

In the Name of
ALLAH
The Most Gracious,
The Most Merciful





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Corporate Information

Board of Directors

H.H. Sheikh Hamdan Bin Mubarak Al Nahayan	Chairman
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Abdulla Nasser Hawaileel Al-Mansoori	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Ikram Ul-Majeed Sehgal	Director
Mr. Nadeem Iqbal Sheikh	Director
Mr. Sirajuddin Aziz	Chief Executive Officer

Board Advisory Committee

Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Bashir A. Tahir	Member
Mr. Ganpat Singhvi	Member
Mr. M. Iftikhar Shabbir	Secretary

Board Audit Committee

Mr. Abdulla Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Nadeem Iqbal Sheikh	Member
Mr. Bashir A. Tahir	Member
Mr. Ganpat Singhvi	Member
Mr. M. Iqbal Saifi	Secretary

Board Credit And Finance Committee

Mr. Abdulla Khalil Al Mutawa	Director
Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Ganpat Singhvi	Member
Mr. Bashir A. Tahir	Member
Mr. M. Iftikhar Shabbir	Secretary

Board Risk Management Committee

Mr. Khalid Mana Saeed Al Otaiba	Director
Mr. Abdulla Khalil Al Mutawa	Director
Mr. Ganpat Singhvi	Member
Mr. Bashir A. Tahir	Member
Mr. Haroon Khalid	Secretary

Central Management Committee

Mr. Sirajuddin Aziz	Chairman
Mr. Parvez A. Shahid	Co-Chairman
Mr. Shakil Sadiq	Member
Mr. Mohammad Yousuf	Member
Mr. Nadeemul Haq	Member
Mr. Bakhtiar Khawaja	Member
Mr. Adil Rashid	Member
Mr. Ijaz Farooq	Member
Mr. Arfa Waheed Malik	Member
Mr. Ashfaq A. Qureshi	Secretary

Chief Operating Officer

Mr. Shakil Sadiq

Company Secretary

Mr. Hamid Ashraf

Chief Financial Officer

Mr. Zahid Ali H. Jamall

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Registered / Head Office

B. A. Building
I. I. Chundrigar Road
Karachi.

Website

www.bankalfalah.com



Notice of the 17th Annual General Meeting

NOTICE is hereby given that the 17th Annual General Meeting of Bank Alfalah Limited will be held on Saturday, 18th April 2009 at 04:00 PM at Ballroom "A" of Pearl Continental Hotel, Karachi, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of the Extra-Ordinary General Meeting held on 31st October 2008.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts of the Bank for the year ended December 31, 2008 together with Directors' Report and Auditors' Report thereon, including post-facto approval of remuneration paid to non-executive directors for attending Board Committees meetings reported at Notes 27 and 36 of the Annual Accounts, as required under SBP Prudential Regulations.
3. To consider and approve bonus shares in the proportion of one (1) share for every eight (8) shares held i.e. 12.50% as recommended by the Board of Directors.
4. To appoint Auditors of the Bank for the year 2009 and fix their remuneration.
5. To transact any other business with the permission of the Chair.

Karachi

Dated: 28th March 2009

By Order of the Board

HAMID ASHRAF

Company Secretary

NOTES:

1. The Share Transfer Books of the Bank will remain closed from 11th April 2009 to 18th April 2009 (both days inclusive). Transfers received at the office of our Share Registrar, M/s. F. D. Registrar Services (SMC-Pvt) Limited, before the close of business on 10th April 2009 will be treated in time for the purpose of entitlement of Bonus Shares.
2. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
3. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, F.D. Registrar Services (SMC-Pvt) Limited, 1700-A, 17th Floor, Saima Trade Tower, I.I.Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.
4. Those shareholders, whose shares are deposited with Central Depository Company of Pakistan Ltd. (CDC) are requested to bring their original Computerized National Identity Card (CNIC) alongwith participant's ID number and their account/sub-account numbers in CDC to facilitate identification at the time of Annual General Meeting. In case of Proxy, attested copies of proxy's CNIC or passport, Account and Participant's I.D. numbers must be deposited alongwith the Form of Proxy with our Share Registrar as per paragraph No.3 above. In case of Proxy for corporate members, the Board of Directors' Resolution/Power of Attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier to the Share Registrar).
5. Shareholders are requested to notify change in their address, if any, to our Share Registrar, F.D. Registrar Services (SMC-Pvt) Limited.

Directors' Report to the Shareholders

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2008.

Profit before provision and Taxation

Provisions

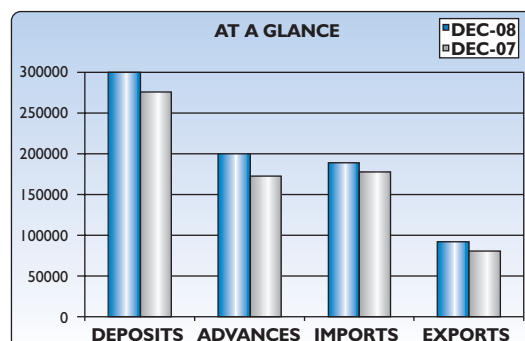
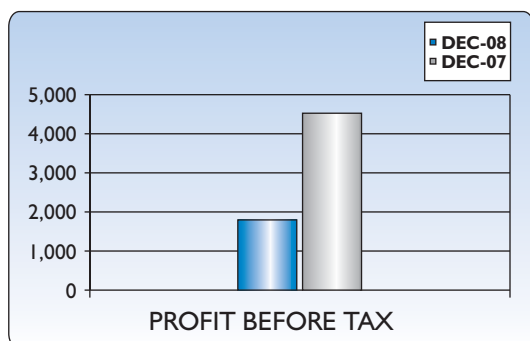
Profit before Taxation

Taxation

Profit After Taxation

Earnings per share

2008	2007
(Rupees in '000)	
3,830,717	6,906,419
(2,035,997)	(2,370,867)
1,794,720	4,535,552
(493,419)	(1,405,323)
1,301,301	3,130,229
Rs. 1.63	Rs. 3.92



Bonus Shares

The directors recommend the issue of fully paid bonus shares in the ratio of one share for every eight shares held i.e. 12.50% subject to approval of the Shareholders.

Operating Results

During the year the bank's profit before taxation stood at Rs. 1,794.720 million compared to Rs. 4,535.552 million the previous year. It is significant to record here that in the current year your bank has charged full impairment on equity securities amounting to Rs. 1,438.7 Million as per international accounting standards. It is pertinent to note here that in 2007 the bank earned capital gain on sale of Warid Telecom shares amounting to Rs. 1,789 million. Therefore the bank's profit before taxation and impairment from core operations in the current year is 17.70% higher than corresponding year after adjusting for the one time capital gain of Warid Telecom Sales and impairment on equity securities.

Based on the SBP recent circular on FSV, your bank has taken the benefit of the same by decreasing the provisioning requirements by Rs.622.245M and resultantly increasing the profit before provision and taxation. The additional profit arising from availing the FSV benefit -net of tax at year end which is not available for either cash or stock dividend to shareholders amounted to Rs.404.459 M approx.

As at December 31, 2008, deficit arising on revaluation of equity investments classified as available for sale amounting to Rs 1,438.7 million (net of taxes Rs.935.150 M) have been charged to the Profit and Loss Account as impairment loss in accordance with the requirements of International Accounting Standards.

We continue to strengthen our presence in the market place and as of year end 2008, we have a network of 282 branches that includes 48 Islamic Banking branches, seven foreign branches five in Bangladesh and two in Afghanistan and one offshore banking unit in Bahrain.

Initiatives, efforts and key developments

The organization wide restructuring process has culminated. At this stage, the centralization segment has been almost completed. Branches are operating as customer contact points providing a clutter free environment and better customer service. Centralization of processes has led to marked improvement in turnaround times and greater customer satisfaction for more focus and improvement in procedure controls and delivery channels.

The scope and magnitude of Temenos T24 implementation in Bank Alfalah is large and complex in comparison to all other implementations in Pakistan. At Bank Alfalah, we have implemented all the modules i.e. Core (Operations), Trade Finance, Core Credits, and Consumer Finance. ATM, POS and Credit Card system is also integrated with T24 and is operational from the very first day of a major branch going live, which was on February 6th 2009. All Online Cash and Transfer Transactions for seamless integration of T24 and Bank Smart (present banking application) are operating with a coexistence strategy.

Economic Overview

Pakistan's economy has witnessed the most challenging period after posting six consecutive years of healthy economic growth. The economy contained the writ to post a GDP growth of 8% and above for 3 years consecutively and a healthy forex reserves balance of US\$ 16.5 billion. A booming financial industry, an aggressively growing real estate market and an extremely promising telecom sector set the foundation of this increasingly competitive environment.

However, the strong fundamentals were compromised to prevailing global crises whose trickledown effect eventually shook the confidence of global investors and FDI flowing in the country. The steep rise in oil prices to US\$147 a barrel, soaring inflation hitting a 24% mark, huge fiscal deficits and balance of payments issues coupled with plummeting forex reserves added to the economy's move to an unstable growth trajectory.

The banking sector has remained remarkably strong and resilient during the last 18 months but the excessive dependence of economy on banking system is quite stark in comparison with the other emerging economies. With strong regulatory oversight, there has been a significant enhancement of capital and risk-weighted capital adequacy, supported by high provisioning requirements which were continuously tightened by the SBP in FY08.

Credit Rating

PACRA, a premier rating agency of the country, has rated the Bank 'AA' (double A), Entity Rating for Long Term and A1+ (A one plus) for the Short Term. These ratings denote a very low expectation of credit risk, strong capacity for timely payment of financial commitments in the long term and by highest capacity for timely repayment in the short term, respectively. Further, the unsecured subordinated debt (Term Finance Certificates) of the Bank has been awarded a credit rating of AA- (double A minus).

Corporate Governance

1. The Bank has implemented the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2008. A prescribed statement by the management together with the Auditors' Review Report thereon is annexed.
2. Statement under clause XIX of the Code:
 - a) The financial statements prepared by the management of the Bank, present fairly, the state of affairs, the result of its operations, cash flows and changes in equity.
 - b) Proper books of accounts of the bank have been maintained.
 - c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - d) International Accounting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements.
 - e) The system of internal control is sound in design and has been effectively implemented and monitored.
 - f) There are no doubts about the Bank's ability to continue as a going concern.
 - g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated June 13, 2002.
 - h) Summarized key operating and financial data of last eight years is annexed to the audited accounts.
 - i) Book value of investments and placements by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2008 is:

Staff Provident Fund	Rs. 1,152.467 million
Staff Gratuity Fund	Rs. 429.545 million
 - j) The number of Board meetings held during 2008 were 6 and attended by directors as under:

	No. of Meetings attended
1. H. H. Hamdan Bin Mubarak Al Nahayan	5
2. Mr. Abdulla Nasser Hawaileel Al Mansoori	5
3. Mr. Abdulla Khalil Al Mutawa	6
4. Mr. Khalid Mana Saeed Al Otaiba	6
5. Mr. Ikram Ul-Majeed Sehgal	6
6. Mr. Nadeem Iqbal Sheikh	6
7. Mr. Sirajuddin Aziz	6
 - k) The pattern of shareholding is attached with this report.

Risk Management

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy and "Risk Management & Internal Control" manual. A dedicated Risk Management Division (RMD) has been created with the Head RMD reporting directly to the Chief Executive Officer. Risk Management Division has been structured to address Credit, Market and Operational risk and a team of suitable personnel have been hired.

The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank. RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.

The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. An independent risk review function exists at our Bank through our internal audit division that reports directly to the Board Audit Committee.

After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with the entire Pillar -I requirements of Basel II accord. Moreover, in light of SBP circulars and guidelines, significant progress has also been made in respect of advanced approaches of Basel II. Implementation of Pillar 2 i.e. ICAAP has also been initiated.

We are committed to embracing Risk Management and Basel II implementation at our bank not just as a regulatory compliance exercise but as means to adopt best international practices to enhance stakeholders' value.

Corporate Social Responsibility

The bank as a responsible corporate citizen endeavors to fulfill its social obligations through effective contribution towards well being of society as a whole. Donations of Rs. 2.350 million have been made during the year to the education and health services organizations

Subsidiary Company

Bank Alfalah Limited has 76% shareholding in Alfalah Securities (Private) Limited.

Future Plans

In 2009, we plan to open more branches all over Pakistan.

Acknowledgement

The Board would like to thank our valued customers for their continued patronage and support, the State Bank of Pakistan, Ministry of Finance and other regulatory authorities for their continuous guidance and support with whom we enjoy a very cordial relationship. The Board would also like to place on record its appreciation for the hard work, dedication, professionalism and sincere efforts of the senior management, officers and staff of the Bank at all levels.

SIRAJUDDIN AZIZ

Director & Chief Executive Officer

March 25, 2009

Abu Dhabi



Eight Year Financial Summary

		2001	2002	2003	2004	2005	2006	2007	2008
OPERATIONAL RESULTS									
Total Income		3,700	5,246	7,425	7,140	14,515	24,416	31,822	36,292
Operating Expenses		744	1,184	1,803	2,679	4,344	5,918	8,289	10,623
Profit before Income Tax and Provision		510	948	3,593	2,026	2,966	3,264	6,906	3,831
Profit before Income Tax		524	895	3,506	1,654	2,563	2,566	4,536	1,795
Profit after Taxation		311	446	2,123	1,092	1,702	1,763	3,130	1,301
BALANCE SHEET									
Shareholders' Equity		1,362	1,616	3,753	4,369	6,738	10,573	13,767	14,609
Total Assets		40,098	65,167	98,952	154,835	248,314	275,686	328,895	348,991
Advances - net of provision		19,131	28,319	49,216	88,931	118,864	149,999	171,199	192,671
Investments - net of provision		11,397	24,470	28,904	35,503	57,416	56,502	88,492	75,973
Deposits and other accounts		30,207	51,685	76,698	129,715	222,345	239,509	273,174	300,733
OTHERS									
Imports		26,658	33,879	46,807	78,472	116,210	119,937	184,305	190,289
Exports		25,261	33,057	44,273	57,317	71,847	70,844	79,090	93,406
RATIOS									
Capital Adequacy	%	9.56	8.70	8.45	8.16	8.66	9.48	9.85	8.03
Profit before Tax ratio (PBT/Gross mark up income)	%	15.45	19.67	86.92	29.43	20.93	12.11	17.59	5.78
Gross spread ratio (Net mark up income/gross mark up income)	%	25.85	31.62	49.71	56.69	41.17	28.12	35.54	34.51
Income/Expense ratio	Times	5.07	4.43	4.12	2.67	3.34	4.13	3.84	3.42
Return on Average Equity (ROE)	%	27.49	29.95	79.08	26.89	30.65	20.37	25.72	9.17
Return on Average Assets (ROA)	%	0.90	0.85	2.59	0.86	0.84	0.67	1.04	0.38
Advances/Deposits Ratio	%	63.33	54.79	64.17	68.56	53.46	62.63	62.67	64.07
Cash Dividends	%	-	25	25	-	12	-	-	15%
Stock Dividend	%	-	33.33	100.00	25.00	-	33.33	30.00	23%
Book value per share excluding revaluation of Assets	Rs.	18.15	16.16	18.77	17.48	22.46	21.15	21.18	18.27
Book value per share including revaluation of Assets	Rs.	28.80	36.53	23.79	21.05	24.88	24.48	24.95	21.32
Basic Earnings per share	Rs.	3.65	2.23	8.49	3.90	3.92	2.91	3.92	1.63
No. of Employees (other than outsourced)	No.	959	1,504	2,133	3,352	5,218	6,543	7,371	7,584

**with the Best Practices of the Code of Corporate Governance**

The Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan to manage a company in compliance with best practices, has been made applicable on banks by the State Bank of Pakistan in June 2002.

The Board of Directors has adopted the Code of Corporate Governance and necessary actions have been initiated for compliance with all applicable and relevant clauses. The bank applies the principles contained in the Code in the following manner:

- i) Except for the Chief Executive Officer, all the other directors are non-executive directors.
- ii) None of the directors of the bank are serving as a director in ten or more listed companies, including this Bank.
- iii) All the resident Directors of the bank are registered as Tax payers and to the best of our knowledge, none of the Directors have defaulted in payment of any loan to a Banking company, a development financial institution (DFI) or a non Banking financial institution (NBFI) or being a member of Stock Exchange, has been declared as a defaulter by that Stock Exchange.
- iv) None of the Directors or their spouses is engaged in the business of Stock Exchange.
- v) "Statement of Ethics and Business Practices" are signed by the directors and employees of the Bank.
- vi) The Board has already adopted its vision / mission statement, overall corporate strategies and significant policies.
- vii) All 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 are approved by the Board.
- viii) The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for the purpose. The Board of Directors have met at least once every quarter and written notices on the Board meeting, 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 to all concerned.
- ix) Directors are aware of the relevant laws applicable to the bank, its polices and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the bank on behalf of the shareholders.
- x) No casual vacancy occurred during the period under review.
- xi) There was no new appointment of CFO, Company Secretary or Head of Internal Audit after the implementation of Code of Corporate Governance.
- xii) An effective internal audit department has already been established.
- xiii) The Directors' Report for this year has been prepared keeping in view the requirements of the Code and fully describes the salient matters required to be disclosed.



with the Best Practices of the Code of Corporate Governance

- xiv) The financial statements of the bank have been duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
- xv) The bank has complied with all the applicable corporate and financial reporting requirements.
- xvi) The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- xvii) The Board has formed an audit committee. It comprises five members, three of which are non-executive directors of the bank.
- xviii) The meetings of the Audit Committee were held at least once every quarter prior to approval of quarterly, half-yearly and final results of the company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
- xix) The statutory auditors of the bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan 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.
- xx) The statutory auditors or the persons associated with them have not been appointed during the period to provide the other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- xxi) The Statement of Compliance with best practices of the code of Corporate Governance is being published and circulated along with the annual report of the bank.

For and on behalf of the Board

Sirajuddin Aziz

Director & Chief Executive Officer

March 25, 2009

Abu Dhabi



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bank Alfalah Limited to comply with Regulation G-I of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI 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 the 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, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2008.

A. F. Ferguson & Co.

Chartered Accountants

Dated: March 26, 2009

Karachi



Statement on Internal Controls

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2008.

It is the responsibility of the bank's management to establish and maintain an adequate and effective system of internal control and every endeavour is made to implement sound control procedures and to maintain a suitable control environment. In this connection the bank has a systems and procedures manual in place which documents policies, procedures and controls for each area of the bank's business, including financial reporting. The Board of Directors have also instituted an effective Internal Audit Division which not only monitors compliance with these policies, procedures and controls and reports significant deviations regularly to the Board Audit Committee but also regularly reviews the adequacy of the internal control system. The observations and weaknesses pointed out by the external auditors are also addressed promptly and necessary steps are taken by the management to eliminate such weaknesses.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the bank's business strategies and policies. It can therefore only provide reasonable and not absolute assurance against material misstatement or loss. In the view of the management, the bank's system of internal control is considered adequate and sound in design and is being effectively implemented and monitored.

For and on behalf of the Board

Sirajuddin Aziz

Director & Chief Executive Officer

March 25, 2009

Abu Dhabi



Auditors' Report to the Members

We have audited the annexed balance sheet of **Bank Alfalah Limited** as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for thirty three branches which have been audited by us and 7 branches 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 the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total domestic 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;
 - (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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2007 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 24, 2008.

A. F. Ferguson & Co.
Chartered Accountants
Dated: March 26, 2009
Karachi



Balance Sheet

As at December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	32,687,335	29,436,378
Balances with other banks	7	21,581,043	18,380,738
Lendings to financial institutions	8	3,315,500	3,452,059
Investments	9	75,973,238	88,491,564
Advances	10	192,671,169	171,198,992
Fixed assets	11	13,773,293	11,922,324
Deferred tax assets		-	-
Other assets	12	8,989,186	6,013,097
		348,990,764	328,895,152
LIABILITIES			
Bills payable	13	3,452,031	4,138,243
Borrowings	14	13,690,222	21,230,697
Deposits and other accounts	15	300,732,858	273,173,841
Sub-ordinated loans	16	2,571,169	3,220,858
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	17	208,465	1,379,809
Other liabilities	18	11,291,280	9,531,860
		331,946,025	312,675,308
NET ASSETS			
		17,044,739	16,219,844
REPRESENTED BY			
Share capital	19	7,995,000	6,500,000
Reserves		3,166,056	2,414,833
Unappropriated profit		3,447,467	4,851,840
		14,608,523	13,766,673
Surplus on revaluation of assets - net of tax	20	2,436,216	2,453,171
		17,044,739	16,219,844
CONTINGENCIES AND COMMITMENTS			
	21		

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

Chief Executive Officer

Director

Director

Chairman



Profit and Loss Account

For the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
Mark-up / return / interest earned	23	31,046,583	25,783,871
Mark-up / return / interest expensed	24	20,331,194	16,620,963
Net mark-up / interest income		10,715,389	9,162,908
Provision against loans and advances	10.4	2,035,997	2,370,867
Provision for diminution in value of investments	9.21	1,479,062	-
Bad debts written off directly	10.5	28,298	5,844
Net mark-up / interest income after provisions		3,543,357	2,376,711
		7,172,032	6,786,197
Non mark-up / interest income			
Fee, commission and brokerage income		2,539,321	2,429,599
Dividend income		300,943	64,722
Income from dealing in foreign currencies		914,845	474,510
Gain on sale of securities	25	424,220	2,059,793
Unrealized loss on revaluation of investments classified as held for trading	9.23	(181,571)	(21,530)
Other income	26	1,247,669	1,031,372
Total non-mark-up / interest income		5,245,427	6,038,466
		12,417,459	12,824,663
Non mark-up / interest expenses			
Administrative expenses	27	10,471,399	8,272,587
Provisions against off-balance sheet obligations	18.2	28,582	6,959
Other charges	28	122,758	9,565
Total non-mark-up / interest expenses		10,622,739	8,289,111
		1,794,720	4,535,552
Extra ordinary / unusual items		-	-
Profit before taxation		1,794,720	4,535,552
Taxation	29		
- Current		1,730,051	1,726,810
- Prior years		(221,797)	-
- Deferred		(1,014,835)	(321,487)
		493,419	1,405,323
Profit after taxation		1,301,301	3,130,229
Unappropriated profit brought forward		4,851,840	2,823,072
Transferred from surplus on revaluation of fixed assets - net of tax		24,586	24,585
Profit available for appropriation		6,177,727	5,977,886
(Rupees)			
Basic / Diluted earnings per share	30	1.63	3.92

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

Chief Executive Officer

Director

Director

Chairman



Cash Flow Statement

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,794,720	4,535,552
Less: Dividend income		(300,943)	(64,722)
		1,493,777	4,470,830
Adjustments:			
Depreciation		1,205,825	956,947
Amortisation		105,751	39,628
Provision against loans and advances (net)		2,035,997	2,370,867
Provision for diminution in value of investments		1,479,062	-
Provisions against off-balance sheet obligations		28,582	6,959
Unrealized loss on revaluation of investments classified as held for trading		181,571	21,530
Bad debts written-off directly		28,298	5,844
Gain on sale of fixed assets		(77,997)	(13,928)
Provision for gratuity		142,926	90,289
		5,130,015	3,478,136
		6,623,792	7,948,966
(Increase) / decrease in operating assets			
Lendings to financial institutions		2,454,477	7,412,388
Held-for-trading securities		519,202	282,444
Advances		(23,536,472)	(23,576,378)
Other assets		(2,973,384)	(819,316)
		(23,536,177)	(16,700,862)
Increase / (decrease) in operating liabilities			
Bills payable		(686,212)	1,047,108
Borrowings		(7,540,475)	12,836,567
Deposits and other accounts		27,559,017	33,664,450
Other liabilities		1,433,984	1,458,532
		20,766,314	49,006,657
Gratuity paid		3,853,929	40,254,761
Income tax paid		(142,926)	(90,289)
Net cash from operating activities		(1,211,397)	(519,147)
		2,499,606	39,645,325
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		12,582,621	(25,815,042)
Net investments in held-to-maturity securities		(705,793)	(4,335,842)
Investment in associated companies		(1,687,218)	(1,554,071)
Dividend income received		298,238	57,201
Investments in operating fixed assets		(3,308,515)	(2,430,028)
Proceeds from sale of fixed assets		223,967	28,049
Net cash from / (used in) investing activities		7,403,300	(34,049,733)
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of sub-ordinated loans		(649,689)	(1,248)
Dividend paid		(975,000)	-
Net cash used in financing activities		(1,624,689)	(1,248)
Exchange difference on translation of the net investments in foreign branches		490,963	39,254
Increase in cash and cash equivalents		8,769,180	5,633,598
Cash and cash equivalents at beginning of the year		48,814,698	43,181,100
Cash and cash equivalents at end of the year	31	57,583,878	48,814,698

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

Chief Executive Officer

Director

Director

Chairman



Statement of Changes in Equity For the year ended December 31, 2008

	Share Capital	Share Premium	Statutory Reserve (a)	Reserve for issue of Bonus Shares	Exchange Translation Reserve	Unappropriated Profit (b)	Total
(Rupees in '000)							
Balance at December 31, 2006	5,000,000	1,000,000	1,701,729	-	47,804	2,823,072	10,572,605
Changes in equity for 2007							
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	3,130,229	3,130,229
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,585	24,585
Exchange differences on translation of net investment in foreign branches	-	-	-	-	39,254	-	39,254
Total recognized income and expense for the year	-	-	-	-	39,254	3,154,814	3,194,068
Transfer to statutory reserve	-	-	626,046	-	-	(626,046)	-
Transfer to reserve for issue of bonus shares	-	(1,000,000)	-	1,500,000	-	(500,000)	-
Issue of bonus shares	1,500,000	-	-	(1,500,000)	-	-	-
Balance at December 31, 2007	6,500,000	-	2,327,775	-	87,058	4,851,840	13,766,673
Changes in equity for 2008							
Profit after taxation for the year ended December 31, 2008	-	-	-	-	-	1,301,301	1,301,301
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,586	24,586
Exchange differences on translation of net investment in foreign branches	-	-	-	-	490,963	-	490,963
Total recognized income and expense for the year	-	-	-	-	490,963	1,325,887	1,816,850
Transfer to statutory reserve	-	-	260,260	-	-	(260,260)	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to the year end at Rs. 1.5 per share	-	-	-	-	-	(975,000)	(975,000)
Transfer to reserve for issue of bonus shares	-	-	-	1,495,000	-	(1,495,000)	-
Issue of bonus shares	1,495,000	-	-	(1,495,000)	-	-	-
Balance at December 31, 2008	7,995,000	-	2,588,035	-	578,021	3,447,467	14,608,523

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

(b) As more fully explained in note 10.4.1 of these financial statements balances of Rs 404.459 million as at December 31, 2008 representing additional profit arising from availing FSV benefit for determining provisioning requirement respectively is not available for the purposes of distribution of dividend to shareholders.

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

Chief Executive Officer

Director

Director

Chairman



I STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 01, 1992. The Bank's registered office is at B.A. Building, I. I. Chundrigar Road, Karachi and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 226 conventional banking branches including 2 sub branches (2007: 191 branches), 7 overseas branches (2007: 7 branches), 48 Islamic banking branches (2007: 32 branches) and 1 offshore banking unit (2007: 1 unit).

- 1.1** In accordance with BSD Circular No. 30 dated November 25, 2008 issued by the State Bank of Pakistan banking companies were required to achieve the minimum Capital Adequacy Ratio (CAR) of 9% latest by December 31, 2008 in order to further strengthen the solvency of individual banking companies operating in Pakistan. The Capital Adequacy Ratio (CAR) of the Bank at December 31, 2008 was 8.03%. The State Bank of Pakistan through its letter no BSD/BAI-3/608/11/2009 dated January 5, 2009 has granted extension to the Bank in meeting the afore-mentioned CAR requirement uptill March 31, 2009 keeping in view the decision of the board of directors to increase the paid-up share capital of the Bank by Rs 3.997 billion through an offer for issue of right shares to the existing shareholders of the Bank. The offer is to be accepted by completing / signing the letter of right and making payment to the Bank on or before March 11, 2009. The offer for right shares amounting to Rs 708.098 million made to the directors of the Bank has subsequently been fully subscribed by February 2009.

2 BASIS OF PRESENTATION

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

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

3 STATEMENT OF COMPLIANCE

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

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002 till further instructions. In addition the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7) on banking companies vide SRO 41 I(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.



Notes to and forming part of the Financial Statements

In addition, Securities and Exchange Commission of Pakistan has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha and IFAS 2 - Ijarah issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006 and IFAS 2 was effective for financial periods beginning on or after July 1, 2007. Subsequently, in accordance with IBD Circular No. 1 dated January 27, 2009 the State Bank of Pakistan has deferred the implementation of IFAS 2 with effect from January 1, 2009. These standards have not been adopted by the stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and Securities and Exchange Commission of Pakistan.

3.2 Amendments to published standards and new interpretations effective in 2008

During the year ended December 31, 2008, IFRIC Interpretation 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' became effective. The interpretation provides guidance on assessing the limit in IAS 19 - 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Bank's financial statements as the Bank's gratuity fund has a deficit and is not subject to any minimum funding requirements.

There are other interpretations that were mandatory for accounting periods beginning on or before January 1, 2008 but were considered not to be relevant or did not have any significant effect on the Bank's operations.

3.3 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2009:

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2006. Accordingly, the management believes that the adoption of this standard will not at present affect the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and Measurement'. The amendments will have an impact on the Bank's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets and the present accounting policy as disclosed in note 5.11 will need to be amended.



Notes to and forming part of the Financial Statements

IAS 19 (Amendment), 'Employee Benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of its adoption on the Bank's financial statements.

IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Bank's financial statements.

IAS 38 (Amendment), 'Intangible Assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Bank's financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not expected to have a significant effect on the bank's financial statements.

IFRS 8 'Operating Segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2006. Accordingly, the management believes that the adoption of this standard will not at present affect the presentation of the financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.



Notes to and forming part of the Financial Statements

4 BASIS OF MEASUREMENT**4.1 Accounting convention**

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and trading and available for sale investments and derivative financial instruments are measured at fair value.

The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency. The amounts are rounded to nearest thousand.

4.2 Critical accounting estimates and judgments

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

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 29)
- iv) accounting for defined benefit plan (notes 5.10 and 34)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

Cash and cash equivalents comprises cash and balances with treasury bank, balances with other banks and call lendings for the purpose of the cash flow statement.

5.2 Sale and repurchase agreements

The Bank enters into purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at a future date (reverse repo) are not recognized, as the Bank does not obtain control over the assets. The amounts paid are recognized in lendings to financial institutions.

Investments sold under repurchase agreements (repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings.



Notes to and forming part of the Financial Statements

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

5.3 Investments

The Bank classifies its investments as follows:

a) Held for trading

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

b) Held to maturity

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

c) Available for sale

These are investments, other than those in subsidiaries and associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

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

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

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

Unquoted equity securities, excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

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

Gains or losses on disposals during the year are taken to profit and loss account.



5.4 Advances

Loans and advances

Loans and advances including financing under murabaha and musharika and net investment in finance lease / ijarah are stated net of provisions against non-performing advances. Specific and general provisions against Pakistan operations are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

Finance lease receivables

Leases / ijarah financing where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value. Finance lease receivables are included in advances to customers.

5.5 Fixed assets

Tangible Assets

Fixed assets except office premises are shown at cost less accumulated depreciation and accumulated impairment losses, if any. Office premises (which includes land and buildings) is stated at revalued amount less accumulated depreciation.

Depreciation is charged to income applying the straight-line method using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

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

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

Gain and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, if any.



Notes to and forming part of the Financial Statements

5.6 Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any.

5.7 Non-Current Assets Held for Sale

The Bank classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.

5.8 Impairment

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

5.9 Taxation

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

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



5.10 Employee benefits

Defined Benefit Plan

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains / losses in excess of 10 percent of the higher of actuarial liabilities or plan assets at the end of the last reporting year are recognized over the average lives of employees.

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

Defined Contribution Plan

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

5.11 Borrowings / deposits and their cost

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

5.12 Provisions

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

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

5.13 Acceptances

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

5.14 Revenue recognition

Advances and investments

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis taking into account effective yield on the instrument. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognized at the time when the Bank's right to receive the dividend has been established.

**Lease financing**

Financing method is used in accounting for income from lease and ijarah financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Fee, commission and brokerage

Fee, commission and brokerage income except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis.

5.15 Foreign currency translation**Functional and Presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates.

Transactions and Balances

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised into profit and loss account.

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts.

Commitments

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

Foreign Operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the equity under "Exchange Translation Reserve" which are recognised into profit and loss account on disposal.



5.16 Derivative Financial Instruments

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

5.17 Off-setting

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

5.18 Dividend and appropriation to reserves

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

5.19 Earnings per share

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

5.20 Segment Reporting

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

Business segments

Trading and sales

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

Retail Banking

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

Commercial banking

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

Notes to and forming part of the Financial Statements

Corporate finance

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

Geographical segments

The Bank operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2008	2007
(Rupees in '000)			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit Rs. 114.565 million, 2007: Rs. 94.960 million)		6,335,731	4,797,473
Foreign currency (including in transit Rs. 186.546 million, 2007: Rs. 104.904 million)		2,999,128	1,837,649
With State Bank of Pakistan in			
Local currency current account	6.1	11,392,141	16,566,799
Foreign currency current account	6.2	1,399,973	1,036,674
Foreign currency deposit account	6.3	3,605,236	929,357
With other central banks in			
Foreign currency current account		2,108,534	1,413,622
Foreign currency deposit account	6.4	2,240,700	1,509,628
With National Bank of Pakistan in			
Local currency current account		2,590,762	1,323,806
National Prize Bonds		15,130	21,370
		32,687,335	29,436,378

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

6.2 As per BSD Circular No. 9 dated 03 December, 2007, cash reserve of 5% is required to be maintained with State Bank Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).

6.3 Special cash reserve of 15% is required to be maintained with State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated 21 June, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. During the year the balance was remeasured at rates ranging from 0.90% to 3.4% (2007: 3.71% to 4.72%) per annum.

6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		604,204	422,132
On deposit account	7.1	3,854,287	1,780,101
Outside Pakistan			
On current account		8,161,367	3,262,949
On deposit account	7.2	8,961,185	12,915,556
		21,581,043	18,380,738

7.1 This represents funds deposited with various banks at profit rates ranging from 10.00% to 19.00% per annum (2007: 7.80% to 8.95% per annum).

7.2 This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.45% to 7.00% per annum (2007: 3.50% to 7.00% per annum) with maturities upto July 2009.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	3,315,500	997,582
Repurchase agreement lendings (Reverse Repo)	8.3	-	2,454,477
		3,315,500	3,452,059

8.1 These represent short term lendings to financial institutions at interest rates ranging from 10.50% to 14.50% per annum (2007: 9.50% to 9.95% per annum) with maturities upto April 2009.

8.2 Particulars of lendings to financial institutions

In local currency	375,000	2,454,477
In foreign currencies	2,940,500	997,582
	3,315,500	3,452,059

8.3 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	-----Rupees in '000-----					
Market Treasury Bills	-	-	-	954,477	-	954,477
Pakistan Investment Bonds	-	-	-	1,500,000	-	1,500,000
	-	-	-	2,454,477	-	2,454,477



Notes to and forming part of the Financial Statements

9 INVESTMENTS

9.1 Investments by types:

Note	2008			2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
-----Rupees in '000-----						
Held-for-trading securities						
Fully paid up ordinary shares / units - Listed	10,200	-	10,200	550,932	-	550,932
Available-for-sale securities						
Market Treasury Bills	25,350,662	4,848,492	30,199,154	32,763,607	14,683,909	47,447,516
Pakistan Investment Bonds	458,280	59,501	517,781	375,592	58,791	434,383
Fully paid up ordinary shares / units - Listed	4,274,461	-	4,274,461	2,289,220	-	2,289,220
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821
Term Finance Certificates	1,388,391	-	1,388,391	1,073,805	-	1,073,805
Sukuk Bonds	2,099,877	-	2,099,877	-	-	-
	33,701,492	4,907,993	38,609,485	36,632,045	14,742,700	51,374,745
Held-to-maturity securities						
Government Bonds	85,341	-	85,341	85,341	-	85,341
Pakistan Investment Bonds	5,220,710	-	5,220,710	6,855,500	-	6,855,500
Market Treasury Bills	13,991,810	-	13,991,810	21,453,797	-	21,453,797
Term Finance Certificates	9,102,204	-	9,102,204	1,413,401	-	1,413,401
Pakistan Dollar Bond	357,199	-	357,199	-	-	-
Credit Linked Note	395,492	-	395,492	-	-	-
Overseas Bonds	57,339	-	57,339	-	-	-
Preference Shares	303,894	-	303,894	-	-	-
Sukuk Bonds	3,562,050	-	3,562,050	2,562,207	-	2,562,207
	33,076,039	-	33,076,039	32,370,246	-	32,370,246
Associates						
Warid Telecom (Private) Limited	4,366,796	-	4,366,796	2,679,578	-	2,679,578
Wateen Telecom (Private) Limited	417,474	-	417,474	417,474	-	417,474
Alfalah Insurance Limited	68,990	-	68,990	68,990	-	68,990
Alfalah GHP Value Fund	100,000	-	100,000	100,000	-	100,000
Alfalah GHP Income Multiplier Fund	550,000	-	550,000	550,000	-	550,000
Alfalah GHP Islamic Fund	250,000	-	250,000	250,000	-	250,000
Alfalah GHP Investment Management Limited	130,493	-	130,493	130,493	-	130,493
	5,883,753	-	5,883,753	4,196,535	-	4,196,535
Subsidiaries						
Alfalah Securities (Private) Limited	76,000	-	76,000	76,000	-	76,000
Investments at cost	72,747,484	4,907,993	77,655,477	73,825,758	14,742,700	88,568,458
Less: Provision for diminution in value of investments	9.21	(1,479,062)	(1,479,062)	-	-	-
Investments (net of provisions)	71,268,422	4,907,993	76,176,415	73,825,758	14,742,700	88,568,458
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.23	1,068	1,068	(21,530)	-	(21,530)
Deficit on revaluation of available-for-sale investments - net	20.2	(153,600)	(204,245)	(21,148)	(34,216)	(55,364)
Total investments	71,115,890	4,857,348	75,973,238	73,783,080	14,708,484	88,491,564



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
9.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	9.4	44,190,964	68,901,313
- Pakistan Investment Bonds	9.5	5,738,491	7,289,883
- Government Bonds	9.6	85,341	85,341
- Sukuk Bonds	9.7	4,245,730	1,747,208
- Pakistan Dollar Bond	9.8	357,199	-
		54,617,725	78,023,745
Fully Paid up Ordinary Shares / Units / Certificates:			
- Listed companies / Mutual funds	9.9	4,284,661	2,840,152
- Un-listed companies	9.11	129,821	129,821
- Preference Shares	9.12	303,894	-
		4,718,376	2,969,973
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates:			
- Listed TFCs	9.13	1,070,931	1,098,805
- Un-listed TFCs	9.14	9,419,664	1,388,401
- Sukuk Bonds	9.15	1,416,197	814,999
- Overseas Bonds	9.16	57,339	-
- Credit Linked Note	9.17	395,492	-
		12,359,623	3,302,205
Investment in subsidiary companies	9.18	76,000	76,000
Investment in associates	9.19	5,883,753	4,196,535
Total investments		77,655,477	88,568,458
Provision for diminution in value of investments	9.21	(1,479,062)	
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.23	1,068	(21,530)
Deficit on revaluation of available-for-sale securities - net	20.2	(204,245)	(55,364)
Total investments		75,973,238	88,491,564

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

9.4 Market Treasury Bills are for the periods of six months and one year. The effective rates of profit on Market Treasury Bills range between 10.01% to 14.01% per annum (2007: 8.93% to 9.39% per annum) with maturities upto October 2009 (2007: August 2008).

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The rates of profit range from 7.00% to 14.00% per annum (2007: 7% to 14% per annum) with maturities from April 2009 to June 2019 (2007: March 2008 to June 2019). These also include PIBs having face value of Rs. 35 million (2007: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.



Notes to and forming part of the Financial Statements

- 9.6** This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex and carry profit at the rate of 6% per annum (2007: 6% per annum). The bonds are redeemable on maturity in March 2009.
- 9.7** This represents sukuk bonds of Rs 1,742.728 million issued by Water and Power Development Authority (WAPDA) for a period of ten years and ijarah sukuk of Rs 2,503.002 million issued by State Bank of Pakistan for a period of three years. The rates of profit on these bonds ranges between 9.79% to 14.5% per annum (2007: 9.76% to 10.34% per annum) and between 12.99% to 14.76% per annum (2007: Nil) respectively.
- 9.8** This represents Pakistan Dollar Bonds of US Dollar 5.000 million issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum and are due for maturity in March 2016.
- 9.9 Particulars of investments in listed companies / funds include the following:**

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
971,870	956,124	AKD Income Fund	50,000	50,000
1,230,471	486,251	AKD Opportunity Fund	80,000	30,000
327,549	332,869	AMZ Plus Income Fund	35,000	35,000
152,973	152,973	Askari Asset Allocation Fund	15,000	15,000
729,161	476,872	Askari Income Fund	75,000	50,000
97,653	96,052	Atlas Income Fund	50,435	50,000
258,652	238,962	Dawood Money Market Fund	25,000	25,000
685,537	623,690	First Habib Income Fund	70,000	65,000
488,180	480,307	IGI Income Fund	49,958	50,000
502,821	-	JS Aggressive Income Fund	50,695	-
967,525	951,203	JS Income Fund (formerly UTP - Income Fund)	100,079	100,000
487,435	478,790	KASB Liquid Fund	50,000	50,000
108,892	108,892	KASB Stock Market Fund	5,000	5,000
1,397,156	956,676	MCB Dynamic Cash Fund	145,167	93,094
2,500,000	2,500,000	Meezan Balanced Fund	25,000	25,000
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
41,931,941	9,587,084	NAFA Cash Fund	450,000	100,000
1,523,635	-	NAFA Stock Fund	20,000	-
15,000,000	15,000,000	Pak Oman Advantage Fund (Pre IPO)	150,000	150,000
1,009,627	993,246	Pak Oman Bank of Punjab Advantage Plus Fund	51,771	50,000
600,000	-	Pak Oman Islamic Fund	30,000	-
1,043,260	1,026,592	Pakistan Capital Market Fund	9,882	9,882
1,949,240	1,918,281	Pakistan Income Fund	100,000	100,000
3,033,125	3,033,125	Pakistan Premier Fund Limited	36,555	36,554
400,000	400,000	Pakistan Strategic Allocation Fund	4,000	4,000
520,000	450,000	PICIC Growth Fund	18,633	16,672
1,893,952	1,917,972	Reliance Income Fund	100,000	100,000
504,951	1,000,000	United Islamic Income Fund	50,000	100,000
1,952,647	1,923,869	United Money Market Fund	200,239	200,000
49,441	47,996	United Stock Advantage Fund	5,000	5,000
545,136	501,000	UTP - Capital Protected Fund II	50,000	50,000
181,325	181,325	UTP A30+Fund	10,000	10,000

Notes to and forming part of the Financial Statements

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
		INVESTMENT COMPANIES & BANKS		
-	15,000	Allied Bank Limited	-	2,115
358,972	-	Arif Habib Investment Limited	44,871	-
221,875	15,000	Arif Habib Securities Limited	16,394	2,739
		Askari Bank Limited (formerly Askari		
2,993,000	2,525,000	Commercial Bank Limited)	193,406	188,621
750,000	-	Bank Al Habib Limited	46,281	-
-	195,000	Habib Bank Limited	-	50,009
175,000	-	J.S Bank Limited	1,750	-
2,667,640	-	KASB Securities Limited	180,066	-
165,000	-	MCB Bank Limited	38,899	-
-	2,382,187	Mybank Limited	-	52,715
1,305,000	660,000	National Bank of Pakistan	257,147	165,490
1,953,000	1,000,000	NIB Bank Limited	41,683	75,860
-	121,000	The Bank of Khyber	-	1,786
100,000	-	The Bank of Punjab	2,478	-
145,000	-	United Bank Limited	9,896	-
		CEMENT		
215,000	-	D.G.Khan Cement Limited	8,445	-
350,000	2,794,000	Fauji Cement Company Limited	2,045	49,906
167,200	249,700	Fecto Cement Limited	9,701	14,488
-	86,825	Kohat Cement Company Limited	-	4,153
255,000	60,000	Lucky Cement Limited	14,731	7,255
		FUEL, ENERGY, OIL & GAS		
-	24,000	Attock Refinery Limited	-	6,364
2,203,500	1,934,000	Kohinoor Energy Limited	70,990	62,889
2,201,200	1,922,700	Oil and Gas Development Company Limited	248,991	236,880
530,760	173,000	Pakistan Oilfields Limited	136,784	59,620
726,000	175,000	Pakistan Petroleum Limited	162,869	44,523
85,000	52,000	Pakistan State Oil Company Limited	22,727	22,292
9,383,500	-	Southern Electric Power Company Limited	64,725	-
3,150,000	175,000	The Hub Power Company Limited	89,398	5,825
		AUTOMOBILE ASSEMBLERS		
-	450,500	Dewan Farooque Motors Limited	-	12,977
54,863	-	Indus Motor Company Limited	15,392	-
		TEXTILE		
1,318,710	1,318,710	Hira Textile Mills Limited	16,484	16,484
150,000	25,000	Nishat Mills Limited	7,006	2,689
		TECHNOLOGY & COMMUNICATION		
250,000	-	Pakistan Telecommunication Company Limited	3,375	-
804,000	100,000	Telecard Limited	2,975	1,121
-	400,000	TRG Pakistan Limited	-	5,142
1,601,337	2,000,000	Worldcall Telecom Limited	12,490	36,710
		CHEMICALS & FERTILIZERS		
20,000	75,000	Engro Chemical Pakistan Limited	3,609	21,093
5,030,000	500,000	Fauji Fertilizer Bin Qasim Limited	185,298	22,918
500,000	386,500	Fauji Fertilizer Company Limited	62,685	42,286
25,000	-	ICI Pakistan Limited	3,175	-



Notes to and forming part of the Financial Statements

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
1,100,000	-	STEEL & ALLIED	80,954	-
		- Crescent Steel Limited		
		MISCELLANEOUS	62,997	
2,147,000	-	- Pace Pakistan Limited	1,530	-
10,000	-	- Tri- Pack Limited		
			4,284,661	2,840,152

9.10 During the year, the Karachi Stock Exchange (Guarantee) Limited (“KSE”) placed a “Floor Mechanism” on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the “Floor Mechanism”, the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The “Floor Mechanism” was subsequently removed by the KSE on December 15, 2008 in order to rationalise the prices of equity securities. Subsequent to the removal of the “Floor Mechanism” the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

In view of the above circumstances, a clarification was sought from the State Bank of Pakistan on whether the prices quoted on the stock exchange as at December 31, 2008 could be considered as the fair value of such securities at that date. The State Bank of Pakistan through BSD Circular No 2 dated January 27, 2009 has clarified that the market price as quoted on the stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

International Accounting Standards require an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of an investment in an equity security below its cost is objective evidence of such impairment. When a decline in the fair value of investments in equity securities classified as available for sale has been recognized directly in equity and there is objective evidence that the investment is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognised in the profit and loss account even though the investment has not been derecognised. Based on a scrip wise analysis of the deficit arising on revaluation of quoted shares, closed-end mutual funds and open-end mutual funds, management has determined an amount of Rs 1,438.693 million should have been charged to the profit and loss account as impairment loss in accordance with the requirements of International Accounting Standards. The impairment has been fully recognized and the change is reflected under note 9.21 of these financial statements

Notes to and forming part of the Financial Statements

9.11 Investments in unlisted companies

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive : Mr. S.M. Zaeem Break-up value per share: Rs. 3.14 Period of financial statements : 31 December 2007	5,725	5,725
16	16	Society for Worldwide Interbank Financial Telecommunication Chief Executive : Mr. Lazaro Campos Break-up value per share: Rs. 253,826.63 Period of financial statements : 31 December 2007	4,096	4,096
7,000,000	7,000,000	Al-Hamra Hills (Private) Limited Chief Executive : Mr. Habib Rafiq Break-up value per share: Rs. 9.71 Period of financial statements : 30 June 2008	70,000	70,000
5,000,000	5,000,000	Al-Hamra Avenue (Private) Limited Chief Executive : Mr. Habib Rafiq Break-up value per share: Rs. 9.76 Period of financial statements : 30 June 2008	50,000	50,000
			129,821	129,821

9.12 Investments in preference shares

Investee company	Redemption terms		
STS Holdings Limited	Semi annual redemptions over 5 years ending in 2012	57,340	-
BRAC Bank	Annual redemptions over 5 years ending in 2012	114,680	-
United Hospitals Limited	Annual redemptions over 5 years ending in 2011	131,874	-
		303,894	-

Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
9.13 Particulars of Term Finance Certificates - Quoted, Secured		
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	99,880	99,920
20,000 (2007: 20,000) units of Rs.5,000 each		
Mark up: Six Months KIBOR (Ask Side) + 150 basis points per annum (no floor no cap)		
Redemption: Bullet payment at maturity		
Maturity: 8 years from date of disbursement i.e. 31 October 2013		
Rating: AA- (PACRA)		
Chief Executive: Mr. M.R. Mehkari		
Standard Chartered Bank (Pakistan) Limited - (3rd Issue)	49,950	49,970
10,000 (2007: 10,000) units of Rs.5,000 each		
Mark up: Six Months KIBOR + 200 basis points prevailing one working day prior to the beginning of each semi annual period.		
Redemption: A nominal amount i.e. 0.16 percent of the issue amount will be re-paid equally in each of the redemption periods during the first 4 years.		
Maturity: 7 years from the date of issue i.e. February 1, 2013		
Rating: AAA (PACRA)		
Chief Executive: Mr. Badar Kazmi		
Bank Al Habib Limited	46,675	46,693
9,350 (2007: 9,350) certificates of Rs.5,000 each		
Mark up: The average six month KIBOR + 1.50 percent per annum with a floor of 3.50 percent and a cap of 10.00 percent per annum		
Redemption: The TFC is structured to redeem 0.25 percent of principal semi- annually in the first 78 months and the remaining principal in three semi-annual installments of 33.25 percent respectively starting from the 84th month.		
Maturity: July 2012		
Rating: AA- (PACRA)		
Chief Executive: Mr. Abbas D. Habib		
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	2,887	2,887
578 (2007: 578) units of Rs.5,000 each		
Mark up: Six month KIBOR (Ask Side) + 190 basis points (no floor no cap)		
Redemption: Redemption after a grace period of 54 months in 4 equal installments		
Maturity: 8 years from the date of disbursement i.e. February 2013.		
Rating: A (PACRA)		
Chief Executive: Mr. Shehzad Naqvi		



Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	11,136	22,272
11,136 (2007: 11,136) certificates of Rs.5,000 each		
Mark up: 3.00 percent + KIBOR (six months ask side) with a floor of 6.00 percent per annum and a cap of 10.00 percent per annum		
Redemption: Principal repayment in 10 equal semi-annual installments; profit payable on semi-annual basis.		
Maturity: July 2009		
Rating: A (PACRA)		
Chief Executive: Mr. Asif Kamal		
Allied Bank Limited	38,399	38,415
7,686 (2007 :7,686) certificates of Rs.5,000 each		
Mark up: Six months KIBOR + 1.90 percent per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.24% of principal in the first 72 months and the remaining principal in 4 equal semi-annual installments of 24.94% each of the issue amount respectively starting from the 78th month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Aftab Manzoor		
Pakistan Mobile Communication (Private) Limited	399,600	399,760
80,000 (2007: 80,000) units of Rs.5,000 each		
Mark up: Six Months KIBOR (Ask Side) + 285 basis points per annum		
Redemption: 6 monthly installments of principal amount after 4 years of grace period		
Maturity: 7 years from date of issue i.e. May 31, 2013		
Rating: AA- (PACRA)		
Chief Executive: Mr. Rashid Khan		
ORIX Leasing Pakistan Limited	184,889	184,963
37,000 (2007:37,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR + 1.50% per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.08% of principal in the first 24 months in 4 equal semi-annual installments and the remaining 99.22% of the principal would be redeemed during the last 36 months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		



Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
Jahangir Siddiqui & Company Limited	49,960	49,980
10,000 (2007:10,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 2.50% with a floor of 6.0% per annum and ceiling of 16% per annum.	
Redemption:	The instrument is structured to redeem 0.18% of principal in the first 54 months, 49.91% in the 60th month and the remaining 49.91% in the last six months.	
Maturity:	May 2012	
Rating:	AA+ (PACRA)	
Chief Executive:	Mr. Munaf Ibrahim	
Azgard Nine Limited	12,500	25,000
10,000 (2007: 10,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR + 1.75 percent per annum	
Redemption:	Eight equal semi-annual installments commencing from eighteenth month of the issue date; the issuer has a Call Option exercisable at profit payment date to redeem in full or in part the outstanding issue amount of the TFCs.	
Maturity:	August 2009	
Chief Executive:	Mr. Ahmed H. Shaikh	
Financial Receivables Securitization Company Limited	75,075	78,945
15,792 (2007:15,792) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 2.00% p.a. with a floor of 8.0% per annum and cap of 16% per annum.	
Redemption:	Principal redemption will be carried out in 12 and 8 equal semi-annual installments in arrears, with a grace period of 1 year and 3 years for Class A TFCs and Class B TFCs respectively.	
Maturity:	January 2014	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. S. M. Nasir Raza	
Pak Arab Fertilizers Limited	99,980	100,000
20,000 (2007:20,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 1.50 percent per annum	
Redemption:	Principal redemption in 6 stepped-up semi-annual installments starting from the issue date; the issuer may call the TFC in part or full on any profit payment date subject to 30 days prior notice.	
Maturity:	5 years from the issue date i.e. February 28, 2013	
Rating:	AA (PACRA)	
Chief Executive:	Mr. Fawad Ahmed Mocha	
	1,070,931	1,098,805



Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
9.14 Particular of Term Finance Certificates - Unquoted, Secured		
Gulshan Spinning Mills Limited	14,277	28,544
10,000 (2007: 10,000) certificates of Rs. 5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.80 percent per annum with a cap of 15 percent per annum.		
Redemption: Seven equal semi-annual installments commencing June 2006		
Maturity: June 2009		
Chief Executive: Mr. Naseer Ahmed		
Paramount Spinning Mills Limited	22,843	45,687
16,000 (2007: 16,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.80 percent per annum with a floor of 8 percent per annum.		
Redemption: Seven equal semi-annual installments commencing June 2006		
Maturity: June 2009		
Chief Executive: Mr. Tanveer Ahmad		
Pakistan International Airlines Corporation	354,153	437,482
100,000 (2007: 100,000) certificates of Rs.5,000 each		
Mark up: SBP discount rate + 0.5 percent per annum with a floor of 8 percent per annum		
Redemption: First four equal semi-annual installments commencing August 2003 amounting to Rs.5,000 each. Next six equal semi-annual installments commencing August 2005 amounting to Rs.12,499,500 each, subsequent six equal semi-annual installments commencing August 2008 amounting to Rs.70,830,500 each; the issuer has a Call Option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium.		
Maturity: February 2011		
Chief Executive: Captain Ejaz Rahim		
Crescent Leasing Corporation Limited (2nd Issue)	10,000	20,000
10,000 (2007: 10,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.75 percent per annum		
Redemption: Ten equal semi-annual installments commencing January 2005; the issuer has a Call Option exercisable at any time from the beginning of the nineteenth month till the end of the sixtieth month from the issue date only on a profit payment date subject to a 30 day notice period.		
Maturity: July 2009		
Chief Executive: Syed Shahnawaz Ahmed Rizvi		



Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
Pakistan Mobile Communication (Private) Limited	-	100,378
Nil (2007: 50,000) certificates of Rs.5,000 each		
Mark up:	Simple average of last three six month Treasury Bills cut-off rate + 2.25 percent per annum with a floor of 6.00 percent per annum and a cap of 12.00 percent per annum.	
Redemption:	Five equal semi-annual installments commencing September 2006; the issuer has a call option exercisable any time from the first principal repayment date (i.e. starting from the 36th month) onwards on a coupon date subject to 30 days notice period to repay in whole or in part.	
Maturity:	September 2008	
Chief Executive:	Mr. Rashid Khan	
Pakistan Mobile Communication (Private) Limited	200,000	-
40,000 (2007: Nil) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 1.3 percent per annum	
Redemption:	In two equal semi annual installments starting from the 30th month from the date of issue i.e. April 2009. The issuer will have a call option to redeem in full or part the outstanding face value of the TFCs on every installment date.	
Maturity:	September 2010	
Chief Executive:	Mr. Rashid Khan	
Pakistan Mobile Communication (Private) Limited (2nd Issue)	30,000	90,000
30,000 (2007: 30,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR (Average, Ask Side) + 1.60 percent per annum with a floor of 4.95 percent per annum and a cap of 12.00 percent per annum	
Redemption:	Five equal semi-annual installments commencing March 2007; the issuer has a Call Option exercisable any time from the 36th month to 54th month on a coupon date subject to 30 days notice period to repay in whole or in part.	
Maturity:	September 2009	
Chief Executive:	Mr. Rashid Khan	
Dominion Fertilizers (Private) Limited	499,900	479,167
100,000 (2007: 500) units of Rs.1,000,000 each		
Mark up:	Six Months KIBOR (Ask Side) + 325 basis point per annum (no floor & no cap)	
Redemption:	Redemption after a grace period of one year in 24 equal quarterly installments. The issuer has a Call Option exercisable from six months from the date of disbursement at any mark-up payment date subject to a prepayment amount of at least PKR 500 million or in multiples thereof in its entirety.	
Maturity:	7 years from the date of disbursement i.e. July 2013.	
Chief Executive:	Mr. Ahmed Hummayun Shaikh	



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	2008	2007
	(Rupees in '000)	
Bosicor Pakistan Limited	28,571	57,143
20,000 (2007: 20,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR (average ask side) + 5.5 percent per annum with a floor of 9.00 percent per annum and a cap of 13.00 percent per annum payable semi-annually.	
Redemption:	Seven equal semi-annual installments commencing August 2006; the issuer has a Call Option exercisable at any time from the 1st principal repayment date (i.e. starting from the 24th month) onwards on a coupon date subject to a 60 days notice period to repay in whole or in part.	
Maturity:	September 2009	
Chief Executive:	Mr. M. Wasi Khan	
Jahangir Siddiqui & Company Limited	99,960	100,000
20,000 (2007:20,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR (Ask side) + 1.70 percent per annum	
Redemption:	The instrument is structured to redeem 0.20% of principal in the first 60 months and remaining principal in two equal semi-annual installments of 49.90% each of the issue amount respectively from 60th month; the issuer has a call option exercisable in full at any time after 1 year on a coupon date.	
Maturity:	July 2013	
Chief Executive:	Mr. Munaf Ibrahim	
Khunja Textiles Mills Limited	30,000	30,000
6,000 (2007: 6,000) certificates of Rs.5,000 each		
Mark-up:	Six months KIBOR + 3.00 percent per annum	
Redemption:	10 equal semi-annual installments commencing from the 24th months from first draw down	
Maturity:	April 2014	
Chief Executive:	Mr. Shafaq Hussain	
First Dawood Investment Bank Limited	30,000	-
6,000 (2007: Nil) certificates of Rs.5,000 each		
Mark-up:	Six months KIBOR (Average, Ask Side) + 1.60 percent per annum	
Redemption:	Bullet payment at maturity	
Maturity:	September 2012	
Chief Executive:	Mr. Rafiq Dawood	



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	2008	2007
	(Rupees in '000)	
Azgard Nine Limited	99,960	-
19,996 (2007: Nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 2.25 percent per annum		
Redemption: Ten equal semi-annual installments commencing from 30th month		
Maturity: December 2014		
Chief Executive: Mr. Ahmed H. Shaikh		
Gujranwala Electric Power Company Limited	4,000,000	-
40,000 (2007: Nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after grace period of one year		
Maturity: February 2013		
Chief Executive: Brigadier Mushtaq Ahmad		
Faisalabad Electric Supply Company Limited	4,000,000	-
40,000 (2007: nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after grace period of one year		
Maturity: February 2013		
Chief Executive: Mr. Ahmed Saeed Akhter		
	9,419,664	1,388,401

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate	2008	2007
			(Rupees in '000)	
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1 percent	298,700	299,999
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	93,750	125,000
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	190,000	190,000
Security Leasing Corporation	September 2013	6 months KIBOR plus 1.95 percent	100,000	100,000
Kohat Cement Company Limited	December 2012	6 months KIBOR plus 1.80 percent	94,600	100,000
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	42,272	-
BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	100,000	-
K.S. Sulemanji Esmailji & Sons (Private) Limited	June 2015	3 months KIBOR plus 1.30 percent	100,000	-
Sitara Peroxide (Private) Limited	August 2014	3 months KIBOR plus 1.10 percent	300,000	-
Security Leasing Corporation	June 2012	6 months KIBOR plus 2 percent	21,875	-
Security Leasing Corporation	September 2012	6 months KIBOR plus 1.95 percent	75,000	-
			1,416,197	814,999

9.15.1 This represents advance payment to Sitara Energy Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2008.

9.16 This represents overseas bonds amounting to Rs 57.339 million issued by IDLC in Bangladesh. These bonds carry interest at 14.09% per annum and are due for maturity in January 2012.



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9.17 This represents Credit Linked Note amounting to US Dollar 5.00 million issued by Standard Chartered Bank. The bond carries interest at 3 months LIBOR plus 350 bps and is due for maturity in March 2013.

9.18 Particulars of investments in subsidiary companies

The paid up value of these ordinary shares is Rs.10.

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
7,600,000	7,600,000	Alfalah Securities (Private) Limited Percentage of holding : 76% Break-up value per share: Rs. (19.26) Date of audited financial statements : 31 December 2008 Chief Executive : Mr. Mohammad Shoaib Memon	76,000	76,000
			76,000	76,000

9.19 Particulars of investments in associates

The paid up value of these shares / units is Rs.10 except where stated.

2008	2007		2008	2007
(Number of shares/units)			(Rupees in '000)	
267,957,279 (note 9.19.1)	267,957,279	Warid Telecom (Private) Limited Percentage of holding : 8.76% Break-up value per share: Rs. 15.94 - note 9.19.2 Date of audited financial statements : June 30, 2008 Chief Executive : Mr. Faisal Ijaz Khan (Acting)	4,366,796	2,679,578
41,747,460	41,747,460	Wateen Telecom (Private) Limited Percentage of holding : 20% Break-up value per share: Rs. 16.40 - note 9.19.2 Date of audited financial statements : June 30, 2008 Chief Executive : Mr. Tariq Malik	417,474	417,474
6,899,000	6,899,000	Alfalah Insurance Limited Percentage of holding : 30% Break-up value per share: Rs. 11.40 Date of audited financial statements : 31 December 2008 Chief Executive : Mr. Nasar us Samad Qureshi	68,990	68,990
2,413,487	2,413,487	Alfalah GHP Value Fund Percentage of holding : 15.06% Break-up value per unit: Rs. 41.41 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	100,000	100,000



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2008	2007		2008	2007
(Number of shares/units)			(Rupees in '000)	
11,261,109	10,752,548	Alfalah GHP Income Multiplier Fund Percentage of holding : 54.40% Break-up value per unit: Rs. 46.80 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	550,000	550,000
5,048,225	5,000,000	Alfalah GHP Islamic Fund Percentage of holding : 66.56% Break-up value per unit: Rs. 42.25 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	250,000	250,000
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding : 40.22% Break-up value per share: Rs. 9.84 Date of audited financial statements : 31 December 2008 Chief Executive : Mr. Aziz Anis Dhedhi	130,493	130,493
			5,883,753	4,196,535

9.19.1 Warid Telecom (Private) Limited had not issued right shares by December 31, 2008 against the amount subscribed by the Bank during the year for subscription of 51,096,845 shares.

9.19.2 This represents the break-up value of the investee company based on the unaudited financial statements of the company as at December 31, 2008.



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9.20 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2008	2007	2008	2007		
	-----Rupees in '000-----					
Market Treasury Bills	30,017,561	47,367,696	30,199,154	47,447,516	(Unrated - Government Securities)	
Pakistan Investment Bonds	457,417	433,347	517,781	434,383	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	100,679	104,267	99,880	99,920	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	52,662	50,969	49,950	49,970	AAA	PACRA
Bank Al-Habib Limited	44,715	44,205	46,675	46,693	AA-	PACRA
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	3,029	2,981	2,887	2,887	A	PACRA
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	11,100	22,123	11,136	22,272	AA	PACRA
Allied Bank Limited	36,978	40,942	38,399	38,415	A+	JCRVIS
Pakistan Mobile Communication (Private) Limited	427,412	421,067	399,600	399,760	AA-	PACRA
ORIX Leasing Pakistan Limited	187,533	189,735	184,889	184,963	AA+	PACRA
Jahangir Siddiqui & Company Limited	50,225	50,395	49,960	49,980	AA+	PACRA
First Dawood Investment Bank Limited	30,000	-	30,000	-	AA-	PACRA
Financial Receivables Securitization Company Limited	42,581	79,868	42,315	78,945	AA-	PACRA
Financial Receivables Securitization Company Limited "B"	32,760	-	32,760	-	-----	(Not available)-----
Pak Arab Fertilizers Limited	100,210	100,000	99,980	100,000	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,000	-	200,000	-	-----	(Not available)-----
Azgard Nine Limited	99,960	-	99,960	-	-----	(Not available)-----
	1,419,844	1,106,552	1,388,391	1,073,805		
Shares in Listed Companies / Certificates / Units						
AKD Income Fund	41,850	50,321	50,000	50,000	A-(f)	JCRVIS
AKD Opportunity Fund	36,299	30,464	80,000	30,000	-----	(Unrated)-----
AMZ Plus Income Fund	30,322	35,094	35,000	35,000	5 Star	PACRA
Askari Asset Allocation Fund	7,029	15,250	15,000	15,000	-----	(Unrated)-----
Askari Income Fund	68,583	50,401	75,000	50,000	5 Star	PACRA
Atlas Income Fund	46,644	50,097	50,435	50,000	5 Star	PACRA
Dawood Money Market Fund	18,753	24,314	25,000	25,000	5 Star	PACRA
First Habib Income Fund	66,545	65,344	70,000	65,000	-----	(Unrated)-----
IGI Income Fund	48,618	50,403	49,958	50,000	-----	(Unrated)-----
JS Aggressive Income Fund	50,147	-	50,695	-	4 Star	PACRA
JS Income Fund (formerly UTP - Income Fund)	97,584	100,694	100,079	100,000	5 Star	PACRA
KASB Liquid Fund	43,294	50,244	50,000	50,000	-----	(Unrated)-----
KASB Stock Market Fund	2,446	6,181	5,000	5,000	-----	(Unrated)-----
MCB Dynamic Cash Fund	137,887	100,171	145,167	93,094	-----	(Unrated)-----
Meezan Balanced Fund	9,500	21,000	25,000	25,000	5 Star	PACRA
Meezan Islamic Income Fund	47,167	50,747	50,000	50,000	5 Star	PACRA
NAFA Cash Fund	402,106	100,776	450,000	100,000	A (f)	JCRVIS
NAFA Stock Fund	12,551	-	20,000	-	-----	(Not available)-----
Pak Oman Advantage Fund	159,600	123,750	150,000	150,000	AA-(f)	JCRVIS
Pak Oman Bank of Punjab Advantage Plus Fund	47,062	50,387	51,771	50,000	A (f)	JCRVIS
Pak Oman Islamic Fund	30,540	-	30,000	-	-----	(Not available)-----
Pakistan Capital Market Fund	9,253	13,079	9,882	9,882	5 Star	PACRA
Pakistan Income Fund	94,051	100,729	100,000	100,000	5 Star	PACRA
Pakistan Premier Fund Limited	6,127	36,549	36,555	36,554	4 Star	PACRA



Notes to and forming part of the Financial Statements

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2008	2007	2008	2007		
	-----Rupees in '000-----					
Pakistan Strategic Allocation Fund	912	3,640	4,000	4,000	4 Star	PACRA
PICIC Growth Fund	2,907	12,825	18,633	16,672	MFR 2 Star	JCRVIS
Reliance Income Fund	87,857	100,387	100,000	100,000	-----	(Unrated)-----
United Islamic Income Fund	47,534	101,580	50,000	100,000	5 Star	PACRA
United Money Market Fund	187,126	198,543	200,239	200,000	A+ (f)	JCRVIS
United Stock Advantage Fund	2,338	5,504	5,000	5,000	-----	(Unrated)-----
UTP - Capital Protected Fund II	56,798	49,559	50,000	50,000	-----	(Unrated)-----
UTP A30 + Fund	3,371	9,870	10,000	10,000	4 Star	PACRA
Arif Habib Investment Limited	25,121	-	44,871	-	-----	(Not available)-----
Arif Habib Securities Limited	9,332	-	16,394	-	-----	(Not available)-----
Askari Bank Limited (formerly Askari Commercial Bank Limited)	43,608	199,500	193,406	138,490	AA	PACRA
Bank Al Habib Limited	18,653	-	46,281	-	AA	PACRA
J.S Bank Limited	1,005	-	1,750	-	A-	PACRA
KASB Securities Limited	93,794	-	180,066	-	A+	PACRA
MCB Bank Limited	20,759	-	38,899	-	AA+	PACRA
Mybank Limited	-	45,925	-	47,128	A	PACRA
National Bank of Pakistan	65,668	116,075	257,147	126,564	AAA	JCRVIS
NIB Bank Limited (formally Pakistan Industrial Credit and Investment Corporation)	9,121	58,750	41,683	75,860	AA-	PACRA
The Bank of Punjab	1,320	-	2,478	-	AA-	PACRA
United Bank Limited	5,352	-	9,896	-	AA	JCRVIS
D.G.Khan Cement Limited	4,573	-	8,445	-	-----	(Unrated)-----
Fauji Cement Company Limited	1,645	-	2,045	-	-----	(Not available)-----
Fecto Cement Limited	2,709	6,168	9,701	14,488	-----	(Unrated)-----
Kohat Cement Company Limited	-	4,454	-	4,153	-----	(Not available)-----
Lucky Cement Limited	7,974	-	14,731	-	-----	(Not available)-----
Kohinoor Energy Limited	42,417	61,502	70,990	62,889	-----	(Unrated)-----
Oil and Gas Development Company Limited	110,038	119,450	248,992	122,699	AAA	JCRVIS
Pakistan Oilfields Limited	54,398	-	136,784	-	-----	(Not available)-----
Pakistan Petroleum Limited	73,050	-	162,869	-	-----	(Not available)-----
Pakistan State Oil Company Limited	12,289	-	22,727	-	AAA	PACRA
Southern Electric Power Company Ltd	27,118	-	64,725	-	-----	(Not available)-----
The Hub Power Company Limited	37,339	-	82,573	-	-----	(Unrated)-----
Dewan Farooque Motors Limited	-	5,857	-	12,977	A	PACRA
Indus Motor Company Limited	6,742	-	15,392	-	-----	(Not available)-----
Hira Textile Mills Limited	2,980	10,484	16,484	16,484	-----	(Unrated)-----
Nishat Mills Limited	3,390	-	7,006	-	A+	PACRA
Telecard Limited	1,600	-	2,975	-	-----	(Not available)-----
Worldcall Telecom Limited	4,756	-	12,490	-	A+	PACRA
Engro Chemical Pakistan Limited	1,929	-	3,609	-	AA	PACRA
Fauji Fertilizer Bin Qasim Limited	64,887	-	185,298	-	-----	(Not available)-----
Fauji Fertilizer Company Limited	29,365	45,897	62,684	42,286	-----	(Unrated)-----
ICI Pakistan Limited	1,718	-	3,175	-	-----	(Unrated)-----
Crescent Steel Limited	18,733	-	80,954	-	A+	JCRVIS
Pace Pakistan Limited	18,550	-	62,997	-	A+	PACRA
Tri - Pack Limited	1,246	-	1,530	-	A+	PACRA
	2,725,980	2,281,965	4,274,461	2,289,220		
Shares in Un-listed Companies						
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	-----	(Unrated)-----
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	-----	(Unrated)-----
Al-Hamra Hills (Private) Limited	Not Applicable		70,000	70,000	-----	(Unrated)-----
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	-----	(Unrated)-----
			129,821	129,821		
Sukuk Bonds						
Ijara Sukuk Bonds	955,940	-	1,003,002	-		
Ijara Sukuk Bonds	989,081	-	1,000,000	-		
Security Leasing Corporation Limited	75,300	-	75,000	-		
Security Leasing Corporation Limited	21,917	-	21,875	-		
	2,042,238	-	2,099,877	-		
	36,663,040	51,189,560	38,609,485	51,374,745		



Notes to and forming part of the Financial Statements

	Note	2008	2007
		(Rupees in '000)	
9.21 Particulars of provision for diminution in value of investments			
Opening balance		-	-
Charge for the year		1,479,062	-
Closing balance		1,479,062	-

9.22 Particulars of provision for diminution in value of investments by type and segment**Available for sale securities****Listed Companies / Mutual Funds**

- Fully paid up ordinary shares / units / certificates

1,438,693 -

Unlisted companies

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

3,926 -

Investment in subsidiary companies

- Fully paid up ordinary shares of Rs. 10 each
- Alfalah Securities (Private) Limited

36,443 -
1,479,062 -**9.23 Unrealized (loss) / gain on revaluation of investments classified as held for trading - net**

Investee Company	Unrealised gain / (loss)		Cost	
	2008	2007	2008	2007
-----Rupees in '000-----				
Fully paid up ordinary shares / units - Listed				
Allied Bank Limited	-	(163)	-	2,115
Arif Habib Securities Limited	-	(141)	-	2,739
Attock Refinery Limited	-	(333)	-	6,364
Askari Bank Limited (formerly Askari Commercial Bank Limited)	-	2,238	-	50,131
Engro Chemical Pakistan Limited	-	(1,162)	-	21,093
Fauji Cement Company Limited	-	(8,276)	-	49,906
Fauji Fertilizer Bin Qasim Limited	-	(1,893)	-	22,918
Habib Bank Limited	-	(3,229)	-	50,009
Lucky Cement Limited	-	(265)	-	7,255
Mybank Limited	-	5,541	-	5,587
National Bank of Pakistan	-	(1,782)	-	38,926
Nishat Mills Limited	-	(59)	-	2,689
Oil and Gas Development Company Limited	-	(3,964)	-	114,181
Pakistan Oilfields Limited	-	(1,769)	-	59,620
Pakistan Petroleum Limited	-	(1,639)	-	44,523
Pakistan State Oil Company Limited	-	(1,149)	-	22,292
Pakistan Telecommunication Limited	848	-	3,375	-
Telecard Limited	-	(36)	-	1,121
The Bank of Khyber	-	90	-	1,786
The Hub Power Company Limited	220	(487)	6,825	5,825
TRG Pakistan Limited	-	458	-	5,142
Worldcall Telecom Limited	-	(3,510)	-	36,710
	1,068	(21,530)	10,200	550,932
Unrealised loss in respect of equity securities reclassified from held for trading category to Available for Sale - note 9.23.1	(182,639)	-	-	-
	(181,571)	(21,530)	10,200	550,932

Notes to and forming part of the Financial Statements

9.23.1 This reclassification was made as allowed under BSD Circular No. 10 of 2004 "Revaluation surplus / deficit" dated July 13, 2004 issued by the State Bank of Pakistan.

	Note	2008	2007
(Rupees in '000)			
10 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		169,059,162	145,107,469
Outside Pakistan		10,007,299	7,598,767
		<u>179,066,461</u>	<u>152,706,236</u>
Net investment in finance lease			
In Pakistan	10.2	14,118,406	15,824,501
Outside Pakistan		-	-
		<u>14,118,406</u>	<u>15,824,501</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,092,683	1,579,472
Payable outside Pakistan		4,534,302	5,568,601
		<u>5,626,985</u>	<u>7,148,073</u>
		<u>198,811,852</u>	<u>175,678,810</u>
Provision against advances			
Specific provision against non-performing advances	10.4	(5,055,598)	(3,380,409)
General provision against advances	10.4	(1,085,085)	(1,099,409)
		<u>(6,140,683)</u>	<u>(4,479,818)</u>
		<u>192,671,169</u>	<u>171,198,992</u>
10.1 Particulars of advances - gross of provisions			
10.1.1 In local currency		181,566,139	158,930,913
In foreign currencies		17,245,713	16,747,897
		<u>198,811,852</u>	<u>175,678,810</u>
Short Term (upto one year)		132,851,487	111,020,472
Long Term (over one year)		65,960,365	64,658,338
		<u>198,811,852</u>	<u>175,678,810</u>

10.2 Net investment in Finance Lease / Ijarah Financing

	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
(Rupees in '000)								
Lease rentals receivable	4,116,841	7,556,574	743,175	12,416,590	3,434,078	10,851,635	200,081	14,485,794
Residual value	825,195	3,304,952	171,832	4,301,979	1,001,268	3,110,044	44,121	4,155,433
Minimum lease payments	4,942,036	10,861,526	915,007	16,718,569	4,435,346	13,961,679	244,202	18,641,227
Financial charges for future periods	(762,616)	(1,780,849)	(56,698)	(2,600,163)	(778,696)	(1,978,564)	(59,466)	(2,816,726)
Present value of minimum lease payments	<u>4,179,420</u>	<u>9,080,677</u>	<u>858,309</u>	<u>14,118,406</u>	<u>3,656,650</u>	<u>11,983,115</u>	<u>184,736</u>	<u>15,824,501</u>

Notes to and forming part of the Financial Statements

10.3 Advances include Rs 8.934 billion (2007: Rs 4.705 billion) which have been placed under non-performing status as detailed below:-

Category of Classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned (Agri Financing)	167,310	8,632	175,942	-	432	432	-	432	432
Substandard	2,405,146	39,245	2,444,391	386,462	3,047	389,509	386,462	3,047	389,509
Doubtful	1,519,621	22,711	1,542,332	567,029	22	567,051	567,029	22	567,051
Loss	4,546,027	225,581	4,771,608	3,919,558	179,048	4,098,606	3,919,558	179,048	4,098,606
	<u>8,638,104</u>	<u>296,169</u>	<u>8,934,273</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>

Category of Classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned (Agri Financing)	110,759	-	110,759	-	-	-	-	-	-
Substandard	1,026,754	36,255	1,063,009	243,543	1,813	245,356	243,543	1,813	245,356
Doubtful	593,233	-	593,233	282,801	-	282,801	282,801	-	282,801
Loss	2,885,788	52,296	2,938,084	2,830,217	22,035	2,852,252	2,830,217	22,035	2,852,252
	<u>4,616,534</u>	<u>88,551</u>	<u>4,705,085</u>	<u>3,356,561</u>	<u>23,848</u>	<u>3,380,409</u>	<u>3,356,561</u>	<u>23,848</u>	<u>3,380,409</u>

10.4 Particulars of provision against non-performing advances

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	3,380,409	1,099,409	4,479,818	1,175,568	1,060,888	2,236,456
Exchange adjustment and other movements	20,291	43,907	64,198	(1,662)	(2,887)	(4,549)
Charge for the year	3,026,822	73,906	3,100,728	2,559,795	154,726	2,714,521
Reversals / recoveries	(932,594)	(132,137)	(1,064,731)	(230,336)	(113,318)	(343,654)
	2,094,228	(58,231)	2,035,997	2,329,459	41,408	2,370,867
Amounts written off	(439,330)	-	(439,330)	(122,956)	-	(122,956)
Closing balance	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>	<u>3,380,409</u>	<u>1,099,409</u>	<u>4,479,818</u>

10.4.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 2 dated January 27, 2009. Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit of 30% of forced sales value of pledged stocks and mortgaged commercial and residential properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from December 31, 2008. However, as per the Circular the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential and commercial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by SBP which were effective from December 31, 2007, banks were not allowed to avail the benefit of discounted forced sales value of mortgaged assets held as collateral against all non-performing loans (except for housing finance) for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2008 would have been lower by approximately Rs. 622.245 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2008 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 404.459 million.



Notes to and forming part of the Financial Statements

10.4.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision for overseas branches are maintained in accordance with the guidelines of the authorities in the respective countries.

10.4.3 Particulars of provisions against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	4,873,049	1,002,012	5,875,061	3,356,561	1,033,919	4,390,480
In foreign currencies	182,549	83,073	265,622	23,848	65,490	89,338
	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>	<u>3,380,409</u>	<u>1,099,409</u>	<u>4,479,818</u>

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

	Note	2008	2007
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions		439,330	122,956
Directly charged to profit and loss account		28,298	5,844
		<u>467,628</u>	<u>128,800</u>
10.5.2 Write offs of Rs. 500,000 and above		35,381	122,218
Write offs of below Rs. 500,000		432,247	6,582
		<u>467,628</u>	<u>128,800</u>

10.6 Details of loans written-off of Rs. 500,000/- and above

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

10.7 Particulars of loans and advances to directors, executives, 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	219,893	209,064
- Loans granted during the year	246,122	602,724
- Repayments	(293,846)	(591,895)
- Balance at end of year	<u>172,169</u>	<u>219,893</u>



Notes to and forming part of the Financial Statements

	Note	2008	2007
		(Rupees in '000)	
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		8,296	3,100,908
- Loans granted during the year		15,063,981	-
- Repayments		(14,073,485)	(3,092,612)
- Balance at end of year		998,792	8,296
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
- Balance at beginning of year		175,064	97,325
- Loans granted during the year		26,784,026	38,802,460
- Repayments		(26,738,695)	(38,724,721)
- Balance at end of year		220,395	175,064
		1,391,356	403,253
II FIXED ASSETS			
Capital work-in-progress	11.1	2,417,954	1,742,554
Property and equipment	11.2	11,137,408	10,063,094
Intangible assets	11.6	217,931	116,676
		13,773,293	11,922,324
11.1 Capital work-in-progress			
Civil works		1,100,955	748,484
Equipment / intangibles		775,577	518,096
Advances to suppliers and contractors		461,390	306,124
Others		80,032	169,850
		2,417,954	1,742,554



Notes to and forming part of the Financial Statements

11.2 Property and equipment

Description	2008								
	Cost / revaluation at January 1, 2008	Additions / (disposals) / *adjustments	Revaluation surplus	Cost/ Revaluation as at December 31, 2008	Accumulated depreciation at January 1, 2008	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation at December 31, 2008	Net Book Value at December 31, 2008	Rate of depreciation % per annum
----- (Rupees in '000) -----									
Office premises	3,985,401	824,153 (5,400) * (9,340)	(189,372)	4,605,442	47,364	61,869 (94) * (325)	108,814	4,496,628	2.5%-5.5%
Revaluation	3,041,000	-	189,372	3,230,372	37,823	37,823	75,646	3,154,726	2.5%-5.5%
	7,026,401	824,153 (5,400) * (9,340)	-	7,835,814	85,187	99,692 (94) * (325)	184,460	7,651,354	
Lease hold improvements	1,044,085	509,815 (4,189) * 1,352	-	1,551,063	449,883	253,233 (2,957) * 5,838	705,997	845,066	20%
Furniture and fixtures	756,143	316,491 (4,727) * 10,819	-	1,078,726	221,931	101,937 (2,559) * 17,407	338,716	740,010	10% - 25%
Office equipment	3,188,905	712,814 (61,236) * 6,552	-	3,847,035	1,486,113	653,016 (57,388) * 14,159	2,095,900	1,751,135	20% - 25%
Vehicles	563,093	80,291 (343,046) * 14,298	-	314,636	272,419	97,947 (209,630) * 4,057	164,793	149,843	25%
	12,578,627	2,443,564 (418,598) * 23,681	-	14,627,274	2,515,533	1,205,825 (272,628) * 41,136	3,489,866	11,137,408	
----- (Rupees in '000) -----									
Description	2007								
	Cost / revaluation at January 1, 2007	Additions / (disposals) / *adjustments	Revaluation surplus	Cost/ Revaluation as at December 31, 2007	Accumulated depreciation at January 1, 2007	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation at December 31, 2007	Net Book Value at December 31, 2007	Rate of depreciation % per annum
----- (Rupees in '000) -----									
Office premises	3,605,728	392,156 - * (12,483)	-	3,985,401	-	47,530 - * (166)	47,364	3,938,037	2.5%-5.5%
Revaluation	3,041,000	-	-	3,041,000	-	37,823	37,823	3,003,177	2.5%-5.5%
	6,646,728	392,156 - * (12,483)	-	7,026,401	-	85,353 - * (166)	85,187	6,941,214	
Lease hold improvements	702,109	382,065 (10,374) * (29,715)	-	1,044,085	291,180	172,365 (9,540) * (4,122)	449,883	594,202	20%
Furniture and fixtures	513,487	245,478 (10,003) * 7,181	-	756,143	152,884	73,989 (4,410) * (532)	221,931	534,212	10%-25%
Office equipment	2,395,310	838,380 (22,318) * (22,467)	-	3,188,905	976,238	538,478 (17,101) * (11,502)	1,486,113	1,702,792	20%-25%
Vehicles	465,454	126,985 (25,462) * (3,884)	-	563,093	208,877	86,762 (22,985) * (235)	272,419	290,674	25%
	10,723,088	1,985,064 (68,157) * (61,368)	-	12,578,627	1,629,179	956,947 (54,036) * (16,557)	2,515,533	10,063,094	
----- (Rupees in '000) -----									



Notes to and forming part of the Financial Statements

- 11.3 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 736.28 million (2007: Rs. 437.352 million).
- 11.4 The fair value of property and equipment as per management estimate is not materially different from the carrying amount.
- 11.5 Office premises were last revalued on December 31, 2006 on the basis of market value by Harvester Services (Private) Limited, Valuation and Engineering Consultant. Had there been no revaluation, the carrying value of office premises would have been as follows:

	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
Office premises	4,605,442	108,814	4,496,628

11.6 Intangible assets

	2008							
	COST			ACCUMULATED AMORTIZATION			Book value at closing 2008	Rate of amortization %
	Opening Balance 2008	Additions/ (Deletions)/ * Adjustment	Closing Balance 2008	Opening Balance 2008	Amortization (Deletion) / * Adjustment	Closing Balance 2008		
----- (Rupees in '000) -----								
Computer software	209,605	150,865	360,411	92,929	49,720	142,480	217,931	20%
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	
Goodwill	-	56,031	56,031	-	56,031	56,031	-	
	209,605	206,896	416,442	92,929	105,751	198,511	217,931	
	-	-	-	-	-	-	-	
	-	* (59)	-	-	* (169)	-	-	

	2007							
	COST			ACCUMULATED AMORTIZATION			Book value at closing 2007	Rate of amortization %
	Opening Balance 2007	Additions/ (Deletions)/ * Adjustment	Closing Balance 2007	Opening Balance 2007	Amortization (Deletion) / * Adjustment	Closing Balance 2007		
----- (Rupees in '000) -----								
Computer software	90,193	111,671	209,605	51,287	39,628	92,929	116,676	20%
	-	-	-	-	-	-	-	
	-	* 7,741	-	-	* 2,014	-	-	

- 11.7 Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 104.362 million (2007: Rs. 22.062 million).



Notes to and forming part of the Financial Statements

11.8 Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above

Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Office premises						
Disposal of Machinery at Korangi Godown	5,400	94	5,306	5,400	Bid	Ganatra Salvaging
Leasehold Improvements						
Islamic Banking Group	564	-	564	-	Write off	
Old Premises Adjusted	2,617	2,617	-	-	Write off	
Civil Works	385	66	319	-	Write off	
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	623	274	349	9	Various	Various
	4,189	2,957	1,232	9		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,727	2,559	2,168	2,019	Various	Various
	4,727	2,559	2,168	2,019		
Office Equipment						
Generator	1,250	1,250	-	350	Negotiation	Ghulam Abbas Trading Company
ATM Machine	1,213	723	490	517	Insurance Claim	Alfalah Insurance Company
UPS 7 KVA	347	83	264	242	Insurance Claim	Alfalah Insurance Company
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	58,426	55,332	3,094	4,321	Various	Various
	61,236	57,388	3,848	5,430		
Vehicles						
Honda Civic	1,371	410	961	1,022	As per Bank's policy*	Aamir Ali
Honda Civic	1,376	606	770	860	As per Bank's policy	Abdullah Iraqi
Honda Civic	1,121	1,120	1	487	Bid	Zahid Ali Khan
Honda Civic	1,043	582	461	585	As per Bank's policy	Ilyas Dadu
Honda Civic	1,038	648	390	523	As per Bank's policy	Raja Faisal Rafiq
Honda Civic	998	617	381	526	As per Bank's policy	Sh Arshad abaid
Toyota Corolla	969	327	642	642	As per Bank's policy	Muhammad Kamran Zafar
Toyota Corolla	969	288	681	704	As per Bank's policy	Rizwan-ul-Haq
Honda City	951	445	506	599	As per Bank's policy	Wazir Ali Punjwani
Honda City	948	242	706	838	Bid	Umer Zameer
Honda City	936	437	499	571	As per Bank's policy	S. Sardar Hussain Jafri
Honda City	936	437	499	571	As per Bank's policy	Masood Alam Siddiqui
Honda City	936	565	371	514	As per Bank's policy	S.M. Anwer Raza
Honda City	936	501	435	534	As per Bank's policy	Munawwar Ali Kartio
Honda City	936	575	361	487	As per Bank's policy	Aziz-ul-Hameed
Honda City	936	503	433	433	As per Bank's policy	Azhar Sajjad
Honda City	936	468	468	528	As per Bank's policy	Raja Muhammad Bilal Anwar
Honda City	936	568	368	485	As per Bank's policy	Khurram Raza
Honda City	936	571	365	489	As per Bank's policy	Farrukh Aslam

* Disposal as per Bank's policy represents cars sold to employees as per the terms of their employment.



Notes to and forming part of the Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	936	487	449	449	As per Bank's policy*	M.Riaz Awan
Honda City	936	507	429	536	As per Bank's policy	Fiazi Zia Uddin
Honda City	936	373	563	525	As per Bank's policy	Murad Ali
Honda City	936	469	467	531	As per Bank's policy	Rana Sajid Manzoor
Honda City	936	440	496	496	As per Bank's policy	Ziaullah Khan
Honda City	936	505	431	525	As per Bank's policy	Umar Qureshi
Honda City	935	509	426	514	As per Bank's policy	Sohail Mairaj Qureshi
Honda City	934	107	827	827	As per Bank's policy	Mahmood Ali Bhatti
Honda City	934	143	791	800	As per Bank's policy	Zaheer Zaidi
Honda City	934	97	837	854	As per Bank's policy	Zahid Hussain Shaikh
Honda City	934	103	831	850	As per Bank's policy	Mushtaq Hussain Shah
Honda City	934	148	786	785	As per Bank's policy	Imran Ashraf
Honda City	934	126	808	817	As per Bank's policy	Aasim Rasheed
Honda City	934	85	849	853	As per Bank's policy	Prince Salman Khan
Honda City	934	175	759	758	As per Bank's policy	Zahoor Ahmed
Honda City	934	166	768	784	As per Bank's policy	Saqib Zaheer
Honda City	934	187	747	754	As per Bank's policy	Nayyar Zaidi
Honda City	934	149	785	785	As per Bank's policy	Bakhtiar Ali Khan
Honda City	934	142	792	798	As per Bank's policy	Tariq Ashraf
Honda City	932	522	410	489	As per Bank's policy	Salman Rashid
Honda City	931	641	290	727	Bid	Irfan Ahmad Qureshi
Honda City	931	625	306	491	As per Bank's policy	Nadeem Rehman
Honda City	931	510	421	516	As per Bank's policy	Shahid Munir
Honda City	917	319	598	619	As per Bank's policy	Sarfraz Nazir
Honda City	912	152	760	760	As per Bank's policy	Tipu Sultan
Honda City	912	102	810	809	As per Bank's policy	Bilal Safdar
Honda City	911	157	754	786	Bid	M. Owais Gaziani
Honda City	909	184	725	731	As per Bank's policy	Syed Salman Ali
Honda City	909	281	628	654	As per Bank's policy	Aman Saeed
Honda City	909	134	775	774	As per Bank's policy	Adnan Mateen Piracha
Honda City	909	182	727	726	As per Bank's policy	Syed Naveed Ahmed Shah
Honda City	909	116	793	777	As per Bank's policy	Muhammad Rafiq
Honda City	909	171	738	738	As per Bank's policy	Muhammad Waqas Sheikh
Honda City	905	86	819	830	As per Bank's policy	Waqar Ahmed Chaudhry
Honda City	901	238	663	679	As per Bank's policy	Mohammad Haroon Barai
Honda City	901	384	517	531	As per Bank's policy	Niranjan Lal
Honda City	901	338	563	607	As per Bank's policy	Syed Aqueel Ahmed Quadri
Honda City	901	321	580	617	As per Bank's policy	Abdul Razaq Memon
Honda City	901	343	558	590	As per Bank's policy	Muhammad Rehan Reaz
Honda City	901	445	456	707	Bid	Syed Yasir Ahmed
Honda City	901	376	525	568	As per Bank's policy	Ather Mahmood
Honda City	901	458	443	521	As per Bank's policy	Sheikh Jamshed Anjum
Honda City	901	470	431	501	As per Bank's policy	Umer Aziz Khan
Honda City	901	313	588	608	As per Bank's policy	Hassan Ali Sheikh
Honda City	901	391	510	558	As per Bank's policy	Abdul Qayyum
Honda City	901	238	663	599	As per Bank's policy	Muhammad Farooq
Honda City	901	412	489	561	As per Bank's policy	Zarak Khan
Honda City	901	451	450	518	As per Bank's policy	Raja Muhammad Javaid
Honda City	901	432	469	469	As per Bank's policy	Muhammad Imran Afzal
Honda City	901	344	557	557	As per Bank's policy	Rehman Fakhr
Honda City	901	448	453	518	As per Bank's policy	Shabbir Hussain
Honda City	901	427	474	777	Bid	Umer Zameer
Honda City	901	404	497	562	As per Bank's policy	Syed Yaqoob Ali Shah Gillani
Honda City	901	444	457	715	Bid	Haroon Parvaiz
Honda City	901	333	568	550	As per Bank's policy	Muhammad Ashraf Khan
Honda City	901	282	619	619	As per Bank's policy	Qazi Ghulam Raza

* Disposal as per Bank's policy represents cars sold to employees as per the terms of their employment.



Notes to and forming part of the Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	901	405	496	496	As per Bank's policy*	Muhammad Nadeem Bajwa
Honda City	901	27	874	874	Insurance Claim	Adamjee Insurance
Honda City	901	448	453	514	As per Bank's policy	M. Zaheen
Honda City	901	189	712	708	As per Bank's policy	Fareed Khan
Honda City	901	396	505	728	Bid	Jawwed Ansari
Honda City	896	350	546	587	As per Bank's policy	Kamran Ali Khan
Honda City	896	283	613	577	As per Bank's policy	M Masood Zafar
Honda City	896	281	615	627	As per Bank's policy	Ahmed Shahzad Shah
Honda City	895	306	589	857	As per Bank's policy	Muhammad Abu Bakr
Honda City	886	545	341	510	As per Bank's policy	Syed Naeem Hussain Naqvi
Honda City	886	595	291	428	As per Bank's policy	Asim Aijaz Malik
Honda City	886	535	351	452	As per Bank's policy	Muhammad Ijaz
Honda City	886	520	366	445	As per Bank's policy	Aamer Manzoor
Honda City	885	517	368	507	As per Bank's policy	Malik Saeed Rizvi
Honda City	883	542	341	455	As per Bank's policy	Adil Farooq
Honda City	881	578	303	444	As per Bank's policy	Anwaar Masood
Honda City	881	491	390	488	As per Bank's policy	Naeem Dar
Honda City	851	567	284	414	As per Bank's policy	Nadeem Ijaz Piracha
Honda City	851	567	284	420	As per Bank's policy	Muhammad Ather Rabbani
Honda City	851	562	289	412	As per Bank's policy	Omar Navid Mian
Honda City	836	547	289	427	As per Bank's policy	M Shahnawaz Qureshi
Honda City	835	501	334	426	As per Bank's policy	Muhammad A.Z Bukhari
Honda City	835	557	278	405	As per Bank's policy	Syed Sajid Ali
Honda City	835	575	260	426	As per Bank's policy	Ghulam Sarwar Panhwar
Honda City	835	518	317	411	As per Bank's policy	Shehr Yar Orakazi
Honda City	835	520	315	419	As per Bank's policy	Sh. Masood Elahi
Honda City	835	514	321	401	As per Bank's policy	Suresh Kumar
Honda City	834	554	280	408	As per Bank's policy	Aamer Sultan
Honda City	834	575	259	358	As per Bank's policy	Muhammad Murtaza Hassan
Honda City	831	536	295	415	As per Bank's policy	Zafarullah
Honda City	831	553	278	402	As per Bank's policy	Muhammad Ashraf
Honda City	831	536	295	401	As per Bank's policy	Saeed Ahmed Khan
Honda City	831	536	295	415	As per Bank's policy	Khalil Ahmed Khan
Honda City	831	375	456	650	Insurance Claim	Alfalah Insurance Company
Honda City	729	335	394	424	As per Bank's policy	Nasir Abbas Karim
Honda City	601	129	472	472	As per Bank's policy	Waseem Ahmed
Suzuki Cultus	595	176	419	517	As per Bank's policy	Syed Jawed Ahmed
Suzuki Cultus	585	114	471	484	As per Bank's policy	Muhammad Arshad
Suzuki Cultus	585	67	518	518	As per Bank's policy	Mustafa Subhani
Suzuki Cultus	585	95	490	497	As per Bank's policy	Syed Nayyar Hassan Zaidi
Suzuki Cultus	576	189	387	387	As per Bank's policy	Asghar Ali Butt
Suzuki Cultus	563	174	389	410	As per Bank's policy	Aziz Ahmed
Suzuki Cultus	563	221	342	542	As per Bank's policy	Rashid Rafiq
Suzuki Cultus	561	197	364	405	As per Bank's policy	Muhammad Abbas
Suzuki Cultus	555	161	394	394	As per Bank's policy	Syed Akhtar Wahab
Suzuki Cultus	555	197	358	381	As per Bank's policy	Salman Mehmood Butt
Suzuki Cultus	555	217	338	356	As per Bank's policy	Abdul Subhan
Suzuki Cultus	555	206	349	396	As per Bank's policy	Mohammad Ali
Suzuki Cultus	555	133	422	431	As per Bank's policy	Shahid Mehmood
Suzuki Cultus	555	279	276	474	As per Bank's policy	Syed M Ali Adnan
Suzuki Cultus	555	195	360	397	As per Bank's policy	S. Jaffer Kazmi
Suzuki Cultus	555	195	360	412	As per Bank's policy	Yasir Riaz
Suzuki Cultus	555	143	412	418	As per Bank's policy	Syed Mohsin Raza
Honda City	936	490	446	623	Bid	Shariq Mustafa
Toyota Corolla	1,029	1,029	-	558	Bid	Zahid Qureshi
Suzuki Cultus	555	160	395	475	Bid	Khan A. Shakoor Khan

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Notes to and forming part of the Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Suzuki Cultus	555	105	450	541	Bid	Mohammad Asif
Suzuki Cultus	555	246	309	458	Bid	Mohammad Akbar
Suzuki Cultus	555	290	265	431	Bid	Naveed M. Haneef
Honda City	834	434	400	626	Bid	Nayyar Saleem
Honda Civic	1,265	972	293	810	Bid	M/s Kar Kare Automobiles Engineer
Honda Civic	1,376	439	937	982	As per Bank's policy *	Imtiaz Ahmed Sheikh
Suzuki Cultus	555	258	297	338	As per Bank's policy	Muhammad Sohail Haider
Honda City	936	501	435	534	As per Bank's policy	Muhammad Maroof
Honda City	936	515	421	521	As per Bank's policy	Muhammad Shamim Shoaib
Honda City	936	515	421	524	As per Bank's policy	Naeem A. Khan
Suzuki Cultus	555	151	404	414	As per Bank's policy	Syed Muhammad Umer
Suzuki Cultus	555	169	386	405	As per Bank's policy	Jamiluddin Bhatti
Honda Civic	1,376	519	857	919	As per Bank's policy	M Amin Dosani
Honda Civic	1,376	340	1,036	1,050	As per Bank's policy	Muhammad Yousuf
Honda City	901	417	484	547	As per Bank's policy	Syed Fazal Hasnain
Suzuki Cultus	555	243	312	347	As per Bank's policy	Munir Ahmed Khawaja
Suzuki Cultus	555	170	385	399	As per Bank's policy	Muhammad Idrees Patel
Honda Civic	1,002	732	270	472	As per Bank's policy	Zafar Iqbal
Honda Civic	1,376	595	781	862	As per Bank's policy	Haroon Khalid
Suzuki Cultus	555	173	382	397	As per Bank's policy	Syed Anwar Wahab
Honda City	885	508	377	520	As per Bank's policy	Muhammad Masihuzzaman
Suzuki Cultus	555	102	453	460	As per Bank's policy	Taimur Ijlal
Suzuki Cultus	555	170	385	400	As per Bank's policy	Syed Muhammad Ayub
Honda City	936	473	463	543	As per Bank's policy	Abdul Rauf Bhatti
Honda Civic	1,376	490	886	939	As per Bank's policy	Tariq M. Ishtiaq
Suzuki Cultus	555	292	263	313	As per Bank's policy	Muhammad Farooq
Suzuki Cultus	555	154	401	409	As per Bank's policy	Moiez Ahmed Usmani
Honda City	936	512	424	519	As per Bank's policy	Syed Fariduddin Hyder
Suzuki Cultus	555	154	401	409	As per Bank's policy	Muhammad Aslam
Honda City	936	512	424	521	As per Bank's policy	Burhan-ul-Haq
Honda City	936	514	422	525	As per Bank's policy	Ashfaq A. Qureshi
Suzuki Cultus	555	170	385	401	As per Bank's policy	Javed H. Siddiqui
Honda Civic	1,376	400	976	999	As per Bank's policy	Riaz Hussain Hamdani
Honda City	901	239	662	676	As per Bank's policy	Yasmin Shahid
Honda Civic	1,376	595	781	861	As per Bank's policy	Syed Nadeem Sabir
Honda City	901	304	597	623	As per Bank's policy	Rashid Masood Alam
Honda City	901	409	492	552	As per Bank's policy	Ebrahim M. Siddique
Suzuki Cultus	585	51	534	538	As per Bank's policy	Aamir Patel
Suzuki Cultus	555	154	401	408	As per Bank's policy	Moin Khan
Honda City	936	514	422	522	As per Bank's policy	Muhammad Hanif Ganchi
Honda Civic	1,038	629	409	650	Bid	M/s Riaz Motor
Honda Civic	1,002	673	329	494	As per Bank's policy	Mahmood Ashraf
Suzuki Cultus	555	148	407	411	As per Bank's policy	Najeeb Ashraf
Honda City	936	514	422	523	As per Bank's policy	Aslam S. Kirmani
Suzuki Cultus	555	148	407	413	As per Bank's policy	Kashan Samuel
Suzuki Cultus	571	105	466	466	As per Bank's policy	Fazur Rehman
Suzuki Cultus	555	154	401	408	As per Bank's policy	Hassan Qadeer
Suzuki Cultus	555	183	372	400	As per Bank's policy	Muhammad Iftikhar-ul-Haq
Suzuki Cultus	555	193	362	387	As per Bank's policy	Muhammad Arif Hanafi
Honda Civic	1,376	623	753	861	As per Bank's policy	Abid Ajmal
Suzuki Cultus	555	193	362	388	As per Bank's policy	Ishwar Lal Advani
Honda City	901	434	467	539	As per Bank's policy	Syed Mumtaz Hassan
Honda City	936	530	406	519	As per Bank's policy	Jawed Sattar
Honda City	883	552	331	368	As Per Bank Policy	Shahzad Hameed (Late)
Honda City	934	3	931	934	Negotiation	Honda SITE
Honda City	934	3	931	934	Negotiation	Honda SITE

* Disposal as per Bank's policy represents cars sold to employees as per the terms of their employment.



