 54. Portugal**
Banco Atlantico SA
Banco BPI SA
Banco Totta & Acores SA
Caixa Geral d Depositos SA
- 55. Qatar**
Doha Bank Ltd.
The Commercial Bank of Qatar Ltd.
- 56. Romania**
Citibank Romania SA
HVB Bank Romania
Romanian Commercial Bank
- 57. Russia**
Bank of Moscow
ING Bank (Eurasia) Zao
ROSBANK
- 58. Saudi Arabia**
National Commercial Bank Ltd. (The)
Saudi British Bank (The)
Saudi Hollandi Bank
Banque Saudi Fransi
- 59. Singapore**
United Overseas Bank
- 60. Serbia and Montenegro**
HVB Bank Serbia and Montenegro
- 61. Slovakia**
Citibank (Slovakia) as
HVB Bank Slovakia as
Postova Banka as
- 62. Slovenia**
Bank Austria Creditanstalt d.d Ljubljana
SKB Banka DD
- 63. South Africa**
ABSA Bank Ltd.
HBZ Bank Limited
Standard Bank of South Africa
- 64. Spain**
Banca de Sabadell SA
Banco Bilbao Vizcaya Argentaria SA
Banco Espanol de Credito SA
Banco Popular Espanol
Banco Santander Central Hispano SA
- 65. Sri Lanka**
Bank of Ceylon
Hatton National Bank
Seylan Bank Ltd
- 66. Sweden**
ForeningsSparbanken AB
Nordea Bank AB (Publ)
Skandinaviska Enskilda Banken
Svenska Handels Banken
- 67. Switzerland**
Banca Commerciale Lugano
Bank Hofmann AG
Banque de Comm. et de Placements SA
BNP Paribas (Suisse) SA
Credit Suisse
Habib Bank AG Zurich
UBS AG
- 68. Taiwan**
Farmers Bank of China
Union Bank of Taiwan
- 69. Thailand**
Bangkok Bank Public Co.
Siam Commercial Bank Plc
- 70. Tunisia**
Societe Tunisienne de Banque
Tunis International Bank
- 71. Turkey**
Oyak Bank AS
Finansbank AS
Kocbank AS
- 72. Ukraine**
JSCB Citibank (Ukraine)
- 73. United Arab Emirates**
Abu Dhabi Commercial Bank
Emirates Bank International PJSC
MashreqBank Psc
Union National Bank
- 74. United Kingdom**
ABC International Bank Plc
Habib Allied International Bank Plc
Habibsons Bank Ltd.
HSBC Bank Plc
Lloyds TSB Bank plc
National Westminster Bank
Royal Bank of Scotland Plc
Standard Chartered Bank
United National Bank
- 75. U S A**
American Express Bank Ltd.
Bank of New York
Citibank N.A
Habib American Bank
JP Morgan Chase Bank
- 76. Uzbekistan**
ABN Amro Bank NB
- 77. Vietnam**
Shinhanvina Bank NB
- 78. Yemen Arab Republic.**
International Bank of Yemen YSC
Tadhamon International Islamic Bank
Watani Bank for Trade and Investment

229 Banks of 78 Countries of Origin, as on December 31, 2008

Branch Network

NORTH REGION

ISLAMABAD – AREA

ISLAMABAD

Aabpara

Plot No. 4, Ghousia Plaza, I&T Centre, Shahrah-e-Suharwardy, Aabpara, Islamabad.
PABX: (051) 2603036-38
Direct: (051) 2603034
Fax: (051) 2603041

Beverly Centre, Blue Area

Plot No. 56 G, Beverly Centre, Jinnah Avenue, Blue Area, Islamabad.
PABX: (051) 2814134-36
Direct: (051) 2814132
Fax: (051) 2814137

F-7 Markaz

13-I, F-7 Markaz, Jinnah Super Market, Islamabad.
PABX: (051) 2654412-15, 9222411, (051) 9222418
Direct: (051) 2654032
Fax: (051) 9222415

F-8 Markaz

Kiran Plaza, F-8 Markaz, Islamabad.
PABX: (051) 2817182-4
Direct: (051) 2817180
Fax: (051) 2817185

F-10 Markaz

Block 5-C, F-10 Markaz, Islamabad, P.O. Box: 1324.
PABX: (051) 9073000
Direct: (051) 9267278
Fax: (051) 9267280

F-11 Markaz

Al-Karam Plaza, F-11 Markaz, Islamabad, PABX: (051) 2114254 – 56
Direct: (051) 2114251
Fax: (051) 2114257

I-9 Industrial Area

Plot No. 408, Main Double Road, Sector I-9/3, Industrial Area, Islamabad.
PABX: (051) 4100811-3
Direct: (051) 4100818
Fax: (051) 4100814

Jinnah Avenue

24-D, Rasheed Plaza, Jinnah Avenue, Blue Area, Islamabad. P.O.Box: 1499.
PABX: (051) 2271794-6, 2823943
Direct: (051) 2871144, 2271801
Fax: (051) 2271797

G-8 Markaz

12 H-1, G-8 Markaz, Islamabad.
PABX: (051) 2282083 –85,
Direct: (051) 2255761,
Fax: (051) 2255761

Sabzi Mandi

Plot No. 3 – B, Razzaq Plaza, Sabzi Mandi, Sector I – 11/4, Islamabad.
PABX: (051) 4438168 – 70
Direct: (051) 4438165
Fax: (051) 4438171

(Sub-Branch)

Directorate General – ISI

Directorate General – Inter Services

Intelligence (ISI), Shahrah-e-Suharwardy, Islamabad
Mobile: (0333) 5288280

(Sub-Branch)

Capital Development Authority (CDA)

Old Naval Head Quarter, Melody Services Block, Sector G – 6, Islamabad
Mobile: (0301) 8503993

(Sub-Branch)

Federal Government Employees Housing Foundation (FGEHF)

Plot no. 10, Basement, Mauve Area, Sector G-10/4, Islamabad
Mobile: (0333) 2234389

(Sub-Branch)