Notes to and forming part of the Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	934	3	931	934	Negotiation	Honda SITE
Honda City	934	563	371	498	As per Bank's policy*	Shahid Hussain Kazi
Honda City	931	535	396	507	As per Bank's policy	Muhammad Imran
Honda City	909	192	717	725	As per Bank's policy	Abdul Jabbar Qureshi
Suzuki Cultus	555	185	370	391	As per Bank's policy	Syed Shahid Ali
Honda Civic	1,376	623	753	848	As per Bank's policy	Sajan Hamid Malik
Honda Civic	1,376	554	822	895	As per Bank's policy	Tanwir Ali Khan
Honda City	901	430	471	552	As per Bank's policy	Muhammad Gholam Hasnain
Suzuki Cultus	555	193	362	383	As per Bank's policy	Muhammad Zikar Makani
Honda City	931	561	370	495	As per Bank's policy	Shafiq Nawaz
Suzuki Cultus	555	167	388	528	Bid	S. Mukhtar Ali
Suzuki Cultus	585	41	544	613	Bid	M. Sohail Khan
Suzuki Cultus	555	165	390	536	Bid	M. Owais Gaziani
Suzuki Cultus	585	97	488	583	Bid	Noman Hassan Khan
Suzuki Cultus	585	97	488	572	Bid	Noman Hassan Khan
Suzuki Cultus	555	185	370	536	Bid	M. Owais Gaziani
Honda City	934	95	839	844	As per Bank's policy	Hassan Zaheer Ansari
Suzuki Cultus	555	165	390	404	As per Bank's policy	Tahir Khurshid
Suzuki Cultus	585	56	529	534	As per Bank's policy	Syed Hassan Raza
Suzuki Cultus	555	117	438	450	As per Bank's policy	Shahid Perwez
Suzuki Cultus	555	113	442	465	As per Bank's policy	Muhammad Saleem
Suzuki Cultus	585	97	488	491	As per Bank's policy	Muhammad Amin
Honda City	936	564	372	495	As per Bank's policy	Haseeb Ala
Honda City	835	556	279	412	As per Bank's policy	Asghar Rehan Awan
Suzuki Cultus	555	183	372	390	As per Bank's policy	Muhammad Ali Hussain
Suzuki Cultus	555	165	390	412	As per Bank's policy	Muhammad Faheem
Honda City	901	439	462	532	As per Bank's policy	Nayyar Kamil
Suzuki Cultus	554	205	349	387	As per Bank's policy	Asad Saeed
Suzuki Cultus	554	171	383	412	As per Bank's policy	Tariq Zohair
Honda Civic	1,428	258	1,170	1,189	As per Bank's policy	Zahid Ali H. Jamall
Honda Civic	1,375	591	784	863	As per Bank's policy	Zaheer A. Paracha
Honda Civic	1,001	649	352	851	Bid	Zahid Qadri
Honda Civic	1,042	672	370	685	Bid	Mohammad Sohail Khan
Honda City	935	553	382	748	Bid	Mohammad Sohail Khan
Honda City	882	571	311	645	Bid	Mohammad Sohail Khan
Suzuki Cultus	584	68	516	608	Bid	Abdul Waheed Khan
Suzuki Cultus	584	84	500	573	Bid	Sultan Hassan Khan
Suzuki Cultus	554	165	389	542	Bid	M/s. Super Electronics
Honda City	900	331	569	621	As per Bank's policy	Syed Mohammad Iqbal
Honda Civic	1,375	496	879	959	As per Bank's policy	Muhammad Tariq Mir
Honda Civic	1,375	722	653	792	As per Bank's policy	Hamid Ashraf
Honda City	936	612	324	478	As per Bank's policy	Qamar Hasnain
Honda Civic	1,029	1,029	-	505	Bid	Asad Kamal Aslam
Honda City	1,042	651	391	845	Insurance Claim	Adamjee Insurance Company
Kia Sportage	1,558	1,334	224	617	Bid	Khurram Imtiaz
Honda City	900	442	458	761	Bid	Aneer Noor
Honda Civic	1,042	716	326	939	Bid	Syed Yasir Ahmed
Honda City	934	155	779	869	Bid	Syed Yasir Ahmed
Honda City	935	602	333	701	Bid	Syed Yasir Ahmed
Honda City	935	627	308	707	Bid	Syed Yasir Ahmed
Honda City	900	351	549	706	Bid	Asadullah Khan
Suzuki Cultus	554	242	312	355	As per Bank's policy	Owais Ahmed Siddiqui
Honda Civic	1,428	327	1,101	1,190	As per Bank's policy	Adnan Anwar Khan

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Notes to and forming part of the Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda Civic	930	586	344	810	Bid	Akber Wajid
Honda Civic	1,037	508	529	972	Bid	Mir Imran Ali
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	134,987	120,680	14,307	69,468	Various	Various
	343,046	209,630	133,416	211,109		
Total	418,598	272,628	145,970	223,967		

	Note	2008	2007
		(Rupees in '000)	
12 OTHER ASSETS			
Income / mark-up accrued in local currency		7,309,047	4,058,539
Income / mark-up accrued in foreign currency		302,222	368,151
Advances, deposits, advance rent and other prepayments		2,509,701	2,080,789
Unrealized gain on forward foreign exchange contracts		-	26,506
Asset acquired in satisfaction of claims		23,146	48,884
Branch adjustment		-	32,919
Dividend receivable		11,169	8,464
Prepaid exchange risk fee		2,290	2,111
Stationery and stamps on hand		81,333	70,926
Receivable from brokers		6	27
		10,238,914	6,697,316
Less: Mark up held in suspense account		(1,240,054)	(674,545)
Less: Provision held against other assets		(9,674)	(9,674)
		8,989,186	6,013,097
13 BILLS PAYABLE			
In Pakistan		3,228,056	4,090,688
Outside Pakistan		223,975	47,555
		3,452,031	4,138,243
14 BORROWINGS			
In Pakistan		13,004,055	20,602,695
Outside Pakistan		686,167	628,002
		13,690,222	21,230,697
14.1 Particulars of borrowings with respect to currencies			
In local currency		13,004,055	20,602,695
In foreign currencies		686,167	628,002
		13,690,222	21,230,697



Notes to and forming part of the Financial Statements

	Note	2008	2007
		(Rupees in '000)	
14.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	14.3	7,314,662	4,793,196
Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4	600,170	725,551
Repurchase agreement borrowings	14.5	4,789,223	14,683,908
		12,704,055	20,202,655
Unsecured			
Call borrowings		472,016	490,471
Overdrawn nostro accounts		514,151	537,571
		986,167	1,028,042
		13,690,222	21,230,697
14.3	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.5 % per annum (2007: 6.5% per annum) payable on a quarterly basis.		
14.4	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 4 % to 6.5 % per annum (2007: 5% per annum) payable on a quarterly basis.		
14.5	This represents repurchase agreement borrowings from other banks at rates ranging from 7.50% to 14.90% per annum (2007: 9.10% to 9.95% per annum) maturing by January 2009.		
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		116,688,618	85,520,839
Savings deposits		86,416,689	107,879,576
Current accounts - non-remunerative		78,316,246	67,604,689
Others		7,715,468	3,267,104
		289,137,021	264,272,208
Financial institutions			
Remunerative deposits		11,570,748	8,759,047
Non-remunerative deposits		25,089	142,586
		11,595,837	8,901,633
		300,732,858	273,173,841
15.1 Particulars of deposits			
In local currency		249,863,586	234,413,970
In foreign currencies		50,869,272	38,759,871
		300,732,858	273,173,841



Notes to and forming part of the Financial Statements

		2008	2007
		(Rupees in '000)	
16	SUB-ORDINATED LOANS		
	Term Finance Certificates I - Quoted, Unsecured	-	648,700
	Term Finance Certificates II - Quoted, Unsecured	1,248,080	1,248,560
Mark up	Base rate + 1.50% (Base Rate is defined as the simple average (average of the KIBOR Rate quoted by banks for that day) of the ask rate of the six months Karachi Interbank Offer rate (KIBOR) prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)		
Subordination	The TFCs are subordinated as to the payment of principal & profit. In case of occurrence of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the Bank.		
Issue Date	December 2004		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.		
Maturity	December 2012		
	Term Finance Certificates III - Quoted, Unsecured	1,323,089	1,323,598
Mark up	Base rate + 1.50% (Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)		
Subordination	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.		
Issue Date	November 2005		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi-annual installments commencing 84th month after the issue date.		
Maturity	November 2013		
		2,571,169	3,220,858



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
17 DEFERRED TAX LIABILITIES			
Deferred credits arising due to			
Difference between accounting book value of leased assets and lease liabilities		778,188	935,251
Accelerated tax depreciation		1,304,686	982,878
Surplus on revaluation of operating fixed assets		585,753	712,315
		2,668,627	2,630,444
Deferred debits arising due to			
Provision for doubtful debts		(1,802,452)	(1,222,335)
Provision against off balance sheet obligations		(4,969)	-
Provision for diminution in value of Investment		(517,703)	-
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale		(63,550)	-
Deficit on revaluation of securities		(71,488)	(28,300)
		(2,460,162)	(1,250,635)
		208,465	1,379,809
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		4,103,569	3,130,081
Mark-up / return / interest payable in foreign currency		360,133	371,360
Unearned commission and income on bills discounted		151,561	147,231
Accrued expenses		431,803	388,155
Current taxation		1,057,727	760,873
Payable against redemption of credit card reward points		199,409	177,557
Branch adjustment account		14,028	-
Security deposits against leases		4,321,506	4,189,049
Exchange difference payable to SBP		45,246	34,840
Payable to brokers	18.1	19	1,011
Unrealised loss on forward exchange contracts		180,845	-
Provision against off-balance sheet obligations	18.2	38,142	6,959
Workers Welfare Fund	28.1	106,621	-
Others		280,671	324,744
		11,291,280	9,531,860
18.1	This represents amounts payable to brokers against purchase of shares.		
18.2	Provision against off-balance sheet obligations		
Opening balance		6,959	-
Exchange adjustment		2,601	-
Charge for the year		28,582	6,959
Closing balance		38,142	6,959

Notes to and forming part of the Financial Statements

19 SHARE CAPITAL

19.1 Authorised Capital

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
<u>1,500,000,000</u>	<u>800,000,000</u>	Ordinary shares of Rs. 10/- each	<u>15,000,000</u>	<u>8,000,000</u>

19.2 Issued, subscribed and paid up capital Ordinary Shares of Rs.10 each

<u>225,000,000</u>	225,000,000	Fully paid in cash - note 19.3	<u>2,250,000</u>	2,250,000
<u>574,500,000</u>	425,000,000	Issued as bonus shares	<u>5,745,000</u>	4,250,000
<u>799,500,000</u>	<u>650,000,000</u>		<u>7,995,000</u>	<u>6,500,000</u>

19.3 This includes 8,000 shares, representing rights relating to applications rejected and missing from the offer for sale of shares. These right shares will be offered to those applicants who were allotted/ offered shares in accordance with the directives / guidance of the Securities and Exchange Commission of Pakistan. These shares are subject to all corporate actions applicable to all other ordinary shares.

	Note	2008	2007
		(Rupees in '000)	
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation of:			
- Fixed assets	20.1	<u>2,568,973</u>	2,480,235
- Available-for-sale securities	20.2	<u>(132,757)</u>	(27,064)
		<u>2,436,216</u>	<u>2,453,171</u>
20.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		<u>3,192,550</u>	3,230,373
Transferred to retained earnings in respect of incremental depreciation charged during the year		<u>(24,586)</u>	(24,585)
Related deferred tax liability in respect of incremental depreciation charged during the year		<u>(13,238)</u>	(13,238)
		<u>(37,824)</u>	(37,823)
		<u>3,154,726</u>	3,192,550
Related deferred tax liability on surplus as at January 1		<u>712,315</u>	1,130,553
Deferred tax liability reversed		<u>(113,324)</u>	(405,000)
Related deferred tax liability in respect of incremental depreciation charged during the year		<u>(13,238)</u>	(13,238)
		<u>(126,562)</u>	(418,238)
		<u>585,753</u>	712,315
		<u>2,568,973</u>	<u>2,480,235</u>



Notes to and forming part of the Financial Statements

	2008	2007
	(Rupees in '000)	
20.2 Surplus / (deficit) on revaluation of available-for-sale securities		
Deficit on:		
Government securities	(299,938)	(80,856)
Quoted shares / units / certificates	(126,726)	(7,255)
	(426,664)	(88,111)
Surplus on:		
Quoted shares / units / certificates	190,623	-
Term finance certificates - quoted	31,454	32,747
Sukuk bonds	342	-
	(204,245)	(55,364)
Related deferred tax asset	71,488	28,300
	(132,757)	(27,064)
21 CONTINGENCIES AND COMMITMENTS		
21.1 Direct credit substitutes		
i) Government	2,338,371	1,292,972
ii) Banking companies & other financial institutions	154,910	180,164
iii) Others	556,490	2,413,750
	3,049,771	3,886,886
21.2 Transaction-related contingent liabilities		
i) Government	32,418,470	13,045,987
ii) Banking companies & other financial institutions	276,836	446,639
iii) Others	8,386,066	11,627,301
	41,081,372	25,119,927
21.3 Trade-related contingent liabilities		
Letters of credit	35,452,659	38,533,186
Acceptances	3,747,507	8,558,681
21.4 Other contingencies		
Claims against the Bank not acknowledged as debts	959,371	728,489



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
21.5 Commitments in respect of forward lendings			
Forward repurchase agreement lendings		-	-
Commitments to extend credit		4,058,360	6,014,000
21.6 Commitments in respect of forward exchange contracts			
Purchase		17,558,221	11,653,723
Sale		10,459,284	12,625,977
21.7 Commitments for the acquisition of operating fixed assets		513,288	492,230
21.8 Commitments in respect of repo transactions			
Repurchase		4,822,429	14,827,466
Resale		-	2,455,815

22 DERIVATIVE INSTRUMENTS

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

- Forward Exchange Contracts
- Foreign Exchange Swaps

Forward Exchange Contracts:

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

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

Foreign Exchange Swaps:

A Foreign exchange swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.

23 MARK-UP / RETURN / INTEREST EARNED

a) On loans and advances to:			
i) customers		22,850,436	17,894,187
ii) financial institutions		371,098	337,311
b) On investments in:			
i) held for trading securities		-	-
ii) available for sale securities		4,458,115	3,246,017
iii) held to maturity securities		1,651,521	2,596,391
iv) associates and subsidiaries		711	-
c) On deposits with financial institutions		1,406,104	1,154,110
d) On securities purchased under resale agreements		308,598	555,855
		31,046,583	25,783,871



Notes to and forming part of the Financial Statements

23.1 These include mark-up earned of Rs. 2,552.096 million (2007: Rs. 1,755.554 million) which pertains to the Bank's Islamic Banking Division.

	Note	2008	2007
(Rupees in '000)			
24 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		18,310,713	15,235,243
Securities sold under repurchase agreements		745,671	589,210
Other short term borrowings		856,722	419,803
Term Finance Certificates		408,967	376,707
Others		9,121	-
		20,331,194	16,620,963
25 GAIN / (LOSS) ON SALE OF SECURITIES			
Listed shares		252,857	271,279
Un-listed shares		171,363	1,788,514
		424,220	2,059,793
26 OTHER INCOME			
Net profit on sale of property and equipment		77,997	13,928
Postage, telex service charges etc.		1,169,672	1,017,444
		1,247,669	1,031,372
27 ADMINISTRATIVE EXPENSES			
Non executive director fee & allowances		14,560	4,937
Salaries, allowances, etc.		4,350,015	3,531,139
Charge for defined benefit plan	34.7	142,926	90,289
Contribution to defined contribution plan	35	146,620	114,015
Brokerage & commission		585,664	535,532
Rent, taxes, insurance, electricity, etc.		1,254,212	912,361
Legal and professional charges		163,069	154,295
Communications		401,237	305,767
Repairs and maintenance		574,876	399,100
Stationery and printing		163,745	135,175
Advertisement and publicity		528,432	476,878
Donations	27.1	2,350	36,173
Auditors' remuneration	27.2	12,532	6,262
Depreciation	11.2	1,205,825	956,947
Amortization of intangible assets	11.6	105,751	39,628
Entertainment, vehicle running expenses, travelling and subscription		452,100	329,514
Others		367,485	244,575
		10,471,399	8,272,587
27.1 Donations			
Kashmir Education Foundation		1,500	1,500
Zindagi Trust		-	500
Lahore Businessmen Association for Rehabilitation for Disabled (LBARD)		-	500
Shalimar Hospital, Lahore		-	2,000
Government College University, Faisalabad		-	10,000
Bahauddin Zakaria University, Multan		-	10,000
Pakistan Society for the Rehabilitation of the disabled (PSRD)		-	2,000
Marie Adelaide Leprosy Center, Larkana		850	850
Chief Advisor's Relief and Welfare Fund - Bangladesh		-	8,823
		2,350	36,173

None of the directors or their spouses had any interest in the donees.



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
27.2 Auditors' remuneration			
Audit fee		3,620	3,620
Half yearly review		750	750
Fee for audit of foreign branches		2,794	1,015
Special certifications and sundry advisory services		3,585	100
Out-of-pocket expenses		1,783	777
		12,532	6,262
28 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		16,137	9,565
Workers Welfare Fund		106,621	-
		122,758	9,565

28.1 The provision for Worker's Welfare Fund (WWF) has been made consequent to the amendment made in Finance Act 2008. As a result of this amendment, this levy has now become applicable to the Bank.

29 TAXATION**For the year**

Current	1,730,051	1,726,810
Deferred	(1,151,019)	(321,487)
For prior years		
Current	(221,797)	-
Deferred	136,184	-
	493,419	1,405,323

The income tax assessments of the Bank have been finalised upto and including tax year 2007. Income tax assessment for the tax year 2008 has been filed under the self assessment scheme and is deemed to be finalised under section 120 of the Income Tax Ordinance, 2001. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh.

The issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowance relating to profit and loss expenses. However, adequate provision has been made in the financial statements in respect of these matters.

29.1 Relationship between tax expense and accounting profit

Profit before tax	1,794,720	4,535,552
Tax at the applicable rate of 35% (2007: 35%)	628,152	1,587,443
Effect of:		
- income chargeable to tax at reduced rates	(108,718)	(175,954)
- income exempt from tax	-	(92,467)
- permanent differences	5,648	-
- tax charge pertaining to overseas branches	15,664	-
- tax for prior years	(85,613)	-
- others	38,286	86,301
Tax expense for the year	493,419	1,405,323



Notes to and forming part of the Financial Statements

	Note	2008	2007
(Rupees in '000)			
30 BASIC / DILUTED EARNINGS PER SHARE			
Profit after taxation for the year		<u>1,301,301</u>	<u>3,130,229</u>
(Number of shares in thousand)			
Weighted average number of ordinary shares		<u>799,500</u>	<u>799,500</u>
(Rupees)			
Basic / Diluted earnings per share		<u>1.63</u>	<u>3.92</u>

	Note	2008	2007
(Rupees in '000)			
31 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		32,687,335	29,436,378
Balances with other banks		21,581,043	18,380,738
Call lendings		3,315,500	997,582
		<u>57,583,878</u>	<u>48,814,698</u>

32 CREDIT RATING

PACRA has assigned a long term credit rating of AA [double A] and a short-term credit rating of A1 + (A one plus) to the Bank as at June 2008 (2007: AA [Double A]) for long term and A1 + [A one plus] for short term).

	Note	2008	2007
(Number of employees)			
33 STAFF STRENGTH			
Permanent		6,336	5,979
Temporary / On contractual basis		1,248	1,392
Bank's own staff strength at the end of the year		<u>7,584</u>	<u>7,371</u>
Outsourced		2,085	1,812
Total staff strength		<u>9,669</u>	<u>9,183</u>

34 DEFINED BENEFIT PLAN**34.1 Principal actuarial assumptions**

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2008. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2008	2007
Discount factor used	15.00%	10.00%
Expected rate of return on plan assets	15.00%	10.00%
Expected rate of salary increase	15.00%	10.00%
Normal retirement age	60 Years	60 Years



Notes to and forming part of the Financial Statements

Note	2008	2007
	(Rupees in '000)	
34.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligations	737,369	546,346
Fair value of plan assets	(468,272)	(352,811)
Net actuarial losses not recognized	(267,682)	(190,705)
Past service cost not yet recognized	(1,415)	(2,830)
	<u>-</u>	<u>-</u>
34.3 Movement in defined benefit obligation		
Obligations at the beginning of the year	546,346	366,308
Current service cost	102,719	66,651
Interest cost	54,635	36,631
Benefits paid	(34,534)	(10,638)
Actuarial (gain) / loss on obligation	68,203	87,394
Obligations at the end of the year	<u>737,369</u>	<u>546,346</u>
34.4 Movement in fair value of plan assets		
Fair value at the beginning of the year	352,811	250,757
Expected return on plan assets	35,281	25,076
Contributions	142,926	90,289
Benefits paid	(34,534)	(10,638)
Actuarial gain / (loss) on plan assets	(28,212)	(2,673)
Fair value at the end of the year	<u>468,272</u>	<u>352,811</u>
34.5 Plan assets consist of the following:		
Defence Saving Certificates	50,000	46,156
Term Finance Certificates	157,144	65,415
Pakistan Investment Bonds	18,893	23,810
Alfalah GHP Value Fund	27,693	9,689
Alfalah GHP Alpha	24,795	-
Cash and bank	189,747	207,741
	<u>468,272</u>	<u>352,811</u>
34.6 Movement in payable to defined benefit plan		
Opening balance	-	-
Charge for the year	142,926	90,289
Bank's contribution to fund made during the year	(142,926)	(90,289)
Closing balance	<u>-</u>	<u>-</u>
34.7 Charge for defined benefit plan		
Current service cost	102,719	66,651
Interest cost	54,635	36,631
Expected return on plan assets	(35,282)	(25,076)
Actuarial losses	19,439	10,668
Past service cost	1,415	1,415
	<u>142,926</u>	<u>90,289</u>
34.8 Actual return on plan assets	<u>7,069</u>	<u>22,403</u>

Notes to and forming part of the Financial Statements

34.9 Historical information

	2008	2007	2006	2005	2004
	----- (Rupees in '000) -----				
Defined benefit obligation	737,369	546,346	366,308	261,191	176,786
Fair value of plan assets	468,272	352,811	250,757	183,665	131,193
Surplus / (deficit)	<u>(269,097)</u>	<u>(193,535)</u>	<u>(115,551)</u>	<u>(77,526)</u>	<u>(45,593)</u>
Experience adjustments on plan liabilities	<u>(68,203)</u>	<u>(87,394)</u>	<u>(45,151)</u>	<u>(29,548)</u>	<u>(15,760)</u>
Experience adjustments on plan assets	<u>(28,212)</u>	<u>(2,673)</u>	<u>(7)</u>	<u>174</u>	<u>14,052</u>

35 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees to which both the Bank and employees contributes @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 146.620 million (2007: Rs. 114.015 million) in respect of this fund.

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----					
Fee	-	-	14,560	4,937	-	-
Bonus	7,517	7,193	-	-	266,767	175,918
Managerial Remuneration	8,140	7,470	-	-	997,356	667,719
Post employment benefits	1,286	1,350	-	-	102,127	75,693
Rent and house maintenance	3,088	2,949	-	-	300,774	160,462
Utilities	772	737	-	-	68,363	51,268
	<u>20,803</u>	<u>19,699</u>	<u>14,560</u>	<u>4,937</u>	<u>1,735,387</u>	<u>1,131,060</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>704</u>	<u>511</u>

The Chief Executive and certain executives have been provided with the free use of cars and household equipments as per Bank's policy.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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



Notes to and forming part of the Financial Statements

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

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

	2008		2007	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	17,558,221	17,256,043	11,653,723	11,782,530
Forward sale of foreign exchange	10,459,284	10,337,951	12,625,977	12,748,699

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Total
		-----Rupees in '000-----		
2008				
Total income	8,387,737	7,422,908	20,481,365	36,292,010
Total expenses	8,585,758	6,521,790	19,389,742	34,497,290
Net income	(198,021)	901,118	1,091,623	1,794,720
Segment assets	7,988,961	35,298,716	305,703,087	348,990,764
Segment non-performing loans	-	2,351,609	6,582,664	8,934,273
Segment provision required against loans and advances	-	2,594,937	3,545,746	6,140,683
Segment liabilities	6,887,193	37,108,899	287,949,933	331,946,025
Segment return on assets (ROA) (%)	11.50%	18.46%	12.74%	
Segment cost of funds (%)	10.64%	16.22%	10.76%	
2007				
Total income	8,079,827	7,474,429	16,268,081	31,822,337
Total expenses	7,459,954	6,462,015	13,364,816	27,286,785
Net income	619,873	1,012,414	2,903,265	4,535,552
Segment assets	119,491,489	49,700,079	159,703,584	328,895,152
Segment non-performing loans	-	1,708,428	2,996,657	4,705,085
Segment provision required against loans and advances	-	2,139,734	2,340,084	4,479,818
Segment liabilities	18,750,329	66,094,010	227,830,969	312,675,308
Segment return on assets (ROA) (%)	7.96%	17.61%	9.99%	
Segment cost of funds (%)	7.08%	15.20%	8.24%	

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.



Notes to and forming part of the Financial Statements

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

	2008						Total
	Directors	Key Management Personnel	Group Companies	Associates	Subsidiaries	Strategic Investments	
	------(Rupees in '000)-----						
39.1 Deposits							
Balance at the beginning of the year	2,129	111,269	715,537	9,061,585	7,763	18	9,898,301
Placements during the year	192,188	423,686	21,278,067	80,949,923	818,240	-	103,662,104
Withdrawals during the year	(130,973)	(464,123)	(19,798,229)	(84,844,262)	(822,909)	-	(106,060,496)
Balance at end of the year	63,344	70,832	2,195,375	5,167,246	3,094	18	7,499,909
39.2 Financing							
Balance at the beginning of the year	-	145,835	-	11,881	171,479	-	329,195
Disbursements during the year	10,000	84,914	-	15,063,981	26,784,025	-	41,942,920
Repayments during the year	(1,069)	(103,695)	-	(14,075,438)	(26,736,743)	-	(40,916,945)
Balance at end of the year	8,931	127,054	-	1,000,424	218,761	-	1,355,170
39.3 Investments							
Balance at the beginning of the year	-	-	305,000	4,196,535	76,000	120,000	4,697,535
Investment during the year	-	-	297,956	1,687,218	-	-	1,985,174
Withdrawals during the year	-	-	(337,821)	-	-	-	(337,821)
Balance at end of the year	-	-	265,135	5,883,753	76,000	120,000	6,344,888
39.4 Call borrowings / Repo							
Balance at the beginning of the year	-	-	-	-	-	-	-
Placements during the year	-	-	49,264,394	-	-	-	49,264,394
Withdrawals during the year	-	-	(49,064,394)	-	-	-	(49,064,394)
Balance at end of the year	-	-	200,000	-	-	-	200,000
39.5 Call lendings / Reverse Repo							
Balance at the beginning of the year	-	-	-	-	-	-	-
Placements during the year	-	-	43,620,234	-	-	-	43,620,234
Withdrawals during the year	-	-	(43,520,234)	-	-	-	(43,520,234)
Balance at end of the year	-	-	100,000	-	-	-	100,000

	Note	2008	2007
		(Rupees in '000)	
39.6 Financing			
Running finance			
- Subsidiary company		216,598	166,795
- Other related parties		998,790	8,295
Long term loans			
- Subsidiary company		2,163	4,684
- Other related parties		137,619	149,421
39.7 Contingencies and commitments			
Letter of credit and acceptance issued		-	-
Guarantees issued		6,200	6,200



Notes to and forming part of the Financial Statements

Note	2008	2007
	(Rupees in '000)	
39.8 Customer accounts		
PLS accounts		
- Subsidiary company	-	-
- Other related parties	1,596,477	8,725,440
Current accounts		
- Subsidiary company	3,094	7,763
- Other related parties	3,370,223	291,945
Fixed deposit accounts		
- Other related parties	2,530,115	873,153
39.9 Bank Balances with other banks		
- Balance with UBL	864,044	277,116
39.10 With subsidiary companies		
Brokerage expense	1,573	1,690
Mark-up income	15,297	7,302
Rent income	3,300	2,896
Finance lease income	366	545
Lease rentals	2,887	1,917
Mark-up receivable on running finance	7,114	-
Receivable against trade of marketable securities	-	4
Receivable against others	-	90
Balance held in deposit account	3,094	7,763
Security deposit	436	862
Bank charges recovered	129	178
Provision made during the year in respect of investment in subsidiary company	36,443	-
39.11 With associated companies		
Commission income from Warid Telecom (Private) Limited	-	154
Commission income on letters of credit and letters of guarantee	-	102
Insurance premium paid to Alfalah Insurance Company Limited	126,860	55,438
Mark-up income on advances	264,012	238,386
Charge for security services to Security and Management Services (Private) Limited and Wackenhut Pakistan (Private) Limited	28,753	-
Payment to Wateen Telecom (Private) Limited for purchase of equipment	43,813	-
39.12 With other Related Parties		
Capital gain on sale of shares of UBL	5,861	-
Capital gain on sale of shares of UMMF	239	-
Contribution to Employees provident fund	146,620	114,015
39.13 The Key Management Personnel / Directors compensation are as follows:		
Salaries and Allowances	576,785	343,502

In addition, the Chief Executive and other executive officers are provided with Bank maintained car as per Bank's policy.



Notes to and forming part of the Financial Statements

40 CAPITAL ADEQUACY**40.1 Capital Management**

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

Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Bank operates;
- Maintain strong ratings and to protect the Bank against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Bank to operate adequately and provide reasonable value addition for the shareholders and other stakeholders.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 19 dated September 5, 2008 requires the minimum paid up capital (net of losses) for banks to be raised to Rs 23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital (net of losses) of the Bank for the year ended December 31, 2008 stood at Rs 7,995 million. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9 percent of the risk weighted exposure of the Bank as at December 31, 2008. The Bank's CAR as at December 31, 2008 was 8.03 percent of its risk weighted exposures being lower than the prescribed minimum CAR.

Considering the above, the Bank has announced a right issue of 399,750,000 shares at par i.e. Rs 10/- per share to raise Rs 3,997.5 million of additional share capital and the proceeds are expected to be received in March 2009 thereby ensuring compliance with the prescribed minimum CAR requirement. In view of the afore-mentioned, the State Bank of Pakistan has granted extension to the Bank in meeting the minimum capital requirement uptill March 31, 2009.

In addition to the requirements set by the State Bank of Pakistan for the Bank as a whole, the Bank's branches outside Pakistan are also required to follow capital requirements applicable in respective countries. Such individually regulated operations have complied with all externally imposed capital requirements throughout the period.

Bank's regulatory capital analysed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfilment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25 % of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 %), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.



Notes to and forming part of the Financial Statements

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The Bank currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, gold, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfil other specified criteria under the relevant capital adequacy guidelines.

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

40.2 Capital adequacy ratio as at December 31, 2008

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below. Comparative information for 2007 is provided in note 40.3 which has been prepared based on Basel I requirements which were then applicable as it was considered impracticable to accurately calculate the risk weighted exposures as at December 31, 2007 applying the Basel II guidelines due to non-availability of all the required information.

	2008
	(Rupees in '000)
Regulatory capital base	
Tier I capital	
Fully paid-up capital	7,995,000
Reserves (excluding foreign exchange translation reserves)	2,588,035
Unappropriated / unremitted profits (net of losses)	3,447,467
Less: Book value of intangibles	(397,087)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(119,520)
Total Tier I Capital	13,513,895



Notes to and forming part of the Financial Statements

		2008	
		(Rupees in '000)	
Tier II Capital			
Subordinated debt (upto 50% of total Tier I capital)			1,807,319
General provisions for loan losses subject to 1.25% of total risk weighted assets			1,085,085
Revaluation reserve (upto 45%)			1,313,562
Foreign exchange translation reserves			578,021
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)			(119,520)
Total Tier II capital			4,664,467
Eligible Tier III capital			-
Total regulatory capital	(a)		18,178,362
Risk-weighted exposures			
		2008	
		Capital Requirements	Risk Weighted Assets
		(Rupees in '000)	
Credit risk			
Portfolios subject to standardised approach (comprehensive approach for CRM)			
Claims on:			
Sovereigns other than PKR claims		477,624	5,970,299
Public Sector Entities (PSEs)		406,154	5,076,927
Banks		847,685	10,596,057
Corporates		8,067,985	100,849,813
Retail portfolio		3,369,590	42,119,881
Residential mortgage finance		355,580	4,444,747
Listed equities and regulatory capital instruments issued by others banks		101,053	1,263,161
Unlisted equity investments		625,687	7,821,089
Fixed Assets		1,070,096	13,376,206
Other Assets		233,000	2,912,502
Past Due Exposures		368,381	4,604,768
Market risk			
Portfolios subject to standardised approach			
Interest rate risk		14,475	180,938
Equity position risk		1,802	22,525
Foreign exchange risk		263,254	3,290,675
Operational risk		1,903,330	23,791,622
TOTAL	(b)	18,105,696	226,321,210
Capital adequacy ratio			
Total eligible regulatory capital held	(a)	18,178,362	
Total risk weighted assets	(b)	226,321,210	
Capital adequacy ratio [(a) / (b) x 100]			8.03%



Notes to and forming part of the Financial Statements

40.3 Capital adequacy ratio as at December 31, 2007

As at December 31, 2007, the capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

Note	2007	
	(Rupees in '000)	
Regulatory Capital Base		
Tier I Capital		
Shareholders' capital		6,500,000
Reserves		2,327,775
Unappropriated profits (net of losses)		4,851,840
		<u>13,679,615</u>
Less: Adjustments		
- Investments in equity of subsidiary companies engaged in banking and financial activities		(76,000)
- Deficit on account of revaluation of investment in associate		-
- Deficit on account of revaluation of investments classified as AFS		(59,811)
		<u>(135,811)</u>
Total Tier I Capital		<u>13,543,804</u>
Tier II Capital		
Subordinated debt (upto 50% of total Tier I Capital)		2,322,446
General provision (subject to 1.25% of total risk weighted assets)		1,099,409
Revaluation reserve (upto 50%)		1,256,491
Foreign exchange translation reserves		87,058
Total Tier II Capital		<u>4,765,404</u>
Eligible Tier III Capital		-
Total Regulatory Capital	(a)	<u>18,309,208</u>
Risk-weighted exposures		
		2007
	Note	Book Value Risk Adjusted Value
		(Rupees in '000)
Credit risk		
Balance sheet items:		
Cash and other liquid assets		51,269,175 5,164,625
Investments		87,886,162 9,943,273
Loans and advances		159,710,883 128,277,657
Fixed assets		11,922,324 11,922,324
Other assets		6,013,097 5,913,487
		<u>316,801,641 161,221,366</u>
Off-balance sheet items:		
Loan repayment guarantees and acceptances		12,606,646 8,831,288
Performance bonds, bid bonds, warranties and similar instruments etc.		3,816,356 1,833,017
Stand by letters of credit and other stand by facilities		30,958,445 12,369,451
Outstanding foreign exchange contracts		
-Purchase and sales (both)		24,279,700 271,380
		<u>71,661,147 23,305,136</u>
Credit risk-weighted exposures		<u>184,526,502</u>
Market Risk		
General market risk		42,352
Specific market risk		42,352
Capital charge for foreign exchange risk		20,131
Total capital charge for market risk	(b)	<u>104,835</u>
Market risk-weighted exposures	(b x 12.5)	<u>1,310,438</u>
Total risk-weighted exposures	(c)	<u>185,836,940</u>
Capital adequacy ratio [(a) / (c) x 100]		<u>9.85</u>



Notes to and forming part of the Financial Statements

40.4 Types of exposures and ECAs used

Exposures	JCR-VIS	PACRA	S&P & Moody's
Sovereigns other than PKR claims	-	-	✓
PSEs	✓	✓	-
Banks	✓	✓	✓
Corporates	✓	✓	✓

Credit exposures subject to standardised approach

Exposures	Rating category	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	2,993,391	-	2,993,391
PSEs	1	5,703,429	4,368,000	1,335,429
Banks	1,2,3	15,731,329	475,781	15,255,548
Banks	4,5	5,121,390	-	5,121,390
Banks - PKR claims less than three months		10,093,130	4,789,224	5,303,906
Corporates	1	7,902,703	171,340	7,731,363
Corporates	2	1,370,723	223,735	1,146,988
Retail portfolio		56,675,751	4,968,012	51,707,739
Unrated		131,466,795	30,174,462	101,292,333
Total		237,058,641	45,170,554	191,888,087

* CRM= Credit Risk Mitigation

41 RISK MANAGEMENT

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy and "Risk Management & Internal Control" manual.

Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.
- As part of its mandate the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the bank.
- The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. The middle-office directly reports to Head of RMD.
- An independent risk review function exists at the bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with all the Pillar - I requirements of Basel II accord. Moreover, in light of SBP circulars and guidelines, significant progress has also been made in respect of advanced approaches of Basel II. Implementation of Pillar - II i.e. ICAAP has also been initiated.

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- As a policy the reporting line of the risk management function has been kept completely independent of the business divisions.
- The Bank has acquired Temenos T24 banking system as its core banking solution and its Risk Management system called T-Risk will be used for managing Credit, Market and Operational risks.

41.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to risk management function.

The Bank, as per State Bank of Pakistan Guidelines, has migrated to Basel II as on January 01, 2008 with the standardized approach. For Credit Risk, procedural manual has been developed, which also incorporates a comprehensive system of cross-checks for data accuracy. Simultaneously, processes have been set for fine-tuning systems & procedures, Information Technology capabilities and Risk Governance Structure to meet the requirements of the Advanced Approaches as well.

At Bank Alfalah Limited, the management has laid down the road-map to move towards the implementation of Basel II Advanced Approaches, which shall provide a sophisticated platform for prudent risk management practices. In this respect, the Bank is considering appointment of a consultant firm to assist it with Basel II Advanced Approaches parameters.

The Credit Risk Management comprises of the Credit Risk Department that looks after all the aspects of credit risk and conducts portfolio analysis and stress testing on a regular basis. The Head of Credit Risk Department Head reports directly to the General Manager (GM) - Risk Management Division.

The bank has built-up and maintained a sound loan portfolio in terms of 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 lending activities and ensuring the high quality of asset portfolio. As part of discreet prudential practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view. The Bank manages its portfolio of loan assets with a view to limit concentrations in term of risk quality, geography, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted frequently.

A sophisticated Internal Credit Rating System has been developed by the Bank, which is capable of quantifying counter-party risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party and generates an internal rating vis-à-vis anticipated customer behaviour. The system has been statistically tested, validated and checked for compliance with the State Bank of Pakistan's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Credit Administration Centre (CAC) is working towards ensuring that all the policies and procedures are implemented and followed accordingly. No loan / advances can be booked without proper approval of CAC.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department (under Credit & Collections Group) is functional and handles this responsibility in compliance with the regulatory requirements. The Risk Management Division also monitors the NPL portfolio of the bank and reports the same to BRMC.



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A "Watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non performing. The Risk Management Division also monitors the NPL portfolio of the bank and reports the significant matters to BRMC.

Proactive credit-risk management practices in the form of studies, research work, Internal Rating System, Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, portfolio monitoring are only some of the prudent measures the bank is engaged in for mitigating risk exposures. The current focus is on augmenting the bank's abilities to quantify risk in a consistent, reliable and valid fashion which will ensure advanced level of sophistication in the Credit Risk measurement and management in the years ahead.

41.1.1 Credit Risk - General Disclosures Basel II Specific

Bank Alfalah Limited is using The Standardized Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA Banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel II Standardized Approach is in place and firmly adhered.

41.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel II specific

41.1.2.1 External ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAAs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Pools.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel II framework. For Exposures with a contractual maturity of less than or equal to one year, Short-term Rating given by approved Rating Agencies is used, whereas for Long-term exposure with maturity of greater than one year, Long-term Rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

41.1.3 Disclosures with respect to Credit Risk Mitigation for Standardized and IRB Approaches-Basel II Specific

41.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

41.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.



41.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors are also obtained by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property / automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product notes which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

41.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes, the Bank considers all types of financial collaterals that are eligible under SBP Basel II accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel II requirements, the Bank recognizes only eligible collaterals as mentioned in the SBP Basel II accord.

41.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual Credit Plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the newly developed Internal Rating System allows the bank to monitor risk rating concentration of counterparties against different grades / scores ranging from 1 – 12 (1 being the best and 10 – 12 for defaulters).



Notes to and forming part of the Financial Statements

41.1.4 Segmental information

41.1.4.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	4,206,088	2.12%	2,563,561	0.85%	53,299	0.06%
Automobile & Transportation						
Equipment	3,928,853	1.98%	2,713,531	0.90%	1,566,304	1.88%
Chemical and Pharmaceuticals	3,916,817	1.97%	2,853,834	0.95%	1,976,536	2.37%
Cement	3,371,083	1.70%	297,898	0.10%	636,118	0.76%
Communication	4,240,227	2.13%	12,442,869	4.14%	167,923	0.20%
Electronics and Electrical						
Appliances	3,750,567	1.89%	2,477,280	0.82%	1,776,098	2.13%
Educational Institutes	1,037,093	0.52%	6,127,934	2.04%	344,497	0.41%
Financial	3,408,746	1.71%	12,793,512	4.25%	842,809	1.01%
Fertilizers	4,570,015	2.30%	9,367,200	3.11%	7,226,878	8.67%
Food & Allied Products	3,769,661	1.90%	2,111,193	0.70%	505,223	0.61%
Glass & Ceramics	292,493	0.15%	191,419	0.06%	107,752	0.13%
Ghee & Edible Oil	3,679,929	1.85%	1,207,931	0.40%	736,687	0.88%
Housing Societies / Trusts	2,422,471	1.22%	8,251,607	2.74%	15,415	0.02%
Insurance	506,683	0.25%	3,229,117	1.07%	46,215	0.06%
Import & Export	3,742,105	1.88%	5,857,943	1.95%	767,601	0.92%
Iron / Steel	4,646,125	2.34%	3,419,119	1.14%	8,616,878	10.34%
Oil & Gas	10,720,082	5.39%	14,535,023	4.83%	2,737,495	3.29%
Paper & Board	2,127,894	1.07%	1,724,534	0.57%	230,111	0.28%
Production and Transmission						
of Energy	13,862,069	6.97%	7,660,547	2.55%	6,732,032	8.08%
Real Estate / Construction	7,770,992	3.91%	14,113,458	4.69%	2,675,850	3.21%
Retail / Wholesale Trade	7,892,776	3.97%	5,971,557	1.99%	1,164,772	1.40%
Rice Processing and						
Trading	5,404,082	2.72%	1,204,857	0.40%	137,889	0.17%
Sugar	2,871,980	1.44%	740,514	0.25%	56,555	0.07%
Shoes and Leather garments	796,735	0.40%	634,057	0.21%	172,659	0.21%
Sports Goods	394,082	0.20%	479,233	0.16%	33,123	0.04%
Surgical Goods	240,001	0.12%	198,176	0.07%	314,408	0.38%
Textile Spinning	10,871,339	5.47%	1,661,729	0.55%	495,863	0.60%
Textile Weaving	3,754,668	1.89%	2,044,826	0.68%	559,490	0.67%
Textile Composite	12,722,432	6.40%	895,437	0.30%	793,739	0.95%
Welfare Institutions	741,944	0.37%	5,558,013	1.85%	939,694	1.13%
Individuals	44,005,588	22.13%	96,399,259	32.05%	1,033,125	1.24%
Others	23,146,232	11.64%	71,005,690	23.61%	39,868,271	47.84%
	<u>198,811,852</u>	<u>100%</u>	<u>300,732,858</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities



Notes to and forming part of the Financial Statements

	2007					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	7,830,882	4.48%	1,562,973	0.57%	36,230	0.05%
Automobile and transportation equipment	5,815,984	3.31%	2,794,281	1.02%	3,628,648	4.77%
Chemical and Pharmaceuticals	3,749,425	2.13%	1,951,149	0.71%	2,163,730	2.84%
Cement	2,817,246	1.60%	1,008,105	0.37%	558,419	0.73%
Communication	2,105,503	1.20%	7,911,204	2.90%	3,099,550	4.07%
Electronic & electrical appliances	2,173,233	1.24%	841,611	0.31%	4,114,398	5.41%
Educational institutes	607,080	0.35%	5,237,637	1.92%	105,305	0.14%
Financial	4,263,593	2.43%	10,841,624	3.97%	6,990,586	9.19%
Fertilizers	2,297,934	1.31%	3,229,602	1.18%	2,727,601	3.58%
Food & allied products	3,229,043	1.84%	1,294,974	0.47%	954,641	1.25%
Glass & ceramics	253,661	0.14%	312,126	0.11%	276,443	0.36%
Ghee & edible oil	3,664,080	2.09%	445,543	0.16%	2,233,166	2.93%
Housing societies / trusts	2,484,934	1.41%	5,593,634	2.05%	27,657	0.04%
Insurance	75,736	0.04%	1,385,189	0.51%	44,641	0.06%
Import & export	2,846,931	1.62%	4,793,407	1.75%	2,037,448	2.68%
Iron / steel	3,365,857	1.92%	2,539,863	0.93%	2,860,725	3.76%
Oil & gas	3,976,627	2.26%	14,850,578	5.44%	9,255,256	12.16%
Paper & board	2,034,696	1.16%	1,248,918	0.46%	811,406	1.07%
Production and transmission of energy	7,208,151	4.10%	16,433,320	6.02%	7,897,125	10.38%
Real Estate / construction	5,834,984	3.32%	8,301,050	3.04%	10,203,719	13.41%
Retail / wholesale trade	5,666,525	3.23%	6,728,486	2.46%	817,279	1.07%
Rice processing and Trading	4,354,135	2.48%	729,346	0.27%	233,051	0.31%
Sugar	2,715,814	1.55%	653,211	0.24%	97,451	0.13%
Shoes & leather garments	742,760	0.42%	609,830	0.22%	121,760	0.16%
Sports goods	259,012	0.15%	314,201	0.12%	25,579	0.03%
Surgical goods	201,360	0.11%	155,131	0.06%	33,755	0.04%
Textile spinning	14,115,925	8.04%	2,290,836	0.84%	2,695,709	3.54%
Textile weaving	6,728,552	3.83%	1,648,112	0.60%	1,103,280	1.45%
Textile composite	8,757,959	4.98%	866,560	0.32%	2,261,410	2.97%
Welfare institutions	657,149	0.37%	9,273,546	3.39%	66,003	0.09%
Individuals	43,497,451	24.75%	88,754,315	32.49%	969,444	1.27%
Others	21,346,588	12.14%	68,573,479	25.10%	7,647,265	10.06%
	<u>175,678,810</u>	<u>100%</u>	<u>273,173,841</u>	<u>100%</u>	<u>76,098,680</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities



Notes to and forming part of the Financial Statements

41.1.4.2 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	18,187,635	9%	51,769,990	17%	15,788,476	19%
Private	180,624,217	91%	248,962,868	83%	67,542,833	81%
	<u>198,811,852</u>	<u>100%</u>	<u>300,732,858</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>
	2007					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	12,719,912	7%	68,848,320	25%	11,393,159	15%
Private	162,958,898	93%	204,325,521	75%	64,705,521	85%
	<u>175,678,810</u>	<u>100%</u>	<u>273,173,841</u>	<u>100%</u>	<u>76,098,680</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	337,837	45,933	209,678	19,703
Textile	2,059,012	1,222,947	716,679	475,638
Chemical and pharmaceuticals	48,750	31,583	33,459	32,740
Cement	3,421	335	11,233	8,081
Automobile and transportation equipment	98,414	48,952	77,447	31,768
Wholesale and retail trade	635,878	282,684	796,700	661,669
Individuals	2,488,537	1,828,058	1,749,090	1,285,736
Others	3,262,424	1,595,106	1,110,799	865,074
	<u>8,934,273</u>	<u>5,055,598</u>	<u>4,705,085</u>	<u>3,380,409</u>

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	8,934,273	5,055,598	4,705,085	3,380,409
	<u>8,934,273</u>	<u>5,055,598</u>	<u>4,705,085</u>	<u>3,380,409</u>



Notes to and forming part of the Financial Statements

41.1.4.5 Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingent Liabilities *
	-----Rupees in '000-----			
Pakistan	1,581,078	318,124,273	16,718,335	75,763,964
Asia Pacific (including South Asia)	226,219	26,175,775	380,228	7,567,345
Middle East	(12,577)	4,690,716	(53,824)	-
	<u>1,794,720</u>	<u>348,990,764</u>	<u>17,044,739</u>	<u>83,331,309</u>
	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingent Liabilities *
	-----Rupees in '000-----			
Pakistan	4,264,249	311,622,060	16,017,906	70,221,545
Asia Pacific (including South Asia)	303,021	15,437,262	234,277	5,877,052
Middle East	(31,718)	1,835,830	(32,339)	83
	<u>4,535,552</u>	<u>328,895,152</u>	<u>16,219,844</u>	<u>76,098,680</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

41.2 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market prices. Market risk mainly arises from trading activities undertaken by the bank's treasury. It also includes investments and structural positions in the banking book of the bank. To manage and control market risk, a well defined limits structure is in place. These limits are reviewed, adjusted and approved periodically.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, Bank also carries out stress testing on a daily basis by applying parallel shocks of changes in market yield on all the categories of T-Bills and Government securities. Going forward, the Bank is preparing to use more sophisticated systems and models and is currently evaluating use of various tools to enhance its capability to successfully meet the requirements of the internal models approach of Basel II.