Overseas Pakistanis Foundation (OPF)

Overseas Pakistanis Foundation, Ground Floor, G-5/2, Islamabad
PABX: (051) 9214026 – 27
Direct: (051) 9214024
Fax: (051) 9214025

BARAKAHU

525 – Usman Plaza, Main Murree Road, Barakahu District Islamabad.
Direct: (0300) 8543339

RWP I – AREA

Rawalpindi

AWT Plaza

AWT Plaza, The Mall, Rawalpindi. P.O. Box 1083, Gram: Askari Br
PABX: (051) 9063150, 9273168-72
Direct: (051) 9273178, 9063200
Fax: (051) 9273180

Chaklala Scheme-III

18-Commercial Area, Imran Khan Avenue, Chaklala Scheme - III, Rawalpindi.
PABX: (051) 9281097-99
Direct: (051) 5960030
Fax: (051) 9281025

Haider Road

Bilal Plaza, Haider Road, Rawalpindi.
PABX: (051) 9272880-3
Direct: (051) 9272885
Fax: (051) 9272886

Peshawar Road

Zahoor Plaza, Peshawar Road, Rawalpindi.
PABX: (051) 9272794-99
Direct: (051) 9272702
Fax: (051) 9272704

Satellite Town

Midway Centrum, 6th Road Crossing, Satellite Town, Main Murree Road, Rawalpindi.
PABX: (051) 9290262-5
Direct: (051) 9290244
Fax: (051) 9290270

Lalkurti

Khadim Hussain Road, Lalkurti, Rawalpindi
Direct: (051)5519579

Shaheen Complex

Shaheen Complex, Rawal Road, Rawalpindi
PABX: (051) 9281377 – 79
Direct: (051)9281375
Fax: (051) 9281380

WAH CANTT.

POF Hotel, The Mall, Wah Cantt.
PABX: (051) 4533272, 4533375
Direct: (051) 4533563

KAMRA

Cantonment Board, Mini Plaza, G.T.Road, Kamra
PABX: (057) 9317393 – 6
Direct (057) 9317390
Fax: (057) 9317392

PINDI GHEB

Main Katcheri Road, Pindi Gheb
Direct (057) 2352043
PABX: (057) 2352045
Fax: (057) 2352046

(Sub-Branch)

Project Management Organization (PMO), TAXILA
Shop No. 1 to 3, Commercial Complex, Gulshan Colony, PMO, Taxila
Mobile: (0301) 5360990

(Sub-Branch)

HAZROO
Main Hazroo Hattian Road, Near Bus Stand
Hazroo, Hazroo
Direct: (057) 2313486
Fax: (057) 2313487

RWP II – AREA

Rawalpindi

Adyala Road

Main Adyala Road, Rawalpindi.
PABX: (051) 5948081-84
Direct: (051) 5948088
Fax: (051) 5948085

College Road

College Road, Rawalpindi.
PABX: (051) 5540234, 5540516
Direct: (051) 5870131
Fax: (051) 5540321

General Headquarters (GHQ)

Near Gate No. 7, GHQ, Rawalpindi.
PABX: (051) 9271739-40, 561-31192
Direct: (051) 9271738
Fax: (051) 9271541

(Sub-Branch)

Al-Shifa Eye Trust Hospital
Jhelum Road, Rawalpindi
Mobile: (0312) 3705703

Islamabad

DHA

DHA Mall, Jinnah Avenue, Defence Housing Authority, Phase – I, (Morgah), Islamabad.
PABX: (051) 5788693-94
Direct: (051) 5788691
Fax: (051) 5788695

(Sub-Branch)

NESCOM, Islamabad

Plot No. 94, H – 11/4
Mobile: (0321) 5164204

Branch Network

CHAKWAL

Talagang Road, Chakwal.
PABX: (0543) 553142-43
Direct: (0543) 551255
Fax: (0543) 601979

GUJAR KHAN

B-III-360/1, G.T. Road, Gujar Khan.
PABX: (0513) 515671-74
Direct: (0513) 515905
Fax: (0513) 515676

CHASHMA

Plot No. 1 Bank Square, Chashma
Barrage Colony, Opposite PAEC Chashma
Hospital Main D. I. Khan Road, Distt Mianwali.
PABX: (0459) 241544, 241667
Direct: (0459) 241544
Fax: (0459) 242761

MIANWALI

Plot No. 55 & 56, Ballo Khail Road, Mianwali
PABX: (0459)237903 – 4
Direct: (0459) 237901
Fax: (0459) 237905

PESHAWAR – AREA

ABBOTTABAD

Lala Rukh Plaza, Mansehra Road, Abbottabad.
PABX: (0992) 332182-3
Direct: (0992) 332157
Fax: (0992) 332184

DERA ISMAIL KHAN

Kaif Gulbahar Building,
A.Q. Khan Chowk,
Circular Road, Dera Ismail Khan.
PABX: (0966) 720180-81
Direct: (0966) 720178
Fax: (0966) 720184

KOHAT

Hangu Road, Kohat Cantt.
PABX: (0922) 510916-7
Direct: (0922) 510191
Fax: (0922) 510912

MARDAN

The Mall, Mardan,
P.O. Box: 197.
PABX: (0937) 9230501-02
Direct: (0937) 9230500
Fax: (0937) 9230503

MINGORA, SWAT

Opposite Park Hotel,
Makaan Bagh, Saidu Sharif Road, Mingora -
Swat.
PABX: (0946) 713358-59
Direct: (0946) 713356
Fax: (0946) 713361

NOWSHERA

Taj Building, Main
G.T. Road, Nowshera.
PABX: (0923) 9220300-301
Direct: (0923) 9220302
Fax: (0923) 9220304

HARIPUR

Shahrah-e-Hazara, Haripur
PABX: (0995) 627128 – 32
Direct: (0995) 616506
Fax: (0995) 616508

ALLAI

1ST Floor, New Saadat Market, Banna, Allai
Mobile: (0333) 5025995

GILGIT

Main Bazar, Airport Road,
Gilgit
Direct: (05811) 52021

PESHAWAR

Peshawar Cantt.