41.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

Off-Balance sheet financial instruments are contracts which are the resultant outcome of the import and export transactions. Moreover, counterparties enter into swaps, forward transactions in inter-bank market on behalf of customers to cover-up their positions against stipulated risks. The buy and sell transactions are matched in view of their maturities in the different predefined time buckets.

The currency risk is regulated and monitored against the regulatory / statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.



Notes to and forming part of the Financial Statements

The analysis below represents the concentration of the Bank's foreign currency risk for on and off-balance sheet financial instruments:

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	305,476,953	283,626,996	(8,057,951)	13,792,006
United States Dollar	37,693,693	40,559,362	6,069,456	3,203,787
Great Britain Pound	1,660,823	3,092,236	1,430,635	(778)
Japanese Yen	225,998	22,342	(199,346)	4,310
Euro	3,761,489	4,555,854	786,136	(8,229)
Other currencies	171,808	89,235	(28,930)	53,643
Total foreign currency exposure	43,513,811	48,319,029	8,057,951	3,252,733
Total currency exposure	348,990,764	331,946,025	-	17,044,739

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	289,286,874	272,905,975	(412,694)	15,968,205
United States Dollar	33,368,721	33,365,380	119,391	122,732
Great Britain Pound	3,399,816	3,654,041	312,494	58,269
Japanese Yen	30,612	1,216	(20,068)	9,328
Euro	2,754,469	2,746,586	21,364	29,247
Other currencies	54,660	2,110	(20,487)	32,063
Total foreign currency exposure	39,608,278	39,769,333	412,694	251,639
Total currency exposure	328,895,152	312,675,308	-	16,219,844

41.2.2 Equity position risk

Equity position risk in the trading books arises due to changes in prices of individual stocks or levels of equity indices. The Bank's equity trading book comprises of Equity Portfolio Unit's classified as Held for Trading (HFT). The objective of Equity Portfolio Unit's classified as HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. Special emphasis is given to the details of risks / mitigants, limits / controls for equity trading portfolios of Equity Portfolio Unit.

41.3 Interest rate risk

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to the changes in the market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee (ALCO) monitors the re-pricing of the assets and liabilities on a regular basis. The Bank's interest rate risk is limited since the majority of customer's deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.

Notes to and forming part of the Financial Statements

41.3.1 Mismatch of Interest Rate Sensitive Assets and Liabilities

2008

Effective Yield/Interest Rate	Total	Exposed to Yield/Interest risk						Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years			
		-----Rupees in '000-----								
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	32,687,335	5,845,936	-	-	-	-	-	-	-	26,841,399
Balances with other banks	21,581,043	11,773,319	172,069	272,890	-	-	-	-	-	8,765,571
Lendings to financial institutions	3,313,500	2,028,478	733,332	553,690	-	-	-	-	-	514,151
Investments	75,973,238	6,325,901	24,332,901	5,170,881	168,563	2,091,245	1,456,811	1,795,476	134,033	8,960,138
Advances	192,671,169	15,650,481	29,333,207	53,310,322	11,526,299	14,481,524	17,950,331	9,097,754	10,682,824	8,882,417
Other assets	8,882,417	-	-	-	-	-	-	-	-	8,882,417
	335,110,702	41,624,137	54,571,509	58,754,093	11,694,862	16,572,769	19,407,142	10,893,230	10,816,857	53,449,525
Liabilities										
Bills payable	3,452,031	-	-	-	-	-	-	-	-	3,452,031
Borrowings	13,690,222	12,403,885	114,677	57,339	-	-	-	600,170	-	514,151
Deposits and other accounts	300,732,858	31,306,950	53,037,183	110,256,695	2,633,923	2,589,237	159,576	-	-	86,056,803
Sub-ordinated loans	2,571,169	-	-	2,571,169	-	-	-	-	-	-
Other liabilities	10,053,636	-	-	-	-	-	-	-	-	10,053,636
	330,499,916	43,710,835	53,151,860	110,256,695	2,633,923	2,589,237	159,576	600,170	-	100,076,621
On-balance sheet gap	4,610,786	(2,086,698)	1,419,649	40,005,579	(51,502,602)	9,060,939	13,983,532	19,247,566	10,293,060	(46,627,096)
Off-balance sheet financial instruments										
Forward exchange contracts - purchase	17,558,221	14,199,063	2,090,791	1,251,167	-	-	-	-	-	-
Forward exchange contracts - sale	10,459,284	5,952,303	2,784,895	1,474,886	-	-	-	-	-	-
Repo transactions repurchase	4,822,429	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	2,276,508	3,424,331	(694,104)	(223,719)	(230,000)	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	1,337,633	1,337,633	2,063,178	41,845,038	(9,887,564)	13,156,907	32,404,473	42,697,533	53,514,390	-
Cumulative Yield/Interest Risk Sensitivity Gap										

2007

Effective Yield/Interest Rate	Total	Exposed to Yield/Interest risk						Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years			
		-----Rupees in '000-----								
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	29,436,378	2,438,985	-	-	-	-	-	-	-	26,997,393
Balances with other banks	18,380,738	11,923,859	2,413,452	358,346	-	-	-	-	-	3,685,081
Lendings to financial institutions	3,452,059	3,452,059	-	-	-	-	-	-	-	3,452,059
Investments	88,491,564	16,972,687	19,243,394	14,097,947	1,432,361	39,340	3,013,502	3,536,471	51,180	7,213,183
Advances	171,198,992	25,728,571	20,692,822	30,422,125	12,898,554	17,396,043	20,773,602	5,276,867	8,313,272	5,779,153
Other assets	5,779,153	-	-	-	-	-	-	-	-	5,779,153
	316,736,894	60,471,161	42,349,668	52,633,635	44,878,418	14,330,915	23,787,104	8,813,338	8,364,452	43,674,810
Liabilities										
Bills payable	4,136,243	-	-	-	-	-	-	-	-	4,136,243
Borrowings	21,230,697	15,174,379	-	4,793,196	-	-	-	725,551	-	537,571
Deposits and other accounts	273,173,841	21,325,896	42,199,513	34,226,613	10,486,818	11,646,533	10,371,771	44,106,194	-	71,014,379
Sub-ordinated loans	3,220,858	-	-	324,844	988	-	1,687,554	881,640	-	-
Other liabilities	9,531,860	-	-	-	-	-	-	-	-	9,531,860
	311,225,499	36,500,275	42,199,513	34,551,457	32,914,164	10,487,806	12,059,325	45,713,385	-	85,222,053
On-balance sheet gap	5,443,385	23,970,886	150,155	18,082,178	11,964,254	3,843,109	5,787,862	11,721,779	36,900,047	(41,547,243)
Off-balance sheet financial instruments										
Repo transactions resale	2,455,815	-	-	-	-	-	-	-	-	-
Forward exchange contracts - purchase	11,653,723	3,597,699	3,559,732	4,101,757	394,535	-	-	-	-	-
Forward exchange contracts - sale	-	-	-	-	-	-	-	-	-	-
Forward borrowing (including call borrowing, repurchase agreement, borrowing)	14,827,466	14,827,466	-	-	-	-	-	-	-	-
Forward exchange contracts - sale	12,625,977	3,820,622	3,954,809	4,493,853	356,693	-	-	-	-	-
Off-balance sheet gap	(13,343,905)	(12,594,574)	(392,077)	(37,842)	(392,096)	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	23,970,886	150,155	18,082,178	11,964,254	3,843,109	5,787,862	11,721,779	36,900,047	8,364,452	46,990,628
Cumulative Yield/Interest Risk Sensitivity Gap	23,970,886	24,121,041	42,203,219	54,167,473	58,010,582	63,798,444	75,526,223	38,626,176	46,990,628	-



41.4 Liquidity risk

Liquidity risk is the potential for loss to the bank arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of balance sheet liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as core retail deposits form a considerable part of the bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios. Moreover, Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of stress / crisis situations.

Notes to and forming part of the Financial Statements

41.4.1 Maturities of Assets and Liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

2008

Assets	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
Cash and balances with treasury banks	32,687,335	32,687,335	-	-	-	-	-	-	-	-
Balances with other banks	21,581,043	172,069	597,194	272,890	-	-	-	-	-	-
Lending to financial institutions	3,315,500	733,332	553,690	5,233,088	4,643,074	-	-	-	-	-
Investments	75,973,238	808,690	23,821,508	53,310,322	11,526,299	13,679,516	17,950,331	3,168,631	6,093,786	10,682,824
Advances	192,671,169	15,650,481	30,638,427	631,784	1,263,569	2,527,138	299,396	6,099,913	1,355,535	-
Operating fixed assets	13,773,293	105,298	315,893	340,979	199,597	17,632,489	20,393,090	34,456,381	18,880,766	18,132,145
Other assets	8,989,186	6,871,199	44,748,769	59,789,062	-	-	-	-	-	-
Liabilities										
Bills payable	3,452,031	3,452,031	-	-	-	-	-	-	-	-
Borrowings	13,690,222	12,403,885	57,339	28,238,112	8,709,374	6,235,027	6,664,688	600,170	514,151	-
Deposits and other accounts	300,732,858	126,476,929	23,805,667	494	494	1,719,738	408,758	36,452,702	440,697	-
Sub-ordinated loans	2,571,169	-	494	-	-	-	-	208,465	-	-
Deferred tax liabilities	208,465	252,966	540,026	1,597,757	1,166,807	1,166,807	1,166,807	172,857	-	-
Other liabilities	11,291,280	62,518,002	24,403,526	29,836,363	9,877,169	9,330,037	10,240,253	37,666,426	-	514,151
Net assets	17,044,739	(68,869,727)	31,864,165	29,952,699	7,755,320	25,126,344	(18,785,660)	17,617,994		
Share capital	7,995,000									
Reserves	3,166,056									
Unappropriated profit	3,447,467									
Surplus on revaluation of assets - net of tax	2,436,216									
	17,044,739									

2007

Assets	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
Cash and balances with treasury banks	29,436,378	29,436,378	-	-	-	-	-	-	-	-
Balances with other banks	18,380,738	2,413,452	358,346	-	-	-	-	-	-	-
Lending to financial institutions	3,452,059	19,243,393	16,443,070	1,512,452	-	-	-	-	-	-
Investments	88,491,564	17,056,683	23,813,047	30,422,124	12,898,554	17,396,043	39,340	3,013,501	3,536,471	3,833,607
Advances	171,198,992	25,728,572	29,697,136	400,245	800,490	880,388	298,314	20,773,602	5,276,867	8,313,272
Operating fixed assets	11,922,324	672,055	200,123	483,525	298,314	447,472	25,835,555	1,600,980	3,553,833	3,387,381
Other assets	6,013,097	3,255,948	43,075,022	48,107,310	15,509,810	18,614,085	12,814,643	447,472	15,534,260	-
Liabilities										
Bills payable	4,138,243	4,138,243	-	-	-	-	-	-	-	-
Borrowings	21,230,697	15,711,950	4,793,196	27,796,124	10,486,818	11,646,533	10,371,771	725,551	44,106,195	-
Deposits and other accounts	273,173,841	92,340,274	34,226,613	324,844	988	988	1,687,554	881,640	1,687,554	-
Sub-ordinated loans	3,220,858	-	478,880	-	-	-	-	1,379,809	167,562	-
Deferred tax liabilities	9,531,860	4,237,103	35,030,337	1,214,011	1,131,043	1,131,043	1,131,043	14,570,177	45,880,948	-
Other liabilities	312,675,308	116,427,570	834,334	19,163,495	13,979,135	5,835,521	11,265,378	(33,066,305)	15,534,260	-
Net assets	16,219,844	(21,216,935)	19,163,495	13,979,135	3,890,961	11,265,378	(33,066,305)	15,534,260		
Share capital	6,500,000									
Reserves	2,414,833									
Unappropriated profit	4,851,840									
Surplus on revaluation of assets - net of tax	2,453,171									
	16,219,844									

60% of savings deposits have been distributed and classified equally in each of the categories ranging from upto one month to over 3 years to five years period with the remaining 40% being classified in over five to ten years based on management experience with such class of deposits. However, these deposits are payable on demand.



Notes to and forming part of the Financial Statements

41.4.2 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2008

Assets	Rupees in '000									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Cash and balances with treasury banks	32,687,335	-	-	272,890	-	-	-	-	-	-
Balances with other banks	20,538,890	172,069	597,194	-	-	-	-	-	-	-
Lending to financial institutions	2,028,478	733,332	553,690	5,233,088	4,643,074	4,448,400	13,679,516	3,168,631	6,093,786	-
Investments	808,690	14,076,595	23,821,508	53,310,322	11,526,299	14,481,524	17,950,331	9,097,754	10,682,824	-
Advances	15,650,481	29,333,207	30,638,427	631,784	1,263,569	1,263,569	2,527,138	6,099,913	1,355,535	-
Operating fixed assets	105,298	210,594	315,893	340,979	199,597	199,597	299,396	514,468	-	-
Other assets	6,871,199	222,972	340,979	59,789,062	17,632,489	20,393,090	34,456,381	18,880,766	18,132,145	-
Liabilities										
Bills payable	3,452,031	-	-	-	-	-	-	-	-	-
Borrowings	12,403,885	114,677	57,339	-	-	2,589,237	159,576	600,170	514,151	-
Deposits and other accounts	300,732,858	53,037,183	14,692,491	19,124,936	2,633,923	408,758	1,719,738	440,697	-	-
Sub-ordinated loans	2,571,169	-	494	494	988	-	-	-	-	-
Deferred tax liabilities	208,465	-	-	-	-	-	208,465	-	-	-
Other liabilities	11,291,280	252,966	540,026	1,597,757	1,166,807	1,166,807	1,166,807	172,857	-	-
	331,946,025	53,404,826	15,290,350	20,723,187	3,801,718	4,164,802	3,254,586	1,213,724	514,151	-
Net assets	17,044,739	(8,656,057)	40,977,341	39,065,875	13,830,771	16,228,288	31,201,795	17,667,042	17,617,994	
Share capital	7,995,000									
Reserves	3,166,056									
Unappropriated profit	3,447,467									
Surplus on revaluation of assets - net of tax	2,436,216									
	17,044,739									

2007

Assets	Rupees in '000									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Cash and balances with treasury banks	29,436,378	2,413,452	-	358,346	-	-	-	-	-	-
Balances with other banks	15,380,940	19,243,393	-	16,443,070	-	-	-	-	-	-
Lending to financial institutions	3,452,059	20,692,822	23,813,047	30,422,124	1,512,452	39,340	3,013,501	3,536,471	3,833,607	-
Investments	88,491,564	25,728,572	29,697,136	400,245	12,898,554	17,396,043	20,773,602	5,276,867	8,313,272	-
Advances	171,198,992	672,055	200,123	400,245	800,490	880,388	1,600,980	3,553,833	3,387,361	-
Operating fixed assets	11,922,324	298,526	483,526	483,525	298,314	298,314	447,472	447,472	-	-
Other assets	6,013,097	3,255,948	54,193,832	48,107,310	15,509,810	18,614,085	25,835,555	12,814,643	15,534,260	-
Liabilities										
Bills payable	4,138,243	-	-	-	-	-	-	-	-	-
Borrowings	21,230,697	42,199,513	34,226,613	4,793,196	10,486,818	11,646,533	10,371,771	725,551	-	-
Deposits and other accounts	273,173,841	92,340,274	324,844	27,796,124	988	988	1,687,554	44,106,195	-	-
Sub-ordinated loans	3,220,858	-	324,844	324,844	-	-	1,379,809	881,640	-	-
Deferred tax liabilities	9,531,860	4,237,103	478,880	1,214,011	1,131,043	1,131,043	1,131,043	167,562	-	-
Other liabilities	312,675,308	116,427,570	35,030,337	34,128,175	11,618,849	12,778,564	14,570,177	45,880,948	-	-
Net assets	16,219,844	(21,216,935)	19,165,495	13,979,135	3,890,961	5,835,521	11,265,378	(33,066,305)	15,534,260	
Share capital	6,500,000									
Reserves	2,414,833									
Unappropriated profit	4,851,840									
Surplus on revaluation of assets - net of tax	2,453,171									
	16,219,844									

The above mentioned maturity profile has been prepared based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profiles disclosed in note 41.4.1 that includes maturities of saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

41.5 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Function has been established within RMD, which directly reports to General Manager - RMD.

The Operational risk management policy of the Bank is incorporated in the Board-approved Risk Management Policy and Risk Management & Internal Control Manual, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

41.5.1 Operational Risk Disclosures - Basel II Specific

Currently, Bank is using the ‘Basic Indicator Approach’ for calculating the capital charge for Operational Risk. However, Bank intends to move towards the ‘Alternative Standardized Approach’ and for this purpose, the mapping of business activities into Basel defined business lines has already been completed.

At Bank Alfalah, risk awareness culture is being encouraged by communicating the principles of proper risk management to all bank employees. A separate ‘Research & Help Desk’ has been created in this regard that helps in creating awareness about Risk Management, Basel II and the capital calculation approaches. Operational Risk Function and business / support units are involved and regularly collaborate in determining and reviewing the strategy, in order to use it as an action plan in improving the operational risk & control system at the organizational and business / support unit levels. Almost all the policies and procedures of the bank are reviewed from the risk perspective, and the recommendations of RMD are taken into consideration before their approval at the appropriate level. All the business / support units are responsible for ensuring compliance with policies and procedures in their day-to-day activities and monitoring key operational risk exposures. An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and implemented across the organization.

A reporting structure has been put in place whereby all business/support units have been made responsible to collect and report the operational losses / near miss incidents to Risk Management Division. These Operational losses, occurring across the organization and reported to Operational Risk Management Department, are aggregated to an internally developed ‘Operational Loss Database’.

As required by Basel II, Bank has categorized all its Operational loss/near miss incidents into following loss event categories:

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management



Notes to and forming part of the Financial Statements

For the purpose of continuous monitoring of risks, Key Risk Indicators (KRIs) have been identified across the Bank and now KRI reporting has also been initiated.

BAL's Information Security Policy and Business Continuity Plan have been approved by the Board of Directors and are in the process of implementation. A dedicated IT Security Unit is functioning within Risk Management Division while responsibility for BCP implementation resides with Operations Group.

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 25, 2009 has announced a bonus issue of 12.50 percent. This 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 this appropriation which will be accounted for in the financial statements for the year ending December 31, 2009.

43. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 25, 2009 by the Board of Directors of the Bank.

44. GENERAL**44.1 Comparatives**

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

Chief Executive Officer

Director

Director

Chairman



**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF 500,000 RUPEES
OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2008**

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2008				Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	8					
1	2	3	4	5	6	7	8	9	10	11	12	
1	Commodities & Textile (Pvt) Ltd Plot No 67, Sector 28, Korangi Industrial Area, Karachi	Iqbal Dossa 42201-0364551-7 Ali Asghar Ambreen Dossa	Jaffar Ali Dossa Iqbal Dossa Iqbal Dossa	36,011	875	-	36,886	7,352	-	-	7,352	
2	Shafiq Hanif (Pvt) Ltd 65, Stretchen Road, Opposite Arts Councel behind Sindh Assembly, Karachi	Tariq Hilal 42301-1272055-5 Irfan Hilal Ahmed 42301-7417563-5	Nawab Ahmed Nawab Ahmed	5,489	627	-	6,116	5,489	627	-	6,116	
3	Pakistan Industrial & Engineering Works 58 A, Lalazar, Queens Road, Karachi	Ch. Gulzar Ahmed 42301-8242494-5	Ch. Iqbal Ahmed	3,531	1,195	-	4,726	3,531	1,195	-	4,726	
4	Wheels Pakistan (Pvt) Ltd Cricket House, Jail Road, Lahore	Ismat Ullah Sheikh Imran Ullah Sheikh Miss Rubina Ismat Zahoor Ahmed Bhatti	Izzmat Ullah Sheikh Izzmat Ullah Sheikh Ismat Ullah Sheikh Haji Muhammad Yousaf	3,408	-	-	3,408	3,398	-	-	3,398	
5	Scantex (Pvt) Ltd	S. Abdul Aziz S. Tahir Aziz S. Sohail Aziz Khalid Iqbal		12,023	340	-	12,363	12,023	340	-	12,363	
6	Sharafat Hussain	Sharafat Hussain 42101-1535357-5		500	246	-	746	500	246	-	746	
7	Muhammad Ilyas	Muhammad Ilyas 42201-1791910-5		501	235	-	736	501	235	-	736	
8	Farhan Akhtar Kazi	Farhan Akhtar Kazi 42301-9418654-1		505	177	-	682	505	177	-	682	
9	Yasin	Yasin 42201-3760593-7		506	154	-	660	506	154	-	660	
10	Amjad Ali Jaffery	Amjad Ali Jaffery 35202-2169669-7		512	276	-	788	512	276	-	788	
11	Sohail Ahmed	Sohail Ahmed 33100-4319730-3		515	181	-	696	515	181	-	696	
12	Muhammad Nafees	Muhammad Nafees		549	177	-	726	549	177	-	726	
			Total	64,050	4,483	-	68,533	35,381	3,608	-	38,989	



ISLAMIC BANKING BUSINESS

The bank is operating 48 Islamic banking branches as at December 31, 2008 (December 31, 2007: 32 branches).

	2008	2007
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	3,211,554	2,804,104
Balances with and due from financial institutions	7,740,302	3,326,484
Lendings to financial institutions	-	-
Investments	3,986,499	3,057,155
Advances	20,405,783	15,065,056
Operating fixed assets	1,487,121	1,343,387
Other assets	1,410,907	987,021
	38,242,166	26,583,207
LIABILITIES		
Bills payable	291,309	299,333
Borrowings from financial institutions	1,639,612	99,573
Deposits and other accounts	30,243,200	21,016,068
Subordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,268	1,265
Other liabilities	2,969,163	2,960,950
	35,144,552	24,377,189
NET ASSETS	3,097,614	2,206,018
REPRESENTED BY		
Islamic Banking Fund	1,800,000	1,200,000
Exchange Equalization Reserve	3,658	178
Unappropriated/ Unremitted profit	575,961	288,973
	2,379,619	1,489,151
Surplus / (Deficit) on revaluation of assets - net of tax	717,995	716,867
	3,097,614	2,206,018
Remuneration to Shariah Advisor / Board	1,500	375
CHARITY FUND		
Opening Balance	28,119	16,611
Additions during the year	29,800	11,508
Payments / Utilization during the year	20,344	-
Closing Balance	37,575	28,119

Note:

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.



ISLAMIC BANKING BUSINESS

	2008	2007
	(Rupees in '000)	
Mark-up/ Return Earned	2,552,096	1,755,554
Mark-up/ Return Expensed	1,480,890	1,073,258
Net Mark-up / Return Income	1,071,206	682,296
Provisions against loans and advances	59,902	119,853
Provision for diminution in value of investments	50,491	-
Bad debts written off directly	12,743	4,461
	123,136	124,314
Net Mark-up / Return Income after provisions	948,070	557,982
NON-MARK-UP INCOME		
Fee, commission and brokerage income	76,478	59,493
Dividend income	17,985	10,011
Income from dealing in foreign currencies	31,990	18,844
Gain / (Loss) on sale of securities	5,891	8,147
Unrealized gain on revaluation of investments classified as held for trading	(29,827)	(1,488)
Other income	82,687	47,364
Total Non- Mark-up Income	185,204	142,371
	1,133,274	700,353
NON-MARK-UP EXPENSES		
Administrative expenses	846,229	577,334
Other charges	127	1,201
Total Non- Mark-up Expenses	846,356	578,535
PROFIT BEFORE TAXATION	286,918	121,818
Unappropriated profit brought forward	288,973	167,085
Transferred from Surplus on revaluation of fixed assets-net of tax	70	70
Profit available for appropriation / unremitted profit	575,961	288,973

Note:

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.



Shariah Advisor's Report

I have reviewed the principles and procedures applied by Bank Alfalah Islamic Banking Group and contracts related to transactions entered into during the year ended 31 December 2008. I have performed the necessary review to enable me to express an opinion as to whether or not the bank complied with Islamic Shari'a rules and principles as well as with the religious opinions and specific resolutions and guidelines which were issued by me.

My review includes the examination of documentation and procedures applied by the bank on the basis of testing each type of operation.

In my opinion the activities and transactions performed by Bank Alfalah Islamic Banking Group during the year 2008, in whole, are in compliance with the principles and guidelines of Shariah and other guidelines issued by Shariah Advisor and State Bank of Pakistan.

The allocation of Profit and charging of losses to remunerative accounts are in conformity with the basis that has been approved by Shariah Advisor in accordance with Shariah rules and principles.

During the year an amount of Rs. 29.8M has been transferred to charity Account and an amount of Rs. 20.3M was disbursed with the approval of Shariah Advisor.

Alhamdulillah, by launching four new deposit products, Hilal Debit Card, local and Export Istisna, commercial Diminishing Musharakah and currency Salam during 2008, Bank Alfalah Islamic Banking Group now have a comprehensive menu of products available for both sides of the balance sheet.

In my opinion there are certain areas which require further improvement and attention of the management.

1. Though Bank Alfalah Islamic Banking Group is providing training to their staff at NIBAF, however, in view of its rapidly growing branch network, I realized that the Bank Alfalah Islamic Banking Group need to establish in house setup to train its staff in various areas of Islamic Banking. Particularly it should be ensured that new hired staff should first be sent to an introductory course in Islamic Banking before inducting them to their functions.
2. Bank should also initiate towards customer awareness program in the form of seminars and workshops regarding Islamic Banking and its products.
3. On the Asset Side Bank Alfalah Islamic Banking Group should now focus on real Shirkah and Modaraba that are the nucleus of the Islamic Banking.
4. Shariah Scholars have allowed conventional insurance in the absence of its Islamic alternate. i.e. Takaful. Alhamdulillah, now in Pakistan, three Takaful companies are providing their services, therefore, Bank Alfalah Islamic Banking Group should speed up the shifting process of its portfolio from insurance to Takaful.

May Allah bless and guide us as He has done since the inception of Bank Alfalah Islamic Banking Group to accomplish these cherished tasks and made us successful here and hereafter.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

KHALIL AHMAD AAZAMI
SHARIAH ADVISOR
BANK ALFALAH ISLAMIC BANKING GROUP

DATED: January 30, 2009

**Consolidated
Financial Statements
of
BANK ALFALAH LIMITED
and Subsidiary Company**





Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising Consolidated Balance Sheet of Bank Alfalah Limited and its subsidiary company, Alfalah Securities (Private) Limited as at December 31, 2008 and the related Consolidated Profit and Loss Account, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 33 branches, which have been audited by us and 7 branches audited by auditors abroad. We have also expressed a separate opinion on the separate financial statements of Bank Alfalah Limited. The financial statements of the subsidiary company were audited by another firm of Chartered Accountants and our opinion in so far as it relates to the amounts included for such company, is based solely on the report of such auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards 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 33 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of Bank Alfalah Limited and its subsidiary company as at December 31, 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The consolidated financial statements of Bank Alfalah Limited and its subsidiary company for the year ended December 31, 2007 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 24, 2008.

A. F. Ferguson & Co.

Chartered Accountants

Dated: March 26, 2009

Karachi



Consolidated Balance Sheet

As at December 31, 2008

	Note	2008	2007
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	32,687,342	29,436,378
Balances with other banks	7	21,584,602	18,388,124
Lendings to financial institutions	8	3,315,500	3,452,059
Investments	9	76,017,285	89,578,391
Advances	10	192,452,517	171,031,183
Fixed assets	11	13,846,774	11,986,258
Deferred tax assets		-	-
Other assets	12	9,374,905	6,807,479
		349,278,925	330,679,872
LIABILITIES			
Bills payable	13	3,452,031	4,138,243
Borrowings	14	14,071,247	21,548,849
Deposits and other accounts	15	300,729,764	273,172,088
Sub-ordinated loans	16	2,571,169	3,220,858
Liabilities against assets subject to finance lease	17	17,459	11,303
Deferred tax liabilities	18	208,281	1,379,967
Other liabilities	19	11,345,489	9,794,410
		332,395,440	313,265,718
NET ASSETS			
		16,883,485	17,414,154
REPRESENTED BY			
Share capital	20	7,995,000	6,500,000
Reserves		3,166,056	2,414,833
Share in share premium of associate		1,615,473	1,615,473
Unappropriated profit		1,727,752	4,404,631
		14,504,281	14,934,937
Minority Interest		-	26,046
		14,504,281	14,960,983
Surplus on revaluation of assets - net of tax	21	2,379,204	2,453,171
		16,883,485	17,414,154
CONTINGENCIES AND COMMITMENTS			
	22		

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

Chief Executive Officer

Director

Director

Chairman



Consolidated Profit and Loss Account For the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
Mark-up / return / interest earned	24	31,097,697	25,816,457
Mark-up / return / interest expensed	25	20,379,543	16,645,178
Net mark-up / interest income		10,718,154	9,171,279
Provision against loans and advances	10.4	2,035,997	2,370,867
Provision for diminution in value of investments	9.20	1,442,619	-
Bad debts written off directly	10.5	28,298	5,844
		3,506,914	2,376,711
Net mark-up / interest income after provisions		7,211,240	6,794,568
Non mark-up / interest income			
Fee, commission and brokerage income		2,635,540	2,556,284
Dividend income		287,878	52,686
Income from dealing in foreign currencies		914,845	474,510
Gain on sale of securities	26	424,757	2,051,805
Unrealized loss on revaluation of investments classified as held for trading	9.22	(182,422)	(22,057)
Other income	27	1,247,278	1,029,012
Total non-mark-up / interest income		5,327,876	6,142,240
		12,539,116	12,936,808
Non mark-up / interest expenses			
Administrative expenses	28	10,601,121	8,383,322
Provisions against off-balance sheet obligations	19.2	28,582	6,959
Other provisions	12.1	271,224	1,634
Other charges	29	122,758	9,565
Total non-mark-up / interest expenses		11,023,685	8,401,480
		1,515,431	4,535,328
Share of (loss) / profit of associates		(1,304,220)	469,272
Extra ordinary / unusual items		-	-
Profit before taxation		211,211	5,004,600
Taxation	30		
- Current		1,741,326	1,743,247
- Prior years		(221,787)	360
- Deferred		(1,015,177)	(321,329)
Share of tax of associates		(295,900)	75,585
		208,462	1,497,863
Profit after taxation		2,749	3,506,737
Profit / (loss) attributable to:			
Equity holders of the parent		28,795	3,505,697
Minority interests		(26,046)	1,040
		2,749	3,506,737
		(Rupees)	
Basic / Diluted earnings per share	31	0.04	4.38

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

Chief Executive Officer

Director

Director

Chairman



Consolidated Cash Flow Statement

For the year ended December 31, 2008

Note	2008	2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	211,211	5,004,600
Share of (profit) / loss of associates	1,304,220	(469,272)
Less: Dividend income	(287,878)	(52,686)
	1,227,553	4,482,642
Adjustments:		
Depreciation	1,218,648	966,406
Amortisation	106,831	40,247
Provision against loans and advances (net)	2,035,997	2,370,867
Provision for diminution in value of investments	1,442,619	-
Provisions against off-balance sheet obligations	28,582	-
Provision against other assets	271,224	-
Unrealized loss on revaluation of investments classified as held for trading	182,422	14,696
Bad debts written-off directly	28,298	5,844
Gain on sale of fixed assets	(80,732)	(13,919)
Provision for gratuity	142,926	90,289
	5,376,815	3,474,430
	6,604,368	7,957,072
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,454,477	7,412,388
Held-for-trading securities	519,177	292,854
Advances	(23,485,629)	(23,465,177)
Other assets	(2,835,945)	(1,435,311)
	(23,347,920)	(17,195,246)
Increase / (decrease) in operating liabilities		
Bills payable	(686,212)	1,047,108
Borrowings	(7,477,602)	13,140,522
Deposits and other accounts	27,557,676	33,691,316
Other liabilities	1,229,799	1,675,162
	20,623,661	49,554,108
	3,880,109	40,315,934
Gratuity paid	(142,926)	(90,289)
Income tax paid	(1,226,839)	(533,214)
Net cash generated from operating activities	2,510,344	39,692,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	12,582,621	(25,815,042)
Net investments in held-to-maturity securities	(705,793)	(4,335,842)
Investment in associated companies	(1,674,153)	(1,598,004)
Dividend income received	285,173	45,165
Investments in operating fixed assets	(3,322,041)	(2,427,622)
Proceeds from sale of fixed assets	230,046	28,071
Net cash generated from / (used in) investing activities	7,395,853	(34,103,274)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of sub-ordinated loans	(649,689)	(1,248)
Dividend paid	(975,000)	-
Payments against lease obligations	(7,111)	10,166
Net cash (used in) / generated from financing activities	(1,631,800)	8,918
Exchange difference on translation of the net investments in foreign branches	490,963	39,254
	8,765,360	5,637,329
Cash and cash equivalents at beginning of the year	48,822,084	43,184,755
Cash and cash equivalents at end of the year	57,587,444	48,822,084

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

Chief Executive Officer

Director

Director

Chairman



Consolidated Statement of Changes in Equity For the year ended December 31, 2008

	Share Capital	Share Premium	Statutory Reserve (a)	Reserve for issue of Bonus Shares	Exchange Translation Reserve	Unappropriated Profit (b)	Share in share premium of associate	Minority Interest	Total
(Rupees in '000)									
Balance at December 31, 2006	5,000,000	1,000,000	1,701,729	-	47,804	1,979,360	-	52,383	9,781,276
Changes in equity for 2007									
Profit attributable to the equity holders of the parent	-	-	-	-	-	3,505,697	-	-	3,505,697
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,585	-	-	24,585
Exchange differences on translation of net investment in foreign branches	-	-	-	-	39,254	-	-	-	39,254
Profit attributable to minority shareholders	-	-	-	-	-	-	-	1,040	1,040
Total recognized income and expense for the year	-	-	-	-	39,254	3,530,282	-	1,040	3,570,576
Investment in associate	-	-	-	-	-	21,035	-	(27,377)	(6,342)
Share in share premium of associate	-	-	-	-	-	-	1,615,473	-	1,615,473
Transfer to statutory reserve	-	-	626,046	-	-	(626,046)	-	-	-
Transfer to reserve for issue of bonus shares	-	(1,000,000)	-	1,500,000	-	(500,000)	-	-	-
Issue of bonus shares	1,500,000	-	-	(1,500,000)	-	-	-	-	-
Balance at December 31, 2007	6,500,000	-	2,327,775	-	87,058	4,404,631	1,615,473	26,046	14,960,983
Changes in equity for 2008									
Profit attributable to the equity holders of the parent	-	-	-	-	-	28,795	-	-	28,795
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	24,586	-	-	24,586
Exchange differences on translation of net investment in foreign branches	-	-	-	-	490,963	-	-	-	490,963
Loss attributable to minority shareholders	-	-	-	-	-	-	-	(26,046)	(26,046)
Total recognized income and expense for the year	-	-	-	-	490,963	53,381	-	(26,046)	518,298
Transfer to statutory reserve	-	-	260,260	-	-	(260,260)	-	-	-
Final cash dividend for the year ended December 31, 2007 declared subsequent to the year end at Rs. 1.5 per share	-	-	-	-	-	(975,000)	-	-	(975,000)
Transfer to reserve for issue of bonus shares	-	-	-	1,495,000	-	(1,495,000)	-	-	-
Issue of bonus shares	1,495,000	-	-	(1,495,000)	-	-	-	-	-
Balance at December 31, 2008	7,995,000	-	2,588,035	-	578,021	1,727,752	1,615,473	-	14,504,281

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

(b) As more fully explained in notes 10.4.1 of these financial statements balances of Rs 404.459 million as at December 31, 2008 representing additional profit arising from availing FSV benefit for determining provisioning requirement is not available for the purposes of distribution of dividend to shareholders.

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

Chief Executive Officer

Director

Director

Chairman



I STATUS AND NATURE OF BUSINESS

I.1 The "Group" consists of:

Holding Company

Bank Alfalah Limited (the Bank)

Bank Alfalah Limited (the Bank) is a banking company incorporated in Pakistan on June 21, 1992 as a public limited company under the Companies Ordinance, 1984. It commenced its banking operations on November 01, 1992. The Bank's registered office is at B.A. Building, I. I. Chundrigar Road, Karachi and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 226 conventional banking branches including 2 sub branches (2007: 191 branches), 7 overseas branches (2007: 7 branches), 48 Islamic banking branches (2007: 32 branches) and 1 offshore banking unit (2007: 1 unit).

Subsidiary Company

Alfalah Securities (Private) Limited - 76 percent holding

The Bank has invested in 76 percent (December 2007: 76 percent) shares of Alfalah Securities (Private) Limited. The principal objective of the company is to undertake the business of a brokerage house. Alfalah Securities (Private) Limited was incorporated on 23 September 2003 with registered office in Karachi, Pakistan. The company obtained corporate membership from Karachi Stock Exchange (Guarantee) Limited on 24 November 2003.

I.2 In addition the Group maintains investments in the following associates:

Percentage of shareholding

Warid Telecom (Private) Limited	8.76 percent
Wateen Telecom (Private) Limited	20 percent
Alfalah Insurance Company Limited	30 percent
Alfalah GHP Value Fund	15.06 percent
Alfalah GHP Income Multiplier Fund	54.40 percent
Alfalah GHP Islamic Fund	66.56 percent
Alfalah GHP Investment Management Limited	40.22 percent

Warid Telecom (Private) Limited has been classified as associate due to significant influence exercised through Bank's nominated Director and is also one of the Group Company.

I.3 In accordance with BSD Circular No. 30 dated November 25, 2008 issued by the State Bank of Pakistan banking companies were required to achieve the minimum Capital Adequacy Ratio (CAR) of 9% on standalone as well as on consolidated basis latest by December 31, 2008 in order to further strengthen the solvency of individual banking companies operating in Pakistan. The Capital Adequacy Ratio (CAR) of the Group at December 31, 2008 was 7.97%. The State Bank of Pakistan through its letter no BSD/BAI-3/608/11/2009 dated January 5, 2009 has granted extension to the Bank in meeting the afore-mentioned CAR requirement uptill March 31, 2009 keeping in view the decision of the board of directors to increase the paid-up share capital of the Bank by Rs 3.997 billion through an offer for issue of right shares to the existing shareholders of the Bank. The offer is to be accepted by completing / signing the letter of right and making payment to the Bank on or before March 11, 2009. The offer for right shares amounting to Rs 708.098 million made to the directors of the Bank has subsequently been fully subscribed by February 2009.



2 BASIS OF PRESENTATION

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

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

2.1 Basis of consolidation

The consolidated financial statements include the financial statements of Bank Alfalah Limited - Holding Company and its subsidiary company - "the Group".

- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre-acquisition reserves in the consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Bank.
- Material intra-group balances and transactions have been eliminated.

3 STATEMENT OF COMPLIANCE

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

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

In addition, Securities and Exchange Commission of Pakistan has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha and IFAS 2 - Ijarah issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006 and IFAS 2 was effective for financial periods beginning on or after July 1, 2007. Subsequently, in accordance with IBD Circular No. 1 dated January 27, 2009 the State Bank of Pakistan has deferred the implementation of IFAS 2 and it is now effective from January 1, 2009. These standards have not been adopted by the stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and Securities and Exchange Commission of Pakistan.



3.2 Amendments to published standards and new interpretations effective in 2008

During the year ended December 31, 2008, IFRIC Interpretation 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' became effective. The interpretation provides guidance on assessing the limit in IAS 19 - 'Employee Benefits' on the amount of the surplus that can be recognised as an asset. It also explains how the gratuity asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements as the Bank's gratuity fund has a deficit and is not subject to any minimum funding requirements.

There are other interpretations that were mandatory for accounting periods beginning on or before January 1, 2008 but were considered not to be relevant or did not have any significant effect on the Group's operations.

3.3 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2009:

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2006. Accordingly, the management believes that the adoption of this standard will not at present affect the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective from January 1, 2009) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and Measurement'. The amendments will have an impact on the Group's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets and the present accounting policy as disclosed in note 5.11 will need to be amended.

IAS 19 (Amendment), 'Employee Benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.



Notes to and forming part of the Consolidated Financial Statements

The management is in the process of assessing the impact of its adoption on the Group's financial statements.

IAS 36 (Amendment), 'Impairment of Assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Group's financial statements.

IAS 38 (Amendment), 'Intangible Assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Group's financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not expected to have a significant effect on the Group's financial statements.

IFRS 8 'Operating Segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14, 'Segment Reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements' effective from the accounting year ended December 31, 2006. Accordingly, the management believes that the adoption of this standard will not at present affect the presentation of the financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Group's operations and are therefore not detailed in these financial statements.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, and trading and available for sale investments and derivative financial instruments are measured at fair value.

The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.

4.2 Critical accounting estimates and judgments

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



Notes to and forming part of the Consolidated Financial Statements

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10)
- iii) income taxes (notes 5.9 and 30)
- iv) accounting for defined benefit plan (notes 5.10 and 35)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

Cash and cash equivalents comprises cash and balances with treasury bank, balances with other banks and call lendings for the purpose of the cash flow statement.

5.2 Sale and repurchase agreements

The Group enters into purchase / (sale) of investments under agreements to resell / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resell them at a future date (reverse repo) are not recognized, as the Group does not obtain control over the assets. The amounts paid are recognized in lendings to financial institutions.

Investments sold under repurchase agreements (repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings.

The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

5.3 Investments

The Group classifies its investments as follows:

a) Held for trading

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

b) Held to maturity

These are investments with fixed or determinable payments and fixed maturities and the Group has the positive intent and ability to hold them till maturity.

c) Available for sale

These are investments, other than those in associates, which do not fall under the 'held for trading' and 'held to maturity' categories.

d) Associates

Associates are all entities over which the Group has a significant influence but not control. Investments in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the investor's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognised in reserves. Increase / decrease in share of profits and losses of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting method for its investment in the mutual funds managed by Alfalah GHP Investment Management Limited.



Notes to and forming part of the Consolidated Financial Statements

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

All purchases and sales of equity investments that require delivery within the time frame established by regulation or market convention are recognised at trade date, which is the date at which the Group commits to purchase or sell the investments.

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

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

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

Gains or losses on disposals during the year are taken to profit and loss account.

5.4 Loans and other receivables

5.4.1 Loans and advances

Loans and advances including financing under murabaha, musharika and net investment in finance lease / ijarah are stated net of provisions against non-performing advances. Specific and general provisions against Pakistan operations of the Bank are made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted-off against advances. Provisions pertaining to overseas advances are made in accordance with the requirements of regulatory authorities of the respective countries. Advances are written off when there are no realistic prospects of recovery.

5.4.2 Trade debts

Trade debts are recognised at fair value and subsequently measured at amortised cost. A provision for impairment in trade debts is made when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Trade debts considered irrecoverable are written off.

5.4.3 Finance lease receivables

Leases / ijarah financing where the Group transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value. Finance lease receivables are included in advances to customers.

5.5 Fixed assets

Tangible Assets

Fixed assets except office premises are shown at cost less accumulated depreciation and accumulated impairment losses, if any. Office premises (which includes land and buildings) is stated at revalued amount less accumulated depreciation.



Notes to and forming part of the Consolidated Financial Statements

Depreciation is charged to income applying the straight-line method using the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the date on which the assets are available for use and ceases on the date on which they are disposed off.

Maintenance and normal repairs are charged to income as and when incurred. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Gains and losses on disposal of fixed assets are taken to the profit and loss account except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. The useful lives and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost, less impairment loss, 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 the recoverable amount.

Leased assets

Assets subject to finance lease are initially recognised at lower of present value of minimum lease payments under the lease agreement and the fair value of the assets and are stated net of accumulated depreciation and impairment loss, if any. The related obligations under the lease are accounted for as liabilities. Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on outstanding liability. Depreciation on leased assets is charged to income on straight-line basis as that of owned assets.

5.6 Capital work in progress

Capital work in progress is stated at cost less impairment losses, if any.

5.7 Non-Current Assets Held for Sale

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

A non-current asset (or disposal group) held for sale is carried at the lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through the profit and loss account for any initial or subsequent write down of the non-current asset (or disposal group) to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded. A non-current asset is not depreciated while classified as held for sale or while part of a disposal group classified as held for sale.



5.8 Impairment

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

5.9 Taxation

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

Current

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for the taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available and the credits can be utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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

Deferred tax liability is not recognised in respect of taxable temporary differences associated with exchange translation reserves of foreign branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

5.10 Employee benefits

Defined Benefit Plan

The Bank operates an approved funded gratuity scheme covering eligible employees whose period of employment with the Bank is five years or more. Contributions to the fund are made on the basis of actuarial recommendations. Projected Unit Credit Method is used for the actuarial valuation. Actuarial gains / losses in excess of 10 percent of the higher of actuarial liabilities or plan assets at the end of the last reporting year are recognized over the average lives of employees.

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

Defined Contribution Plan

The Bank and the subsidiary company operate recognised provident fund schemes for all their permanent employees to which equal monthly contributions are made both by the Group and employees at the rate of 8.33 percent of basic salary.

5.11 Borrowings / deposits and their cost

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



Notes to and forming part of the Consolidated Financial Statements

5.12 Provisions

Provision for guarantee claims and other off balance sheet obligations is recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Expected recoveries are recognised by debiting the customer's account. Charge to profit and loss account is stated net-of expected recoveries.

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

5.13 Acceptances

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

5.14 Revenue recognition**Advances and investments**

Mark-up income on loans and advances, debt securities investments and profit on murabaha and musharika financing are recognised on a time proportion basis taking into account effective yield on the instrument. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortised through the profit and loss account over the remaining maturity, using the effective yield method.

Dividend income is recognized at the time when the Group's right to receive the dividend has been established.

Lease financing

Financing method is used in accounting for income from lease and ijarah financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income when they are realised.

Unrealised lease income and mark-up / return on non-performing advances are suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis.

Fee, commission and brokerage

Fee, commission and brokerage income in respect of banking operations except income from guarantees are accounted for on receipt basis. Commission on guarantees is recognised on time proportion basis. Brokerage, commission and other income in respect of brokerage business are recognised as and when such services are provided.

5.15 Foreign currency translation**Functional and Presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates.

Transactions and Balances

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised into profit and loss account.



Notes to and forming part of the Consolidated Financial Statements

Forward contracts other than contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

Forward purchase contracts with the State Bank of Pakistan relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts.

Commitments

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

Foreign Operations

Assets and liabilities of foreign operations are translated into rupees at the exchange rate prevailing at the balance sheet date. The results of foreign operations are translated at average rate of exchange for the year. Translation gains and losses arising on revaluations of net investment in foreign operations are taken to Exchange Translation Reserve in the equity under "Exchange Translation Reserve" which are recognised into profit and loss account on disposal.

5.16 Derivative Financial Instruments

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

5.17 Off-setting

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

5.18 Dividend and appropriation to reserves

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

5.19 Earnings per share

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

5.20 Segment Reporting

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

Business segments

Trading and sales

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



Notes to and forming part of the Consolidated Financial Statements

Retail Banking

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

Commercial banking

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

Corporate finance

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

Geographical segments

The Group operates in three geographical regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

	Note	2008	2007
(Rupees in '000)			
6 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency (including in transit Rs. 114.565 million, 2007: Rs. 94.960 million)		6,335,738	4,797,473
Foreign currency (including in transit Rs. 186.546 million, 2007: Rs. 104.904 million)		2,999,128	1,837,649
With State Bank of Pakistan in			
Local currency current account	6.1	11,392,141	16,566,799
Foreign currency current account	6.2	1,399,973	1,036,674
Foreign currency deposit account	6.3	3,605,236	929,357
With other central banks in			
Foreign currency current account		2,108,534	1,413,622
Foreign currency deposit account	6.4	2,240,700	1,509,628
With National Bank of Pakistan in			
Local currency current account		2,590,762	1,323,806
National Prize Bonds		15,130	21,370
		32,687,342	29,436,378

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

6.2 As per BSD Circular No. 9 dated 03 December, 2007, cash reserve of 5% is required to be maintained with State Bank Pakistan on deposits held under the New Foreign Currency Accounts Scheme (FE-25 deposits).



Notes to and forming part of the Consolidated Financial Statements

- 6.3 Special cash reserve of 15% is required to be maintained with State Bank of Pakistan on FE-25 deposits as specified in BSD Circular No. 14 dated 21 June, 2008. Profit rates on these deposits are fixed by SBP on a monthly basis. During the year the balance was remeasured at rates ranging from 0.90% to 3.4% (2007: 3.71% to 4.72%) per annum.
- 6.4 Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2008	2007
(Rupees in '000)			
7 BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		607,763	429,518
On deposit account	7.1	3,854,287	1,780,101
Outside Pakistan			
On current account		8,161,367	3,262,949
On deposit account	7.2	8,961,185	12,915,556
		21,584,602	18,388,124

7.1 This represents funds deposited with various banks at profit rates ranging from 10.00% to 19.00% per annum (2007: 7.80% to 8.95% per annum) .

7.2 This includes placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 0.45% to 7.00% per annum (2007: 3.50% to 7.00% per annum) with maturities upto July 2009.

8 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	3,315,500	997,582
Repurchase agreement lendings (Reverse Repo)	8.3	-	2,454,477
		3,315,500	3,452,059

8.1 These represent short term lendings to financial institutions at interest rates ranging from 10.50% to 14.50% per annum (2007: 9.50% to 9.95% per annum) with maturities upto April 2009.

8.2 Particulars of lendings to financial institutions

In local currency	375,000	2,454,477
In foreign currencies	2,940,500	997,582
	3,315,500	3,452,059

8.3 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market Treasury Bills	-	-	-	954,477	-	954,477
Pakistan Investment Bonds	-	-	-	1,500,000	-	1,500,000
	-	-	-	2,454,477	-	2,454,477



Notes to and forming part of the Consolidated Financial Statements

9 INVESTMENTS

9.1 Investments by types:

Note	2008			2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
-----Rupees in '000-----						
Held-for-trading securities						
Fully paid up ordinary shares / units - Listed	11,267	-	11,267	552,501	-	552,501
Available-for-sale securities						
Market Treasury Bills	25,350,662	4,848,492	30,199,154	32,763,607	14,683,909	47,447,516
Pakistan Investment Bonds	458,280	59,501	517,781	375,592	58,791	434,383
Fully paid up ordinary shares / units - Listed	4,274,461	-	4,274,461	2,289,220	-	2,289,220
Fully paid up ordinary shares / units - Unlisted	129,821	-	129,821	129,821	-	129,821
Term Finance Certificates	1,388,391	-	1,388,391	1,073,805	-	1,073,805
Sukuk Bonds	2,099,877	-	2,099,877	-	-	-
	33,701,492	4,907,993	38,609,485	36,632,045	14,742,700	51,374,745
Held-to-maturity securities						
Government Bonds	85,341	-	85,341	85,341	-	85,341
Pakistan Investment Bonds	5,220,710	-	5,220,710	6,855,500	-	6,855,500
Market Treasury Bills	13,991,810	-	13,991,810	21,453,797	-	21,453,797
Term Finance Certificates	9,102,204	-	9,102,204	1,413,401	-	1,413,401
Pakistan Dollar Bond	357,199	-	357,199	-	-	-
Credit Linked Note	395,492	-	395,492	-	-	-
Overseas Bonds	57,339	-	57,339	-	-	-
Preference Shares	303,894	-	303,894	-	-	-
Sukuk Bonds	3,562,050	-	3,562,050	2,562,207	-	2,562,207
	33,076,039	-	33,076,039	32,370,246	-	32,370,246
Associates						
Warid Telecom (Private) Limited	9.18.3.1	4,251,037	-	4,251,037	3,595,776	3,595,776
Wateen Telecom (Private) Limited	9.18.3.2	684,696	-	684,696	628,519	628,519
Alfalah Insurance Company Limited	9.18.3.3	62,153	-	62,153	75,400	75,400
Alfalah GHP Value Fund	9.18.3.4	99,942	-	99,942	115,896	115,896
Alfalah GHP Income Multiplier Fund	9.18.3.5	527,037	-	527,037	565,475	565,475
Alfalah GHP Islamic Fund	9.18.3.6	213,288	-	213,288	261,700	261,700
Alfalah GHP Investment Management Limited	9.18.3.7	128,988	-	128,988	115,554	115,554
		5,967,141	-	5,967,141	5,358,320	5,358,320
Investments		72,755,939	4,907,993	77,663,932	74,913,112	14,742,700
Less: Provision for diminution in value of investments	9.21	1,442,619	-	(1,442,619)	-	-
Investments (net of provisions)		71,313,320	4,907,993	76,221,313	74,913,112	14,742,700
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.22	217	-	217	(22,057)	-
Deficit on revaluation of available-for-sale investments - net	21.2	(153,600)	(50,645)	(204,245)	(21,148)	(34,216)
Total investments		71,159,937	4,857,348	76,017,285	74,869,907	14,708,484
						89,578,391



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
(Rupees in '000)			
9.2 Investments by segments:			
Federal Government Securities:			
- Market Treasury Bills	9.4	44,190,964	68,901,313
- Pakistan Investment Bonds	9.5	5,738,491	7,289,883
- Government Bonds	9.6	85,341	85,341
- Sukuk Bonds	9.7	4,245,730	1,747,208
- Pakistan Dollar Bond	9.8	357,199	-
		54,617,725	78,023,745
Fully Paid up Ordinary Shares / Units / Certificates:			
- Listed companies / Mutual funds	9.9	4,285,728	2,841,721
- Un-listed companies	9.11	129,821	129,821
- Preference Shares	9.12	303,894	-
		4,719,443	2,971,542
Term Finance Certificates, Debentures, Bonds, Notes and Participation Term Certificates:			
- Listed TFCs	9.13	1,070,931	1,098,805
- Un-listed TFCs	9.14	9,419,664	1,388,401
- Sukuk Bonds	9.15	1,416,197	814,999
- Overseas Bonds	9.16	57,339	-
- Credit Linked Note	9.17	395,492	-
		12,359,623	3,302,205
Investment in associates	9.18	5,967,141	5,358,320
Total investments		77,663,932	89,655,812
Provision for diminution in value of investments	9.20	(1,442,619)	-
Surplus / (Deficit) on revaluation of held-for-trading securities - net	9.22	217	(22,057)
Deficit on revaluation of available-for-sale securities - net	21.2	(204,245)	(55,364)
Total investments		76,017,285	89,578,391

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

9.4 Market Treasury Bills are for the periods of six months and one year. The effective rates of profit on Market Treasury Bills range between 10.01% to 14.01% per annum (2007: 8.93% to 9.39% per annum) with maturities upto October 2009 (2007: August 2008).

9.5 Pakistan Investment Bonds (PIBs) are for periods of three, five, ten and fifteen years. The rates of profit range from 7.00% to 14.00% per annum (2007: 7% to 14% per annum) with maturities from April 2009 to June 2019 (2007: March 2008 to June 2019). These also include PIBs having face value of Rs. 35 million (2007: Rs. 35 million) pledged with the National Bank of Pakistan as security to facilitate Telegraphic Transfer discounting facility.



Notes to and forming part of the Consolidated Financial Statements

- 9.6** This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex and carry profit at the rate of 6% per annum (2007: 6% per annum). The bonds are redeemable on maturity in March 2009.
- 9.7** This represents sukuk bonds of Rs 1,742.728 million issued by Water and Power Development Authority (WAPDA) for a period of ten years and ijarah sukuk of Rs 2,503.002 million issued by State Bank of Pakistan for a period of three years. The rates of profit on these bonds ranges between 9.79% to 14.5% per annum (2007: 9.76% to 10.34% per annum) and between 12.99% to 14.76% per annum (2007: Nil) respectively.
- 9.8** This represents Pakistan Dollar Bonds of US Dollar 5.000 million issued by the Government of Pakistan. These bonds carry interest at 7.125% per annum and are due for maturity in March 2016.
- 9.9 Particulars of investments in listed companies / funds include the following:**

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
		MUTUAL FUNDS		
971,870	956,124	AKD Income Fund	50,000	50,000
1,230,471	486,251	AKD Opportunity Fund	80,000	30,000
327,549	332,869	AMZ Plus Income Fund	35,000	35,000
152,973	152,973	Askari Asset Allocation Fund	15,000	15,000
729,161	476,872	Askari Income Fund	75,000	50,000
97,653	96,052	Atlas Income Fund	50,435	50,000
258,652	238,962	Dawood Money Market Fund	25,000	25,000
685,537	623,690	First Habib Income Fund	70,000	65,000
488,180	480,307	IGI Income Fund	49,958	50,000
502,821	-	JS Aggressive Income Fund	50,695	-
967,525	951,203	JS Income Fund (formerly UTP - Income Fund)	100,079	100,000
487,435	478,790	KASB Liquid Fund	50,000	50,000
108,892	108,892	KASB Stock Market Fund	5,000	5,000
1,397,156	956,676	MCB Dynamic Cash Fund	145,167	93,094
2,500,000	2,500,000	Meezan Balanced Fund	25,000	25,000
972,919	972,919	Meezan Islamic Income Fund	50,000	50,000
41,931,941	9,587,084	NAFA Cash Fund	450,000	100,000
1,523,635	-	NAFA Stock Fund	20,000	-
15,000,000	15,000,000	Pak Oman Advantage Fund (Pre IPO)	150,000	150,000
1,009,627	993,246	Pak Oman Bank of Punjab Advantage Plus Fund	51,771	50,000
600,000	-	Pak Oman Islamic Fund	30,000	-
1,043,260	1,026,592	Pakistan Capital Market Fund	9,882	9,882
1,949,240	1,918,281	Pakistan Income Fund	100,000	100,000
3,033,125	3,033,125	Pakistan Premier Fund Limited	36,555	36,554
400,000	400,000	Pakistan Strategic Allocation Fund	4,000	4,000
520,000	450,000	PICIC Growth Fund	18,633	16,672
1,893,952	1,917,972	Reliance Income Fund	100,000	100,000
504,951	1,000,000	United Islamic Income Fund	50,000	100,000
1,952,647	1,923,869	United Money Market Fund	200,239	200,000
49,441	47,996	United Stock Advantage Fund	5,000	5,000
545,136	501,000	UTP - Capital Protected Fund II	50,000	50,000
181,325	181,325	UTP A30+Fund	10,000	10,000



Notes to and forming part of the Consolidated Financial Statements

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
25,000	25,000	SYNTHETIC AND RAYON		
		Dewan Salman Fibre Limited	188	330
		INVESTMENT COMPANIES & BANKS		
-	15,000	Allied Bank Limited	-	2,115
358,972	-	Arif Habib Investment Limited	44,871	-
221,875	15,000	Arif Habib Securities Limited	16,394	2,739
		Askari Bank Limited (formerly Askari		
2,993,000	2,525,000	Commercial Bank Limited)	193,406	188,621
750,000	-	Bank Al Habib Limited	46,281	-
-	195,000	Habib Bank Limited	-	50,009
175,000	-	J.S Bank Limited	1,750	-
2,667,640	-	KASB Securities Limited	180,066	-
165,000	-	MCB Bank Limited	38,899	-
-	2,382,187	Mybank Limited	-	52,715
1,305,000	660,000	National Bank of Pakistan	257,147	165,490
1,953,000	1,000,000	NIB Bank Limited	41,683	75,860
-	121,000	The Bank of Khyber	-	1,786
100,125	-	The Bank of Punjab	2,485	-
145,000	-	United Bank Limited	9,896	-
		CEMENT		
215,000	-	D.G.Khan Cement Limited	8,445	-
350,000	2,794,000	Fauji Cement Company Limited	2,045	49,906
167,200	249,700	Fecto Cement Limited	9,701	14,488
-	86,825	Kohat Cement Company Limited	-	4,153
255,000	60,000	Lucky Cement Limited	14,731	7,255
50,250	50,250	Dewan Cement Limited	827	1,196
3,000	3,000	Dadabhoy Cement Industries Limited	20	33
		FUEL, ENERGY, OIL & GAS		
-	24,000	Attock Refinery Limited	-	6,364
2,203,500	1,934,000	Kohinoor Energy Limited	70,990	62,889
2,201,200	1,922,700	Oil and Gas Development Company Limited	248,991	236,880
530,760	173,000	Pakistan Oilfields Limited	136,784	59,620
726,000	175,000	Pakistan Petroleum Limited	162,869	44,523
85,007	52,007	Pakistan State Oil Company Limited	22,730	22,295
9,383,500	-	Southern Electric Power Company Limited	64,725	-
3,150,000	175,000	The Hub Power Company Limited	89,398	5,825
		AUTOMOBILE ASSEMBLERS		
-	450,500	Dewan Farooque Motors Limited	-	12,977
54,863	-	Indus Motor Company Limited	15,392	-
480	-	Agri Auto Industry Limited	17	-
		TEXTILE		
1,318,710	1,318,710	Hira Textile Mills Limited	16,484	16,484
150,000	25,000	Nishat Mills Limited	7,006	2,689
484	484	Nakshbandi Industries Limited	4	6
128	128	Yousuf Weaving Mills Limited	1	1
		TECHNOLOGY & COMMUNICATION		
250,000	-	Pakistan Telecommunication Company Limited	3,375	-
804,000	100,000	Telecard Limited	2,975	1,121
-	400,000	TRG Pakistan Limited	-	5,142
1,601,337	2,000,000	Worldcall Telecom Limited	12,490	36,710



Notes to and forming part of the Consolidated Financial Statements

2008	2007		2008	2007
(Number of shares / certificates / units)			(Rupees in '000)	
		CHEMICALS & FERTILIZERS		
20,000	75,000	Engro Chemical Pakistan Limited	3,609	21,093
5,030,000	500,000	Fauji Fertilizer Bin Qasim Limited	185,298	22,918
500,000	386,500	Fauji Fertilizer Company Limited	62,685	42,286
25,000	-	ICI Pakistan Limited	3,175	-
		STEEL & ALLIED		
1,100,000	-	Crescent Steel Limited	80,954	-
		MISCELLANEOUS		
2,147,000	-	Pace Pakistan Limited	62,997	-
10,000	-	Tri- Pack Limited	1,530	-
			4,285,728	2,841,721

9.10 During the year, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by the KSE on December 15, 2008 in order to rationalise the prices of equity securities. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

In view of the above circumstances, a clarification was sought from the State Bank of Pakistan on whether the prices quoted on the stock exchange as at December 31, 2008 could be considered as the fair value of such securities at that date. The State Bank of Pakistan through BSD Circular No 2 dated January 27, 2009 has clarified that the market price as quoted on the stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

International Accounting Standards require an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of an investment in an equity security below its cost is objective evidence of such impairment. When a decline in the fair value of investments in equity securities classified as available for sale has been recognized directly in equity and there is objective evidence that the investment is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognised in the profit and loss account even though the investment has not been derecognised. Based on a scrip wise analysis of the deficit arising on revaluation of quoted shares, closed-end mutual funds and open-end mutual funds, management has determined an amount of Rs 1,517.986 million (including Rs 79.293 million pertaining to share of deficit on associates' investments classified as "available for sale") should have been charged to the profit and loss account as impairment loss in accordance with the requirements of International Accounting Standards. Impairment loss amounting to Rs 1,438.693 million (representing significant decline in the fair value of the Group's investment in equity securities classified as available for sale) has been fully recognized and the change is reflected under note 9.21 of these financial statements. In addition impairment loss of Rs 79.293 million pertaining to share of deficit on associates' investments classified as available for sale has been recognized in the profit and loss account as part of the Group's share of loss in associates.



Notes to and forming part of the Consolidated Financial Statements

9.11 Investments in unlisted companies

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive : Mr. S.M. Zaeem Break-up value per share: Rs. 3.14 Period of financial statements : 31 December 2007	5,725	5,725
16	16	Society for Worldwide Interbank Financial Telecommunication Chief Executive : Mr. Lazaro Campos Break-up value per share: Rs. 253,826.63 Period of financial statements : 31 December 2007	4,096	4,096
7,000,000	7,000,000	Al-Hamra Hills (Private) Limited Chief Executive : Mr. Habib Rafiq Break-up value per share: Rs. 9.71 Period of financial statements : 30 June 2008	70,000	70,000
5,000,000	5,000,000	Al-Hamra Avenue (Private) Limited Chief Executive : Mr. Habib Rafiq Break-up value per share: Rs. 9.76 Period of financial statements : 30 June 2008	50,000	50,000
			129,821	129,821

9.12 Investments in preference shares

Investee company	Redemption terms		
STS Holdings Limited	Semi annual redemptions over 5 years ending in 2012	57,340	-
BRAC Bank	Annual redemptions over 5 years ending in 2012	114,680	-
United Hospitals Limited	Annual redemptions over 5 years ending in 2011	131,874	-
		303,894	-



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
9.13 Particulars of Term Finance Certificates - Quoted, Secured		
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	99,880	99,920
20,000 (2007: 20,000) units of Rs.5,000 each		
Mark up:	Six Months KIBOR (Ask Side) + 150 basis points per annum (no floor no cap)	
Redemption:	Bullet payment at maturity	
Maturity:	8 years from date of disbursement i.e. 31 October 2013	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. M.R. Mehkari	
Standard Chartered Bank (Pakistan) Limited - (3rd Issue)	49,950	49,970
10,000 (2007: 10,000) units of Rs.5,000 each		
Mark up:	Six Months KIBOR + 200 basis points prevailing one working day prior to the beginning of each semi annual period.	
Redemption:	A nominal amount i.e. 0.16 percent of the issue amount will be re-paid equally in each of the redemption periods during the first 4 years.	
Maturity:	7 years from the date of issue i.e. February 1, 2013	
Rating:	AAA (PACRA)	
Chief Executive:	Mr. Badar Kazmi	
Bank Al Habib Limited	46,675	46,693
9,350 (2007: 9,350) certificates of Rs.5,000 each		
Mark up:	The average six month KIBOR + 1.50 percent per annum with a floor of 3.50 percent and a cap of 10.00 percent per annum	
Redemption:	The TFC is structured to redeem 0.25 percent of principal semi - annually in the first 78 months and the remaining principal in three semi-annual installments of 33.25 percent respectively starting from the 84th month.	
Maturity:	July 2012	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. Abbas D. Habib	
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	2,887	2,887
578 (2007: 578) units of Rs.5,000 each		
Mark up:	Six month KIBOR (Ask Side) + 190 basis points (no floor no cap)	
Redemption:	Redemption after a grace period of 54 months in 4 equal installments	
Maturity:	8 years from the date of disbursement i.e. February 2013.	
Rating:	A (PACRA)	
Chief Executive:	Mr. Shehzad Naqvi	



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	11,136	22,272
11,136 (2007: 11,136) certificates of Rs.5,000 each		
Mark up: 3.00 percent + KIBOR (six months ask side) with a floor of 6.00 percent per annum and a cap of 10.00 percent per annum		
Redemption: Principal repayment in 10 equal semi-annual installments; profit payable on semi-annual basis.		
Maturity: July 2009		
Rating: A (PACRA)		
Chief Executive: Mr. Asif Kamal		
Allied Bank Limited	38,399	38,415
7,686 (2007 :7,686) certificates of Rs.5,000 each		
Mark up: Six months KIBOR + 1.90 percent per annum with no floor and cap		
Redemption: The instrument is structured to redeem 0.24% of principal in the first 72 months and the remaining principal in 4 equal semi-annual installments of 24.94% each of the issue amount respectively starting from the 78th month.		
Maturity: September 2014		
Rating: AA- (JCR - VIS)		
Chief Executive: Mr. Aftab Manzoor		
Pakistan Mobile Communication (Private) Limited	399,600	399,760
80,000 (2007: 80,000) units of Rs.5,000 each		
Mark up: Six Months KIBOR (Ask Side) + 285 basis points per annum		
Redemption: 6 monthly installments of principal amount after 4 years of grace period		
Maturity: 7 years from date of issue i.e. May 31, 2013		
Rating: AA- (PACRA)		
Chief Executive: Mr. Rashid Khan		
ORIX Leasing Pakistan Limited	184,889	184,963
37,000 (2007:37,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR + 1.50% per annum with no floor & cap		
Redemption: The instrument is structured to redeem 0.08% of principal in the first 24 months in 4 equal semi-annual installments and the remaining 99.22% of the principal would be redeemed during the last 36 months in six equal semi-annual installments.		
Maturity: May 2012		
Rating: AA+ (PACRA)		
Chief Executive: Mr. Humayun Murad		



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
Jahangir Siddiqui & Company Limited	49,960	49,980
10,000 (2007:10,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 2.50% with a floor of 6.0% per annum and ceiling of 16% per annum.	
Redemption:	The instrument is structured to redeem 0.18% of principal in the first 54 months, 49.91% in the 60th month and the remaining 49.91% in the last six months.	
Maturity:	May 2012	
Rating:	AA+ (PACRA)	
Chief Executive:	Mr. Munaf Ibrahim	
Azgard Nine Limited	12,500	25,000
10,000 (2007: 10,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR + 1.75 percent per annum	
Redemption:	Eight equal semi-annual installments commencing from eighteenth month of the issue date; the issuer has a Call Option exercisable at profit payment date to redeem in full or in part the outstanding issue amount of the TFCs.	
Maturity:	August 2009	
Chief Executive:	Mr. Ahmed H. Shaikh	
Financial Receivables Securitization Company Limited	75,075	78,945
15,792 (2007:15,792) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 2.00% p.a. with a floor of 8.0% per annum and cap of 16% per annum.	
Redemption:	Principal redemption will be carried out in 12 and 8 equal semi-annual installments in arrears, with a grace period of 1 year and 3 years for Class A TFCs and Class B TFCs respectively.	
Maturity:	January 2014	
Rating:	AA- (PACRA)	
Chief Executive:	Mr. S. M. Nasir Raza	
Pak Arab Fertilizers Limited	99,980	100,000
20,000 (2007:20,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 1.50 percent per annum	
Redemption:	Principal redemption in 6 stepped-up semi-annual installments starting from the issue date; the issuer may call the TFC in part or full on any profit payment date subject to 30 days prior notice.	
Maturity:	5 years from the issue date i.e. February 28, 2013	
Rating:	AA (PACRA)	
Chief Executive:	Mr. Fawad Ahmed Mocha	
	1,070,931	1,098,805



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
9.14 Particular of Term Finance Certificates - Unquoted, Secured		
Gulshan Spinning Mills Limited	14,277	28,544
10,000 (2007: 10,000) certificates of Rs. 5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.80 percent per annum with a cap of 15 percent per annum.		
Redemption: Seven equal semi-annual installments commencing June 2006		
Maturity: June 2009		
Chief Executive: Mr. Naseer Ahmed		
Paramount Spinning Mills Limited	22,843	45,687
16,000 (2007: 16,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.80 percent per annum with a floor of 8 percent per annum.		
Redemption: Seven equal semi-annual installments commencing June 2006		
Maturity: June 2009		
Chief Executive: Mr. Tanveer Ahmad		
Pakistan International Airlines Corporation	354,153	437,482
100,000 (2007: 100,000) certificates of Rs.5,000 each		
Mark up: SBP discount rate + 0.5 percent per annum with a floor of 8 percent per annum		
Redemption: First four equal semi-annual installments commencing August 2003 amounting to Rs.5,000 each. Next six equal semi-annual installments commencing August 2005 amounting to Rs.12,499,500 each, subsequent six equal semi-annual installments commencing August 2008 amounting to Rs.70,830,500 each; the issuer has a Call Option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium.		
Maturity: February 2011		
Chief Executive: Captain Ejaz Rahim		
Crescent Leasing Corporation Limited (2nd Issue)	10,000	20,000
10,000 (2007: 10,000) certificates of Rs.5,000 each		
Mark up: Six months KIBOR (Average, Ask Side) + 1.75 percent per annum		
Redemption: Ten equal semi-annual installments commencing January 2005; the issuer has a Call Option exercisable at any time from the beginning of the nineteenth month till the end of the sixtieth month from the issue date only on a profit payment date subject to a 30 day notice period.		
Maturity: July 2009		
Chief Executive: Syed Shahnawaz Ahmed Rizvi		



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
Pakistan Mobile Communication (Private) Limited	-	100,378
Nil (2007: 50,000) certificates of Rs.5,000 each		
Mark up:	Simple average of last three six month Treasury Bills cut-off rate + 2.25 percent per annum with a floor of 6.00 percent per annum and a cap of 12.00 percent per annum.	
Redemption:	Five equal semi-annual installments commencing September 2006; the issuer has a call option exercisable any time from the first principal repayment date (i.e. starting from the 36th month) onwards on a coupon date subject to 30 days notice period to repay in whole or in part.	
Maturity:	September 2008	
Chief Executive:	Mr. Rashid Khan	
Pakistan Mobile Communication (Private) Limited	200,000	-
40,000 (2007: Nil) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR + 1.3 percent per annum	
Redemption:	In two equal semi annual installments starting from the 30th month from the date of issue i.e. April 2009. The issuer will have a call option to redeem in full or part the outstanding face value of the TFCs on every installment date.	
Maturity:	September 2010	
Chief Executive:	Mr. Rashid Khan	
Pakistan Mobile Communication (Private) Limited (2nd Issue)	30,000	90,000
30,000 (2007: 30,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR (Average, Ask Side) + 1.60 percent per annum with a floor of 4.95 percent per annum and a cap of 12.00 percent per annum	
Redemption:	Five equal semi-annual installments commencing March 2007; the issuer has a Call Option exercisable any time from the 36th month to 54th month on a coupon date subject to 30 days notice period to repay in whole or in part.	
Maturity:	September 2009	
Chief Executive:	Mr. Rashid Khan	
Dominion Fertilizers (Private) Limited	499,900	479,167
100,000 (2007: 500) units of Rs.1,000,000 each		
Mark up:	Six Months KIBOR (Ask Side) + 325 basis point per annum (no floor & no cap)	
Redemption:	Redemption after a grace period of one year in 24 equal quarterly installments. The issuer has a Call Option exercisable from six months from the date of disbursement at any mark-up payment date subject to a prepayment amount of at least PKR 500 million or in multiples thereof in its entirety.	
Maturity:	7 years from the date of disbursement i.e. July 2013.	
Chief Executive:	Mr. Ahmed Hummayun Shaikh	



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
Bosicor Pakistan Limited	28,571	57,143
20,000 (2007: 20,000) certificates of Rs.5,000 each		
Mark up:	Six month KIBOR (average ask side) + 5.5 percent per annum with a floor of 9.00 percent per annum and a cap of 13.00 percent per annum payable semi-annually.	
Redemption:	Seven equal semi-annual installments commencing August 2006; the issuer has a Call Option exercisable at any time from the 1st principal repayment date (i.e. starting from the 24th month) onwards on a coupon date subject to a 60 days notice period to repay in whole or in part.	
Maturity:	September 2009	
Chief Executive:	Mr. M. Wasi Khan	
Jahangir Siddiqui & Company Limited	99,960	100,000
20,000 (2007:20,000) certificates of Rs.5,000 each		
Mark up:	Six months KIBOR (Ask side) + 1.70 percent per annum	
Redemption:	The instrument is structured to redeem 0.20% of principal in the first 60 months and remaining principal in two equal semi-annual installments of 49.90% each of the issue amount respectively from 60th month; the issuer has a call option exercisable in full at any time after 1 year on a coupon date.	
Maturity:	July 2013	
Chief Executive:	Mr. Munaf Ibrahim	
Khunja Textiles Mills Limited	30,000	30,000
6,000 (2007: 6,000) certificates of Rs.5,000 each		
Mark-up:	Six months KIBOR + 3.00 percent per annum	
Redemption:	10 equal semi-annual installments commencing from the 24th months from first draw down	
Maturity:	April 2014	
Chief Executive:	Mr. Shafaq Hussain	
First Dawood Investment Bank Limited	30,000	-
6,000 (2007: Nil) certificates of Rs.5,000 each		
Mark-up:	Six months KIBOR (Average, Ask Side) + 1.60 percent per annum	
Redemption:	Bullet payment at maturity	
Maturity:	September 2012	
Chief Executive:	Mr. Rafiq Dawood	



Notes to and forming part of the Consolidated Financial Statements

	2008	2007
	(Rupees in '000)	
Azgard Nine Limited	99,960	-
19,996 (2007: Nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 2.25 percent per annum		
Redemption: Ten equal semi-annual installments commencing from 30th month		
Maturity: December 2014		
Chief Executive: Mr. Ahmed H. Shaikh		
Gujranwala Electric Power Company Limited	4,000,000	-
40,000 (2007: Nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after grace period of one year		
Maturity: February 2013		
Chief Executive: Brigadier Mushtaq Ahmad		
Faisalabad Electric Supply Company Limited	4,000,000	-
40,000 (2007: nil) certificates of Rs.5,000 each		
Mark-up: Six months KIBOR (Average, Ask Side) + 0.05 percent per annum		
Redemption: Eight equal semi-annual installments commencing after grace period of one year		
Maturity: February 2013		
Chief Executive: Mr. Ahmed Saeed Akhter		
	9,419,664	1,388,401

9.15 Investments in sukuk bonds

Investee company	Date of maturity	Profit rate	2008	2007
			(Rupees in '000)	
Sitara Chemical Industries Limited - I	December 2013	3 months KIBOR plus 1 percent	298,700	299,999
Sitara Chemical Industries Limited - II	December 2013	3 months KIBOR plus 1.70 percent	93,750	125,000
Orix Leasing Pakistan Limited	June 2012	6 months KIBOR plus 1.25 percent	190,000	190,000
Security Leasing Corporation	September 2013	6 months KIBOR plus 1.95 percent	100,000	100,000
Kohat Cement Company Limited	December 2012	6 months KIBOR plus 1.80 percent	94,600	100,000
Sitara Energy Limited	Note 9.15.1	6 months KIBOR plus 1.15 percent	42,272	-
BRR Guardian Modaraba	June 2014	6 months KIBOR plus 1.30 percent	100,000	-
K.S. Sulemanji Esmailji & Sons (Private) Limited	June 2015	3 months KIBOR plus 1.30 percent	100,000	-
Sitara Peroxide (Private) Limited	August 2014	3 months KIBOR plus 1.10 percent	300,000	-
Security Leasing Corporation	June 2012	6 months KIBOR plus 2 percent	21,875	-
Security Leasing Corporation	September 2012	6 months KIBOR plus 1.95 percent	75,000	-
			1,416,197	814,999

9.15.1 This represents advance payment to Sitara Energy Limited. The relevant sukuk bonds against the advance subscription have not been issued to the Bank by December 31, 2008.

9.16 This represents overseas bonds amounting to Rs 57.339 million issued by IDLC in Bangladesh. These bonds carry interest at 14.09% per annum and are due for maturity in January 2012.



Notes to and forming part of the Consolidated Financial Statements

9.17 This represents Credit Linked Note amounting to US Dollar 5.00 million issued by Standard Chartered Bank. The bond carries interest at 3 months LIBOR plus 350 bps and is due for maturity in March 2013.

9.18 Particulars of investments in associates

The paid up value of these shares / units is Rs. 10 except where stated.

2008	2007		2008	2007
(Number of shares/units)			(Rupees in '000)	
267,957,279 (note 9.18.1)	267,957,279	Warid Telecom (Private) Limited Percentage of holding : 8.76% Break-up value per share: Rs. 15.94 - note 9.18.2 Date of audited financial statements : June 30, 2008 Chief Executive : Mr. Faisal Ijaz Khan	4,251,037	3,595,776
41,747,460	41,747,460	Wateen Telecom (Private) Limited Percentage of holding : 20% Break-up value per share: Rs. 16.4 - note 9.18.2 Date of audited financial statements : June 30, 2008 Chief Executive : Mr. Tariq Malik	684,696	628,519
6,899,000	6,899,000	Alfalah Insurance Company Limited Percentage of holding : 30% Break-up value per share: Rs. 11.40 Date of audited financial statements : 31 December 2008 Chief Executive : Mr. Nasar us Samad Qureshi	62,153	75,400
2,413,487	2,413,487	Alfalah GHP Value Fund Percentage of holding : 15.06% Break-up value per unit: Rs. 41.41 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	99,942	115,896
11,261,109	10,752,548	Alfalah GHP Income Multiplier Fund Percentage of holding : 54.40% Break-up value per unit: Rs. 46.80 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	527,037	565,475
5,048,225	5,000,000	Alfalah GHP Islamic Fund Percentage of holding : 66.56% Break-up value per unit: Rs. 42.25 Date of audited financial statements : 31 December 2008 Investment Adviser - Alfalah GHP Investment Management Limited (Paid-up value of each unit is Rs. 50)	213,288	261,700
13,049,070	13,049,070	Alfalah GHP Investment Management Limited Percentage of holding : 40.22% Break-up value per share: Rs. 9.84 Date of audited financial statements : 31 December 2008 Chief Executive : Mr. Aziz Anis Dhedhi	128,988	115,554
			5,967,141	5,358,320



Notes to and forming part of the Consolidated Financial Statements

9.18.1 Warid Telecom (Private) Limited had not issued right shares by December 31, 2008 against the amount subscribed by the Bank during the year for subscription of 51,096,845 shares.

9.18.2 This represents the break-up value of the investee company based on the unaudited financial statements of the company as at December 31, 2008.

Note	2008	2007
	(Rupees in '000)	
9.18.3 Investment in associates		
9.18.3.1 Warid Telecom (Private) Limited		
Investment as at January 1	3,595,776	1,066,038
Investment during the year	1,687,218	679,578
Share in share premium	-	1,615,473
Share of (loss) / profit	(1,031,957)	234,687
Balance as at December 31	<u>4,251,037</u>	<u>3,595,776</u>

The company was incorporated in Pakistan under Companies Ordinance, 1984 for providing Global System of Mobile Communication (GSM) services in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2008 based on unaudited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Warid Telecom (Private) Limited	<u>131,996,411</u>	<u>83,254,644</u>	<u>13,058,992</u>	<u>(8,351,529)</u>

Note	2008	2007
	(Rupees in '000)	
9.18.3.2 Wateen Telecom (Private) Limited		
Investment as at January 1	628,519	503,332
Investment during the year	-	-
Share of profit	56,177	125,187
Balance as at December 31	<u>684,696</u>	<u>628,519</u>

The company was incorporated in Pakistan under Companies Ordinance, 1984 for providing Long Distance and International public voice telephone (LDI) services and Wireless Local Loop (WLL) service in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2008 based on unaudited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Wateen Telecom (Private) Limited	<u>22,319,836</u>	<u>18,896,350</u>	<u>8,103,581</u>	<u>41,821</u>



Notes to and forming part of the Consolidated Financial Statements

Note	2008	2007
	(Rupees in '000)	
9.18.3.3 Alfalah Insurance Company Limited		
Investment as at January 1	75,400	68,345
Investment during the year	-	-
Share in reserves of associate	-	-
Share of (loss) / profit	(13,247)	7,055
Balance as at December 31	<u>62,153</u>	<u>75,400</u>

Alfalah Insurance Company Limited is a general non-life company which was incorporated as an unquoted public limited company in Pakistan.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2008 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah Insurance Company Limited	931,579	669,463	262,453	7,550

Note	2008	2007
	(Rupees in '000)	
9.18.3.4 Alfalah GHP Value Fund		
Investment as at January 1	115,896	123,125
Dividend received during the year	-	(12,067)
Share in reserves of associate	8,833	-
Share of (loss) / profit	(24,787)	4,838
Balance as at December 31	<u>99,942</u>	<u>115,896</u>

Alfalah GHP Value Fund is an open-ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2008 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Value Fund	678,642	15,202	99,916	(106,468)

Note	2008	2007
	(Rupees in '000)	
9.18.3.5 Alfalah GHP Income Multiplier Fund		
Investment as at January 1	565,475	-
Investment during the year	-	550,000
Dividend received during the year	(13,065)	-
Share in reserves of associate	(50,423)	-
Share of (loss) / profit	25,050	15,475
Balance as at December 31	<u>527,037</u>	<u>565,475</u>

Alfalah GHP Income Multiplier Fund is an open-ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.



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The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2008 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Income Multiplier Fund	976,638	7,830	307,856	95,739

	Note	2008	2007
		(Rupees in '000)	
9.18.3.6 Alfalah GHP Islamic Fund			
Investment as at January 1		261,700	-
Investment during the year		-	250,000
Share in reserves of associate		(3,355)	-
Share of (loss) / profit		(45,057)	11,700
Balance as at December 31		<u>213,288</u>	<u>261,700</u>

Alfalah GHP Islamic Fund is an open-ended asset allocation fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2008 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Islamic Fund	330,323	9,873	48,245	(57,718)

	Note	2008	2007
		(Rupees in '000)	
9.18.3.7 Alfalah GHP Investment Management Limited			
Investment as at January 1		115,554	-
Investment during the year		-	130,493
Share of profit / (loss)		13,434	(14,939)
Balance as at December 31		<u>128,988</u>	<u>115,554</u>

Alfalah GHP Investment Management Limited is an asset management company. The principal activity of the company is to act as the asset management company, investment advisor / fund managers and to constitute, float and manage open-ended schemes and close-ended funds.

The details of assets, liabilities, revenues and profits of the Company as of December 31, 2008 based on audited financial statements are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	-----Rupees in '000-----			
Alfalah GHP Investment Management Limited	327,795	8,659	91,949	16,812



Notes to and forming part of the Consolidated Financial Statements

9.19 Quality of available for sale securities

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2008	2007	2008	2007		
	-----Rupees in '000-----					
Market Treasury Bills	30,017,561	47,367,696	30,199,154	47,447,516	(Unrated - Government Securities)	
Pakistan Investment Bonds	457,417	433,347	517,781	434,383	(Unrated - Government Securities)	
Term Finance Certificates						
Askari Bank Limited (2nd Issue) (formerly Askari Commercial Bank Limited)	100,679	104,267	99,880	99,920	AA-	PACRA
Standard Chartered Bank (Pakistan) Limited (formerly Union Bank Limited)	52,662	50,969	49,950	49,970	AAA	PACRA
Bank Al-Habib Limited	44,715	44,205	46,675	46,693	AA-	PACRA
The Royal Bank of Scotland (formerly ABN Amro (Pakistan) Limited)	3,029	2,981	2,887	2,887	A	PACRA
Trust Investment Bank Limited (formerly Trust Leasing Corporation Limited)	11,100	22,123	11,136	22,272	AA	PACRA
Allied Bank Limited	36,978	40,942	38,399	38,415	A+	JCRVIS
Pakistan Mobile Communication (Private) Limited	427,412	421,067	399,600	399,760	AA-	PACRA
ORIX Leasing Pakistan Limited	187,533	189,735	184,889	184,963	AA+	PACRA
Jahangir Siddiqui & Company Limited	50,225	50,395	49,960	49,980	AA+	PACRA
First Dawood Investment Bank Limited	30,000	-	30,000	-	AA-	PACRA
Financial Receivables Securitization Company Limited	42,581	79,868	42,315	78,945	AA-	PACRA
Financial Receivables Securitization Company Limited "B"	32,760	-	32,760	-	-----	(Not available)-----
Pak Arab Fertilizers Limited	100,210	100,000	99,980	100,000	AA	JCRVIS
Pakistan Mobile Communication (Private) Limited	200,000	-	200,000	-	-----	(Not available)-----
Azgard Nine Limited	99,960	-	99,960	-	-----	(Not available)-----
	1,419,844	1,106,552	1,388,391	1,073,805		
Shares in Listed Companies / Certificates / Units						
AKD Income Fund	41,850	50,321	50,000	50,000	A-(f)	JCRVIS
AKD Opportunity Fund	36,299	30,464	80,000	30,000	-----	(Unrated)-----
AMZ Plus Income Fund	30,322	35,094	35,000	35,000	5 Star	PACRA
Askari Asset Allocation Fund	7,029	15,250	15,000	15,000	-----	(Unrated)-----
Askari Income Fund	68,583	50,401	75,000	50,000	5 Star	PACRA
Atlas Income Fund	46,644	50,097	50,435	50,000	5 Star	PACRA
Dawood Money Market Fund	18,753	24,314	25,000	25,000	5 Star	PACRA
First Habib Income Fund	66,545	65,344	70,000	65,000	-----	(Unrated)-----
IGI Income Fund	48,618	50,403	49,958	50,000	-----	(Unrated)-----
JS Aggressive Income Fund	50,147	-	50,695	-	4 Star	PACRA
JS Income Fund (formerly UTP - Income Fund)	97,584	100,694	100,079	100,000	5 Star	PACRA
KASB Liquid Fund	43,294	50,244	50,000	50,000	-----	(Unrated)-----
KASB Stock Market Fund	2,446	6,181	5,000	5,000	-----	(Unrated)-----
MCB Dynamic Cash Fund	137,887	100,171	145,167	93,094	-----	(Unrated)-----
Meezan Balanced Fund	9,500	21,000	25,000	25,000	5 Star	PACRA
Meezan Islamic Income Fund	47,167	50,747	50,000	50,000	5 Star	PACRA
NAFA Cash Fund	402,106	100,776	450,000	100,000	A (f)	JCRVIS
NAFA Stock Fund	12,551	-	20,000	-	-----	(Not available)-----
Pak Oman Advantage Fund	159,600	123,750	150,000	150,000	AA-(f)	JCRVIS
Pak Oman Bank of Punjab Advantage Plus Fund	47,062	50,387	51,771	50,000	A (f)	JCRVIS
Pak Oman Islamic Fund	30,540	-	30,000	-	-----	(Not available)-----
Pakistan Capital Market Fund	9,253	13,079	9,882	9,882	5 Star	PACRA
Pakistan Income Fund	94,051	100,729	100,000	100,000	5 Star	PACRA
Pakistan Premier Fund Limited	6,127	36,549	36,555	36,554	4 Star	PACRA
Pakistan Strategic Allocation Fund	912	3,640	4,000	4,000	4 Star	PACRA
PICIC Growth Fund	2,907	12,825	18,633	16,672	MFR 2 Star	JCRVIS
Reliance Income Fund	87,857	100,387	100,000	100,000	-----	(Unrated)-----
United Islamic Income Fund	47,534	101,580	50,000	100,000	5 Star	PACRA
United Money Market Fund	187,126	198,543	200,239	200,000	A+ (f)	JCRVIS
United Stock Advantage Fund	2,338	5,504	5,000	5,000	-----	(Unrated)-----
UTP - Capital Protected Fund II	56,798	49,559	50,000	50,000	-----	(Unrated)-----
UTP A30 + Fund	3,371	9,870	10,000	10,000	4 Star	PACRA
Arif Habib Investment Limited	25,121	-	44,871	-	-----	(Not available)-----
Arif Habib Securities Limited	9,332	-	16,394	-	-----	(Not available)-----



Notes to and forming part of the Consolidated Financial Statements

	Market value		Cost		Long/Medium Term Credit Rating	Rated by
	2008	2007	2008	2007		
	-----Rupees in '000-----					
Askari Bank Limited (formerly Askari Commercial Bank Limited)	43,608	199,500	193,406	138,490	AA	PACRA
Bank Al Habib Limited	18,653	-	46,281	-	AA	PACRA
J.S Bank Limited	1,005	-	1,750	-	A-	PACRA
KASB Securities Limited	93,794	-	180,066	-	A+	PACRA
MCB Bank Limited	20,759	-	38,899	-	AA+	PACRA
Mybank Limited	-	45,925	-	47,128	A	PACRA
National Bank of Pakistan	65,668	116,075	257,147	126,564	AAA	JCRVIS
NIB Bank Limited (formally Pakistan Industrial Credit and Investment Corporation)	9,121	58,750	41,683	75,860	AA-	PACRA
The Bank of Punjab	1,320	-	2,478	-	AA-	PACRA
United Bank Limited	5,352	-	9,896	-	AA	JCRVIS
D.G.Khan Cement Limited	4,573	-	8,445	-	-----	(Unrated)-----
Fauji Cement Company Limited	1,645	-	2,045	-	-----	(Not available)-----
Fecto Cement Limited	2,709	6,168	9,701	14,488	-----	(Unrated)-----
Kohat Cement Company Limited	-	4,454	-	4,153	-----	(Not available)-----
Lucky Cement Limited	7,974	-	14,731	-	-----	(Not available)-----
Kohinoor Energy Limited	42,417	61,502	70,990	62,889	-----	(Unrated)-----
Oil and Gas Development Company Limited	110,038	119,450	248,992	122,699	AAA	JCRVIS
Pakistan Oilfields Limited	54,398	-	136,784	-	-----	(Not available)-----
Pakistan Petroleum Limited	73,050	-	162,869	-	-----	(Not available)-----
Pakistan State Oil Company Limited	12,289	-	22,727	-	AAA	PACRA
Southern Electric Power Company Ltd	27,118	-	64,725	-	-----	(Not available)-----
The Hub Power Company Limited	37,339	-	82,573	-	-----	(Unrated)-----
Dewan Farooque Motors Limited	-	5,857	-	12,977	A	PACRA
Indus Motor Company Limited	6,742	-	15,392	-	-----	(Not available)-----
Hira Textile Mills Limited	2,980	10,484	16,484	16,484	-----	(Unrated)-----
Nishat Mills Limited	3,390	-	7,006	-	A+	PACRA
Telecard Limited	1,600	-	2,975	-	-----	(Not available)-----
Worldcall Telecom Limited	4,756	-	12,490	-	A+	PACRA
Engro Chemical Pakistan Limited	1,929	-	3,609	-	AA	PACRA
Fauji Fertilizer Bin Qasim Limited	64,887	-	185,298	-	-----	(Not available)-----
Fauji Fertilizer Company Limited	29,365	45,897	62,684	42,286	-----	(Unrated)-----
ICI Pakistan Limited	1,718	-	3,175	-	-----	(Unrated)-----
Crescent Steel Limited	18,733	-	80,954	-	A+	JCRVIS
Pace Pakistan Limited	18,550	-	62,997	-	A+	PACRA
Tri - Pack Limited	1,246	-	1,530	-	A+	PACRA
	2,725,980	2,281,965	4,274,461	2,289,220		
Shares in Un-listed Companies						
Pakistan Export Finance Guarantee Agency Limited	Not Applicable		5,725	5,725	-----	(Unrated)-----
Society for Worldwide Interbank Financial Telecommunication	Not Applicable		4,096	4,096	-----	(Unrated)-----
Al-Hamra Hills (Private) Limited	Not Applicable		70,000	70,000	-----	(Unrated)-----
Al-Hamra Avenue (Private) Limited	Not Applicable		50,000	50,000	-----	(Unrated)-----
			129,821	129,821		
Sukuk Bonds						
Ijara Sukuk Bonds	955,940	-	1,003,002	-		
Ijara Sukuk Bonds	989,081	-	1,000,000	-		
Security Leasing Corporation Limited	75,300	-	75,000	-		
Security Leasing Corporation Limited	21,917	-	21,875	-		
	2,042,238	-	2,099,877	-		
	36,663,040	51,189,560	38,609,485	51,374,745		



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
9.20 Particulars of provision for diminution in value of investments			
Opening balance		-	-
Charge for the year		1,442,619	-
Closing balance		1,442,619	-

9.21 Particulars of provision for diminution in value of investments by type and segment**Available for sale securities****Listed Companies / Mutual Funds**

- Fully paid up ordinary shares / units / certificates

1,438,693

-

Unlisted companies

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

3,926

-

1,442,619

-

9.22 Unrealized (loss) / gain on revaluation of investments classified as held for trading - net

Investee Company	Unrealised gain / (loss)		Cost/carrying value	
	2008	2007	2008	2007
-----Rupees in '000-----				
Fully paid up ordinary shares / units - Listed				
Allied Bank Limited	-	(163)	-	2,115
Arif Habib Securities Limited	-	(141)	-	2,739
Attock Refinery Limited	-	(333)	-	6,364
Askari Bank Limited (formerly Askari Commercial Bank Limited)	-	2,238	-	50,131
Engro Chemical Pakistan Limited	-	(1,162)	-	21,093
Fauji Cement Company Limited	-	(8,276)	-	49,906
Fauji Fertilizer Bin Qasim Limited	-	(1,893)	-	22,918
Habib Bank Limited	-	(3,229)	-	50,009
Lucky Cement Limited	-	(265)	-	7,255
Mybank Limited	-	5,541	-	5,587
National Bank of Pakistan	-	(1,782)	-	38,926
Nishat Mills Limited	-	(59)	-	2,689
Oil and Gas Development Company Limited	-	(3,964)	-	114,181
Pakistan Oilfields Limited	-	(1,769)	-	59,620
Pakistan Petroleum Limited	-	(1,639)	-	44,523
Pakistan State Oil Company Limited	(2)	(1,149)	3	22,295
Pakistan Telecommunication Limited	848	-	3,375	-
Telecard Limited	-	(36)	-	1,121
The Bank of Khyber	-	90	-	1,786
The Hub Power Company Limited	220	(487)	6,825	5,825
TRG Pakistan Limited	-	458	-	5,142
Worldcall Telecom Limited	-	(3,510)	-	36,710
Nakshbandi Industries Limited	-	(3)	4	6
Dewan Cement Limited	(676)	(369)	827	1,196
Dewan Salman Fibre Limited	(152)	(143)	188	330
Yousuf Weaving Mills Limited	-	-	1	1
Dadabhoj Cement Industries Limited	(14)	(12)	20	33
The Bank of Punjab	(5)	-	7	-
Agri Auto Industry Limited	(2)	-	17	-
	217	(22,057)	11,267	552,501
Unrealised loss in respect of equity securities reclassified from held for trading category to Available for Sale - note 9.23.1	(182,639)	-	-	-
	(182,422)	(22,057)	11,267	552,501



Notes to and forming part of the Consolidated Financial Statements

9.22.1 This reclassification was made as allowed under BSD Circular No. 10 of 2004 "Revaluation surplus / deficit" dated July 13, 2004 issued by the State Bank of Pakistan.

	Note	2008	2007
		(Rupees in '000)	
10 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		168,842,564	144,944,115
Outside Pakistan		10,007,299	7,598,767
		178,849,863	152,542,882
Net investment in finance lease			
In Pakistan	10.2	14,116,352	15,820,046
Outside Pakistan		-	-
		14,116,352	15,820,046
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,092,683	1,579,472
Payable outside Pakistan		4,534,302	5,568,601
		5,626,985	7,148,073
		198,593,200	175,511,001
Provision against advances			
Specific provision against non-performing advances	10.4	(5,055,598)	(3,380,409)
General provision against advances	10.4	(1,085,085)	(1,099,409)
		(6,140,683)	(4,479,818)
		192,452,517	171,031,183
10.1 Particulars of advances - gross of provisions			
10.1.1 In local currency		181,347,487	158,763,104
In foreign currencies		17,245,713	16,747,897
		198,593,200	175,511,001
Short Term (upto one year)		132,634,889	110,852,663
Long Term (over one year)		65,958,311	64,658,338
		198,593,200	175,511,001

10.2 Net investment in Finance Lease / Ijarah Financing

	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
	----- (Rupees in '000) -----							
Lease rentals receivable	4,115,596	7,555,526	743,175	12,414,297	3,431,964	10,848,748	200,081	14,480,793
Residual value	825,195	3,304,952	171,832	4,301,979	1,001,268	3,110,044	44,121	4,155,433
Minimum lease payments	4,940,791	10,860,478	915,007	16,716,276	4,433,232	13,958,792	244,202	18,636,226
Financial charges for future periods	(762,420)	(1,780,806)	(56,698)	(2,599,924)	(778,419)	(1,978,295)	(59,466)	(2,816,180)
Present value of minimum lease payments	4,178,371	9,079,672	858,309	14,116,352	3,654,813	11,980,497	184,736	15,820,046



Notes to and forming part of the Consolidated Financial Statements

10.3 Advances include Rs 8.934 billion (2007: Rs 4.705 billion) which have been placed under non-performing status as detailed below:-

Category of Classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned (Agri Financing)	167,310	8,632	175,942	-	432	432	-	432	432
Substandard	2,405,146	39,245	2,444,391	386,462	3,047	389,509	386,462	3,047	389,509
Doubtful	1,519,621	22,711	1,542,332	567,029	22	567,051	567,029	22	567,051
Loss	4,546,027	225,581	4,771,608	3,919,558	179,048	4,098,606	3,919,558	179,048	4,098,606
	<u>8,638,104</u>	<u>296,169</u>	<u>8,934,273</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>	<u>4,873,049</u>	<u>182,549</u>	<u>5,055,598</u>
	2007								
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned (Agri Financing)	110,759	-	110,759	-	-	-	-	-	-
Substandard	1,026,754	36,255	1,063,009	243,543	1,813	245,356	243,543	1,813	245,356
Doubtful	593,233	-	593,233	282,801	-	282,801	282,801	-	282,801
Loss	2,885,788	52,296	2,938,084	2,830,217	22,035	2,852,252	2,830,217	22,035	2,852,252
	<u>4,616,534</u>	<u>88,551</u>	<u>4,705,085</u>	<u>3,356,561</u>	<u>23,848</u>	<u>3,380,409</u>	<u>3,356,561</u>	<u>23,848</u>	<u>3,380,409</u>

10.4 Particulars of provision against non-performing advances

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	3,380,409	1,099,409	4,479,818	1,175,568	1,060,888	2,236,456
Exchange adjustment and other movements	20,291	43,907	64,198	(1,662)	(2,887)	(4,549)
Charge for the year	3,026,822	73,906	3,100,728	2,559,795	154,726	2,714,521
Reversals / recoveries	(932,594)	(132,137)	(1,064,731)	(230,336)	(113,318)	(343,654)
	2,094,228	(58,231)	2,035,997	2,329,459	41,408	2,370,867
Amounts written off	(439,330)	-	(439,330)	(122,956)	-	(122,956)
Closing balance	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>	<u>3,380,409</u>	<u>1,099,409</u>	<u>4,479,818</u>

10.4.1 During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 2 dated January 27, 2009. Under the revised guidelines issued by SBP, banks have been allowed to avail the benefit of 30% of forced sales value of pledged stocks and mortgaged commercial and residential properties held as collateral against all non-performing loans for 3 years from the date of classification for calculating provisioning requirement with effect from December 31, 2008. However, as per the Circular the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential and commercial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by SBP which were effective from December 31, 2007, banks were not allowed to avail the benefit of discounted forced sales value of mortgaged assets held as collateral against all non-performing loans (except for housing finance) for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2008 would have been lower by approximately Rs. 622.245 million. The additional profit arising from availing the FSV benefit - net of tax at December 31, 2008 which is not available for either cash or stock dividend to shareholders by Bank Alfalah Limited amounted to approximately Rs. 404.459 million.