3-7, Fakhr-e-Alam Road, Cantt. Plaza Branch,
Peshawar.
P.O. Box: 606.
PABX: (091) 9212433-6
Direct: (091) 271653
Fax: (091) 5276391

Peshawar City

Bank Square, Chowk Yadgar,
Peshawar.
PABX: (091) 2561246-7
Direct: (091) 2560156
Fax: (091) 2561245

University Road

Block B, Al Haaj Tower, Jahangirabad,
University Road, Peshawar
PABX: (091) 9218587-90
Direct: (091) 9218594
Fax: (091) 9218591

AREA AZAD KASHMIR

MIRPUR (AK)

Nathia Building, Chowk Shaheedan, Mirpur,
AJ&K
PABX: (058610) 45451-52
Direct: (058610) 45450
Fax: (058610) 35429

MUZAFARABAD (AK)

Main Secretariat Road,
Muzafarabad, AJ&K
PABX: (058810) 43387 & 43557
Direct: (058810) 43475
Fax: (058810) 43454

DADYAL (AK)

City Centre, Main Bazar,
Dadyal, AJ&K
PABX: (0586) 3044602 –03
Direct: (0586) 3044606
Fax: (0586) 3044607

CHAKSAWARI (AK)

Shahzad Hotel, Kotli Road, Chaksawari, AJ&K
PABX: (058625) 4735 –36
Direct: (058625) 4370
Fax: (058625) 4373

JHELUM

Plot No. 225 & 226, Kohinoor Plaza,
Old G.T. Road, Jhelum Cantt.
PABX: (0544) 720053-55
Direct: (0544) 720051
Fax: (0544) 720060

KHARIAN

Raza Building, Main G.T. Road. Kharian
Direct: (053) 3024363

CENTRAL REGION

LAHORE-I – AREA

D.H.A.

324-Z, Defence Housing Authority, Lahore
PABX: (042) 5898891-5
Direct: (042) 5726818
Fax: (042) 5732310

D.H.A.Phase-II

Plot No. 63-T, Block CCA,
Phase-II C, DHA, Lahore.
PABX: (042) 5707558-59
Direct: (042) 5707556
Fax: (042) 5707563

Model Town

2-4, Central Commercial Market,
Model Town, Lahore.
PABX: (042) 5850575-76, 5882099 &
5882048
Direct: (042) 5915494
Fax: (042) 5858564

Tufail Road

12-Tufail Road, Lahore Cantt.
PABX: (042) 9220940-46
Direct: (042) 9220930-31
Fax: (042) 9220947

Allama Iqbal Town

14 – Pak Block, Allama Iqbal Town, Lahore.
PABX: (042) 7849926-27
Direct: (042) 7849847
Fax: (042) 7849854

Cavalry Ground

23, Commercial Area,
Cavalry Ground, Lahore.
PABX: (042) 6651290-96
Direct: (042) 6666665
Fax: (042) 6660729

Zarar Shaheed Road

6, Block – B, Guldasth Town, Zarar Shaheed
Road, Lahore
PABX: (042) 6632943 – 45
Direct: (042) 6632941
Fax: (042) 6632950

Gulberg

10-E/II, Main Boulevard,
Gulberg-III, Lahore.
PABX: (042) 9231336-37,
Direct: (042) 9231330
Fax: (042) 9230035

Main Market, Gulberg – II

32-E, Main Market,
Gulberg-II, Lahore
PABX: (042) 5787144 – 46
Direct: (042) 5787141
Fax: (042) 57871433

Qartaba Chowk

100-D, Lytton Road, Near Qartaba Chowk,
Mozang, Lahore
PABX: (042) 7314505
Direct: (042) 7314502
Fax: (042) 7314555

LAHORE-II – AREA**LAHORE****Badami Bagh**

165-B, Badami Bagh, Lahore.
PABX: (042) 7727601-2
Direct: (042) 7721318
Fax: (042) 7704775

Baghbanpura

6/7, Shalimar Link Road, Baghbanpura, Lahore.
PABX: (042) 6830361-63
Direct: (042) 6830360
Fax: (042) 6830367

Circular Road

77-Circular Road, Lahore.
PABX: (042) 7635920-22
Direct: (042) 7633694, 7633702
Fax: (042) 7635919

Ravi Road

35-Main Ravi Road Lahore.
PAB X: (042) 7700516, 7709873-74
Direct: (042) 7731000
Fax: (042) 7700517

Shahdara

N-127R-70C, Opposite Rustom Sohrab
Cycle Factory, Sheikupura Road, Shahdara,
Lahore.
PABX: (042) 7919302-04
Direct: (042) 7919300
Fax: (042) 7919306

Shad Bagh

Chowk Nakhuda, Umar Din Road, Wassanpura,
Shad Bagh Lahore
PABX: (042) 7289430, 7285343, 6260159
Direct: (042) 7604071
Fax: (042) 6264225

Shah Alam Market

5-C, Fawara Chowk,
Shah Alam Market, Lahore.
PABX: (042) 7642652-54
Direct: (042) 7642650
Fax: (042) 7642656

Shahrah-E-Aiwan-E-Tijarat

7-A, Shahrah-e-Aiwan-e-Tijarat, Lahore.
PABX: (042) 9203673-77
Direct: (042) 9203081
Fax: (042) 9203351

Bank Square, The Mall

47, Bank Square, The Mall,
(Shahrah-e-Quaid-e-Azam), Lahore
PABX: (042) 7211851-5
Direct: (042) 7314196, 7211860
Fax: (042) 7211865

Urdu Bazar

6 – Chatterjee Road, Faqir Plaza, Urdu Bazar,
Lahore
PABX: (042) 7247762
Direct: (042) 7247771
Fax: (042) 7247766

LAHORE-III – AREA**Township**

48/10, B-I, Akbar Chowk, Township,
PABX: (042) 5140520-22
Direct: (042) 5151279
Fax: (042) 5124222