Notes to and forming part of the Consolidated Financial Statements

10.4.2 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision for overseas branches are maintained in accordance with the guidelines of the authorities in the respective countries.

10.4.3 Particulars of provisions against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	4,873,049	1,002,012	5,875,061	3,356,561	1,033,919	4,390,480
In foreign currencies	182,549	83,073	265,622	23,848	65,490	89,338
	<u>5,055,598</u>	<u>1,085,085</u>	<u>6,140,683</u>	<u>3,380,409</u>	<u>1,099,409</u>	<u>4,479,818</u>

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

	Note	2008	2007
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions		439,330	122,956
Directly charged to profit and loss account		28,298	5,844
		<u>467,628</u>	<u>128,800</u>
10.5.2 Write offs of Rs. 500,000 and above		35,381	122,218
Write offs of below Rs. 500,000		432,247	6,582
		<u>467,628</u>	<u>128,800</u>

10.6 Details of loans written-off of Rs. 500,000/- and above

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

10.7 Particulars of loans and advances to directors, executives, 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	219,893	209,064
- Loans granted during the year	246,122	602,724
- Repayments	(293,846)	(591,895)
- Balance at end of year	<u>172,169</u>	<u>219,893</u>



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
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		8,296	3,100,908
- Adjustment		-	1,722
- Loans granted during the year		15,063,981	-
- Repayments		(14,073,485)	(3,094,334)
- Balance at end of year		998,792	8,296
II FIXED ASSETS			
Capital work-in-progress	11.1	2,417,954	1,742,554
Property and equipment	11.2	11,176,963	10,095,022
Intangible assets	11.6	251,857	148,682
		13,846,774	11,986,258
11.1 Capital work-in-progress			
Civil works		1,100,955	748,484
Equipment / intangibles		775,577	518,096
Advances to suppliers and contractors		461,390	306,124
Others		80,032	169,850
		2,417,954	1,742,554



Notes to and forming part of the Consolidated Financial Statements

11.2 Property and equipment

Description	2008								
	Cost / revaluation at January 1, 2008	Additions / (disposals) / *adjustments	Reclassification	Cost/ Revaluation as at December 31, 2008	Accumulated depreciation at January 1, 2008	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation at December 31, 2008	Net Book Value at December 31, 2008	Rate of depreciation % per annum
----- (Rupees in '000) -----									
Owned									
Office premises	3,985,401	824,153 (5,400) * (9,340)	(189,372)	4,605,442	47,364	61,869 (94) * (325)	108,814	4,496,628	2.5%-5.5%
Revaluation	3,041,000	-	189,372	3,230,372	37,823	37,823	75,646	3,154,726	2.5%-5.5%
	7,026,401	824,153 (5,400) * (9,340)	-	7,835,814	85,187	99,692 (94) * (325)	184,460	7,651,354	
Lease hold improvements	1,044,085	509,815 (4,189) * 1,352	-	1,551,063	449,883	253,233 (2,957) * 5,838	705,997	845,066	20%
Furniture and fixtures	766,602	320,024 (4,727) * 10,819	-	1,092,718	224,181	103,259 (2,559) * 17,407	342,288	750,430	10% - 25%
Office equipment	3,207,445	719,807 (61,744) * 6,552	-	3,872,060	1,495,461	657,857 (57,896) * 14,159	2,109,581	1,762,479	20% - 25%
Vehicles	563,610	80,291 (343,046) * 14,298	-	315,153	272,765	98,026 (209,630) * 4,057	165,218	149,935	25%
Leased									
Vehicles	23,671	13,268 (10,656)	-	26,283	9,315	6,581 (7,312)	8,584	17,699	25%
	12,631,814	2,467,358 (429,762) * 23,681	-	14,693,091	2,536,792	1,218,648 (280,448) * 41,136	3,516,128	11,176,963	
----- (Rupees in '000) -----									
2007									
Description	Cost / revaluation at January 1, 2007	Additions / (disposals) / *adjustments	Reclassification	Cost/ Revaluation as at December 31, 2007	Accumulated depreciation at January 1, 2007	Depreciation for the year/ (on disposal)/ *adjustments	Accumulated depreciation at December 31, 2007	Net Book Value at December 31, 2007	Rate of depreciation % per annum
----- (Rupees in '000) -----									
Owned									
Office premises	3,605,728	392,156 - * (12,483)	-	3,985,401	-	47,530 - * (166)	47,364	3,938,037	2.5%-5.5%
Revaluation	3,041,000	-	-	3,041,000	-	37,823	37,823	3,003,177	2.5%-5.5%
	6,646,728	392,156 - * (12,483)	-	7,026,401	-	85,353 - * (166)	85,187	6,941,214	
Lease hold improvements	702,109	382,065 (10,374) * (29,715)	-	1,044,085	291,180	172,365 (9,540) * (4,122)	449,883	594,202	20%
Furniture and fixtures	531,445	245,780 (10,003) * (621)	-	766,601	154,841	75,010 (4,410) * (1,260)	224,181	542,420	10%-25%
Office equipment	2,418,248	844,855 (22,369) * (33,288)	-	3,207,446	986,847	542,289 (17,121) * (16,555)	1,495,460	1,711,986	20%-25%
Vehicles	480,316	12,076 (25,462) * (11,793)	-	455,137	213,052	89,040 (22,985) * (235)	278,872	176,265	25%
Leased									
Vehicles	5,069	127,075	-	132,144	3,531	2,349 - * (2,671)	3,209	128,935	25%
	10,783,915	2,004,007 (68,208) * (87,900)	-	12,631,814	1,649,451	966,406 (54,056) * (25,009)	2,536,792	10,095,022	



Notes to and forming part of the Consolidated Financial Statements

- 11.3** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 736.28 million (2007: Rs. 437.352 million).
- 11.4** The fair value of property and equipment as per management estimate is not materially different from the carrying amount.
- 11.5** Office premises of Bank Alfalah Limited were last revalued on December 31, 2006 on the basis of market value by Harvester Services (Private) Limited, Valuation and Engineering Consultant. Had there been no revaluation, the carrying value of office premises would have been as follows:

	Cost as at December 31, 2008	Accumulated depreciation as at December 31, 2008	Book value as at December 31, 2008
Office premises	4,605,442	108,814	4,496,628

11.6 Intangible assets

	2008							
	COST			ACCUMULATED AMORTIZATION			Book value at closing 2008	Rate of amortization %
	Opening Balance 2008	Additions/ (Deletions)/ * Adjustment	Closing Balance 2008	Opening Balance 2008	Amortization (Deletion) / * Adjustment	Closing Balance 2008		
------(Rupees in '000)-----								
Computer software	212,091	153,865	365,897	94,409	50,800	145,040	220,857	20%
	-	*(59)	-	-	*(169)	-	-	
Goodwill	-	56,031	56,031	-	56,031	56,031	-	
Membership card	31,000	-	31,000	-	-	-	31,000	
	243,091	209,896	452,928	94,409	106,831	201,071	251,857	
	-	*(59)	-	-	*(169)	-	-	

	2007							
	COST			ACCUMULATED AMORTIZATION			Book value at closing 2007	Rate of amortization %
	Opening Balance 2007	Additions/ (Deletions)/ * Adjustment	Closing Balance 2007	Opening Balance 2007	Amortization (Deletion) / * Adjustment	Closing Balance 2007		
------(Rupees in '000)-----								
Computer software	98,287	111,711	212,091	54,485	40,247	94,409	117,682	20%
	-	* 2,093	-	-	*(323)	-	-	
Membership card	31,000	-	31,000	-	-	-	31,000	20%
	129,287	111,711	243,091	54,485	40,247	94,409	148,682	
	-	* 2,093	-	-	*(323)	-	-	

- 11.7** Included in cost of intangible assets are fully amortized items still in use having cost of Rs. 104.362 million (2007: Rs. 22.062 million).



Notes to and forming part of the Consolidated Financial Statements

11.8 Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above

Details of disposal of fixed assets having cost of more than Rs. 1,000,000 or net book value of Rs. 250,000 or above are given below:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
OWNED						
Office premises						
Disposal of Machinery at Korangi Godown	5,400	94	5,306	5,400	Bid	Ganatra Salvaging
Leasehold Improvements						
Islamic Banking Group	564	-	564	-	Write off	
Old Premises Adjusted	2,617	2,617	-	-	Write off	
Civil Works	385	66	319	-	Write off	
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	623	274	349	9	Various	Various
	4,189	2,957	1,232	9		
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,727	2,559	2,168	2,019	Various	Various
	4,727	2,559	2,168	2,019		
Office Equipment						
Generator	1,250	1,250	-	350	Negotiation	Ghulam Abbas Trading Company
ATM Machine	1,213	723	490	517	Insurance Claim	Alfalah Insurance Company Limited
UPS 7 KVA	347	83	264	242	Insurance Claim	Alfalah Insurance Company Limited
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	58,934	55,840	3,094	4,361	Various	Various
	61,744	57,896	3,848	5,470		
Vehicles						
Honda Civic	1,371	410	961	1,022	As per Bank's policy*	Aamir Ali
Honda Civic	1,376	606	770	860	As per Bank's policy	Abdullah Iraqi
Honda Civic	1,121	1,120	1	487	Bid	Zahid Ali Khan
Honda Civic	1,043	582	461	585	As per Bank's policy	Ilyas Dadu
Honda Civic	1,038	648	390	523	As per Bank's policy	Raja Faisal Rafiq
Honda Civic	998	617	381	526	As per Bank's policy	Sh Arshad abaid
Toyota Corolla	969	327	642	642	As per Bank's policy	Muhammad Kamran Zafar
Toyota Corolla	969	288	681	704	As per Bank's policy	Rizwan-ul-Haq
Honda City	951	445	506	599	As per Bank's policy	Wazir Ali Punjwani
Honda City	948	242	706	838	Bid	Umer Zameer
Honda City	936	437	499	571	As per Bank's policy	S. Sardar Hussain Jafri
Honda City	936	437	499	571	As per Bank's policy	Masood Alam Siddiqui
Honda City	936	565	371	514	As per Bank's policy	S.M. Anwer Raza
Honda City	936	501	435	534	As per Bank's policy	Munawwar Ali Kartio

* Disposal as per Bank's policy represents cars sold to employees as per the terms of their employment.



Notes to and forming part of the Consolidated Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	936	575	361	487	As per Bank's policy*	Aziz-ul-Hameed
Honda City	936	503	433	433	As per Bank's policy	Azhar Sajjad
Honda City	936	468	468	528	As per Bank's policy	Raja Muhammad Bilal Anwar
Honda City	936	568	368	485	As per Bank's policy	Khurram Raza
Honda City	936	571	365	489	As per Bank's policy	Farrukh Aslam
Honda City	936	487	449	449	As per Bank's policy	M.Riaz Awan
Honda City	936	507	429	536	As per Bank's policy	Fiazi Zia Uddin
Honda City	936	373	563	525	As per Bank's policy	Murad Ali
Honda City	936	469	467	531	As per Bank's policy	Rana Sajid Manzoor
Honda City	936	440	496	496	As per Bank's policy	Ziaullah Khan
Honda City	936	505	431	525	As per Bank's policy	Umar Qureshi
Honda City	935	509	426	514	As per Bank's policy	Sohail Mairaj Qureshi
Honda City	934	107	827	827	As per Bank's policy	Mahmood Ali Bhatti
Honda City	934	143	791	800	As per Bank's policy	Zaheer Zaidi
Honda City	934	97	837	854	As per Bank's policy	Zahid Hussain Shaikh
Honda City	934	103	831	850	As per Bank's policy	Mushtaq Hussain Shah
Honda City	934	148	786	785	As per Bank's policy	Imran Ashraf
Honda City	934	126	808	817	As per Bank's policy	Aasim Rasheed
Honda City	934	85	849	853	As per Bank's policy	Prince Salman Khan
Honda City	934	175	759	758	As per Bank's policy	Zahoor Ahmed
Honda City	934	166	768	784	As per Bank's policy	Saqib Zaheer
Honda City	934	187	747	754	As per Bank's policy	Nayyar Zaidi
Honda City	934	149	785	785	As per Bank's policy	Bakhtiar Ali Khan
Honda City	934	142	792	798	As per Bank's policy	Tariq Ashraf
Honda City	932	522	410	489	As per Bank's policy	Salman Rashid
Honda City	931	641	290	727	Bid	Irfan Ahmad Qureshi
Honda City	931	625	306	491	As per Bank's policy	Nadeem Rehman
Honda City	931	510	421	516	As per Bank's policy	Shahid Munir
Honda City	917	319	598	619	As per Bank's policy	Sarfraz Nazir
Honda City	912	152	760	760	As per Bank's policy	Tipu Sultan
Honda City	912	102	810	809	As per Bank's policy	Bilal Safdar
Honda City	911	157	754	786	Bid	M. Owais Gaziani
Honda City	909	184	725	731	As per Bank's policy	Syed Salman Ali
Honda City	909	281	628	654	As per Bank's policy	Aman Saeed
Honda City	909	134	775	774	As per Bank's policy	Adnan Mateen Piracha
Honda City	909	182	727	726	As per Bank's policy	Syed Naveed Ahmed Shah
Honda City	909	116	793	777	As per Bank's policy	Muhammad Rafiq
Honda City	909	171	738	738	As per Bank's policy	Muhammad Waqas Sheikh
Honda City	905	86	819	830	As per Bank's policy	Waqar Ahmed Chaudhry
Honda City	901	238	663	679	As per Bank's policy	Mohammad Haroon Barai
Honda City	901	384	517	531	As per Bank's policy	Niranjan Lal
Honda City	901	338	563	607	As per Bank's policy	Syed Aqueel Ahmed Quadri
Honda City	901	321	580	617	As per Bank's policy	Abdul Razaq Memon
Honda City	901	343	558	590	As per Bank's policy	Muhammad Rehan Reaz
Honda City	901	445	456	707	Bid	Syed Yasir Ahmed
Honda City	901	376	525	568	As per Bank's policy	Ather Mahmood
Honda City	901	458	443	521	As per Bank's policy	Sheikh Jamshed Anjum
Honda City	901	470	431	501	As per Bank's policy	Umer Aziz Khan
Honda City	901	313	588	608	As per Bank's policy	Hassan Ali Sheikh
Honda City	901	391	510	558	As per Bank's policy	Abdul Qayyum
Honda City	901	238	663	599	As per Bank's policy	Muhammad Farooq
Honda City	901	412	489	561	As per Bank's policy	Zarak Khan
Honda City	901	451	450	518	As per Bank's policy	Raja Muhammad Javaid
Honda City	901	432	469	469	As per Bank's policy	Muhammad Imran Afzal
Honda City	901	344	557	557	As per Bank's policy	Rehman Fakhr
Honda City	901	448	453	518	As per Bank's policy	Shabbir Hussain

* Disposal as per Bank's policy represents cars sold to employees as per the terms of their employment.



Notes to and forming part of the Consolidated Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	901	427	474	777	Bid	Umer Zameer
Honda City	901	404	497	562	As per Bank's policy*	Syed Yaqoob Ali Shah Gillani
Honda City	901	444	457	715	Bid	Haroon Parvaiz
Honda City	901	333	568	550	As per Bank's policy	Muhammad Ashraf Khan
Honda City	901	282	619	619	As per Bank's policy	Qazi Ghulam Raza
Honda City	901	405	496	496	As per Bank's policy	Muhammad Nadeem Bajwa
Honda City	901	27	874	874	Insurance Claim	Adamjee Insurance Company Limited
Honda City	901	448	453	514	As per Bank's policy	M. Zaheen
Honda City	901	189	712	708	As per Bank's policy	Fareed Khan
Honda City	901	396	505	728	Bid	Jawwed Ansari
Honda City	896	350	546	587	As per Bank's policy	Kamran Ali Khan
Honda City	896	283	613	577	As per Bank's policy	M Masood Zafar
Honda City	896	281	615	627	As per Bank's policy	Ahmed Shahzad Shah
Honda City	895	306	589	857	As per Bank's policy	Muhammad Abu Bakr
Honda City	886	545	341	510	As per Bank's policy	Syed Naeem Hussain Naqvi
Honda City	886	595	291	428	As per Bank's policy	Asim Aijaz Malik
Honda City	886	535	351	452	As per Bank's policy	Muhammad Ijaz
Honda City	886	520	366	445	As per Bank's policy	Aamer Manzoor
Honda City	885	517	368	507	As per Bank's policy	Malik Saeed Rizvi
Honda City	883	542	341	455	As per Bank's policy	Adil Farooq
Honda City	881	578	303	444	As per Bank's policy	Anwaar Masood
Honda City	881	491	390	488	As per Bank's policy	Naeem Dar
Honda City	851	567	284	414	As per Bank's policy	Nadeem Ijaz Piracha
Honda City	851	567	284	420	As per Bank's policy	Muhammad Ather Rabbani
Honda City	851	562	289	412	As per Bank's policy	Omar Navid Mian
Honda City	836	547	289	427	As per Bank's policy	M Shahnawaz Qureshi
Honda City	835	501	334	426	As per Bank's policy	Muhammad A.Z Bukhari
Honda City	835	557	278	405	As per Bank's policy	Syed Sajid Ali
Honda City	835	575	260	426	As per Bank's policy	Ghulam Sarwar Panhwar
Honda City	835	518	317	411	As per Bank's policy	Shehr Yar Orakazi
Honda City	835	520	315	419	As per Bank's policy	Sh. Masood Elahi
Honda City	835	514	321	401	As per Bank's policy	Suresh Kumar
Honda City	834	554	280	408	As per Bank's policy	Aamer Sultan
Honda City	834	575	259	358	As per Bank's policy	Muhammad Murtaza Hassan
Honda City	831	536	295	415	As per Bank's policy	Zafarullah
Honda City	831	553	278	402	As per Bank's policy	Muhammad Ashraf
Honda City	831	536	295	401	As per Bank's policy	Saeed Ahmed Khan
Honda City	831	536	295	415	As per Bank's policy	Khalil Ahmed Khan
Honda City	831	375	456	650	Insurance Claim	Alfalah Insurance Company Limited
Honda City	729	335	394	424	As per Bank's policy	Nasir Abbas Karim
Honda City	601	129	472	472	As per Bank's policy	Waseem Ahmed
Suzuki Cultus	595	176	419	517	As per Bank's policy	Syed Jawed Ahmed
Suzuki Cultus	585	114	471	484	As per Bank's policy	Muhammad Arshad
Suzuki Cultus	585	67	518	518	As per Bank's policy	Mustafa Subhani
Suzuki Cultus	585	95	490	497	As per Bank's policy	Syed Nayyar Hassan Zaidi
Suzuki Cultus	576	189	387	387	As per Bank's policy	Asghar Ali Butt
Suzuki Cultus	563	174	389	410	As per Bank's policy	Aziz Ahmed
Suzuki Cultus	563	221	342	542	As per Bank's policy	Rashid Rafiq
Suzuki Cultus	561	197	364	405	As per Bank's policy	Muhammad Abbas
Suzuki Cultus	555	161	394	394	As per Bank's policy	Syed Akhtar Wahab
Suzuki Cultus	555	197	358	381	As per Bank's policy	Salman Mehmood Butt
Suzuki Cultus	555	217	338	356	As per Bank's policy	Abdul Subhan
Suzuki Cultus	555	206	349	396	As per Bank's policy	Mohammad Ali
Suzuki Cultus	555	133	422	431	As per Bank's policy	Shahid Mehmood
Suzuki Cultus	555	279	276	474	As per Bank's policy	Syed M Ali Adnan
Suzuki Cultus	555	195	360	397	As per Bank's policy	S. Jaffer Kazmi

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Notes to and forming part of the Consolidated Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Suzuki Cultus	555	195	360	412	As per Bank's policy*	Yasir Riaz
Suzuki Cultus	555	143	412	418	As per Bank's policy	Syed Mohsin Raza
Honda City	936	490	446	623	Bid	Shariq Mustafa
Toyota Corolla	1,029	1,029	-	558	Bid	Zahid Qureshi
Suzuki Cultus	555	160	395	475	Bid	Khan A. Shakoor Khan
Suzuki Cultus	555	105	450	541	Bid	Mohammad Asif
Suzuki Cultus	555	246	309	458	Bid	Mohammad Akbar
Suzuki Cultus	555	290	265	431	Bid	Naveed M. Haneef
Honda City	834	434	400	626	Bid	Nayyar Saleem
Honda Civic	1,265	972	293	810	Bid	M/s Kar Kare Automobiles Engineer
Honda Civic	1,376	439	937	982	As per Bank's policy	Imtiaz Ahmed Sheikh
Suzuki Cultus	555	258	297	338	As per Bank's policy	Muhammad Sohail Haider
Honda City	936	501	435	534	As per Bank's policy	Muhammad Maroof
Honda City	936	515	421	521	As per Bank's policy	Muhammad Shamim Shoaib
Honda City	936	515	421	524	As per Bank's policy	Naeem A. Khan
Suzuki Cultus	555	151	404	414	As per Bank's policy	Syed Muhammad Umer
Suzuki Cultus	555	169	386	405	As per Bank's policy	Jamiluddin Bhatti
Honda Civic	1,376	519	857	919	As per Bank's policy	M Amin Dosani
Honda Civic	1,376	340	1,036	1,050	As per Bank's policy	Muhammad Yousuf
Honda City	901	417	484	547	As per Bank's policy	Syed Fazal Hasnain
Suzuki Cultus	555	243	312	347	As per Bank's policy	Munir Ahmed Khawaja
Suzuki Cultus	555	170	385	399	As per Bank's policy	Muhammad Idrees Patel
Honda Civic	1,002	732	270	472	As per Bank's policy	Zafar Iqbal
Honda Civic	1,376	595	781	862	As per Bank's policy	Haroon Khalid
Suzuki Cultus	555	173	382	397	As per Bank's policy	Syed Anwar Wahab
Honda City	885	508	377	520	As per Bank's policy	Muhammad Masihuzzaman
Suzuki Cultus	555	102	453	460	As per Bank's policy	Taimur Ijlal
Suzuki Cultus	555	170	385	400	As per Bank's policy	Syed Muhammad Ayub
Honda City	936	473	463	543	As per Bank's policy	Abdul Rauf Bhatti
Honda Civic	1,376	490	886	939	As per Bank's policy	Tariq M. Ishtiaq
Suzuki Cultus	555	292	263	313	As per Bank's policy	Muhammad Farooq
Suzuki Cultus	555	154	401	409	As per Bank's policy	Moiez Ahmed Usmani
Honda City	936	512	424	519	As per Bank's policy	Syed Fariduddin Hyder
Suzuki Cultus	555	154	401	409	As per Bank's policy	Muhammad Aslam
Honda City	936	512	424	521	As per Bank's policy	Burhan-ul-Haq
Honda City	936	514	422	525	As per Bank's policy	Ashfaq A. Qureshi
Suzuki Cultus	555	170	385	401	As per Bank's policy	Javed H. Siddiqui
Honda Civic	1,376	400	976	999	As per Bank's policy	Riaz Hussain Hamdani
Honda City	901	239	662	676	As per Bank's policy	Yasmin Shahid
Honda Civic	1,376	595	781	861	As per Bank's policy	Syed Nadeem Sabir
Honda City	901	304	597	623	As per Bank's policy	Rashid Masood Alam
Honda City	901	409	492	552	As per Bank's policy	Ebrahim M. Siddique
Suzuki Cultus	585	51	534	538	As per Bank's policy	Aamir Patel
Suzuki Cultus	555	154	401	408	As per Bank's policy	Moin Khan
Honda City	936	514	422	522	As per Bank's policy	Muhammad Hanif Ganchi
Honda Civic	1,038	629	409	650	Bid	M/s Riaz Motor
Honda Civic	1,002	673	329	494	As per Bank's policy	Mahmood Ashraf
Suzuki Cultus	555	148	407	411	As per Bank's policy	Najeeb Ashraf
Honda City	936	514	422	523	As per Bank's policy	Aslam S. Kirmani
Suzuki Cultus	555	148	407	413	As per Bank's policy	Kashan Samuel
Suzuki Cultus	571	105	466	466	As per Bank's policy	Fazur Rehman
Suzuki Cultus	555	154	401	408	As per Bank's policy	Hassan Qadeer
Suzuki Cultus	555	183	372	400	As per Bank's policy	Muhammad Iftikhar-ul-Haq
Suzuki Cultus	555	193	362	387	As per Bank's policy	Muhammad Arif Hanafi
Honda Civic	1,376	623	753	861	As per Bank's policy	Abid Ajmal
Suzuki Cultus	555	193	362	388	As per Bank's policy	Ishwar Lal Advani

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Notes to and forming part of the Consolidated Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
------(Rupees in '000)-----						
Honda City	901	434	467	539	As per Bank's policy*	Syed Muntaz Hassan
Honda City	936	530	406	519	As per Bank's policy	Jawed Sattar
Honda City	883	552	331	368	As Per Bank Policy	Shahzad Hameed (Late)
Honda City	934	3	931	934	Negotiation	Honda SITE
Honda City	934	3	931	934	Negotiation	Honda SITE
Honda City	934	3	931	934	Negotiation	Honda SITE
Honda City	934	563	371	498	As per Bank's policy	Shahid Hussain Kazi
Honda City	931	535	396	507	As per Bank's policy	Muhammad Imran
Honda City	909	192	717	725	As per Bank's policy	Abdul Jabbar Qureshi
Suzuki Cultus	555	185	370	391	As per Bank's policy	Syed Shahid Ali
Honda Civic	1,376	623	753	848	As per Bank's policy	Sajan Hamid Malik
Honda Civic	1,376	554	822	895	As per Bank's policy	Tanwir Ali Khan
Honda City	901	430	471	552	As per Bank's policy	Muhammad Gholam Hasnain
Suzuki Cultus	555	193	362	383	As per Bank's policy	Muhammad Zikar Makani
Honda City	931	561	370	495	As per Bank's policy	Shafiq Nawaz
Suzuki Cultus	555	167	388	528	Bid	S. Mukhtar Ali
Suzuki Cultus	585	41	544	613	Bid	M. Sohail Khan
Suzuki Cultus	555	165	390	536	Bid	M. Owais Gaziani
Suzuki Cultus	585	97	488	583	Bid	Noman Hassan Khan
Suzuki Cultus	585	97	488	572	Bid	Noman Hassan Khan
Suzuki Cultus	555	185	370	536	Bid	M. Owais Gaziani
Honda City	934	95	839	844	As per Bank's policy	Hassan Zaheer Ansari
Suzuki Cultus	555	165	390	404	As per Bank's policy	Tahir Khurshid
Suzuki Cultus	585	56	529	534	As per Bank's policy	Syed Hassan Raza
Suzuki Cultus	555	117	438	450	As per Bank's policy	Shahid Perwez
Suzuki Cultus	555	113	442	465	As per Bank's policy	Muhammad Saleem
Suzuki Cultus	585	97	488	491	As per Bank's policy	Muhammad Amin
Honda City	936	564	372	495	As per Bank's policy	Haseeb Ala
Honda City	835	556	279	412	As per Bank's policy	Asghar Rehan Awan
Suzuki Cultus	555	183	372	390	As per Bank's policy	Muhammad Ali Hussain
Suzuki Cultus	555	165	390	412	As per Bank's policy	Muhammad Faheem
Honda City	901	439	462	532	As per Bank's policy	Nayyar Kamil
Suzuki Cultus	554	205	349	387	As per Bank's policy	Asad Saheed
Suzuki Cultus	554	171	383	412	As per Bank's policy	Tariq Zohair
Honda Civic	1,428	258	1,170	1,189	As per Bank's policy	Zahid Ali H. Jamall
Honda Civic	1,375	591	784	863	As per Bank's policy	Zaheer A. Paracha
Honda Civic	1,001	649	352	851	Bid	Zahid Qadri
Honda Civic	1,042	672	370	685	Bid	Mohammad Sohail Khan
Honda City	935	553	382	748	Bid	Mohammad Sohail Khan
Honda City	882	571	311	645	Bid	Mohammad Sohail Khan
Suzuki Cultus	584	68	516	608	Bid	Abdul Waheed Khan
Suzuki Cultus	584	84	500	573	Bid	Sultan Hassan Khan
Suzuki Cultus	554	165	389	542	Bid	M/s. Super Electronics
Honda City	900	331	569	621	As per Bank's policy	Syed Mohammad Iqbal
Honda Civic	1,375	496	879	959	As per Bank's policy	Muhammad Tariq Mir
Honda Civic	1,375	722	653	792	As per Bank's policy	Hamid Ashraf
Honda City	936	612	324	478	As per Bank's policy	Qamar Hasnain
Honda Civic	1,029	1,029	-	505	Bid	Asad Kamal Aslam
Honda City Limited	1,042	651	391	845	Insurance Claim	Adamjee Insurance Company
Kia Sportage	1,558	1,334	224	617	Bid	Khurram Imtiaz
Honda City	900	442	458	761	Bid	Aneer Noor
Honda Civic	1,042	716	326	939	Bid	Syed Yasir Ahmed
Honda City	934	155	779	869	Bid	Syed Yasir Ahmed
Honda City	935	602	333	701	Bid	Syed Yasir Ahmed
Honda City	935	627	308	707	Bid	Syed Yasir Ahmed

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Notes to and forming part of the Consolidated Financial Statements

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of Disposal	Particulars of purchaser
	------(Rupees in '000)-----					
Honda City	900	351	549	706	Bid	Asadullah Khan
Suzuki Cultus	554	242	312	355	As per Bank's policy*	Owais Ahmed Siddiqui
Honda Civic	1,428	327	1,101	1,190	As per Bank's policy	Adnan Anwar Khan
Honda Civic	930	586	344	810	Bid	Akber Wajid
Honda Civic	1,037	508	529	972	Bid	Mir Imran Ali
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	134,987	120,680	14,307	69,468	Various	Various
	343,046	209,630	133,416	211,109		
LEASED						
Vehicles						
Mitsubishi Lancer	1,083	304	779	911	Negotiation	Mitsubishi Defense Motors
Honda City	934	226	708	818	Negotiation	Nadeem Enterprises
Suzuki Cultus	1,288	573	715	1,043	Negotiation	Ahmed Arif
Honda City	933	227	706	810	Negotiation	Ahmed Arif
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,418	5,982	436	2,457	Various	Various
	10,656	7,312	3,344	6,039		
Total	429,762	280,448	149,314	230,046		

	Note	2008	2007
		(Rupees in '000)	
12 OTHER ASSETS			
Income / mark-up accrued in local currency		7,301,933	4,056,997
Income / mark-up accrued in foreign currency		302,222	368,151
Advances, deposits, advance rent and other prepayments		2,525,801	2,237,461
Unrealized gain on forward foreign exchange contracts		-	26,506
Asset acquired in satisfaction of claims		23,146	48,884
Branch adjustment		-	32,919
Dividend receivable		11,169	8,464
Prepaid exchange risk fee		2,290	2,111
Stationery and stamps on hand		81,333	70,926
Trade debts		649,591	640,886
Receivable from brokers		6	27
		10,897,491	7,493,332
Less: Mark up held in suspense account		(1,240,054)	(674,545)
Less: Provision held against other assets	12.1	(282,532)	(11,308)
		9,374,905	6,807,479
12.1 Movement in provision held against other assets			
Opening balance		(11,308)	(9,674)
Charge for the year		(271,224)	(1,634)
Closing balance		(282,532)	(11,308)



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
13	BILLS PAYABLE		
	In Pakistan	3,228,056	4,090,688
	Outside Pakistan	223,975	47,555
		3,452,031	4,138,243
14	BORROWINGS		
	In Pakistan	13,385,080	20,920,847
	Outside Pakistan	686,167	628,002
		14,071,247	21,548,849
14.1	Particulars of borrowings with respect to currencies		
	In local currency	13,385,080	20,920,847
	In foreign currencies	686,167	628,002
		14,071,247	21,548,849
14.2	Details of borrowings secured / unsecured		
	Secured		
	Borrowings from financial institutions	381,025	318,152
	Borrowings from State Bank of Pakistan under:		
	Export refinance scheme	14.3 7,314,662	4,793,196
	Long Term Finance for Export Oriented Projects Scheme (LTF-EOP)	14.4 600,170	725,551
	Repurchase agreement borrowings	14.5 4,789,223	14,683,908
		13,085,080	20,520,807
	Unsecured		
	Call borrowings	472,016	490,471
	Overdrawn nostro accounts	514,151	537,571
		986,167	1,028,042
		14,071,247	21,548,849
14.3	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 6.5 % per annum (2007: 6.5% per annum) payable on a quarterly basis.		
14.4	This facility is secured against a demand promissory note executed in favour of the State Bank of Pakistan. The mark-up rate on this facility is 4 % to 6.5 % per annum (2007: 5% per annum) payable on a quarterly basis.		
14.5	This represents repurchase agreement borrowings from other banks at rates ranging from 7.50% to 14.90% per annum (2007: 9.10% to 9.95% per annum) maturing by January 2009.		



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		116,688,618	85,520,839
Savings deposits		86,416,689	107,879,576
Current accounts - non-remunerative		78,313,152	67,602,936
Others		7,715,468	3,267,104
		289,133,927	264,270,455
Financial institutions			
Remunerative deposits		11,570,748	8,759,047
Non-remunerative deposits		25,089	142,586
		11,595,837	8,901,633
		300,729,764	273,172,088
15.1 Particulars of deposits			
In local currency		249,860,492	234,412,217
In foreign currencies		50,869,272	38,759,871
		300,729,764	273,172,088
16 SUB-ORDINATED LOANS			
Term Finance Certificates I - Quoted, Unsecured		-	648,700
Term Finance Certificates II - Quoted, Unsecured		1,248,080	1,248,560
Mark up	Base rate + 1.50%		
	(Base Rate is defined as the simple average (average of the KIBOR Rate quoted by banks for that day) of the ask rate of the six months Karachi Interbank Offer rate (KIBOR) prevailing on the first day of the start of each half yearly period for mark up due at the end of that period)		
Subordination	The TFCs are subordinated as to the payment of principal & profit. In case of occurrence of default, the TFC holder will rank below the senior unsecured creditors and depositors and other creditors of the Bank.		
Issue Date	December 2004		
Rating	AA-		
Tenor	Eight years		
Redemption	3 equal semi - annual installments commencing 84th month after the issue date.		
Maturity	December 2012		



Notes to and forming part of the Consolidated Financial Statements

		Note	2008	2007
			(Rupees in '000)	
Term Finance Certificates III - Quoted, Unsecured			1,323,089	1,323,598
Mark up	Base rate + 1.50%			
	(Base Rate is defined as the simple average of the ask rate of the six months KIBOR prevailing on the first day of the start of each half yearly period and mark up due at the end of that period)			
Subordination	The TFCs are subordinated as to the payment of principal & profit to all other indebtedness of the bank.			
Issue Date	November 2005			
Rating	AA-			
Tenor	Eight years			
Redemption	3 equal semi - annual installments commencing 84th month after the issue date.			
Maturity	November 2013			
			2,571,169	3,220,858

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	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
----- (Rupees in '000) -----								
Minimum lease payments	6,298	15,171	-	21,469	3,612	10,204	-	13,816
Financial charges for future periods	(1,991)	(2,019)	-	(4,010)	(1,241)	(1,272)	-	(2,513)
Present value of minimum lease payments	4,307	13,152	-	17,459	2,371	8,932	-	11,303



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
18 DEFERRED TAX LIABILITIES			
Deferred credits arising due to			
Difference between accounting book value of leased assets and lease liabilities		778,188	935,133
Accelerated tax depreciation		1,306,487	983,291
Surplus on revaluation of operating fixed assets		585,753	712,315
Write offs / reversals of provision for bad debts		-	914,268
		2,670,428	3,545,007
Deferred debits arising due to			
Provision for doubtful debts		(1,811,348)	(2,136,740)
Provision against off balance sheet obligations		(4,969)	-
Provision for diminution in value of Investment		(504,917)	-
Unrealised loss on revaluation of investments classified as held for trading / transferred from held for trading to available for sale		(63,550)	-
Deficit on revaluation of securities		(71,488)	(28,300)
Leased assets		(566)	-
Taxable loss		(5,309)	-
		(2,462,147)	(2,165,040)
		208,281	1,379,967
19 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		4,096,455	3,130,081
Mark-up / return / interest payable in foreign currency		360,133	371,360
Unearned commission and income on bills discounted		151,561	147,231
Accrued expenses		496,016	401,859
Current taxation		1,055,267	762,569
Payable against redemption of credit card reward points		199,409	177,557
Branch adjustment account		14,028	-
Security deposits against leases		4,321,070	4,188,187
Exchange difference payable to SBP		45,246	34,840
Payable to brokers	19.1	19	249,023
Unrealised loss on forward exchange contracts		180,845	-
Provision against off-balance sheet obligations	19.2	38,142	6,959
Workers Welfare Fund	29.1	106,621	-
Others		280,677	324,744
		11,345,489	9,794,410
19.1	This represents amounts payable to brokers against purchase of shares.		
19.2	Provision against off-balance sheet obligations		
Opening balance		6,959	-
Exchange adjustment		2,601	-
Charge for the year		28,582	6,959
Closing balance		38,142	6,959



Notes to and forming part of the Consolidated Financial Statements

20 SHARE CAPITAL**20.1 Authorised Capital**

2008	2007		2008	2007
(Number of shares)			(Rupees in '000)	
<u>1,500,000,000</u>	<u>800,000,000</u>	Ordinary shares of Rs. 10/- each	<u>15,000,000</u>	<u>8,000,000</u>

20.2 Issued, subscribed and paid up capital Ordinary Shares of Rs.10 each

<u>225,000,000</u>	225,000,000	Fully paid in cash - note 20.3	<u>2,250,000</u>	2,250,000
<u>574,500,000</u>	425,000,000	Issued as bonus shares	<u>5,745,000</u>	4,250,000
<u>799,500,000</u>	<u>650,000,000</u>		<u>7,995,000</u>	<u>6,500,000</u>

20.3 This includes 8,000 shares, representing rights relating to applications rejected and missing from the offer for sale of shares. These right shares will be offered to those applicants who were allotted/ offered shares in accordance with the directives / guidance of the Securities and Exchange Commission of Pakistan. These shares are subject to all corporate actions applicable to all other ordinary shares.

	Note	2008	2007
		(Rupees in '000)	
21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation of:			
- Fixed assets	21.1	<u>2,568,973</u>	2,480,235
- Available-for-sale securities	21.2	<u>(189,769)</u>	(27,064)
		<u>2,379,204</u>	<u>2,453,171</u>
21.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		<u>3,192,550</u>	3,230,373
Transferred to retained earnings in respect of incremental depreciation charged during the year		<u>(24,586)</u>	(24,585)
Related deferred tax liability in respect of incremental depreciation charged during the year		<u>(13,238)</u>	(13,238)
		<u>(37,824)</u>	(37,823)
		<u>3,154,726</u>	3,192,550
Related deferred tax liability on surplus as at January 1		<u>712,315</u>	1,130,553
Deferred tax liability reversed		<u>(113,324)</u>	(405,000)
Related deferred tax liability in respect of incremental depreciation charged during the year		<u>(13,238)</u>	(13,238)
		<u>(126,562)</u>	(418,238)
		<u>585,753</u>	712,315
		<u>2,568,973</u>	<u>2,480,235</u>



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
21.2 Surplus / (deficit) on revaluation of available-for-sale securities			
Deficit on:			
Government securities		(299,938)	(80,856)
Quoted shares / units / certificates	21.2.1	(126,726)	(7,255)
		<u>(426,664)</u>	<u>(88,111)</u>
Surplus on:			
Quoted shares / units / certificates		190,623	-
Term finance certificates - quoted		31,454	32,747
Sukuk bonds		342	-
		<u>(204,245)</u>	<u>(55,364)</u>
Related deferred tax asset		71,488	28,300
Share of deficit on associate's investments - classified as 'available for sale'		(57,012)	
		<u>(189,769)</u>	<u>(27,064)</u>
22 CONTINGENCIES AND COMMITMENTS			
22.1 Direct credit substitutes			
i) Government		2,338,371	1,292,972
ii) Banking companies & other financial institutions		154,910	180,164
iii) Others		556,490	2,413,750
		<u>3,049,771</u>	<u>3,886,886</u>
22.2 Transaction-related contingent liabilities			
i) Government		32,418,470	13,045,987
ii) Banking companies & other financial institutions		276,836	446,639
iii) Others		8,386,066	11,627,301
		<u>41,081,372</u>	<u>25,119,927</u>
22.3 Trade-related contingent liabilities			
Letters of credit		35,452,659	38,533,186
Acceptances		3,747,507	8,558,681
22.4 Other contingencies			
Claims against the Bank not acknowledged as debts		959,371	728,489



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
22.5 Commitments in respect of forward lendings			
Forward repurchase agreement lendings		-	-
Commitments to extend credit		4,058,360	6,014,000
22.6 Commitments in respect of forward exchange contracts			
Purchase		17,558,221	11,653,723
Sale		10,459,284	12,625,977
22.7 Commitments for the acquisition of operating fixed assets		513,288	492,230
22.8 Commitments in respect of repo transactions			
Repurchase		4,822,429	14,827,466
Resale		-	2,455,815

23 DERIVATIVE INSTRUMENTS

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

- Forward Exchange Contracts
- Foreign Exchange Swaps

Forward Exchange Contracts:

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

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

Foreign Exchange Swaps:

A Foreign exchange Swap (FX Swap) is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the "interbank" market and fluctuate according to supply and demand.



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
24 MARK-UP / RETURN / INTEREST EARNED			
a) On loans and advances to:			
i) customers		22,850,436	17,926,773
ii) financial institutions		355,435	337,311
b) On investments in:			
i) held for trading securities		-	-
ii) available for sale securities		4,458,115	3,246,017
iii) held to maturity securities		1,651,521	2,596,391
iv) associates and subsidiaries		711	
c) On deposits with financial institutions		1,406,104	1,154,110
d) On securities purchased under resale agreements		308,598	555,855
e) Interest Income		57,485	-
f) Income from Continuous Funding System		9,292	-
		<u>31,097,697</u>	<u>25,816,457</u>
24.1	These include mark-up earned of Rs. 2,552.096 million (2007: Rs. 1,755.554 million) which pertains to the Bank's Islamic Banking Division.		
25 MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		18,310,713	15,235,243
Securities sold under repurchase agreements		745,671	589,210
Other short term borrowings		856,722	443,217
Term Finance Certificates		408,967	376,707
Others		9,121	-
Lease Obligation		-	801
Financial Charges		48,349	-
		<u>20,379,543</u>	<u>16,645,178</u>
26 GAIN / (LOSS) ON SALE OF SECURITIES			
Listed shares / certificates / units		253,394	263,291
Un-listed shares		171,363	1,788,514
		<u>424,757</u>	<u>2,051,805</u>
27 OTHER INCOME			
Net profit on sale of property and equipment		80,732	13,919
Postage, telex service charges etc.		1,166,243	1,015,093
Custody services		303	-
		<u>1,247,278</u>	<u>1,029,012</u>



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
28 ADMINISTRATIVE EXPENSES			
Non executive director fee & allowances		14,560	4,937
Salaries, allowances, etc.		4,416,854	3,586,252
Charge for defined benefit plan	35.7	142,926	90,289
Contribution to defined contribution plan	36	149,143	116,266
Brokerage & commission		599,117	550,988
Rent, taxes, insurance, electricity, etc.		1,263,180	917,820
Legal and professional charges		164,835	157,139
Communications		407,961	311,779
Repairs and maintenance		577,592	400,649
Stationery and printing		165,753	136,796
Advertisement and publicity		529,184	477,699
Donations	28.1	2,350	36,173
Auditors' remuneration	28.2	13,067	6,626
Depreciation	11.2	1,218,648	966,406
Amortization of intangible assets	11.6	106,831	40,247
Entertainment, vehicle running expenses, travelling and subscription		458,010	333,776
Others		371,110	249,480
		10,601,121	8,383,322
28.1 Donations			
Kashmir Education Foundation		1,500	1,500
Zindagi Trust		-	500
Lahore Businessmen Association for Rehabilitation for Disabled (LBARD)		-	500
Shalimar Hospital, Lahore		-	2,000
Government College University, Faisalabad		-	10,000
Bahauddin Zakaria University, Multan		-	10,000
Pakistan Society for the Rehabilitation of the disabled (PSRD)		-	2,000
Marie Adelaide Leprosy Center, Larkana		850	850
Chief Advisor's Relief and Welfare Fund - Bangladesh		-	8,823
		2,350	36,173
None of the directors or their spouses had any interest in the donees.			
28.2 Auditors' remuneration			
Audit fee		3,845	3,765
Half yearly review		835	835
Fee for audit of foreign branches		2,794	1,015
Special certifications and sundry advisory services		3,725	210
Out-of-pocket expenses		1,868	801
		13,067	6,626
29 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		16,137	9,565
Workers Welfare Fund		106,621	-
		122,758	9,565

29.1 The provision for Worker's Welfare Fund (WWF) has been made consequent to the amendment made in Finance Act 2008. As a result of this amendment, this levy has now become applicable to the Bank.



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
		(Rupees in '000)	
30 TAXATION			
For the year			
Current		1,741,326	1,743,247
Deferred		(1,151,361)	(321,329)
For prior years			
Current		(221,787)	360
Deferred		136,184	-
		504,362	1,422,278
Share of tax of associates		(295,900)	75,585
		208,462	1,497,863

The income tax assessments of the Bank have been finalised upto and including tax year 2007. Income tax assessment for the tax year 2008 has been filed under the self assessment scheme and is deemed to be finalised under section 120 of the Income Tax Ordinance, 2001. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh.

The issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowance relating to profit and loss expenses. However, adequate provision has been made in the financial statements in respect of these matters.

30.1 Relationship between tax expense and accounting profit

Profit before tax	211,211	5,004,600
Tax at the applicable rate of 35% (2007: 35%)	73,924	1,751,610
Effect of:		
- income chargeable to tax at reduced rates	(104,145)	(175,954)
- income assessed under Final tax regime	18,200	-
- income exempt from tax	408	(92,467)
- permanent differences	91,168	(61,271)
- tax charge pertaining to overseas branches	15,664	-
- tax for prior years	(85,623)	-
- share of profit / loss of associates either exempt from tax or taxed at reduced rates	160,577	75,585
- others	38,289	360
Tax expense for the year	208,462	1,497,863

	Note	2008	2007
		(Rupees in '000)	
31 BASIC / DILUTED EARNINGS PER SHARE			
Profit after taxation for the year		28,795	3,505,697
		(Number of shares in thousand)	
Weighted average number of ordinary shares		799,500	799,500
		(Rupees)	
Basic / Diluted earnings per share		0.04	4.38



Notes to and forming part of the Consolidated Financial Statements

	Note	2008	2007
(Rupees in '000)			
32 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks		32,687,342	29,436,378
Balances with other banks		21,584,602	18,388,124
Call lendings		3,315,500	997,582
		57,587,444	48,822,084

33 CREDIT RATING

PACRA has assigned a long term credit rating of AA [double A] and a short-term credit rating of A1 + (A one plus) to the Bank as at June 2008 (2007: AA [Double A]) for long term and A1 + [A one plus] for short term).

	Note	2008	2007
(Number of employees)			
34 STAFF STRENGTH			
Permanent		6,336	5,979
Temporary / On contractual basis		1,248	1,392
Bank's own staff strength at the end of the year		7,584	7,371
Outsourced		2,085	1,812
Total staff strength		9,669	9,183

35 DEFINED BENEFIT PLAN**35.1 Principal actuarial assumptions**

The latest actuarial valuation of the Bank's gratuity scheme was carried out as at December 31, 2008. Projected unit credit method, using the following significant assumptions, was used for the valuation of the defined benefit plan:

	2008	2007
Discount factor used	15.00%	10.00%
Expected rate of return on plan assets	15.00%	10.00%
Expected rate of salary increase	15.00%	10.00%
Normal retirement age	60 Years	60 Years

	Note	2008	2007
(Rupees in '000)			
35.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations		737,369	546,346
Fair value of plan assets		(468,272)	(352,811)
Net actuarial losses not recognized		(267,682)	(190,705)
Past service cost not yet recognized		(1,415)	(2,830)
		-	-



Notes to and forming part of the Consolidated Financial Statements

Note	2008	2007
	(Rupees in '000)	
35.3 Movement in defined benefit obligation		
Obligations at the beginning of the year	546,346	366,308
Current service cost	102,719	66,651
Interest cost	54,635	36,631
Benefits paid	(34,534)	(10,638)
Actuarial (gain) / loss on obligation	68,203	87,394
Obligations at the end of the year	<u>737,369</u>	<u>546,346</u>
35.4 Movement in fair value of plan assets		
Fair value at the beginning of the year	352,811	250,757
Expected return on plan assets	35,281	25,076
Contributions	142,926	90,289
Benefits paid	(34,534)	(10,638)
Actuarial gain / (loss) on plan assets	(28,212)	(2,673)
Fair value at the end of the year	<u>468,272</u>	<u>352,811</u>
35.5 Plan assets consist of the following:		
Defence Saving Certificates	50,000	46,156
Term Finance Certificates	157,144	65,415
Pakistan Investment Bonds	18,893	23,810
Alfalah GHP Value Fund	27,693	9,689
Alfalah GHP Alpha	24,795	-
Cash and bank	189,747	207,741
	<u>468,272</u>	<u>352,811</u>
35.6 Movement in payable to defined benefit plan		
Opening balance	-	-
Charge for the year	142,926	90,289
Bank's contribution to fund made during the year	(142,926)	(90,289)
Closing balance	<u>-</u>	<u>-</u>
35.7 Charge for defined benefit plan		
Current service cost	102,719	66,651
Interest cost	54,635	36,631
Expected return on plan assets	(35,282)	(25,076)
Actuarial losses	19,439	10,668
Past service cost	1,415	1,415
	<u>142,926</u>	<u>90,289</u>
35.8 Actual return on plan assets	<u>7,069</u>	<u>22,403</u>



Notes to and forming part of the Consolidated Financial Statements

35.9 Historical information

	2008	2007	2006	2005	2004
	------(Rupees in '000)-----				
Defined benefit obligation	737,369	546,346	366,308	261,191	176,786
Fair value of plan assets	468,272	352,811	250,757	183,665	131,193
Surplus / (deficit)	<u>(269,097)</u>	<u>(193,535)</u>	<u>(115,551)</u>	<u>(77,526)</u>	<u>(45,593)</u>
Experience adjustments on plan liabilities	<u>(68,203)</u>	<u>(87,394)</u>	<u>(45,151)</u>	<u>(29,548)</u>	<u>(15,760)</u>
Experience adjustments on plan assets	<u>(28,212)</u>	<u>(2,673)</u>	<u>(7)</u>	<u>174</u>	<u>14,052</u>

36 DEFINED CONTRIBUTION PLAN

The Group operates an approved provident fund scheme for all its permanent employees to which both the Group and employees contributes @ 8.33% of basic salary in equal monthly contributions.

During the year, the Bank contributed Rs. 149.143 million (2007: Rs. 116.266 million) in respect of this fund.

37 COMPENSATION OF DIRECTORS AND EXECUTIVES - Bank Alfalah Limited

	Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	------(Rupees in '000)-----					
Fee	-	-	14,560	4,937	-	-
Bonus	7,517	7,193	-	-	266,767	175,918
Managerial Remuneration	8,140	7,470	-	-	997,356	667,719
Post employment benefits	1,286	1,350	-	-	102,127	75,693
Rent and house maintenance	3,088	2,949	-	-	300,774	160,462
Utilities	772	737	-	-	68,363	51,268
	<u>20,803</u>	<u>19,699</u>	<u>14,560</u>	<u>4,937</u>	<u>1,735,387</u>	<u>1,131,060</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>704</u>	<u>511</u>

The Chief Executive and certain executives have been provided with the free use of cars and household equipments as per Bank's policy. The particulars in this note do not include particulars of Directors, Chief Executive and Executives of the subsidiary company.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.1 to these financial statements.



Notes to and forming part of the Consolidated Financial Statements

The repricing profile, effective rates and maturity are stated in note 42 to these financial statements.

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

	2008		2007	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Forward purchase of foreign exchange	17,558,221	17,256,043	11,653,723	11,782,530
Forward sale of foreign exchange	10,459,284	10,337,951	12,625,977	12,748,699

38.2 Off-balance sheet financial instruments

39 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Retail Brokerage	Total
	-----Rupees in '000-----				
2008					
Total income	8,387,737	7,422,908	20,481,365	133,563	36,425,573
Total expenses	8,585,758	6,521,790	19,389,742	1,717,072	36,214,362
Net income	(198,021)	901,118	1,091,623	(1,583,509)	211,211
Segment assets	7,988,961	35,298,716	305,703,087	288,161	349,278,925
Segment non-performing loans and advances and trade debits	-	2,351,609	6,582,664	272,858	9,207,131
Segment provision required against loans and advances and trade debits	-	2,594,937	3,545,746	272,858	6,413,541
Segment liabilities	6,887,193	37,108,899	287,949,933	449,415	332,395,440
Segment return on assets (ROA) (%)	11.50%	18.46%	12.74%	10.04%	
Segment cost of funds (%)	10.64%	16.22%	10.76%	11.57%	
2007					
Total income	8,079,827	7,474,429	16,268,081	605,632	32,427,969
Total expenses	7,459,954	6,462,015	13,364,816	136,584	27,423,369
Net income	619,873	1,012,414	2,903,265	469,048	5,004,600
Segment assets	121,094,895	49,700,079	159,703,584	181,314	330,679,872
Segment non-performing loans	-	1,708,428	2,996,657	-	4,705,085
Segment provision required against loans and advances	-	2,139,734	2,340,084	-	4,479,818
Segment liabilities	18,750,329	66,094,010	227,830,969	590,410	313,265,718
Segment return on assets (ROA) (%)	7.96%	17.61%	9.99%	14.75%	
Segment cost of funds (%)	7.08%	15.20%	8.24%	12.10%	

40 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include major shareholders, subsidiary company, associated companies with or without common directors, retirement benefit funds and directors and key management personnel and their close family members.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to executives is determined in accordance with the terms of their appointment.



Notes to and forming part of the Consolidated Financial Statements

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

	2008					Total
	Directors	Key Management Personnel	Group Companies	Associates	Strategic Investments	
	------(Rupees in '000)-----					
40.1 Deposits						
Balance at the beginning of the year	2,129	111,269	715,537	9,061,585	18	9,890,538
Placements during the year	192,188	423,686	21,278,067	80,949,923	-	102,843,864
Withdrawals during the year	(130,973)	(464,123)	(19,798,229)	(84,844,262)	-	(105,237,587)
Balance at end of the year	63,344	70,832	2,195,375	5,167,246	18	7,496,815
40.2 Financing						
Balance at the beginning of the year	-	145,835	-	11,881	-	157,716
Disbursements during the year	10,000	84,914	-	15,063,981	-	15,158,895
Repayments during the year	(1,069)	(103,695)	-	(14,075,438)	-	(14,180,202)
Balance at end of the year	8,931	127,054	-	1,000,424	-	1,136,409
40.3 Investments						
Balance at the beginning of the year	-	-	305,000	4,196,535	120,000	4,621,535
Investment during the year	-	-	297,956	1,687,218	-	1,985,174
Withdrawals during the year	-	-	(337,821)	-	-	(337,821)
Balance at end of the year	-	-	265,135	5,883,753	120,000	6,268,888
40.4 Call borrowings / Repo						
Balance at the beginning of the year	-	-	-	-	-	-
Placements during the year	-	-	49,264,394	-	-	49,264,394
Withdrawals during the year	-	-	(49,064,394)	-	-	(49,064,394)
Balance at end of the year	-	-	200,000	-	-	200,000
40.5 Call lendings / Reverse Repo						
Balance at the beginning of the year	-	-	-	-	-	-
Placements during the year	-	-	43,620,234	-	-	43,620,234
Withdrawals during the year	-	-	(43,520,234)	-	-	(43,520,234)
Balance at end of the year	-	-	100,000	-	-	100,000

	Note	2008	2007
		(Rupees in '000)	
40.6 Financing			
Running finance			
- Other related parties		998,790	8,295
Long term loans			
- Other related parties		137,619	149,421
40.7 Contingencies and commitments			
Letter of credit and acceptance issued		-	-
Guarantees issued		6,200	6,200



Notes to and forming part of the Consolidated Financial Statements

Note	2008	2007
	(Rupees in '000)	
40.8 Customer accounts		
PLS accounts		
- Other related parties	1,596,477	8,725,440
Current accounts		
- Other related parties	3,370,223	291,945
Fixed deposit accounts		
- Other related parties	2,530,115	873,153
40.9 Bank Balances with other banks		
- Balance with UBL	864,044	277,116
40.10 With associated companies		
Commission income from Warid Telecom (Private) Limited	-	154
Commission income on letters of credit and letters of guarantee	-	102
Insurance premium paid to Alfalah Insurance Company Limited	126,860	55,438
Mark-up income on advances	264,012	238,386
Charge for security services to Security and Management Services (Private) Limited and Wackenhut Pakistan (Private) Limited	28,753	-
Payment to Wateen Telecom (Private) Limited for purchase of equipment	43,813	-
40.11 With other Related Parties		
Capital gain on sale of shares of UBL	5,861	-
Capital gain on sale of shares of UMMF	239	-
Contribution to Employees provident fund	146,620	114,015
40.12 The Key Management Personnel / Directors compensation are as follows:		
Salaries and Allowances	576,785	343,502

In addition, the Chief Executive and other executive officers are provided with Bank maintained car as per Bank's policy.

41 CAPITAL ADEQUACY

41.1 Capital Management

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



Goals of managing capital

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

- To be an appropriately capitalised institution, considering the requirements set by the regulators of the banking markets where the Group operates;
- Maintain strong ratings and to protect the Group against unexpected events; and
- Availability of adequate capital at a reasonable cost so as to enable the Group to operate adequately and provide reasonable value added for the shareholders and other stakeholders.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 19 dated September 5, 2008 requires the minimum paid up capital (net of losses) for banks to be raised to Rs 23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital (net of losses) of the Group for the year ended December 31, 2008 stood at Rs 7,995 million. In addition the Group is also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9 percent of the risk weighted exposure of the Bank as at December 31, 2008. The group's CAR as at December 31, 2008 was 7.97 percent of its risk weighted exposures being lower than the prescribed minimum CAR.

Considering the above, the bank has announced right issue of 399,750,000 shares at par i.e. Rs 10/- per share to raise Rs 3,997.5 million of additional share capital and the proceeds are expected to be received soon thereby ensuring compliance with the prescribed minimum CAR requirement. In view of the aforementioned, the State Bank of Pakistan has granted extension to the group in meeting the minimum capital requirement uptill March 31, 2009.

In addition to the requirements set by the State Bank of Pakistan for the Group as a whole, the Group's branches outside Pakistan are also required to follow capital requirements applicable in respective countries. Such individually regulated operations have complied with all externally imposed capital requirements throughout the period.

Group's regulatory capital analysed into three tiers

Tier I capital, which includes fully paid-up capital, share premium, reserves (excluding foreign exchange translation reserves) and unappropriated profits (net of losses) etc. after deductions for certain specified items such as book value of intangibles, 50% of other deductions e.g., majority and significant minority investments in insurance and other financial entities.

Tier II capital, includes subordinated debt subject to a maximum of 50% of total Tier I capital and fulfilment of specified criteria laid down by the State Bank of Pakistan, general provisions for loan losses (up to a maximum of 1.25 % of total risk weighted assets), reserves on the revaluation of fixed assets and equity investments after deduction of deficit on available for sale investments (up to a maximum of 45 %), foreign exchange translation reserves etc. 50% of other deductions noted above are also made from Tier II capital.

Tier III supplementary capital, which consists of short term subordinated debt solely for the purpose of meeting a proportion of the capital requirements for market risks. The group currently does not have any Tier III capital.

The total of Tier II and Tier III capital has to be limited to Tier I capital.

The Group's operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to on-balance sheet and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.



Notes to and forming part of the Consolidated Financial Statements

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk requirement. External ratings for assets, where available, are applied using the assessments by various External Credit Assessment Institutions (ECAIs) and aligned with appropriate risk buckets. Otherwise, the exposures are treated as unrated and relevant risk weights applied. In addition, there are fixed risk weights for certain types of exposures such as retail portfolio and residential mortgage finance for which external ratings are not applicable. Collaterals if any, are used as credit risk mitigant after applying appropriate haircuts under the Comprehensive Approach. Risk weights notified, are hence applied at adjusted exposures, wherever credit risk mitigation is available. Collaterals used include: Government of Pakistan guarantees, cash, gold, lien on deposits, shares, government securities, bank and corporate guarantees and other debt securities that fall within the definition of eligible collaterals and also fulfil other specified criteria under the relevant capital adequacy guidelines.

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

41.2 Capital adequacy ratio as at December 31, 2008

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy, using Basel II standardised approaches for credit and market risks and basic indicator approach for operational risk is presented below. Comparative information for 2007 is provided in note 41.3 which has been prepared based on Basel I requirements which were then applicable as it was considered impracticable to accurately calculate the risk weighted exposures as at December 31, 2007 applying the Basel II guidelines due to non-availability of all the required information.

	2008
	(Rupees in '000)
Regulatory capital base	
Tier I capital	
Fully paid-up capital	7,995,000
Balance in share premium account - associate	1,615,473
Reserves (excluding foreign exchange translation reserves)	2,588,035
Unappropriated / unremitted profits (net of losses)	1,727,752
Minority interest	-
Less: Book value of intangibles	(431,013)
Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(95,571)
Total Tier I Capital	13,399,676
Tier II Capital	
Subordinated debt (upto 50% of total Tier I capital)	1,807,319
General provisions for loan losses subject to 1.25% of total risk weighted assets	1,085,085
Revaluation reserve (upto 45%)	1,287,906
Foreign exchange translation reserves	578,021
Less: Other deductions (represents 50% of the majority or significant minority investments in insurance and other financial entities)	(95,571)
Total Tier II capital	4,662,760
Eligible Tier III capital	-
Total regulatory capital	(a) 18,062,436



Notes to and forming part of the Consolidated Financial Statements

Risk-weighted exposures**Credit risk****Portfolios subject to standardised approach (comprehensive approach for CRM)****Claims on:**

	2008	
	Capital Requirements	Risk Weighted Assets
	(Rupees in '000)	
Sovereigns other than PKR claims	477,624	5,970,299
Public Sector Entities (PSEs)	406,154	5,076,927
Banks	847,742	10,596,769
Corporates	8,050,308	100,628,852
Retail portfolio	3,369,590	42,119,881
Residential mortgage finance	355,580	4,444,747
Listed equities and regulatory capital instruments issued by others banks	101,053	1,263,161
Unlisted equity investments	643,863	8,048,283
Fixed Assets	1,073,261	13,415,760
Other Assets	233,727	2,921,582
Past Due Exposures	380,964	4,762,048

Market risk**Portfolios subject to standardised approach**

Interest rate risk	14,475	180,938
Equity position risk	1,837	22,963
Foreign exchange risk	263,254	3,290,675

Operational risk

	1,916,980	23,962,253
Total	(b) <u>18,136,412</u>	<u>226,705,138</u>

Capital adequacy ratio

Total eligible regulatory capital held	(a) <u>18,062,436</u>
Total risk weighted assets	(b) <u>226,705,138</u>
Capital adequacy ratio [(a) / (b) x 100]	7.97%

41.3 Capital adequacy ratio as at December 31, 2007

As at December 31, 2007, the capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

Regulatory Capital Base	2007
	(Rupees in '000)
Tier I Capital	
Shareholders' capital	6,500,000
Balance in share premium account - associate	1,615,473
Reserves	2,327,775
Unappropriated profits (net of losses)	4,404,631
Minority interest	26,046
	14,873,925



Notes to and forming part of the Consolidated Financial Statements

	Note	2007
		(Rupees in '000)
Less: Adjustments		
- Deficit on account of revaluation of investment in associate		-
- Deficit on account of revaluation of investments classified as AFS		(59,811)
		(59,811)
Total Tier I Capital		14,814,114
Tier II Capital		
Subordinated debt (upto 50% of total Tier I Capital)		2,322,446
General provision (subject to 1.25% of total risk weighted assets)		1,099,409
Revaluation reserve (upto 50%)		1,256,491
Foreign exchange translation reserves		87,058
Total Tier II Capital		4,765,404
Eligible Tier III Capital		-
Total Regulatory Capital	(a)	19,579,518
Risk-weighted exposures		2007
	Note	Book Value Risk Adjusted Value
		(Rupees in '000)
Credit risk		
Balance sheet items:		
Cash and other liquid assets		51,276,561 5,166,102
Investments		89,047,947 10,886,316
Loans and advances		159,543,072 128,109,846
Fixed assets		11,955,258 11,955,258
Other assets		6,838,479 6,738,869
		318,661,317 162,856,391
Off-balance sheet items: -		
Loan repayment guarantees and acceptances		12,606,646 8,831,288
Performance bonds, bid bonds, warranties and similar instruments etc.		3,816,356 1,833,017
Stand by letters of credit and other stand by facilities		30,958,445 12,369,451
Outstanding foreign exchange contracts		
-Purchase and sales (both)		24,279,700 271,380
		71,661,147 23,305,136
Credit risk-weighted exposures		186,161,527
Market Risk		
General market risk		42,435
Specific market risk		42,435
Capital charge for foreign exchange risk		20,131
Total capital charge for market risk	(b)	105,001
Market risk-weighted exposures	(b x 12.5)	1,312,513
Total risk-weighted exposures	(c)	187,474,040
Capital adequacy ratio [(a) / (c) x 100]		10.44



Notes to and forming part of the Consolidated Financial Statements

41.4 Types of exposures and ECAs used

Exposures	JCR-VIS	PACRA	S&P & Moody's
Sovereigns other than PKR claims	-	-	✓
PSEs	✓	✓	-
Banks	✓	✓	✓
Corporates	✓	✓	✓

Credit exposures subject to standardised approach

Exposures	Rating category	Amount outstanding	Deduction CRM*	Net Amount
Sovereigns other than PKR claims	4,5	2,993,391	-	2,993,391
PSEs	1	5,703,429	4,368,000	1,335,429
Banks	1,2,3	15,731,329	475,781	15,255,548
Banks	4,5	5,121,390	-	5,121,390
Banks - PKR claims less than three months		10,096,689	4,789,224	5,307,465
Corporates	1	7,902,703	171,340	7,731,363
Corporates	2	1,370,723	223,735	1,146,988
Retail portfolio		56,675,751	4,968,012	51,707,739
Past due loans		4,210,067	66,652	4,143,415
Unrated		131,245,834	30,174,462	101,071,372
Total		<u>241,051,306</u>	<u>45,237,206</u>	<u>195,814,100</u>

* CRM= Credit Risk Mitigation

42 RISK MANAGEMENT

The Bank has in place an approved integrated risk management framework for managing credit risk, market risk, liquidity risk and operational risk as evidenced by its Board approved "Risk Management Policy and "Risk Management & Internal Control" manual.

Following is the governance structure and important policies on Risk Management of the Bank:

- The Board of Directors through its sub-committee called 'Board Risk Management Committee' (BRMC) oversees the overall risk of the Bank.
- RMD is the organizational arm performing the functions of identifying, measuring, monitoring and controlling the various risks and assists the Apex level committee and the various sub-committees in conversion of policies into action.
- As part of its mandate the Central Management Committee (CMC) is entrusted with overseeing the operational risk of the bank.
- The Bank has established a Treasury Middle Office to effectively monitor day-to-day trading activities of the dealing room. The middle-office directly reports to Head of RMD.
- An independent risk review function exists at the bank in the form of Internal Audit Group that reports directly to the Board Audit Committee.
- After conducting the Basel II gap analysis, the Bank has extensively pursued the implementation of Basel II with the help of external consultants and has complied with all the Pillar - I requirements of Basel II accord. Moreover, in light of SBP circulars and guidelines, significant progress has also been made in respect of advanced approaches of Basel II. Implementation of Pillar - II i.e. ICAAP has also been initiated.



Notes to and forming part of the Consolidated Financial Statements

- As a policy the reporting line of the risk management function has been kept completely independent of the business divisions.
- The Bank has acquired Temenos T24 banking system as its core banking solution and its Risk Management system called T-Risk will be used for managing Credit, Market and Operational risks.

42.1 Credit risk

Credit Risk Management processes encompass identification, assessment, measurement, monitoring and control of the credit exposures. In the Bank's experience, a key to effective credit risk management is a well thought out business strategy. The Bank's focus over the coming years will be to further enhance risk models, processes and systems infrastructure, in line with its ambition to bring maximum sophistication to risk management function.

The Bank, as per State Bank of Pakistan Guidelines, has migrated to Basel II as on January 01, 2008 with the standardized approach. For Credit Risk, procedural manual has been developed, which also incorporates a comprehensive system of cross-checks for data accuracy. Simultaneously, processes have been set for fine-tuning systems & procedures, Information Technology capabilities and Risk Governance Structure to meet the requirements of the Advanced Approaches as well.

At Bank Alfalah Limited, the management has laid down the road-map to move towards the implementation of Basel II Advanced Approaches, which shall provide a sophisticated platform for prudent risk management practices. In this respect, the Bank is considering appointment of a consultant firm to assist it with Basel II Advanced Approaches parameters.

The Credit Risk Management comprises of the Credit Risk Department that looks after all the aspects of credit risk and conducts portfolio analysis and stress testing on a regular basis. The Head of Credit Risk Department Head reports directly to the General Manager (GM) - Risk Management Division.

The bank has built-up and maintained a sound loan portfolio in terms of 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 lending activities and ensuring the high quality of asset portfolio. As part of discreet prudential practices the Risk Management Division conducts pre-fact validation of major cases from integrated risk point of view. The Bank manages its portfolio of loan assets with a view to limit concentrations in term of risk quality, geography, industry, maturity and large exposure. Internal rating based portfolio analysis is also conducted frequently.

A sophisticated Internal Credit Rating System has been developed by the Bank, which is capable of quantifying counter-party risk in accordance with the best practices. The system takes into consideration qualitative and quantitative factors of the counter-party and generates an internal rating vis-à-vis anticipated customer behaviour. The system has been statistically tested, validated and checked for compliance with the State Bank of Pakistan's guidelines for Internal Credit Rating. Moreover, the system is backed by secured database with backup support and is capable of generating MIS reports providing snapshot of the entire portfolio for strategizing and decision making.

Credit Administration Centre (CAC) is working towards ensuring that all the policies and procedures are implemented and followed accordingly. No loan / advances can be booked without proper approval of CAC.

Special attention is paid by the management in respect of non-performing loans. Special Asset Management (SAM) Department (under Credit & Collections Group) is functional and handles this responsibility in compliance with the regulatory requirements. The Risk Management Division also monitors the NPL portfolio of the bank and reports the same to BRMC.



A "Watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non performing. The Risk Management Division also monitors the NPL portfolio of the bank and reports the significant matters to BRMC.

Proactive credit-risk management practices in the form of studies, research work, Internal Rating System, Integrated Bank-wide Risk Management and Internal Control Framework, adherence to Basel II accord, portfolio monitoring are only some of the prudent measures the bank is engaged in for mitigating risk exposures. The current focus is on augmenting the bank's abilities to quantify risk in a consistent, reliable and valid fashion which will ensure advanced level of sophistication in the Credit Risk measurement and management in the years ahead.

42.1.1 Credit Risk - General Disclosures Basel II Specific

Bank Alfalah Limited is using The Standardized Approach (TSA) of SBP Basel II accord for the purpose of estimating Credit Risk Weighted Assets. Under TSA Banks are allowed to take into consideration external rating(s) of counter-party(s) for the purpose of calculating Risk Weighted Assets. A detailed procedural manual specifying return-based formats, methodologies and processes for deriving Credit Risk Weighted Assets in accordance with the SBP Basel II Standardized Approach is in place and firmly adhered.

42.1.2 Disclosures for portfolio subject to the Standardised Approach & Supervisory risk weights in the IRB Approach-Basel II specific

42.1.2.1 External ratings

SBP Basel II guidelines require banks to use ratings assigned by specified External Credit Assessment Agencies (ECAAs) namely PACRA, JCR-VIS, Moodys, Fitch and Standard & Pools.

The Bank uses external ratings for the purposes of computing the risk weights as per the Basel II framework. For Exposures with a contractual maturity of less than or equal to one year, Short-term Rating given by approved Rating Agencies is used, whereas for Long-term exposure with maturity of greater than one year, Long-term Rating is used.

Where there are two ratings available, the lower rating is considered and where there are three or more ratings the second - lowest rating is considered.

42.1.3 Disclosures with respect to Credit Risk Mitigation for Standardized and IRB Approaches-Basel II Specific

42.1.3.1 Credit risk mitigation policy

The Bank defines collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of secured creditor in respect of the assets / contracts offered as security for the obligations of the borrower / obligor.

42.1.3.2 Collateral valuation and management

As stipulated in the SBP Basel II guidelines, the Bank uses the comprehensive approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified in the Basel II guidelines. In line with Basel II guidelines, the Bank makes adjustments in eligible collaterals received for possible future fluctuations in the value of the collateral in line with the requirements specified by SBP guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights.



42.1.3.3 Types of collateral taken by the Bank

Bank Alfalah Limited determines the appropriate collateral for each facility based on the type of product and counterparty. In case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance usually backed by mortgage. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally obtained. Additional security such as pledge of shares, cash collateral, TDRs, SSC/DSCs, charge on receivables may also be taken. Moreover, in order to cover the entire exposure Personal Guarantees of Directors are also obtained by the Bank. For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property / automobile being financed respectively. The valuation of the properties is carried out by an approved valuation agency.

The Bank also offers products which are primarily based on collateral such as shares, specified securities and pledged commodities. These products are offered in line with the SBP prudential regulations and approved product notes which also deal with types of collateral, valuation and margining.

The decision on the type and quantum of collateral for each transaction is taken by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies (retail products, loan against shares etc.), collateral is taken in line with the policy.

42.1.3.4 Types of eligible financial collateral

For credit risk mitigation purposes, the Bank considers all types of financial collaterals that are eligible under SBP Basel II accord. This includes Cash / TDRs, Gold, securities issued by Government of Pakistan such as T-Bills and PIBs, National Savings Certificates, certain debt securities rated by a recognized credit rating agency, mutual fund units where daily Net Asset Value (NAV) is available in public domain and guarantees from certain specified entities. In general, for Capital calculation purposes, in line with the SBP Basel II requirements, the Bank recognizes only eligible collaterals as mentioned in the SBP Basel II accord.

42.1.3.5 Credit concentration risk

Credit concentration risk arises mainly due to concentration of exposures under various categories viz. industry, geography, and single/group borrower exposures. Within credit portfolio, as a prudential measure aimed at better risk management and avoidance of concentration of risks, the SBP has prescribed regulatory limits on banks' maximum exposure to single borrowers and group borrowers. Moreover, in order to restrict the industry concentration risk, BAL's annual Credit Plan spells out the maximum allowable exposure that it can take on specific industries. Additionally, the newly developed Internal Rating System allows the bank to monitor risk rating concentration of counterparties against different grades / scores ranging from 1 – 12 (1 being the best and 10 – 12 for defaulters).



Notes to and forming part of the Consolidated Financial Statements

42.1.4 Segmental information

42.1.4.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	4,206,088	2.12%	2,563,561	0.85%	53,299	0.06%
Automobile & Transportation						
Equipment	3,928,853	1.98%	2,713,531	0.90%	1,566,304	1.88%
Chemical and Pharmaceuticals	3,916,817	1.97%	2,853,834	0.95%	1,976,536	2.37%
Cement	3,371,083	1.70%	297,898	0.10%	636,118	0.76%
Communication	4,240,227	2.14%	12,442,869	4.14%	167,923	0.20%
Electronics and Electrical						
Appliances	3,750,567	1.89%	2,477,280	0.82%	1,776,098	2.13%
Educational Institutes	1,037,093	0.52%	6,127,934	2.04%	344,497	0.41%
Financial	3,408,746	1.72%	12,793,512	4.25%	842,809	1.01%
Fertilizers	4,570,015	2.30%	9,367,200	3.11%	7,226,878	8.67%
Food & Allied Products	3,769,661	1.90%	2,111,193	0.70%	505,223	0.61%
Glass & Ceramics	292,493	0.15%	191,419	0.06%	107,752	0.13%
Ghee & Edible Oil	3,679,929	1.85%	1,207,931	0.40%	736,687	0.88%
Housing Societies / Trusts	2,422,471	1.22%	8,251,607	2.74%	15,415	0.02%
Insurance	506,683	0.26%	3,229,117	1.07%	46,215	0.06%
Import & Export	3,742,105	1.88%	5,857,943	1.95%	767,601	0.92%
Iron / Steel	4,646,125	2.34%	3,419,119	1.14%	8,616,878	10.34%
Oil & Gas	10,720,082	5.40%	14,535,023	4.83%	2,737,495	3.29%
Paper & Board	2,127,894	1.07%	1,724,534	0.57%	230,111	0.28%
Production and Transmission						
of Energy	13,862,069	6.98%	7,660,547	2.55%	6,732,032	8.08%
Real Estate / Construction	7,770,992	3.91%	14,113,458	4.69%	2,675,850	3.21%
Retail / Wholesale Trade	7,892,776	3.97%	5,971,557	1.99%	1,164,772	1.40%
Rice Processing and						
Trading	5,404,082	2.72%	1,204,857	0.40%	137,889	0.17%
Sugar	2,871,980	1.45%	740,514	0.25%	56,555	0.07%
Shoes and Leather garments	796,735	0.40%	634,057	0.21%	172,659	0.21%
Sports Goods	394,082	0.20%	479,233	0.16%	33,123	0.04%
Surgical Goods	240,001	0.12%	198,176	0.07%	314,408	0.38%
Textile Spinning	10,871,339	5.47%	1,661,729	0.55%	495,863	0.60%
Textile Weaving	3,754,668	1.89%	2,044,826	0.68%	559,490	0.67%
Textile Composite	12,722,432	6.41%	895,437	0.30%	793,739	0.95%
Welfare Institutions	741,944	0.37%	5,558,013	1.85%	939,694	1.13%
Individuals	44,005,588	22.16%	96,399,259	32.06%	1,033,125	1.24%
Others	22,927,580	11.54%	71,002,596	23.61%	39,868,271	47.84%
	<u>198,593,200</u>	<u>100%</u>	<u>300,729,764</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities



Notes to and forming part of the Consolidated Financial Statements

	2007					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	7,830,882	4.48%	1,562,973	0.57%	36,230	0.05%
Automobile and transportation equipment	5,815,984	3.31%	2,794,281	1.02%	3,628,648	4.77%
Chemical and Pharmaceuticals	3,749,425	2.13%	1,951,149	0.71%	2,163,730	2.84%
Cement	2,817,246	1.60%	1,008,105	0.37%	558,419	0.73%
Communication	2,105,503	1.20%	7,911,204	2.90%	3,099,550	4.07%
Electronic & electrical appliances	2,173,233	1.24%	841,611	0.31%	4,114,398	5.41%
Educational institutes	607,080	0.35%	5,237,637	1.92%	105,305	0.14%
Financial	4,095,783	2.33%	10,839,871	3.97%	6,990,586	9.19%
Fertilizers	2,297,934	1.31%	3,229,602	1.18%	2,727,601	3.58%
Food & allied products	3,229,043	1.84%	1,294,974	0.47%	954,641	1.25%
Glass & ceramics	253,661	0.14%	312,126	0.11%	276,443	0.36%
Ghee & edible oil	3,664,080	2.09%	445,543	0.16%	2,233,166	2.93%
Housing societies / trusts	2,484,934	1.41%	5,593,634	2.05%	27,657	0.04%
Insurance	75,736	0.04%	1,385,189	0.51%	44,641	0.06%
Import & export	2,846,931	1.62%	4,793,407	1.75%	2,037,448	2.68%
Iron / steel	3,365,857	1.92%	2,539,863	0.93%	2,860,725	3.76%
Oil & gas	3,976,627	2.26%	14,850,578	5.44%	9,255,256	12.16%
Paper & board	2,034,696	1.16%	1,248,918	0.46%	811,406	1.07%
Production and transmission of energy	7,208,151	4.10%	16,433,320	6.02%	7,897,125	10.38%
Real Estate / construction	5,834,984	3.32%	8,301,050	3.04%	10,203,719	13.41%
Retail / wholesale trade	5,666,525	3.23%	6,728,486	2.46%	817,279	1.07%
Rice processing and Trading	4,354,135	2.48%	729,346	0.27%	233,051	0.31%
Sugar	2,715,814	1.55%	653,211	0.24%	97,451	0.13%
Shoes & leather garments	742,760	0.42%	609,830	0.22%	121,760	0.16%
Sports goods	259,012	0.15%	314,201	0.12%	25,579	0.03%
Surgical goods	201,360	0.11%	155,131	0.06%	33,755	0.04%
Textile spinning	14,115,925	8.04%	2,290,836	0.84%	2,695,709	3.54%
Textile weaving	6,728,552	3.83%	1,648,112	0.60%	1,103,280	1.45%
Textile composite	8,757,959	4.98%	866,560	0.32%	2,261,410	2.97%
Welfare institutions	657,149	0.37%	9,273,546	3.39%	66,003	0.09%
Individuals	43,497,451	24.75%	88,754,315	32.49%	969,444	1.27%
Others	21,346,589	12.24%	68,573,479	25.10%	7,647,265	10.06%
	<u>175,511,001</u>	<u>100%</u>	<u>273,172,088</u>	<u>100%</u>	<u>76,098,680</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities



Notes to and forming part of the Consolidated Financial Statements

42.1.4.2 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	18,187,635	9%	51,769,990	17%	15,788,476	19%
Private	180,405,565	91%	248,959,774	83%	67,542,833	81%
	<u>198,593,200</u>	<u>100%</u>	<u>300,729,764</u>	<u>100%</u>	<u>83,331,309</u>	<u>100%</u>
	2007					
	Advances (Gross)		Deposits		Contingent Liabilities *	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	12,719,912	7%	68,848,320	25%	11,393,159	15%
Private	162,791,089	93%	204,323,768	75%	64,705,521	85%
	<u>175,511,001</u>	<u>100%</u>	<u>273,172,088</u>	<u>100%</u>	<u>76,098,680</u>	<u>100%</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, forestry, hunting and fishing	337,837	45,933	209,678	19,703
Textile	2,059,012	1,222,947	716,679	475,638
Chemical and pharmaceuticals	48,750	31,583	33,459	32,740
Cement	3,421	335	11,233	8,081
Automobile and transportation equipment	98,414	48,952	77,447	31,768
Wholesale and retail trade	635,878	282,684	796,700	661,669
Individuals	2,488,537	1,828,058	1,749,090	1,285,736
Others	3,262,424	1,595,106	1,110,799	865,074
	<u>8,934,273</u>	<u>5,055,598</u>	<u>4,705,085</u>	<u>3,380,409</u>

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Public / Government	-	-	-	-
Private	8,934,273	5,055,598	4,705,085	3,380,409
	<u>8,934,273</u>	<u>5,055,598</u>	<u>4,705,085</u>	<u>3,380,409</u>



Notes to and forming part of the Consolidated Financial Statements

42.1.4.5 Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingent Liabilities *
	-----Rupees in '000-----			
Pakistan	(2,431)	318,412,434	16,557,081	75,763,964
Asia Pacific (including South Asia)	226,219	26,175,775	380,228	7,567,345
Middle East	(12,577)	4,690,716	(53,824)	-
	<u>211,211</u>	<u>349,278,925</u>	<u>16,883,485</u>	<u>83,331,309</u>
	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingent Liabilities *
	-----Rupees in '000-----			
Pakistan	4,733,297	313,406,780	17,212,216	70,221,545
Asia Pacific (including South Asia)	303,021	15,437,262	234,277	5,877,052
Middle East	(31,718)	1,835,830	(32,339)	83
	<u>5,004,600</u>	<u>330,679,872</u>	<u>17,414,154</u>	<u>76,098,680</u>

* contingent liabilities for the purpose of this note includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities

42.2 Market risk

Market risk is the risk of losses due to on and off-balance sheet positions arising out of changes in market prices. Market risk mainly arises from trading activities undertaken by the treasury department. It also includes investments and structural positions in the banking book of the bank. To manage and control market risk the group has a well defined limits structure in place. These limits are reviewed, adjusted and approved periodically.

The Bank uses the Standardized Approach to calculate capital charge for market risk as per the current regulatory framework under Basel II. Currently, Bank calculates 'Value at Risk (VaR)' on a daily basis by using 'Historical Method' taking into consideration the data of over 2 years. Moreover, Bank also carries out stress testing on a daily basis by applying parallel shocks of changes in market yield on all the categories of T-Bills and Government securities. Going forward the Bank is preparing to use more sophisticated systems and models and is currently evaluating use of various tools to enhance its capability to successfully meet the requirements of the internal models approach of Basel II.

42.2.1 Foreign exchange risk

Foreign exchange risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Group manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments.

Off-Balance sheet financial instruments are contracts which are the resultant outcome of the import and export transactions. Moreover, counterparties enter into swaps, forward transactions in inter-bank market on behalf of customers to cover-up their positions against stipulated risks. The buy and sell transactions are matched in view of their maturities in the different predefined time buckets.

The currency risk is regulated and monitored against the regulatory / statutory limits enforced by the State Bank of Pakistan. The foreign exchange exposure limits in respective currencies are managed against the prescribed limits.



Notes to and forming part of the Consolidated Financial Statements

The analysis below represents the concentration of the Bank's foreign currency risk for on and off-balance sheet financial instruments:

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	305,765,114	284,076,411	(8,057,951)	13,630,752
United States Dollar	37,693,693	40,559,362	6,069,456	3,203,787
Great Britain Pound	1,660,823	3,092,236	1,430,635	(778)
Japanese Yen	225,998	22,342	(199,346)	4,310
Euro	3,761,489	4,555,854	786,136	(8,229)
Other currencies	171,808	89,235	(28,930)	53,643
Total foreign currency exposure	43,513,811	48,319,029	8,057,951	3,252,733
Total currency exposure	349,278,925	332,395,440	-	16,883,485

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
-----Rupees in '000-----				
Pakistan Rupee	291,071,594	273,496,385	(412,694)	17,162,515
United States Dollar	33,368,721	33,365,380	119,391	122,732
Great Britain Pound	3,399,816	3,654,041	312,494	58,269
Japanese Yen	30,612	1,216	(20,068)	9,328
Euro	2,754,469	2,746,586	21,364	29,247
Other currencies	54,660	2,110	(20,487)	32,063
Total foreign currency exposure	39,608,278	39,769,333	412,694	251,639
Total currency exposure	330,679,872	313,265,718	-	17,414,154

42.2.2 Equity position risk

Equity position risk in the trading books arises due to changes in prices of individual stocks or levels of equity indices. The Group's equity trading book comprises of Equity Portfolio Unit's classified as Held for Trading (HFT). The objective of Equity Portfolio Unit's classified as HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium term view of capital gains and dividend income. Special emphasis is given to the details of risks / mitigants, limits / controls for equity trading portfolios of Equity Portfolio Unit.

42.3 Interest rate risk

The interest rate risk arises from the fluctuation in the value of financial instruments consequent to the changes in the market interest rates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. In order to ensure that this risk is managed within acceptable limits, the Group's Asset and Liability Management Committee (ALCO) monitors the re-pricing of the assets and liabilities on a regular basis. The Bank's interest rate risk is limited since the majority of customer's deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles.



42.4 Liquidity risk

Liquidity risk is the potential for loss to the Group arising from either its inability to meet its obligations or to fund increases in assets as they fall due without incurring an unacceptable cost.

The bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset liability function. ALCO monitors the maintenance of balance sheet liquidity ratios, depositor's concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. Moreover, as core retail deposits form a considerable part of the bank's overall funding mix therefore significant importance is being given to the stability and growth of these deposits. The BOD has approved a comprehensive liquidity management policy which stipulates the early warning indicators of liquidity risk and maintenance of various ratios. Moreover, Bank also has a 'Contingency Funding Plan' in place to address liquidity issues in times of stress / crisis situations.

42.4.1 Maturities of Assets and Liabilities - based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank

2008

	Rupees in '000								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	32,687,342	-	-	272,890	-	-	-	-	-
Balances with other banks	20,542,449	172,069	597,194	-	-	-	-	-	-
Lending to financial institutions	2,028,478	733,332	553,690	5,233,088	4,448,400	-	-	3,168,631	-
Investments	837,605	14,076,595	23,821,508	53,310,322	14,481,524	17,948,277	13,679,516	9,097,754	6,118,918
Advances	192,452,517	29,333,207	30,638,427	53,310,322	11,526,299	1,263,569	2,527,138	6,099,913	10,682,824
Operating fixed assets	13,846,774	178,779	315,893	631,784	1,263,569	1,263,569	299,396	514,468	1,355,535
Other assets	9,374,905	222,972	340,979	340,978	199,597	199,597	34,454,327	18,880,766	18,157,277
	349,278,925	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	-	-	-
Liabilities									
Bills payable	3,452,031	-	-	-	-	-	-	-	-
Borrowings	14,071,247	289,677	57,339	28,238,112	8,709,374	8,664,688	6,235,027	600,170	514,151
Deposits and other accounts	300,729,764	62,150,359	23,805,667	494	988	408,758	1,719,738	36,452,702	-
Sub-ordinated loans	2,571,169	484	3,520	3,520	1,186	1,186	(869)	440,697	-
Liabilities against assets subject to finance lease	17,459	8,432	-	-	-	-	-	-	-
Deferred tax liabilities	208,281	-	-	-	-	-	208,281	-	-
Other liabilities	11,345,489	252,966	540,036	1,597,757	1,668,007	1,668,007	9,328,984	172,857	-
	332,395,440	62,701,434	24,407,046	29,835,883	9,878,355	10,241,439	25,125,343	37,666,426	514,151
Net assets	16,883,485	(17,952,665)	31,860,645	29,949,179	7,754,134	10,151,651	-	(18,785,640)	17,643,126
Share capital	7,995,000	-	-	-	-	-	-	-	-
Reserves	3,166,056	-	-	-	-	-	-	-	-
Unappropriated profit	1,727,752	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-
Minority Interest	2,379,204	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	16,883,485	-	-	-	-	-	-	-	-

2007

	Rupees in '000								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets									
Cash and balances with treasury banks	29,436,378	2,413,452	-	358,346	-	-	-	-	-
Balances with other banks	18,388,124	15,616,326	-	-	-	-	-	-	-
Lending to financial institutions	3,452,059	18,726,814	23,813,047	16,445,070	1,512,452	39,340	3,013,501	3,536,471	5,437,013
Investments	89,578,391	20,692,822	29,697,136	30,254,315	12,898,554	17,396,043	20,773,602	5,276,867	8,313,272
Advances	171,031,183	25,728,572	200,123	433,178	800,490	880,388	1,600,980	3,553,833	3,418,382
Operating fixed assets	11,986,258	426,829	200,123	483,526	298,314	298,314	447,472	447,472	-
Other assets	6,807,479	1,123,908	483,526	483,525	298,314	298,314	25,835,555	12,814,643	17,168,667
	330,679,872	43,383,825	54,193,832	47,974,434	15,509,810	18,614,085	-	-	-
Liabilities									
Bills payable	4,138,243	-	-	-	-	-	-	-	-
Borrowings	21,548,849	42,197,760	34,226,613	4,793,196	10,486,818	11,646,533	10,371,771	725,551	-
Deposits and other accounts	273,172,088	92,340,274	324,844	324,844	988	988	1,687,554	44,106,195	-
Sub-ordinated loans	3,220,858	-	-	-	-	-	-	881,640	-
Liabilities against assets subject to finance lease	11,303	826	-	2,192	-	-	8,285	-	-
Deferred tax liabilities	1,379,967	41,175	478,880	1,214,011	1,131,043	1,131,043	1,379,967	167,562	-
Other liabilities	9,794,410	42,239,761	35,030,337	34,130,367	11,618,849	12,778,564	14,578,620	45,880,948	-
	313,265,718	1,144,064	191,633,495	13,842,067	3,890,961	5,835,521	11,256,935	(33,066,305)	17,168,667
Net assets	17,414,154	(1,444,064)	191,633,495	13,842,067	3,890,961	5,835,521	-	33,066,305	-
Share capital	6,500,000	-	-	-	-	-	-	-	-
Reserves	2,414,833	-	-	-	-	-	-	-	-
Unappropriated profit	4,404,631	-	-	-	-	-	-	-	-
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-
Minority Interest	26,046	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	2,453,171	-	-	-	-	-	-	-	-
	17,414,154	-	-	-	-	-	-	-	-

60% of savings deposits have been distributed and classified equally in each of the categories ranging from upto one month to over 3 years to five years period, with the remaining 40% being classified in over five to ten years based on management experience with such class of deposits. However, these deposits are payable on demand.



Notes to and forming part of the Consolidated Financial Statements

42.4.2 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

	2008									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Total										
Assets										
Cash and balances with treasury banks	37,687,342	-	-	272,890	-	-	-	-	-	-
Balances with other banks	20,542,449	172,069	597,194	-	-	-	-	-	-	-
Lending to financial institutions	2,028,478	733,332	553,690	5,233,088	4,643,024	4,448,400	13,679,516	3,168,631	6,118,918	
Investments	3,315,500	14,076,595	23,821,508	53,310,322	11,526,299	14,481,524	17,948,277	9,097,754	10,682,824	
Advances	76,017,285	29,333,204	30,638,427	63,178,4	1,263,569	1,263,569	2,527,138	6,099,913	1,355,535	
Operating fixed assets	13,846,774	178,779	315,893	340,978	199,597	199,597	299,396	514,468	-	
Other assets	9,374,905	222,972	340,979	340,978	199,597	199,597	299,396	514,468	-	
	349,278,925	44,748,769	56,267,691	59,789,062	17,632,489	20,393,090	34,454,327	18,880,766	18,157,277	
Liabilities										
Bills payable	3,452,031	-	-	-	-	-	-	-	-	-
Borrowings	14,071,247	289,677	57,339	19,124,936	2,633,923	2,589,237	159,576	600,170	514,151	
Deposits and other accounts	300,729,764	53,037,183	14,692,491	494	988	408,758	1,719,738	440,697	-	
Sub-ordinated loans	2,571,169	8,432	3,520	3,520	1,185	1,185	(869)	-	-	
Liabilities against assets subject to finance lease	17,459	8,432	-	-	-	-	-	-	-	
Deferred tax liabilities	208,281	-	540,026	-	1,166,807	1,166,807	1,166,807	172,857	-	
Other liabilities	11,345,489	252,966	15,293,870	20,726,707	3,802,903	4,165,887	3,253,533	1,213,724	514,151	
	332,395,440	(8,839,489)	40,973,821	39,062,355	13,829,586	16,227,103	31,200,794	17,667,042	17,643,126	
Net assets	16,883,485	(8,839,489)	40,973,821	39,062,355	13,829,586	16,227,103	31,200,794	17,667,042	17,643,126	
Share capital	7,995,000	-	-	-	-	-	-	-	-	
Reserves	3,166,056	-	-	-	-	-	-	-	-	
Unappropriated profit	1,727,752	-	-	-	-	-	-	-	-	
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-	
Minority Interest	2,379,204	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	16,883,485	-	-	-	-	-	-	-	-	
Total										
Assets										
Cash and balances with treasury banks	29,436,378	2,413,452	-	358,346	-	-	-	-	-	-
Balances with other banks	18,388,124	18,726,814	-	16,443,070	-	-	-	-	-	-
Lending to financial institutions	3,452,059	20,692,822	23,813,047	16,443,070	15,124,452	39,340	3,013,501	3,536,471	5,437,013	
Investments	89,578,391	17,056,683	29,697,136	30,254,315	12,898,554	17,396,043	20,773,602	5,276,867	8,313,272	
Advances	171,031,183	25,728,572	200,123	433,178	800,490	880,388	1,600,980	3,553,833	3,418,382	
Operating fixed assets	11,986,258	426,829	200,123	483,525	298,314	298,314	447,472	447,472	-	
Other assets	6,807,479	1,123,908	483,526	483,525	298,314	298,314	447,472	447,472	-	
	330,679,872	43,383,825	54,193,832	47,972,434	15,509,810	18,614,085	25,835,555	12,814,643	17,168,667	
Liabilities										
Bills payable	4,138,243	-	-	-	-	-	-	-	-	-
Borrowings	21,548,849	-	-	4,793,196	-	-	-	725,551	-	-
Deposits and other accounts	273,172,088	42,197,760	34,226,613	27,796,124	10,486,818	11,646,533	10,371,771	44,106,195	-	-
Sub-ordinated loans	3,220,858	-	324,844	324,844	988	988	1,687,554	881,640	-	-
Liabilities against assets subject to finance lease	11,303	826	-	2,192	-	-	8,285	-	-	-
Deferred tax liabilities	1,379,967	-	-	1,210,011	-	-	1,379,967	167,562	-	-
Other liabilities	9,794,410	41,175	478,880	1,210,011	1,131,043	1,131,043	1,131,043	-	-	-
	313,265,718	42,229,761	35,030,337	34,130,367	11,618,849	12,778,564	14,578,620	45,880,948	-	-
Net assets	17,414,154	1,144,064	19,163,495	13,842,067	3,890,961	5,835,521	11,256,935	(33,066,305)	17,168,667	
Share capital	6,500,000	-	-	-	-	-	-	-	-	
Reserves	2,414,833	-	-	-	-	-	-	-	-	
Unappropriated profit	4,404,631	-	-	-	-	-	-	-	-	
Share in share premium of associate	1,615,473	-	-	-	-	-	-	-	-	
Minority Interest	26,046	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net of tax	2,453,171	-	-	-	-	-	-	-	-	
	17,414,154									

The above mentioned maturity profile has been prepared based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 41.4.1 that includes maturities of saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.



42.5 Operational risk

Basel II defines Operational risk as, “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.” In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Function has been established within RMD, which directly reports to General Manager - RMD.

The Operational risk management policy of the Bank is incorporated in the Board-approved Risk Management Policy and Risk Management & Internal Control Manual, which covers the strategies, processes, structure and functions of Operational risk management and provide guidelines to identify, assess, monitor, control & report operational risk in a consistent & transparent manner across the Bank.

42.5.1 Operational Risk Disclosures - Basel II Specific

Currently, Bank is using the ‘Basic Indicator Approach’ for calculating the capital charge for Operational Risk. However, Bank intends to move towards the ‘Alternative Standardized Approach’ and for this purpose, the mapping of business activities into Basel defined business lines has already been completed.

At Bank Alfalah, risk awareness culture is being encouraged by communicating the principles of proper risk management to all bank employees. A separate ‘Research & Help Desk’ has been created in this regard that helps in creating awareness about Risk Management, Basel II and the capital calculation approaches. Operational Risk Function and business / support units are involved and regularly collaborate in determining and reviewing the strategy, in order to use it as an action plan in improving the operational risk & control system at the organizational and business / support unit levels. Almost all the policies and procedures of the bank are reviewed from the risk perspective, and the recommendations of RMD are taken into consideration before their approval at the appropriate level. All the business / support units are responsible for ensuring compliance with policies and procedures in their day-to-day activities and monitoring key operational risk exposures. An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and implemented across the organization.

A reporting structure has been put in place whereby all business/support units have been made responsible to collect and report the Operational losses/ near miss incidents to Risk Management Division. These operational losses, occurring across the organization and reported to Operational Risk Management Department, are aggregated to an internally developed ‘Operational Loss Database’.

As required by Basel II, Bank has categorized all its Operational loss/near miss incidents into following loss event categories;

- Internal Fraud
- External Fraud
- Employment Practice & Workplace Safety
- Client, Product & Business Practice
- Damage to Physical Assets
- Business Disruption & System Failure
- Execution, Delivery & Process Management



Notes to and forming part of the Consolidated Financial Statements

For the purpose of continuous monitoring of risks, Key Risk Indicators (KRIs) have been identified across the Bank and now KRI reporting has also been initiated.

BAL's (Bank Alfalah Limited) Information Security Policy and Business Continuity Plan have been approved by the Board of Directors and are in the process of implementation. A dedicated IT Security Unit is functioning within Risk Management Division while responsibility for BCP implementation resides with Operations Group.

43. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 25, 2009 has announced a bonus issue of 12.50 percent. This 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 this appropriation which will be accounted for in the financial statements for the year ending December 31, 2009.

44. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March 25, 2009 by the Board of Directors of the Bank.

45. GENERAL**45.1 Comparatives**

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.

Chief Executive Officer

Director

Director

Chairman

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF 500,000 RUPEES
OR ABOVE DURING THE YEAR ENDED 31 DECEMBER 2008

(Rupees in '000)

S. No.	Name and address of the Borrower	Name of individuals / partners / directors (with N.I.C. No.)	Father's / Husband's Name	Outstanding Liabilities at January 1, 2008				Total (5+6+7)	Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	7					
1	2	3	4	5	6	7	8	9	10	11	12	
1	Commodities & Textile (Pvt) Ltd Plot No 67, Sector 28, Korangi Industrial Area, Karachi	Iqbal Dossa 42201-0364551-7 Ali Asghar Ambreen Dossa	Jaffar Ali Dossa Iqbal Dossa Iqbal Dossa	36,011	875	-	36,886	7,352	-	-	7,352	
2	Shafiq Hanif (Pvt) Ltd 65, Stretchen Road, Opposite Arts Councel behind Sindh Assembly, Karachi	Tariq Hilal 42301-1272055-5 Irfan Hilal Ahmed 42301-7417563-5	Nawab Ahmed Nawab Ahmed	5,489	627	-	6,116	5,489	627	-	6,116	
3	Pakistan Industrial & Engineering Works 58 A, Lalazar, Queens Road, Karachi	Ch. Gulzar Ahmed 42301-8242494-5	Ch. Iqbal Ahmed	3,531	1,195	-	4,726	3,531	1,195	-	4,726	
4	Wheels Pakistan (Pvt) Ltd Cricket House, Jail Road, Lahore	Ismat Ullah Sheikh Imran Ullah Sheikh Miss Rubina Ismat Zahoor Ahmed Bhatti	Izzmat Ullah Sheikh Izzmat Ullah Sheikh Ismat Ullah Sheikh Haji Muhammad Yousaf	3,408	-	-	3,408	3,398	-	-	3,398	
5	Scantex (Pvt) Ltd	S. Abdul Aziz S. Tahir Aziz S. Sohail Aziz Khalid Iqbal		12,023	340	-	12,363	12,023	340	-	12,363	
6	Sharafat Hussain	Sharafat Hussain 42101-1535357-5		500	246	-	746	500	246	-	746	
7	Muhammad Ilyas	Muhammad Ilyas 42201-1791910-5		501	235	-	736	501	235	-	736	
8	Farhan Akhtar Kazi	Farhan Akhtar Kazi 42301-9418654-1		505	177	-	682	505	177	-	682	
9	Yasin	Yasin 42201-3760593-7		506	154	-	660	506	154	-	660	
10	Amjad Ali Jaffery	Amjad Ali Jaffery 35202-2169669-7		512	276	-	788	512	276	-	788	
11	Sohail Ahmed	Sohail Ahmed 33100-4319730-3		515	181	-	696	515	181	-	696	
12	Muhammad Nafees	Muhammad Nafees		549	177	-	726	549	177	-	726	
			Total	64,050	4,483	-	68,533	35,381	3,608	-	38,989	



ISLAMIC BANKING BUSINESS

The bank is operating 48 Islamic banking branches as at December 31, 2008 (December 31, 2007: 32 branches).