M.A. Johar Town

473, Block G-III,
M.A. Johar Town, Lahore.
PABX: (042) 5290434-36
Direct: (042) 5313566
Fax: (042) 5313569

PHOOL NAGAR

Plot Khasra No. 1193, Main Multan Road, Distt.
Kasur, Phool Nagar.
PABX: (049) 510437
Direct: (049) 510431
Fax: (049) 510436

OKARA**M.A Jinnah Road, Okara**

Chak No. 2/42, M.A. Jinnah Road, Tehsil &
District Okara.
PABX: (044) 9200317-18
Direct: (044) 2550002
Fax: (044) 9200316

Okara Cantt

117 – D, Shahrah-e-Quaid-e-Azam, Civil Area,
Okara Cantt.
PABX: (044) 2881645 & 2880358
Direct: (044) 2881644
Fax: (044) 2881740

DEPALPUR

Katchery Road, Depalpur, Distt. Okara
PABX: (0444) 541543 – 4
Direct: (0444) 541541
Fax: (0444) 541545

SAHIWAL

48/B & B1, High Street Branch, Sahiwal.
PABX: (040) 447738-39
Direct: (040) 4467748
Fax: (040) 4467746

BUREWALA

95 / 1C, College Road, Burewala.
PABX: (067) 3772206-8
Direct: (067) 3772252
Fax: (067) 3772204

VEHARI

13, E Block, Karkhana Bazar, Vehari.
PABX: (067) 3366718 – 9
Direct: (067) 3360727
Fax: (067) 3366720

FAISALABAD - AREA**JHANG**

Church Road, Saddar, Jhang.
PABX: (047) 7621150, 7610852
Direct: (047) 7623652
Fax: (047) 7621050

SARGODHA

80-Club Road, Old Civil Lines, Sargodha.
PABX: (048) 3725490, 3725590
Direct: (048) 3722728
Fax: (048) 3725240

TOBA TEK SINGH

596 – Mohallah Chamra Mandi, Jhang Road,
Toba Tek Sing.
PABX: (0462) 516120 – 1
Direct: (0462) 516131
Fax: (0462) 516142

FAISALABAD**Khurrianwala**

Jhumra Road, Khurrianwala,
Tehsil Jaranwala, Distt. Faisalabad.
Direct: (041) 4000029
Fax: (041) 4364030

Peoples Colony

Peoples Colony, Faisalabad.
PABX: (041) 8739326-7
Direct: (041) 8739323
Fax: (041) 8739321

University Road

University Road, Faisalabad.
P.O. Box 346.
PABX: (041) 9201008-11
Direct: (041) 9201001
Fax: (041) 9201006

Satayana Road

585 – I, Block B, Peoples Colony # 1. Satayana
Road, Faisalabad
PABX: (041) 8559205
Direct: (041) 8559101
Fax: (041) 8559103

CHINIOT

Adjacent New Session Court, Jhang Road,
Chiniot
PABX: (0476) 6336377 – 8
Direct: (0476) 6336277
Fax: (0476) 6336279

BHALWAL

Liaqat Shaheed Road, Bhalwal
PABX: (048) 6644695 – 6
Direct: (048) 6644693
Fax: (048) 6644697

PIR MAHAL

Al-Sheikh Arcade, Rajana Road, Pir Mahal
PABX: (0463) 3366282
Direct: (0463) 3366280
Fax: (0463) 3366284

DIJKOT

Chak No. 263 RB, Faisalabad Road, Dijkot,
Distt. Faisalabad
PABX: (041) 2672286
Direct: (041) 26722852
Fax: (041) 2672288

MULTAN – AREA**Multan****Abdali Road**

64/A-1, Abdali Road, Multan.
PABX: (061) 9201391-94
Direct: (061) 9201399
Fax: (061) 9201395

Bosan Road

Part 1802, Ward No. 10,
Bosan Road, Multan.
PABX: (061) 6510435-37
Direct: (061) 6510434
Fax: (061) 6510438

BAHAWALPUR

1-Noor Mahal Road, Bahawalpur.
PABX: (062) 9255320-22
Direct: (062) 9255325
Fax: (062) 9255324

Branch Network

KHANEWAL

DAHA Plaza, Chowk Markazi, Khanewal.
PABX: (065) 9200274-76, 9200271
Direct: (065) 9200277
Fax: (065) 9200273

RAHIM YAR KHAN

Ashraf Complex, Model Town, Rahim Yar Khan.
PABX: (068) 5879851-53
Direct: (068) 5879848
Fax: (068) 5879850

SADIQABAD

78-D, Allama Iqbal Road,
New Town, Sadiqabad.
PABX: (068) 5802377-78
Direct: (068) 5802387
Fax: (068) 5802374

CHANNI GOTH

Uch Road, Channi Goth, Tehsil Ahmedpur East,
District Bahawalpur
PABX: (062) 2783008 – 9
Direct: (062) 2783444

HASILPUR

Baldia Road, Hasilpur
PABX: (062) 2448030
Direct: (062) 2448002
Fax: (062) 2448035

DERA GHAZI KHAN

Jampur Road,
Dera Ghazi Khan
PABX: (064) 9260669 – 70
Direct: (064) 9260675
Fax: (064) 9260674

CHOWK AZAM, DISTT. LAYYAH

Mohallah Awan Colony, Chowk Azam,
Tehsil & Distt. Layyah
PABX: (0606) 380112 – 3
Direct: (0606) 372321
Fax: (0606) 380114

GUJRANWALA – AREA

G.T. ROAD, GUJRANWALA

G.T. Road, Gujranwala.
PABX: (055) 9200855-56,
(055) 9200861-62
Direct: (055) 9200857
Fax: (055) 9200858

GUJRAT

Hassan Plaza, G.T. Road, Gujrat.
PABX: (053) 3530164-5
Direct: (053) 3530178
Fax: (053) 3530179

JALALPUR BHATTIAN

Ghala Mandi, Jalalpur Bhattian.
PABX: (0547) 501013-14
Direct: (0547) 501012
Fax: (0547) 501015

SHEIKHUPURA

Property No. B-IX-6S-44,
Main Lahore-Sargodha Road,
Sheikhupura.
PABX: (056) 3788031 & 3788071
Direct: (056) 3788037
Fax: (056) 3788084

MANDI BHAUDDIN

Dr. Sakina Rizvi Road,
Mandi Bhauddin,

Direct: (0546) 600728
Fax: (0546) 600387

LALAMUSA

G.T. Road, Lalamusa
PABX: (0537) 519690 –91
Direct: (0537) 519694
Fax: (0537) 519693

KAMONKEY

G.T. Road, Kamonkey
PABX: (055) 6816081

SIALKOT

Sialkot Cantt

Tariq Road, Sialkot Cantt.
PABX: (052) 4299001-03,
Direct: (052) 4299005
Fax: (052) 4299004

Sialkot

Paris Road, Sialkot, P.O. Box 2890.
PABX: (052) 4262806-08
Direct: (052) 4265522
Fax: (052) 4299004

DASKA

Rest House Chowk,
Gujranwala Road, Daska, Distt. Sialkot
PABX: (052) 6615815
Direct: (052) 6613634
Fax: (052) 6615842

SOUTH REGION

KARACHI-I – AREA

Karachi

Cloth Market
Laxmidas Street,
Karachi - 74000.
PABX: (021) 2472611-5
Direct: (021) 2472607
Fax: (021) 2472605

Jodia Bazar

Abdullah Mansion, Bombay Bazar,
Jodia Bazar, Krachi
PABX: (021) 2474851-55
Direct: (021) 2473498
Fax: (021) 2471224

M.A. Jinnah Road

Survey No. 4, Sheet No. RB-7, Aram Bagh
Quarters,
M.A. Jinnah Road, Karachi.
PABX: (021) 2217531-34
Direct: (021) 2217490
Fax: (021) 2217494

Marriot Road

Rawalpindiwala Building,
Marriot Road, Market Quarters, Karachi.
PABX: (021) 2418425-28
Direct: (021) 2418412
Fax: (021) 2418420

New Challi

Abdullah Square Building,
Shahrah-e-Liaquat, New Challi, Karachi. Postal
Code 74000.
PABX: (021) 2471042-44
Direct: (021) 2471021
Fax: (021) 2471023

North Napier Road

Ishaq Chamber, North Napier Road, Karachi.
PABX: (021) 2549581-2
Direct: (021) 2549588
Fax: (021) 2549585

Saima Trade Tower

Il. Chundrigar Road, Karachi.
P.O. Box 1096.
PABX: (021) 2630731-3,
(021) 2624316, 2634610
Direct: (021) 2624714, 2631178
Fax: (021) 2631176

Timber Market

Plot No. LA-7/116,
Siddiq Wahab Road, Timber Market, Lawrence
Quarters, Karachi.
PABX: (021) 2770784-85, 2770737
Direct: (021) 2770800
Fax: (021) 2770055

Karachi Stock Exchange

Office No. 55 & 56,
Old Stock Exchange Building, Karachi
PABX: (021) 2446050-51, 2446053-54
Direct: (021) 2446550
Fax: (021) 2446559

Paper Market

Plot No. 21, Frere Road,
Shahrah-e-Liaquat, Serai Quarter, Karachi
PABX: (021) 2600909 – 11
Direct: (021) 2600901
Fax: (021) 2600912

KARACHI-II – AREA

Badar Commercial Area

29-C, Badar Commercial Area, Street No. 1,
Phase-V, DHA, Karachi - 75500.
PABX: (021) 5344175-77
Direct: (021) 5344171
Fax: (021) 5344174

Clifton

Marine Trade Centre, Block-9, Clifton, Karachi.
P.O. Box 13807.
PABX: (021) 5868551-4 & 5832916
Direct: (021) 5862868
Fax: (021) 5868555

Khayaban-e-Ittehad, DHA

Plot No. 25 – C, ,Khayaban-e-Ittehad, Phase –
II Extension, Defence Housing
Authority, (DHA), Karachi.
PABX: (021) 5387491 – 2
(021) 5384902 – 5
Direct: (021) 5387493
Fax: (021) 5387814

Korangi Industrial Area

Plot No. ST 2/3, Sector 23,
Main Korangi Road,
Korangi Industrial Area, Karachi.
PABX: (021) 5115024-26
Direct: (021) 5115020
Fax: (021) 5115027

Saddar

Sindh Small Industries Building, Regal Chowk,
Saddar, Karachi.
PABX: (021) 2762840-2, 2741396-7
Direct: (021) 2760506
Fax: (021) 2760992

Khayaban-e-Sehar

Plot No. 2C, Sehar Lane No. 04, Khayaban-e-Sehar, DHA Phase – VII, Karachi
 PABX: (021) 5847239 –41, 5847012 – 1, 5847251 –52
 Direct: (021) 5847446
 Fax: (021) 5847022

DHA Phase – IV

9th Commercial Street, DHA Phase – IV, Karachi.
 PABX: (021) 5313055 – 58
 Direct: (021) 5313091
 Fax: (021) 5313059

Bismillah Chowrangi, Korangi

R – 01, Sector No. 36 E, Bismillah Chowrangi, Area 5 D, Korangi No. 06, Karachi.
 PABX: (021) 5049330 – 31
 Direct: (021) 5049210
 Fax: (021) 5049352

Khayaban-e-Bokhari, DHA Phase – VI

43 – C, Khayaban-e-Bokhari, DHA Phase – VI, Karachi.
 PABX: (021) 5242747 – 50
 Direct: (021) 5242745
 Fax: (021) 5242754

(Sub-Branch)**PTA, Korangi**

ST: 7, 7 – A, Sector Pakistan Tanners Association, Korangi Industrial Area, Karachi
 Direct: (021) 5116120
 Fax: (021) 5116121

KARACHI-III – AREA**Atrium Mall**

249- Staff Lines, Fatima Jinnah Road, Karachi.
 PABX: (021) 5650953, 5651046, (021) 5651048, 5651091
 Direct: (021) 5650940
 Fax: (021) 5651207

Bahadurabad

Zeenat Terrace, Block No. 3, Bahadurabad Jang Society, Bahadurabad, Karachi.
 PABX: (021) 9232565-68
 Direct: (021) 9232569
 Fax: (021) 9232574

Federal B Area

Plot No. ST-2/B, Block No. 14, Al-Siraj Square, Federal B Area, Karachi.
 PABX No. (021) 6806091-92
 Direct (021) 6806152
 Fax: (021) 6806095

Malir Cantt.

Cantt. Bazar, Malir Cantt. Karachi.
 PABX: (021) 4491603 – 7
 Direct: (021) 4491601
 Fax: (021) 4491609

Marston Road

Shafiq Shopping Plaza, Marston Road, Karachi.
 PABX: (021) 2745722-4
 Direct: (021) 2745772
 Fax: (021) 2745644

Shaheed-e-Millat

A/22, Block No. 7 & 8, Anum Pride, K.C.H.S Commercial Area, Main Shaheed-e-Millat Road, Karachi.
 PABX: (021) 4392875-76 & 4392887
 Direct: (021) 4392850
 Fax: (021) 4392886

Shahrah-e-Faisal

11-A, Progressive Square, Block 6, P.E.C.H.S., Karachi.
 PABX: (021) 4520026-9
 Direct: (021) 4526641
 Fax: (021) 4520030

Tariq Road

Plot No. 299 – C & 300 – C, Block No. 2, P.E.C.H.S, Main Tariq Road, Karachi
 PABX: (021) 4301888-95,
 Direct: (021) 4301887
 Fax: (021) 4301896

MAKRO Saddar

148/1, Opposite 603 Workshop, Mubarak Shaheed Road, Saddar, Karachi
 PABX: (021) 2792473 – 79
 Direct: (021) 2792471
 Fax: (021) 2792480

Mehmoodabad

Plot No. 1045, Street No. 4, Mehmoodabad, Karachi
 PABX: (021) 5315725 – 27
 Direct: (021) 5315729
 Fax: (021) 5315728

KARACHI-IV – AREA**Bohra Pir**

Plot No. 22/1, Princess Street, Bohra Pir, Ranchore Line, Karachi.
 PABX: (021) 2744768-69
 Direct (021) 2745961
 Fax: (021) 2744779

Gabol Town

Plot No. 1, Sector 12-B, North Karachi Industrial Area, Karachi
 PABX: (021) 6950332
 Direct: (021) 6950335
 Fax: (021) 6950333

Gulistan-e-Jauhar

Asia Pacific Trade Centre, Rashid Minhas Road, Karachi. P.O. Box: 75290.
 PABX: (021) 4632500-04
 Direct: (021) 4630166
 Fax: (021) 4632505

Gulshan-e-Iqbal

University Road, Gulshan-e-Iqbal, Karachi.
 PABX: (021) 9244365-69
 Direct: (021) 9244361
 Fax: (021) 9244370

Hydri North Nazimabad

Plot No. 5F/14-18, Al Burhan Arcade, Block-E, Barkat-e-Hydri, North Nazimabad, Karachi.
 PABX: (021) 6632904-6
 Direct: (021) 6632920
 Fax: (021) 6632922

Metroville

G-50, Block – 3, Metroville, Karachi.
 PABX: (021) 6762532-5
 Direct: (021) 6762541
 Fax: (021) 6762527

S.I.T.E.

B-17, Estate Avenue, S.I.T.E, Karachi.
 PABX: (021) 2585914-17
 Direct: (021) 2585911
 Fax: (021) 2585525

Manghopir

Plot No. ST – 2, Islamia Colony No. 1, Manghopir, Karachi
 PABX: (021) 6661654, 6697208, 6693844,
 Direct: (021) 6693385
 Fax: (021) 6668209

Gulshan Chowrangi, Gulshan-e-Iqbal

Plot No. FL-3/TH-8, KDA Scheme – 24, Allama Shabir Ahmed Usmani Road, Block – 3, Gulshan Chowrangi, Gulshan-e-Iqbal, Karachi
 PABX: (021) 4834082 – 88
 Direct: (021) 4834080
 Fax: (021) 4834089

Nagan Chowrangi

R – 429, Sector 11/C-1, North Karachi Township, Karachi
 PABX: (021) 6950020 – 25
 Direct: (021) 6950015
 Fax: (021) 6950026

HYDERABAD - AREA**DAHARKI**

1276, Main Road, Zafar Bazar, Daharki, Distt. Ghotki.
 PABX: (0723) 641266
 Direct: (0723) 642626
 Fax: (0723) 42260

GHOTKI

Plot No. D-9, Deh Odher Wali, Qadirpur Road, Opposite Town Committee, Ghotki.
 PABX: (0723) 600500
 Direct: (0723) 600707
 Fax: (0723) 600526

HYDERABAD**Saddar**

332-333, Saddar Bazar, Hyderabad. P.O Box 470.
 PABX: (022) 2783616, 2783618, (022) 2784852, 2783615
 Direct: (022) 2783615
 Fax: (022) 2784760

Shahrah-e-Noor Muhammad Market,

C.S. Nos. 2611/1&2611/2
 Shahrah-e-Noor Muhammad Market, Hyderabad
 PABX: (022) 2784852, 2783615
 Direct: (022) 2613192
 Fax: (022) 2613193

JACOBABAD

Ward No. 05, Quaid-e-Azam Road, Jacobabad.
 PABX: (0722) 651866 – 67
 Direct: (0722) 652266
 Fax: (0722) 650344

Branch Network

KANDHKOT

Plot No. 29/1, Tower Road,
Kandhkot
PABX: (0722) 572361 & 572367
Direct: (0722) 571644
Fax: (0722) 573788

LARKANA

Bunder Road, Larkana.
PABX: (074) 4053823-24,
(074) 4045381-2
Direct: (074) 4053676
Fax: (074) 4045371

MIRPURKHAS

C.S. 835, Ward B, M.A. Jinnah Road,
Mirpurkhas.
PABX: (0233) 9209031-32
Direct: (0233) 9290333
Fax: (0233) 9290335

NAWABSHAH

Katchary Road, Nawabshah.
PABX: (0244) 9370460-64
Direct: (0244) 9370466
Fax: (0244) 9370467

SUKKUR

Sarafa Bazar, Sukkur.
PABX: (071) 5628267-8
Direct: (071) 5627218
Fax: (071) 5627219

TANDO ALLAHYAR

City Survey No. 1610/12.
Ward "B", Qaimabad,
Tando Allahyar
PABX: (022) 3899223 – 26
Direct: (022) 3892963
Fax: (022) 3892962

KHAIRPUR

Plot No. B -265 (T-342-A),
C.S. No. 46, Mullah New Goth, Katchery Road,
Khaipur
PABX: (0243) 553913 – 4
Direct: (0243) 715903
Fax: (0243) 553915

SHIKARPUR

Plot No. 5/137/1, 138, Circular Road, Store
Ganj, Shikarpur
PABX: (0726) 513258 – 9
Direct: (0726) 513261
Fax: (0726) 513260

QUETTA – AREA

Cantt.

Bolan Complex, Chiltan Road, Quetta Cantt.
PABX: (081) 2882101-102
Direct: (081) 2882105
Fax: (081) 2882100

Hazar Ganji

Fruit Market, Hazar Ganji, Quetta.
PABX: (081) 2460808
Direct: (081) 2460806
Fax: (081) 2460807

M.A. Jinnah Road

M.A. Jinnah Road,
Quetta.
PABX: (081) 2843751-2
Direct: (081) 2844374
Fax: (081) 2824602

Masjid Road

Cut Piece Gali No. 7,
Cloth Market, Quetta - 87300.
PABX: (081) 2824008-09
Direct: (081) 2824004
Fax: (081) 2845227

Meezan Chowk

Liaqat Bazar, Meezan Chowk, Quetta.
PABX: (081) 2668386-87
Direct: (081) 2665985
Fax: (081) 2668389

Satellite Town

Kasi Plaza, Sirki Road,
Satellite Town, Quetta.
PABX: (081) 2451535-36
Direct: (081) 2451530
Fax: (081) 2451538

Samungly Road

Plot No. 01, Shop No. 1 to 5, Night Star
Complex, Samungly Road, Quetta.
PABX: (081) 2870086
Fax: (081) 2870104

CHAMAN

Trunch Road, Off Mall Road,
Chaman, (Balochistan).
PABX: (0826) 613330
Direct: (0826) 614447
Fax: (0826) 613331

GAWADAR

Airport Road, Gawadar.
PABX: (0864) 211359-60
Direct: (0864) 211357
Fax: (0864) 211358

Corporate Banking

Bahria Complex III, Karachi

Plot No. 1/F, Bahria Complex III, Moulvi
Tamizuddin Road, Karachi
Direct: (021) 5615306

Park Lane Towers, Lahore

172, Park Lane Towers,
Lahore
PABX: (042) 6622491 –95
Direct: (042) 6622481
Fax: (042) 6622490

OVERSEAS

OPERATIONS

Bahrain "Wholesale Bank (Branch)"

P.O. Box 11720, Diplomatic Area, Manama
Kingdom of Bahrain.
Tel: (00973) 17530500
Direct: (00973) 17535439
Fax: (00973) 17532400

ISLAMIC BANKING BRANCHES

ISLAMABAD

Jinnah Avenue

38 – Zahoor Plaza, Jinnah Avenue, Blue Area,
Islamabad.
Direct: (051) 9211467
Fax: (051) 9211476

(Sub-Branch)

F – 10 Markaz
Unit No. 5, Plot No. 1-W, Ground Floor, Main
Double Road, F-10 Markaz, Islamabad
Direct: (051) 2111902
Fax: (051) 2111839

KARACHI

Jodia Bazar

Buidling MR-3/30, Qazi Usman Road,
Near Lal Masjid, Karachi.
PABX: (021) 2410025-29
Direct: (021) 2421145, 2421146
Fax: (021) 2421147

North Nazimabad

Plot No. D-5, Block – L,
North Nazimabad, Karachi
Direct: (021) 6640972
Fax: (021) 6641390

DHA

106 – C, Jami Commercial Street – 11,
Phase VII, Pakistan Defence Officers Housing
Authority, Karachi
PABX: (021) 2003887
Fax: (021) 2003888

S.I.T.E

Shop No. 3, Plot No. E-2, Estate Avenue, S.I.T.E,
Karachi
Direct: (021) 2003888
Fax: (021) 2421147

(Sub-Branch)

Shahrah-e-Faisal

Shop No. 7, Plot No. 110, Block 'A', Amber
Plaza, SMCHS, Crossing Shahrah-e-Faisal,
Karachi

Direct: (021) 4544948

Fax: (021) 4544953

LAHORE

Circular Road
Near Ram Gali, Circular Road, Lahore
PABX: (042) 7379301 – 9
Fax: (042) 7379310

Gulberg

Plot no. 5 – B, Main Gulberg,
Near EFU Building, Jail Road, Lahore
PABX: (042) 5790603 – 09
Direct: (042) 5790601
Fax: (042) 5790610

DHA

155, Block Y, Phase – 3C, Defence Housing
Authority, Lahore Cantt.
PABX: (042) 5692702 –04, 5692725 – 30
Fax: (042) 5692798

Peco Road

Plot No. 875, Block – D, Faisal Town, Peco
Road, Lahore
PABX: (042) 5221755 – 57
Direct: (042) 5221751
Fax: (042) 5221758

PESHAWAR

Peshawar Cantt.

1-2, Cantt. Plaza, Fakhr-e-Alam Road,
Peshawar.
PABX: (091) 9213740-41
Direct: (091) 9213743
Fax: (091) 9313742

G.T. Road, Peshwar

Ground Floor, Daily Aaj Building, G.T. Road,
Peshawar.
PABX: (091) 2261655 – 56
Fax: (091) 2261654
RAWALPINDI

Chandani Chowk

149-B, Chandani Chowk,
Murree Road, Rawalpindi.
PABX: (051) 9291091-4
Direct: (051) 9291095, 9291096
Fax: (051) 9291097

QUETTA

M.A. Jinnah Road

2-14/2-3, Near Dr. Bano Road, Adjacent
to Ahmed Complex, M.A. Jinnah Roadm, Quetta.
PABX: (081) 2820922-23
Direct: (081) 2820910, 2820927
Fax: (081) 2820943

Multan

Abdali Road

Shop No. 33& 34, Khan Centre, Abdali Road,
Multan
PABX: (061) 4500263 – 7
Direct: (061) 4500262
Fax: (061) 4500268

Gujranwala

G.T. Road

BXII-7S-III, Near Din Plaza, G.T. Road,
Gujranwala
PABX: (055) 9201341 – 42
Direct: (055) 9201344
Fax: (055) 9201343

Faisalabad

Kohinoor City

Plot No. C-11, Square No. 64, Kohinoor City,

Jaranwala Road, Faisalabad

PABX: (041) 9220623 – 29

Direct: (041) 9220620

Fax: (041) 9220622

Sialkot

Paris Road

Sharif Plaza, Ground Floor, Paris Road, Sialkot

Direct: (052) 9250161

Fax: (052) 9250164

Hyderabad

Main Risala Road

F-73 & 74, Main Risala Road, Hyderabad

PABX: (022) 2730962

Direct: (022) 2730961

Fax: (022) 2730970

Balance Sheet in US\$

as at December 31, 2008

US\$ in '000	2008	2007
Assets		
Cash and balances with treasury banks	202,654	215,420
Balances with other banks	49,999	56,404
Lendings to financial institutions	56,635	232,970
Investments	451,055	635,984
Advances	1,628,580	1,625,486
Operating fixed assets	104,508	82,717
Deferred tax assets	–	–
Other assets	113,333	89,275
	2,606,764	2,938,256
LIABILITIES		
Bills payable	32,679	42,372
Borrowings	192,041	283,121
Deposits and other accounts	2,119,845	2,307,044
Sub-ordinated loans	37,878	48,344
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	164	7,605
Other liabilities	60,167	51,932
	2,442,774	2,740,418
NET ASSETS	163,990	197,839
REPRESENTED BY		
Share capital/ Head office capital account	51,313	48,492
Reserves	96,932	112,070
Unappropriated profit	3,906	34,594
	152,151	195,156
Surplus on revaluation of assets – net of tax	11,839	2,683
	163,990	197,839

Note:

The above is for information only and conversions have been made @ 1US\$ = Pak Rs. 79.0985 as at December 31, 2008 (1US\$ = Pak Rs. 62.00 as at December 31, 2007)

Profit and Loss Account in US\$

For the year ended December 31, 2008

US\$ in '000	2008	2007
Mark-up / return / interest earned	232,537	244,246
Mark-up / return / interest expensed	134,651	140,091
Net mark-up / interest income	97,885	104,155
Provision against non-performing loans and advances	48,355	63,230
Provision for impairment in the value of investments	6	24
Bad debts written off directly	3,127	–
	51,488	63,254
Net mark-up / interest income after provisions	46,397	40,901
NON MARK-UP/INTEREST INCOME		
Fee, commission and brokerage income	15,899	17,304
Dividend income	2,195	2,211
Income from dealing in foreign currencies	11,043	10,577
Gain on sale of securities – net	465	38,085
Unrealised gain on revaluation of investments classified as held for trading – net	–	–
	283	28
Other income	4,338	5,432
Total non-markup / interest income	34,223	73,637
	80,622	114,538
NON MARK-UP/INTEREST EXPENSES		
Administrative expenses	74,643	77,251
Other provisions / write offs	6	–
Other charges	139	194
Total non-markup / interest expenses	74,788	77,445
	5,834	37,093
Extra ordinary / unusual items	–	–
PROFIT BEFORE TAXATION	5,834	37,093
Taxation – current year	220	1,589
– prior years'	(632)	(3,773)
– deferred	1,363	(3,965)
	951	(6,149)
PROFIT AFTER TAXATION	4,883	43,242
Unappropriated profit brought forward	27,116	29,032
Profit available for appropriation	31,999	72,274
Basic / diluted earnings per share – US\$	0.01	0.14

Note:

The above is for information only and conversions have been made @ 1US\$ = Pak Rs. 79.0985 as at December 31, 2008 (1US\$ = Pak Rs. 62.00 as at December 31, 2007)

Notes

AGM

On March 30, 2009 at 10:00 am

Blue Lagoon Complex

Opposite Outward Gate of

Pearl Continental Hotel, Rawalpindi.

Form of Proxy

Askari Bank Limited

Folio No. _____ or CDC participant identity No. _____ CDC A/C No. _____

I / We _____

of _____

being a member(s) of the Askari Bank Limited holding shares No. _____

HEREBY APPOINT _____

of _____

also a member of the Askari Bank Limited (Folio No. _____) or failing him / her _____

_____ of _____ also a member of Askari Bank Limited (Folio No. _____) as my / our proxy

to vote for me / us, and on my / our behalf at the 17th Annual General Meeting of Askari Bank Limited to be held at 10:00 a.m. Monday, the 30th day of March 2009.

Signed this _____ day of _____ 2009.

Witnesses:

1. Name: _____

Address: _____

C.N.I.C. No. _____

Signature _____

Affix Revenue Stamp
of Five Rupees

2. Name: _____

Address: _____

C.N.I.C. No. _____

Signature _____

Signature _____

(Signature should agree with
the specimen signature
registered with the Bank).

NOTES:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his / her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy, thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 1st Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

The Company Secretary:

ASKARI BANK LIMITED

AWT Plaza, The Mall, P.O. Box No. 1084,
Rawalpindi - Pakistan.