	2008	2007
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	3,211,554	2,804,104
Balances with and due from financial institutions	7,740,302	3,326,484
Lendings to financial institutions	-	-
Investments	3,986,499	3,057,155
Advances	20,405,783	15,065,056
Operating fixed assets	1,487,121	1,343,387
Other assets	1,410,907	987,021
	38,242,166	26,583,207
LIABILITIES		
Bills payable	291,309	299,333
Borrowings from financial institutions	1,639,612	99,573
Deposits and other accounts	30,243,200	21,016,068
Subordinated loans	-	-
Liability against assets subject to finance lease	-	-
Deferred tax liabilities	1,268	1,265
Other liabilities	2,969,163	2,960,950
	35,144,552	24,377,189
NET ASSETS	3,097,614	2,206,018
REPRESENTED BY		
Islamic Banking Fund	1,800,000	1,200,000
Exchange Equalization Reserve	3,658	178
Unappropriated/ Unremitted profit	575,961	288,973
	2,379,619	1,489,151
Surplus / (Deficit) on revaluation of assets - net of tax	717,995	716,867
	3,097,614	2,206,018
Remuneration to Shariah Advisor / Board	1,500	375
CHARITY FUND		
Opening Balance	28,119	16,611
Additions during the year	29,800	11,508
Payments / Utilization during the year	20,344	-
Closing Balance	37,575	28,119

Note:

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.



ISLAMIC BANKING BUSINESS

	2008	2007
	(Rupees in '000)	
Mark-up/ Return Earned	2,552,096	1,755,554
Mark-up/ Return Expensed	1,480,890	1,073,258
Net Mark-up / Return Income	1,071,206	682,296
Provisions against loans and advances	59,902	119,853
Provision for diminution in value of investments	50,491	-
Bad debts written off directly	12,743	4,461
	123,136	124,314
Net Mark-up / Return Income after provisions	948,070	557,982
NON-MARK-UP INCOME		
Fee, commission and brokerage income	76,478	59,493
Dividend income	17,985	10,011
Income from dealing in foreign currencies	31,990	18,844
Gain / (Loss) on sale of securities	5,891	8,147
Unrealized gain on revaluation of investments classified as held for trading	(29,827)	(1,488)
Other income	82,687	47,364
Total Non- Mark-up Income	185,204	142,371
	1,133,274	700,353
NON-MARK-UP EXPENSES		
Administrative expenses	846,229	577,334
Other charges	127	1,201
Total Non- Mark-up Expenses	846,356	578,535
PROFIT BEFORE TAXATION	286,918	121,818
Unappropriated profit brought forward	288,973	167,085
Transferred from Surplus on revaluation of fixed assets-net of tax	70	70
Profit available for appropriation / unremitted profit	575,961	288,973

Note:

Comparative information has been re-classified, re-arranged or additionally incorporated wherever necessary to facilitate comparison and to conform with changes in presentation in the current year.



Number of Share Holders	From	To	Number of Shares Held
1,883	1	100	96,779
3,381	101	500	1,047,260
3,124	501	1,000	2,336,759
7,094	1,001	5,000	19,696,389
791	5,001	10,000	5,781,962
278	10,001	15,000	3,427,190
123	15,001	20,000	2,175,822
88	20,001	25,000	2,020,603
73	25,001	30,000	1,999,275
49	30,001	35,000	1,584,359
30	35,001	40,000	1,125,914
31	40,001	45,000	1,319,111
37	45,001	50,000	1,811,917
20	50,001	55,000	1,048,300
10	55,001	60,000	578,725
14	60,001	65,000	866,079
10	65,001	70,000	678,800
12	70,001	75,000	877,469
8	75,001	80,000	622,013
11	80,001	85,000	909,818
9	85,001	90,000	791,147
7	90,001	95,000	654,030
14	95,001	100,000	1,394,115
8	100,001	105,000	823,770
4	105,001	110,000	425,525
5	110,001	115,000	566,200
2	115,001	120,000	232,179
9	120,001	125,000	1,111,391
6	125,001	130,000	768,816
2	130,001	135,000	264,489
3	140,001	145,000	431,326
11	145,001	150,000	1,637,416
3	150,001	155,000	462,138
5	155,001	160,000	793,256
2	160,001	165,000	324,538
1	165,001	170,000	169,045
6	170,001	175,000	1,046,358
4	175,001	180,000	712,085
6	180,001	185,000	1,103,762
2	190,001	195,000	387,250
5	195,001	200,000	989,608
3	200,001	205,000	606,252
2	205,001	210,000	419,215
1	220,001	225,000	221,000
1	225,001	230,000	226,522
1	230,001	235,000	231,530
1	235,001	240,000	235,410
1	240,001	245,000	244,332
3	245,001	250,000	740,328
2	255,001	260,000	515,599
2	265,001	270,000	533,700
3	270,001	275,000	822,760
5	275,001	280,000	1,387,567
2	280,001	285,000	564,401
3	290,001	295,000	875,198



Number of Share Holders	From	To	Number of Shares Held
2	295,001	300,000	600,000
2	300,001	305,000	607,932
3	305,001	310,000	920,777
1	315,001	320,000	318,900
1	325,001	330,000	327,803
1	330,001	335,000	330,327
3	345,001	350,000	1,050,000
1	350,001	355,000	351,783
1	370,001	375,000	373,500
1	375,001	380,000	379,900
1	385,001	390,000	389,300
1	390,001	395,000	392,000
3	395,001	400,000	1,195,600
2	400,001	405,000	805,349
2	405,001	410,000	811,573
2	410,001	415,000	822,598
1	420,001	425,000	421,386
1	425,001	430,000	429,885
1	445,001	450,000	450,000
1	450,001	455,000	451,503
1	460,001	465,000	462,939
2	465,001	470,000	938,138
1	470,001	475,000	473,227
1	485,001	490,000	488,069
4	495,001	500,000	1,996,106
1	510,001	515,000	511,807
1	515,001	520,000	519,400
1	525,001	530,000	526,247
1	535,001	540,000	537,200
1	550,001	555,000	552,000
2	555,001	560,000	1,117,400
1	580,001	585,000	585,000
1	590,001	595,000	594,800
1	600,001	605,000	604,400
1	615,001	620,000	618,344
1	640,001	645,000	640,015
2	665,001	670,000	1,336,203
1	670,001	675,000	672,480
1	680,001	685,000	684,130
1	695,001	700,000	700,000
2	700,001	705,000	1,408,105
1	740,001	745,000	744,300
1	745,001	750,000	750,000
1	750,001	755,000	751,530
2	795,001	800,000	1,600,000
1	840,001	845,000	841,214
1	845,001	850,000	850,000
1	865,001	870,000	867,153
1	875,001	880,000	879,450
1	880,001	885,000	880,236
1	900,001	905,000	901,399
1	950,001	955,000	950,018
1	990,001	995,000	992,580
1	995,001	1,000,000	996,300
2	1,000,001	1,005,000	2,000,634

Combined Pattern of CDC and Physical Share Holdings

BANK ALFALAH LIMITED



بنك الفلاح المحدود

As at December 31, 2008

Number of Share Holders	From	To	Number of Shares Held
1	1,030,001	- 1,035,000	1,031,126
1	1,130,001	- 1,135,000	1,132,622
1	1,185,001	- 1,190,000	1,188,659
2	1,210,001	- 1,215,000	2,429,321
1	1,245,001	- 1,250,000	1,247,220
1	1,300,001	- 1,305,000	1,300,759
1	1,390,001	- 1,395,000	1,394,820
1	1,475,001	- 1,480,000	1,475,500
2	1,495,001	- 1,500,000	3,000,000
1	1,870,001	- 1,875,000	1,871,200
1	1,925,001	- 1,930,000	1,928,300
1	1,980,001	- 1,985,000	1,982,500
1	1,985,001	- 1,990,000	1,986,584
1	1,995,001	- 2,000,000	2,000,000
1	2,005,001	- 2,010,000	2,007,469
1	2,030,001	- 2,035,000	2,032,877
1	2,120,001	- 2,125,000	2,122,200
1	2,125,001	- 2,130,000	2,129,000
1	2,185,001	- 2,190,000	2,186,400
1	2,495,001	- 2,500,000	2,500,000
1	2,590,001	- 2,595,000	2,594,807
1	2,605,001	- 2,610,000	2,608,530
1	2,625,001	- 2,630,000	2,628,900
1	2,710,001	- 2,715,000	2,711,468
2	2,960,001	- 2,965,000	5,922,642
1	3,010,001	- 3,015,000	3,012,543
1	3,135,001	- 3,140,000	3,138,995
1	3,965,001	- 3,970,000	3,970,000
1	4,000,001	- 4,005,000	4,003,365
1	4,355,001	- 4,360,000	4,358,300
1	4,575,001	- 4,580,000	4,578,392
1	5,095,001	- 5,100,000	5,096,332
1	5,295,001	- 5,300,000	5,300,000
1	6,525,001	- 6,530,000	6,529,306
1	6,885,001	- 6,890,000	6,888,000
1	7,415,001	- 7,420,000	7,417,036
1	7,570,001	- 7,575,000	7,574,000
1	7,940,001	- 7,945,000	7,942,700
1	8,075,001	- 8,080,000	8,075,100
1	9,005,001	- 9,010,000	9,007,893
1	9,425,001	- 9,430,000	9,426,798
1	11,125,001	- 11,130,000	11,126,703
1	11,335,001	- 11,340,000	11,335,265
1	19,050,001	- 19,055,000	19,051,821
1	22,830,001	- 22,835,000	22,833,562
1	27,830,001	- 27,835,000	27,830,053
1	32,615,001	- 32,620,000	32,617,266
1	40,770,001	- 40,775,000	40,773,525
1	44,850,001	- 44,855,000	44,851,654
1	47,965,001	- 47,970,000	47,970,000
1	48,925,001	- 48,930,000	48,928,230
2	61,160,001	- 61,165,000	122,320,574
1	106,010,001	- 106,015,000	106,011,941
17,343			799,500,000

Combined Pattern of CDC and Physical Share Holdings

BANK ALFALAH LIMITED



بنك الفلاح المحدود

As at December 31, 2008

S. No.	Shareholder's Category	Number of Shareholders	Number of Shares Held	Percentage
1	INDIVIDUALS	16,909	607,109,795	75.94
2	FINANCIAL INSTITUTIONS	62	42,101,903	5.27
3	INVESTMENT COMPANIES	25	22,772,581	2.85
4	INSURANCE COMPANIES	22	3,197,388	0.40
5	MUTUAL FUNDS	43	34,431,075	4.31
6	JOINT STOCK COMPANIES	222	22,089,406	2.76
7	CHARITABLE TRUSTS	5	1,717,980	0.21
8	LEASING COMPANIES	4	173,380	0.02
9	MODARABAS	5	63,362	0.01
10	MODARABA MANAGEMENT COMPANY	1	45,000	0.01
11	COOPERATIVE SOCIETY	1	11,070	0.00
12	OTHERS	44	65,787,060	8.23
		17,343	799,500,000	100.00

Combined Pattern of CDC and Physical Share Holdings

BANK ALFALAH LIMITED



بنك الفلاح المحدود

As at December 31, 2008

Shareholder's Category	Number of Shareholders	Number of Shares Held	Category wise No. of Shares Held	Percentage
1 NIT & ICP	1		3,741,413	0.47
National Bank of Pakistan, Trustee Deptt.		3,741,413		
2 Directors, Chief Executive Officer and their Spouse and Minor Children	7		141,619,537	17.71
H.H. Sheikh Hamdan Bin Mubarak Al Nahayan, Director		80,212,108		
Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		57,365,022		
Mr. Abdulla Khalil Al Mutawa , Director		6,715		
Mr. Khalid Mana Saeed Al Otaiba , Director		39,975		
Mr. Ikram Ul-Majeed Sehgal, Director		1,986,584		
Mr. Nadeem Iqbal Sheikh , Director		2,007,469		
Mr. Sirajuddin Aziz , Director/CEO		1,664		
3 Executives	140		3,828,222	0.48
4 Public Sector Companies and Corporation	1		19,332	0.00
5 Banks, DFIs, NBFIs, Insurance Companies, Modarabas and Mutual Funds	155		92,014,424	11.51
Trading in shares by Directors, CEO, CFO & Company Secretary		Shares Purchased 2008	Shares Sold 2008	
Mr. Abdulla Nasser Hawaileel Al Mansoori, Director		1,200,000		
Mr. Nadeem Iqbal Sheikh, Director		370,000		
Mr. Zahid Ali H. Jamall , CFO		49,000		
Shareholders holding ten percent or more shares				
Total Paid Up Capital		799,500,000	Shares	
10% of the Paid Up Capital		79,950,000	Shares	
		Holding	%	
H. H. Sheikh Nahayan Mabarak Al Nahayan		133,841,994		16.74
H. H. Sheikh Hamdan Bin Mubarak Al Nahayan, Director		80,212,108		10.03

Branch Network

KARACHI

Main Branch

B.A. Building, I.I.Chundrigar Road.
Phone : (021) 2414030-39
UAN No. : 111-777-786
Fax : 2417006

Cloth Market Branch

Cochinwala Market, Luxmidas Street.
Phone : (021) 2401621-6
Fax : 2401627-2418896

Clifton Branch

Plot No. BC-6, Block-9, Clifton,
Phone : (021) 5833778-82
Fax : 5879175

Shahrah-e-Faisal Branch

Progressive Square, 11-A Block-6 PECHS.
Phone : (021) 4313536-38, 4522441, 4522460
Fax : 4313539

Jodia Bazar Branch

Gulzar Manzil, Jodia Bazar.
Phone : (021) 2532483-4, 2544816-20
Fax : 2532485

Korangi Industrial Area Branch

Aiwan-e-Sanat,
Plot No.ST-4/2, Sector 23,
Korangi Industrial Area.
Phone : (021) 5065701-2
Fax : 5050653

M.A.Jinnah Road Branch

Plot No.23/1, Zelin Place (Habib Bank Building),
M.A.Jinnah Road/Abdullah Haroon Road.
Phone : (021)2750627-28,
Fax : 2750629

S.I.T.E. Branch

D-40, Estate Avenue, Siemens Chowrangi, S.I.T.E.
Phone : (021) 2581247, 2582990-1, 2582116
Fax : 2582113, 2582115

North Karachi Industrial Area Branch

Sector 12-B,
North Karachi Industrial Area,
Opp: Police Station Gabol Town.
Phone : (021) 6986170
Fax : 6986051

Paper Market Branch

Plot No. S.R.7/23,
Campbell Street, Paper Market.
Phone : (021) 2211353-58
Fax : 2211243

Gulshan-e-Iqbal Branch

Plot No.SB-15, Block 13-B,
KDA Scheme No.24,
University Road, Gulshan-e-Iqbal.
Phone : (021) 4984937, 4984904, 4984824, 4984833
Fax : 4984971

Karachi Stock Exchange Branch

18-20, Karachi Stock Exchange Building,
Stock Exchange Road.
Phone : (021) 2417515-19
Fax : 2418353

North Napier Road Branch

Surv. No. 35 / Sheet No. NP - 10
(Old Surv.No.A26/5), Napier Quarters.
Phone : (021) 2544021-24, 2540065
Fax : 2540066

Bahadurabad Branch

Prime Arcade, Shop No. 1-3,
Bahadur Shah Zafar Road, Bahadurabad.
Phone : (021) 4129677-81, 4128578-81
Fax : 4129676

Timber Market Branch

Ground Floor, Sur. No. 15,
Siddique Wahab Road, Lawrence Quarters.
Phone : (021) 2750635-9
Fax : 2750632

Defence Housing Authority Branch

Plot No. C-12-C
26th Commercial St. Phase V,
Defence Housing Authority.
Phone : (021) 5302639-44
Fax : 5302635

PECHS Branch

Shop No. 3, 154-S,
Block-2, P.E.C.H.S.
Phone : (021) 4535861 2, 4538423-24
Fax : 4314221

Federal 'B' Area Branch

C-28, Block - 13, Federal 'B' Area.
Phone : (021) 6803041, 6344700, 5 & 6
Fax : 6803043

Eidgah Branch

166, M. A. Jinnah Road,
Near Light House
Phone : (021) 2217290-4
Fax : 2217244



Branch Network

Marriot Road Branch

Karachi Survey # 67, Sheet # M.R. I,
Murad Khan Road, Marriot Road.
Phone : (021) 2414138-40 & 2412080
Fax : 2412082

Hyderi (North Nazimabad) Branch

Plot # ST-4, Al-Burhan Circle Hyderi,
Block 'E', North Nazimabad.
Phone : (021) 6626004, 6626066
Fax : 6625402

Gulistan-e-Jauhar Branch

Yasir Plaza, Block 10-A, Scheme 45,
Main Rashid Minhas Road, Gulshan-e-Iqbal,
Phone : (021) 4815926-7, 4815930
Fax : 4815924

Tipu Sultan Road Branch

Plot No. 118-119 Z, Adamjee Nagar, Tipu Sultan Road.
Phone : (021) 4398457-9
Fax : 4398456

DHA Phase-I Branch

114, 9th East Street, Phase-I,
Defence Housing Authority, Main Korangi Road.
Phone : (021) 5887571-73 Fax : 5887574

Hawksbay Road Branch

KB-28, Haji Ishaq Market, Main Hawksbay Road,
Opp. Quaid-e-Azam New Truck Stand
Phone : (021) 2355871, 2355872-74
Fax : 2355875

Shershah Branch

D-283, Main Shershah Road, S.I.T.E.
Phone : (021) 2585001-4 Fax : 2585005

Malir Cantt. Branch

Old Malir Cantonment Library,
Cantt Bazar, Malir Cantt.
Phone : (021) 4904601-2 Fax : 4904603

Tariq Road Branch

124/A, Block 2, P.E.C.H.S, Main Tariq Road
Phone : (021) 4386052-5
Fax : 4386056

Landhi Branch

Area 5-D, Sector 36-E, Landhi Township
Phone : (021) 5034451-3
Fax : 5030875

Gulshan Chowranghi Branch

Gulshan Chowranghi, Sani Arcade,
Block - 3, Gulshan-e-Iqbal
Phone : (021) 4978252, 4993792 Fax : 4985729

Garden East Branch

Silver Jubilee Apartment, 194/2/1, Britto Road,
Near Ismailia Jamat Khana, Garden East
Phone : (021) 2238704, 2238717, 2238722, 2238605
Fax : 2225941

DHA Phase IV, Karachi

Plot No. 80, 10th Commercial Street,
Phase IV, Defence Housing Authority, Karachi
Phone: (021) 5312832 - 35
Fax: 5312837

Gizri

K-4/3, Ch. Khaleeq uz Zaman, Road, Gizri
Phone: 021 - 5868991-93 Fax: 021 - 5867149

Sea View

Sahil Promenade, Block 3, Scheme 5,
Clifton, Karachi
Phone: 021 - 5364095-97 Fax: 021 - 5371259

Nazimabad

Al-Kausar Homes, Plot # 2, Block-III,
Sub-Block "E", Nazimabad, Karachi
Phone: (021) 6708980-83
Fax: (021) 6708978

Saddar Branch

Shop # 6, State Life Building # 5,
Abdullah Haroon Road.
Phone: (021) 5658714-16
Fax: (021) 5658717

Johar Chowranghi Branch

Rufi Shopping Mall Block, 18 Gulistan e Johar
Phone : (021) 4638114, 4015966-7 Fax : 4638115

Nagan Chowranghi Branch

Plot # SC-28, Sector 11-H, North Karachi, Karachi
Phone : (021) 6957622-621
Fax : 6957176

Jamshed Road Branch

Ashfaque Plaza, Jamshed Quarters,
New M.A. Jinnah Road, Karachi
Phone : (021)-4860794-95 Fax : 4860793

Gulshan-e-Hadeed Branch

8329 Phase I, Sub-Sector, 8-C/1, Bin Qasim
Phone : (021) 4721406
Fax : 4721407

Akbar Road Branch

Plot # 294, AM-3, Artillery Maidan Quarters,
Preedy Street, Saddar
Phone : (021) 2725107, 2725146, 2724939
Fax : 2724928

Branch Network

Steel Market Branch

Plot # 8 & 9/D-I, S.R. I, Liaquat Market, Serai Quarters,
Opp New Memon Masjid, M.A. Jinnah Road
Phone : (021) 2422679, 627, 774 Fax : 2422526

Malir City Branch

H-11/11, Liaquat Market, Malir Town
Phone : (021) 4117134-35 Fax : 4117156

West Wharf Branch

Sultan Centre, Plot # 11, West Wharf
Phone : (021) 2205966-67 Fax : 2205990-92

HYDERABAD

Plot No.476/1 & 476/2,
adjacent to Hotel Faran, Saddar.
Phone : (022) 2786020-22, 2784242
Fax : 2786023

Grain Market Branch

Aman Center, Price Ali Road Hirabad
Phone : (022)-2660611-5 Fax : 2660620

SUKKUR

B-2823/B-2851, Frere Road, Sarafa Bazar.
Phone : (071) 5628175, 5624753, 5624750
Fax : 5628176

NAWABSHAH

Municipal Office Chowk, Katchery Road
Phone : (0244)330723-25 Fax : 330729

QUETTA

M.A. Jinnah Road Branch

Property No.2-12(1), M.A.Jinnah Road.
Phone : (081) 111-777-786, 2841180-83
Fax : 2827562

Hazar Gunji Branch

Plot No. 332, 333, 334, Truck Stand, Hazar Gunji.
Phone : (081) 2460520, 2460821 Fax : 2460519

Shahrah-e-Iqbal Branch

Cut Piece Cloth Market, Shahrah-e-Iqbal
Phone : (081) 2834425, 2834429
Fax : 2827270

Double Road

Arbab Plaza, Double Road, Quetta
Phone : (081) 2441961-62, 2441663
Fax : (081) 2441665

Model Town Quetta Branch

Plot # 35-B, Model Town, Quetta Cantt.
Phone (081) 2832130 Fax : 2827329

CHAMAN

Trunch Road,
Phone : (0826) 613440, 612541
Fax : 613488

GAWADAR

Airport Road, Gawadar
Phone : (0864) 211796-98 Fax : 210185

MIRPURKHAS

Plot # 864/7, Adam Town, Main Mmerkot Road,
Phone : (02338) 74466, 74686 Fax : 75127

LARKANA

Bunder Road
Phone : (074) 4055712, 4055812, 4055360
Fax : 5053962

LAHORE

LDA Plaza Branch

LDA Plaza, Kashmir Road.
Phone : (042)6306201-05 Fax : 6301193, 6368905

Gulberg Branch

125/E-I, Gulberg-III, Main Boulevard.
Phone : (042) 5877800-8
Fax : 5754900, 5877807

Defence Branch

G-9, Commercial Area, Phase-I, LCCHS.
Phone : (042) 5729722-26
Fax : 5729727, 5733591

Circular Road Branch

A-43/A, Opp: Mazar Hazrat Shah
Mohammad Ghous, Circular Road.
Phone : (042) 7638256-8 Fax : 7653384

Township Branch

47-B/1, Block 10, Akbar Chowk, Township.
Phone : (042) 5152831-6 Fax : 5113716

Badami Bagh Branch

29-30 PECO Road, Badami Bagh.
Phone : (042) 7704961-66
Fax : 7728636, 7728074

Allama Iqbal Town Branch

36, College Block, Allam Iqbal Town.
Phone : (042) 5432961-5 Fax : 5432960

Shah Alam Market Branch

Hilal-e-Ahmar Health Complex,
Shah Alam Market.
Phone : (042) 7673401-6 Fax : 7673409



Branch Network

Shadman Market Branch

88, Shadman-I
Phone : (042) 7538116-20 Fax : 7538129

Tufail Road Branch

50/3, Tufail Road.
Phone : (042) 6689016-19 Fax : 6688374

Lahore Stock Exchange Branch

Basement Level - 2,
Lahore Stock Exchange Building,
19, Khayaban-e-Iqbal.
Phone : (042) 6307461-68 Fax : 6307460

Baghbanpura Branch

G.T. Road, Baghbanpura, Lahore.
Phone : (042) 6844006-09 Fax : 6844010

Ravi Road Branch

13 Ravi Raod.
Phone : (042) 7708661-64 Fax : 7708660

Liberty Branch

10-C, Commercial Area,
Liberty Market, Gulberg-III.
Phone : (042) 5789431-34
Fax : 5755226

Raiwind Road Branch

Thoker Niaz Beg, Raiwind Road.
Phone : (042) 5314671-5 Fax : 5314678

Shahdin Manzil Branch

Shahdin Manzil,
Faysal Chowk, Mall Road.
Phone : (042) 6012000-30, 6300581, 6300586
Fax : 6300589

DHA Extension Branch

Divine Centre, Near Bhatta Chowk,
New Airport Road, Lahore Cantt
Phone : (042) 5700301-309
Fax : 5700213

Azam Cloth Market Branch

Raheem Centre, Akbar Block, Azam Cloth Market
Phone : (042) 7643851-55
Fax : 7643860

Shad Bagh Branch

37, Umer Din Road, Wassanpura
Phone : (042) 7616252-56 Fax : 6260295

Ferozpur Road Branch

18-KM Main Ferozpur Road
Phone : (042) 5807812-14 Fax : 5807813

Shahdara Branch

Main G.T. Road, Shahdara Chowk
Phone : (042) 7900290 Fax : 7900291

Walton Road Branch

E-28/A, Main Walton Road
Phone : (042) 6602334-8 Fax : 6687391

Urdu Bazar Branch

Main Kabir Street
Phone : (042) 7210644 Fax : 7210647

Brandreth Road Branch

91-A, Brandreth Road, Near Australia Building
Phone : (042) 7674115-18 Fax : 7637306

DHA Phase II Branch

65 CCA, Phase-II, DHA
Phone : (042) 5707581-4 Fax : 5707580

Ghari Shahu Branch

99-A, Allama Iqbal Road, Ghari Shahu
Phone : (042) 6372656, 6371001 Fax : 6360962

Model Town, Lahore

13 Bank Square,
Central Commercial Market,
Model Town Lahore
Phone: (042) 5884670-72 Fax: 5884675

Cavalry Ground, Lahore

35 Main Boulevard, Officers Housing Scheme,
Cavalry Ground Lahore
Phone: (042) 6610531-32, 6610534
Fax: 6610536

Chuburji

24-Niaz View Scheme, Rewaz Garden,
Chuburji, Lahore
Phone: (042) 7356640-42 Fax: 7222236

Main Market Gulberg

32-E-Main Market, Gulberg II, Lahore
Phone: 042- 5786955- 59
Fax: 042- 5786964

Montgomery Road Branch

65-Montgomery Road, Lahore
Phone : (042) 6303081-4 Fax : 6303085

Jauhar Town Branch

Plot No. 435, Block G-I
M.A. Johar Town, Lahore
Phone : (042)- 5281081-5 Fax : 5291090

Bedian Road Branch

Phone : (042) 7088164 Fax : 5742694

Fortress Stadium Branch

Phone : (042) 6623082-86 Fax : 6623087

Wapda Town Branch

Plot No. 189, Block-F, PIA Society,
Wapda Town Round About
Phone : (042) 5211574 Fax : 5211576

Branch Network

ISLAMABAD

Blue Area Branch

I-B, Awan Arcade, Jinnah Avenue, Blue Area.
Phone : (051) 2810136-49
Fax : 2279897

I-10 Markaz Branch

4-A, I-10 Markaz
Phone : (051) 4435804-6 Fax : 4435807

F-7 Markaz Branch

I3-U, F-7 Markaz, Jinnah Super Market, Islamabad
Phone : (051) 2653944-49 Fax : 2653940

Stock Exchange Branch

101-W, Waqas Plaza, Blue Area
Phone : (051) 2804102-104 Fax : 2804106

F-10 Markaz Branch

4-D, Urfi Centre, Markaz F-10
Phone : (051) 2809704-08 Fax : 2809700

I-8 Markaz Branch

Plot No. 34, I-8 Markaz
Phone : (051) 4862563-6 Fax : 4862567

G-9 Markaz, Islamabad

G-9 Markaz, 39 Paragon Plaza
Phone: (051) 2253002-3 Fax: 2854932

F-8 Markaz, Islamabad

Shop No. 2 & 3, Al-Babar Centre,
F-8 Markaz, Islamabad
Phone: (051) 2818044-6, 2854615
Fax: 2260270

Grain Market Branch

Shop # 40-41, Fruit Market, I-11/4
Phone : (051) 4436901-3 Fax : 4438828

Bhara Kahu Branch

Main Muree Road, Bhara Kahu
Phone : (051) 2233635 Fax : 2233636

RAWALPINDI

The Mall Branch

8, The Mall
Phone : (051) 5700038-40 Fax : 5700042, 5700029

Satellite Town Branch

B/20, North Star Plaza, Satellite Town, Murree Road.
Phone : (051) 4424080-6 Fax : 4424087

Jinnah Road Branch

A-351, Jinnah Road (Old City Saddar Road).
Phone : (051) 5775325-8 Fax : 5775324

Lalazar Branch

Tulsa Road, Lalazar
Phone : (051) 5524904-5 Fax : 5527814

Chaklala Branch

59, Shah Plaza, Commercial Area, Chaklala Scheme III
Phone : (051) 5766003-4 Fax : 5766005

College Road Branch

E/20-26, College Road
Phone : 051 - 5762008, 5762010 Fax : 5762007

Peshawar Road Branch

Plot No. 400/2, Gammon House,
Peshawar Road, Rawalpindi
Phone : (051) 5468401-2 Fax : 5468403

Airport Road

7-Fazal Town, Airport Link Road, Rawalpindi
Phone: (051) 5706022-23 Fax: 5781483

Khanna Branch

Adil Tahir Plaza, Service Road,
Al-Noor Colony, Sector 3
Phone: (051) 4479290-3, Fax: (051) 4479295

Chowk Sadiqabad Branch

Shop # 2-6, Abassi Tower, Multan Town
Phone : (051) 4423078-81 Fax : 4480226

Kahuta Branch

Tehseen Plaza, PAF Road
Phone : (051) 3313625-29 Fax : 3313630

FATEH JANG

Rawalpindi Road, Fateh Jang,
Phone : (0572)-210837-38 Fax : 210839

TAXILA

Kohistan Complex, G. T. Road
Phone : (051) 4535016-17 Fax : 4535015

WAH CANTT

4-1/100, Officers Colony, The Mall.
Phone : (0514) 539426-28 Fax : 511980

FAISALABAD

Main Branch

Ground Floor, State Life Building, Liaquat Road.
Phone : (041) 2617436-9 Fax : 2617432, 2640834

Peoples Colony Branch

237-B, Commercial Area, D-Ground,
Peoples Colony No. 1.
Phone : (041) 8722636-39 Fax : 8722184

Branch Network

Susan Road Branch

25-Z-101, Susan Road, Madina Town
Phone : (041) 8556673-75 Fax : 8556679

Rail Bazar Branch

Property No. P-81, Rail Bazar
Phone : (041) 2540801-2 Fax : 2540803

Yarn Market Branch

P-78, Street No. 3
Yarn Market, Montgomery Bazar
Phone : (041) 2605806-7 Fax : 2621487

Minerva Road Branch

P-64-B, Menerva Road
Phone : (041) 2540763- 5 Fax : 2540759

Sheikhupura Road, Faisalabad

P - 352-A, Gulistan Colony II,
Millat Chowk, Sheikhupura Road, Faisalabad
Phone : 041-8582141 - 3 Fax : 041-8582147

Babar Chowk Branch

641-A, Peoples Colony Extension, Babar Chowk
Phone : (041)- 8557421-22 Fax : 8557424

Khurrianwala Branch

Main Bazar, Jhumra Road
Phone : (041) 4361080-81 Fax : 4361082

Samanabad Branch

P-9, Main Road, Samanabad, Faisalabad
Phone (041) 2561502-03 Fax : 2561504

PESHAWAR**Peshawar Cantt. Branch**

6-B, Islamia Road.
Phone : (091) 5287051-7 Fax : 5287058

Peshawar City Branch

Shoba Chowk, Park Inn Hotel Building,
Khyber Bazar, Peshawar City.
Phone : (091) 2590023-26
Fax : 2551380

Hayatabad Karkhano

Shop No. B-29 & 30, J.B. Plaza,
Karkhano Market, Hayatabad, Jamrud Road,
Phone : (091) 5822902-5 Fax : 5822908

G.T. Road Branch

1045-1046, Hashtnagri,
Opp: Sarhad Chamber of Commerce,
G.T. Road
Phone : 091-2593002-6 Fax : 2593001

Peepal Mandi Branch

Ashraf China Trade Center Peepal Mandi, Peshawar
Phone : (091) 2564911-4
Fax : (091)-2564910

Jamrud Road, Peashwar

Saif Shopping Plaza, Phase III Chowk, Jamrud Road
Phone : (091) 5710753-7 Fax : 5710758

ATTOCK

Zila Council Plaza, Katchery Chowk
Phone : (057) 2701557-58
UAN : 111-777-786 Fax : 2700248

GHOURGHUSTHI

Timber Market, Main Mandi Road,
Ghourghushti, Tehsil Hazro
Phone : (057) 2872914-15 Fax : 2872916

KAMRA

Attock Road, Kamra
Phone : (057)-9317423-25 Fax : 9317420

HANGU

Saif-ur-Rehman Market, Opp:
DCO Bungalow, Kohat Road, Main Bazar
Phone : (0925) 624641-43 Fax : 624644

MULTAN**Abdali Road Branch**

62-A, Abdali Road.
Phone : (061) 4546792-6 Fax : 4570233, 4540970

Vehari Road Branch

618/B, Vehari Road.
Phone : (061) 6244492-95 Fax : 6244496

Hussain Agahi Branch

Hussain Agahi Road
Phone : (061) 4577242, 457725 Fax : 4577232

Chowk Shaeedan Branch

Akbar Road, Chowk Shaheedan
Phone : (061) 4579021-23, 4588807 Fax : 4579024

Shahrukn-e-Alam Branch

230-A Main Road, Shahrukn-e-Alam, Multan.
Phone : (061)-6784201-4 Fax : 6784205

Bosan Road Branch

262-B, Gulgasht Colony, Bosan Road
Phone : (061) 6210367-70 Fax : 6210363

Lodhran Branch

27-2, Ward # 6, Main Multan Road
Phone : (0608) 361700-704 Fax : 363005

SIALKOT

40/A, Paris Road.
Phone : (052) 4591741, 4591442 Fax : 4591742, 4593210

Branch Network

Sambrial Branch

G.T. Road, Sambrial, District Sialkot
Phone : (052) 6522801-2 Fax : 6522803

RAHIM YAR KHAN

12-A, Model Town, Shahi Road.
Phone : (068) 5879880-1, 5885970
Fax : 5879882

GUJRANWALA

Opposite Iqbal High School, G.T. Road, Gujranwala
Phone : (055) 3859931-3, 3847031-33
Fax : 3856471, 3255295

Satellite Town Branch

40-A Satellite Town
Phone : (055) 3253622-24 Fax : 3251423

SAHIWAL

183-Sarwar Shaheed Road.
Phone : (040) 4467691-95 Fax : 4467696

SARGODHA

91-C/2 University Road, Sargodha
Phone : (048) 3724138-9 Fax : 3724193

CHAK NO. III SB

Pull III, Main Faisalabad,
Sargodha Road, District Sargodha
Phone : (048) 3791158, 3792066 Fax : 3791169

GUJRAT

G.T.S. Chowk, G.T. Road, Gujrat
Phone : (053) 3530069-3530219 Fax : 3530319

MARDAN

Mall Road, Mardan Cantt.
Phone : (0937) 873631-3 Fax : 873733

BAHAWALPUR

Opposite BVH, Circular Road.
Phone : (062) 2889922-5 Fax : 2889874

CHINIOT

I-A, Shahrah-e-Quaid-e-Azam
Phone : (047) 6337704-5 Fax : 6337706

DASKA

Gujranwala Road
Phone : (052) 6616834-35
Fax : 6619650

HAFIZABAD

Sagar Road, Hafizabad
Phone : (0547) 540801, 540806-7 Fax : 540804

Jalalpur Bhattian Branch

Mouza Jalalpur Bhattian,
Tehsil Pindi Bhattian, District, Hafizabad
Phone : (0547) 501275-6 Fax : 501282

CHICHAWATNI

I-Railway Road, Rai House,
Chichawatni District Sahiwal
Phone : (0405) 487802-6 Fax : 487807

ARIFWALA

47/D, Zain Palace, Qaboola Road
Phone : (0457) 835711-12-13 Fax : 835717

PAKPATTAN

159 - Main College Road
Phone : (0457) 376020-22 Fax : 376024

DERA GHAZI KHAN

Jampur Road, Dera Ghazi Khan
Phone : (064) 2468201-6 Fax : 2468104

MINGORA, SWAT

Khasra No.95, Makan Bagh,
Saidu Sharif Road, Opposite PTCL Office.
Phone : (0946) 726745-6, 726740-4
Fax : 726747

JHELUM

Bungalow No.67, Kazam Kamal Road.
Phone : (0544) 610162, 610172, 610182
Fax : 610050

MIAN CHANNU

Ghazi Morr, G.T. Road.
Phone : (065) 2665301-4 Fax : 2665484

SHEIKHUPURA

Main Lahore-Sargodha Road.
Phone : (056) 3614977-9 Fax : 3787974, 3614976

DERA ISMAIL KHAN

Plot # 3666-B, Kashmir Chowk,
North Circular Road,
Phone : (0966) 720609, 720610 Fax : 720607

Branch Network

OKARA

Plot No. 14, Sahiwal Road.
Phone : (0442) 550418-22
Fax : 550423

ABBOTTABAD

191, Supply Bazar,
Main Mansehra Road.
Phone : (0992) 344723-6
Fax : 344728

JHANG

9-D, Yousuf Shah Road,
Jhang Saddar.
Phone : (047) 7624701-3
Fax : 7624704

TOBA TEK SINGH

105-Farooq Road,
Mohallah Jamia Masjid.
Phone : (0462) 517838-9
Fax : 517841

BUREWALA

95-C, Al-Aziz Market, College Road.
Phone : (067) 3771901-4
Fax : 3771905

KOHAT

Bannur Road, Kohat Cantt.
Phone : (0922) 522792-5
Fax : 522798

SADIQABAD

28-29 D, Allama Iqbal Road.
Phone : (068) 5802501-4
Fax : 5802704

MANDI BHAUDDIN

Kutchery Road, Mandi Bahauddin
Phone : (0546) 520921-23
Fax : 507886

LALA MUSA

G.T. Road, Near Ghala Mandi
Phone : (053) 7518368, 7518370, 7518780
Fax : 7518070

AHMEDPUR EAST BRANCH

Kutchery Road, Near MEPCO Office
Phone : (062) 2275504-6
Fax : 2275503

DAHARKI

Zafar Bazar, Daharki
Phone : (0723) 642868
643549, 641217
Fax : 644040

GHOTKI

I-13, Station Road
Phone : (0723) 680112-14
Fax : 680118

HAROONABAD

15-C/16-C, Ghalla Mandi
Phone : (063) 2256401-4
Fax : 2256458

HASILPUR

17-D, Baldia Road, Hasilpur
Phone : (062) 2448078,
2448090, 2448075
Fax : 2441071

KHARIAN

I, Rizwan Plaza, Main G.T. Road
Phone : (053) 7536241-43
Fax : 7536245

GILGIT

Shahrah-e-Quaid-e-Azam,
Near Radio Station, Jutial, Gilgit
Phone : (05811) 51904-07
Fax : 51903

CHAKWAL

City Trade Centre, Tehsil Chowk, Rawalpindi Raod
Phone : (0543) 555206-218
Fax : 555220

Branch Network

BHALWAL

451, Liaqat Shaheed Road, Bhalwal
Phone : (048) 6643709-6644863
Fax : 6642647

KASUR

Shop No. 8-12, Adjacent to Mazar
Hazrat Baba Bulley Shah, Rail Road
Phone : (0492) 765218-9 Fax : 770890

Pattoki Branch

Allama Iqbal Road, District Kasur
Phone : (049) 4421071-3 Fax : 4421075

MANSEHRA

Punjab Chowk, Shahrah-e-Resham
Phone : (0997) 303591, 303592 Fax : 300597

Oghi Branch

Main Bazar, District Mansehra
Phone: (0997) 321949 Fax: (0997) 321357

BANNU

Gowshala Road, Fatima Khel
Phone : (0928) 614633-36 Fax : 614099

CHITRAL

D.C. Office Road,
Opposite Mountain Inn Hotel, Attalique Bazar
Phone : (0943) 414396, 414367 Fax : 412988

HAZRO

273-M, Main Hattian Road
Phone : (057) 2313771-2 Fax : 2313773

KOTLA

Bhimber Road, Kotla Arab Ali Khan,
Tehsil Kharian, Distt. Gujrat
Phone : (0537) 586892, 586915, 586435
Fax : 586337

MIRPUR, AZAD JAMMU & KASHMIR

I 14, Sector F-I, Kotli Road, Mirpur,
Azad Jammu & Kashmir
Phone : (05827) 436834-7 Fax : 436838

KALLAR SYEDAN

Ghousia Shopping Centre, Choa Road, Kallar Syedan
Phone : (051) 3572016 Fax : 3570227

GUJAR KHAN

58-D & 59-C, Akbar Kiani Shopping Mall,
G.T. Road, Gujar Khan
Phone : 051 - 3515704-707 Fax : 051 - 3515703

GOJRA

P -85, Block III, Bohar Wali Gali, Gojra
Phone : 046-3517675-7 Fax : 046- 3517878

MURIDKE

G.T. Road, Muridke
Phone : (042) 7983173-75 Fax : (042) 7983172

JARANWALA

P -813, Street No. 3, Nia Bazar, Jaranwala
Phone : (041) 4319003-4 Fax : (041) 4319005

BAHAWALNAGAR

Shop # 6, Ghallah Mandi, Bahawalnagar
(063) 2272005-8 (063) 2277437

MUZAFFARGARH

Mauza Taliri, Multan Road, Distt. Muzaffargarh
(0662) 428920-23 (0662) 428931

KHANPUR

Kutchery Road, Model Town, Khanpur
(068)5577502- 3, 5577617, 5577627
(068) 5577805

HARIPUR

Main Shahrah-e-Hazara, G.T. Road, Haripur
Phone : (0995) 627451-2 Fax : (0995) 627831

DINGA

Thana Road, Dinga, Distt. Gujrat
Phone : (053) 7404844-46 Fax : (053) 7404840

WAZIRABAD

Sialkot Road, Wazirabad, Distt. Gujranwala
Phone : (055) 6609460, 6609470, 6609480
Fax : (055) 6609450

Branch Network

KHUSHAB

Plot # 2, Block # 2, Janharabad
Phone: (0454) 723761-2 Fax: (0454) 723758

Manid Quaidabad Branch

Plot # 156/I, Block-D, Railway Road, District Khushab
Phone : (0454) 880055-56 Fax : 880057

MANDI FAIZABAD

Main Jaranwala Road, Mandi Faizabad
Phone: (056) 2881032-5, Fax: (056) 2882086

Nankana Sahib Branch

53-Grain Market
Phone : (056) 28877580-2 Fax : 2877577

MIANWALI

Watta Khel Chowk, Sargodha Road, Mianwali
Phone : (0459) 237794-6, Fax : 237791

BHERA

Circular Road, Darwaza Chakwala, Behra
Phone : (048) 6692162-3, Fax : 6692161

TALAGANG

Taqi Plaza, Chakwal Road,
Talagang Phone : (0543) 410791-4
Fax : (0543) 411030

MURREE

Sharjah Center, Mall Road,
Phone : (051)-3413210-2 Fax : 3413149

DINA

Mahfooz Plaza, G T Road, District Jhelum
Phone : (0544)-632723-4 Fax : 632557

KHANEWAL

Cinema Road, Chak # 89-10/R, District Khanewal
Phone : (065) 2555701-4, Fax : 2555710

JINNAH COLONY, JAHANIA

Main By Pass Road, Tehsil Jahania, District Khanewal
Phone (065) 2211901-4 Fax : 2211906

PIR MAHAL

Mohallah Kasurabad, Rajana Road, Pir Mahal
Phone : (046)-3366430-31 & 3366381 Fax : 3366382

DEPALPUR

Kuthcery Road, Depalpur
Phone : (044)-4542223-25 Fax : 4542220

NAROWAL

496/A, Circular Road
Phone : (0542) 413300-9 Fax : 413310

LORALAI

1062-1063, Zhob Road
Phone : (0824) 660852-5 Fax : 660851

BHAKKAR

Plot # 458, Dagar Gharbi, Jhang Road
Phone : (0453) 516068-70 Fax : 516071

SKARDU

Hussaini Chowk
Phone : (05831) 54700-703 Fax : 54704

TURBAT

Main Road, Turbat
Phone : (0852) 411557-58 Fax : 411417

BATTAGRAM

Opposite D.H.Q. Hospital, Shahrah-e- Resham
Phone : (0997) 310375 Fax : 310377

ISLAMIC BANKING BRANCHES**Uni-Tower, Karachi**

213 - Uni-Towers, I.I.Chundrigar Road.
Phone : (021) 2472295-8 Fax : 2472141

Shahrah-e-Faisal, Karachi

Ground Floor, Fortune Center, Shahrah-e-Faisal.
Phone : (021) 4315271-4
Fax : 4313581

Jodia Bazar

Plot No. 112, Durya Lal Street,
Jodia Bazar, Karachi
Phone : (021) 2446542- 5
Fax : (021) 2430492

Gulistan-e-Jauhar

Pakistan Tulip Valley Plot No. SB-I,
Block # 1, Gulistan-e-Jouhar
Phone : (021) 4661355-7
Fax : (4661359

Branch Network

Korangi Industrial Area

Shop No. 1, Plot # 27/28, Sector-16
Korangi Industrial Area, Karachi
Phone : (021) 5061661-4
Fax : (021) 5067031

Gulshan-e-Iqbal

Plot # 40-B, Block# 13-A, KDA Scheme No. 24,
Gulshan-e-Iqbal, Karachi
Phone : (021) 4144650- 52
Fax : (021) 4144653

North Nazimabad, Karachi

D-3, Block A, North Nazimabad
Phone : (021)-6633133 & 6633177
Fax : 6633135

DHA Branch, Karachi

23-C, Main Khayabane-e-Ittehad,
Phase II Extension, DHA, Karachi
Phone : (021)-5313873-80
Fax : 5313872

Dhorajee, Karachi

Plot # 35/127 Block 7 & 8
C.P. Berar Cooperative Housing Society
Phone : (021) 4860321-2 Fax : 4860320

Port Qasim, Karachi

Plot # W-2/1/1, to W-2/1/3,
North Western Industrial Town
Phone : (021) 4750439, 4750444-445
Fax : 4750438

F.B. Area, Karachi

Ground Floor,
Shamim Apartments, Block 10
Phone : (021) 6362194, 6362197
Fax : 6362226

SITE II, Karachi

Plot # B-24/A, SITE II (Super Highway Phase I)
Phone : (021) 6881246-7 Fax : 6881249

Main Branch, Lahore

66-Main Boulevard, Gulberg,
Phone : (042) 5781841-55 Fax : 5781875, 5781856

McLeod Road, Lahore

Abid Plaza, 13, McLeod Road.
Phone : (042) 7211631-5
Fax : 7211640

New Garden Town, Lahore

Awami Complex Block # 1, New Garden Town.
Phone : (042) 5846374-85
Fax : 5846386

Y Block, Lahore

93-Y, Commercial Area, Phase III,
Defence Housing Authority.
Phone : (042) 5746191-5 Fax : 5746190

Johar Town, Lahore

69-R-I, M.A. Johar Town.
Phone : (042) 5313401-05 Fax : 5313406

Zarrar Shaheed Road

1500-F, Dubai Chowk, Zarrar Shaheed Road,
Lahore Cantt., Lahore
Phone : (042) 6613855-62 Fax : (042) 6673224

Gulshan-e-Ravi

Block F, Main Road, Gulshan-e-Ravi Lahore
Phone : (042) 7404811-20
Fax : (042) 7404821

Qurtaba Chowk

Rehman Chambers, Qurtaba Chowk,
Mozang Chungi, Lahore
Phone : (042) 7114612-16 Fax : (042) 7114618

Mughalpura Branch

Opposite Ialpul, Jehangir Raod, Mughalpura
Phone: (042) 6524701-09,
Fax: (042) 6524710

Multan Road, Lahore

Opposite Benz Factory, Main Multan Road, Lahore
Phone : (042) 7490041-5
Fax : 7490046

Wahdat Road, Lahore

14-Main Wahdat Road, Lahore
Phone (042) 7502811-15, Fax : 7502820

Chung Branch, Lahore

Chung Stop, Main Multan Road,
Phone : (042) 7499215-19
Fax : 7499220

Kot Abdul Malik, Lahore

Kot Abdul Malik, Main Lahore, Sheikhpura Road,
Phone : (042) 7902536, 7902539
Fax : 7902540

Shah Alam, Lahore

139-Main Circular Road, Chowk Shah Alam
Phone (042) 7374081-5
Fax : 7374086

Jinnah Avenue, Islamabad

78-E, REDCO Plaza,
Jinnah Avenue, Blue Area.
Phone : (051) 2879580-3 Fax : 2879589

Branch Network

G-10 Markaz, Islamabad

20-A, Sardar Plaza, G-10 Markaz
Phone : (0511)-2819101-05
Fax : 2819100

Cantt. Rawalpindi

125-D, Murree Road, Rawalpindi
Phone : (051) 5795184-88
Fax : 5795189

Satellite Town, Rawalpindi

400-B, Block B, Commerical Market, Satellite Town
Phone : (051)4452048-9
Fax : 4452050

I-9 Markaz, Islamabad

Plot # 3-J, Sector I-9, Markaz Islamabad
Phone (051) 4858562-64
Fax : 4858560

Kutchery Bazar Faisalabad

P - 36, Kutchery Bazar.
Phone : (041) 2603021-5
Fax : 2603028

Canal Road Branch, Faisalabad

Square # 14, Chak # 204-RB, Canal Raod, Faisalabad
Phone : (041) 8522113-4
Fax : 8522116

Satyana Branch, Faisalabad

597-B, Satyana Road, Faisalabad
Phone : (041) 8559361-64
Fax : 8559635

Medical College Road, Faisalabad

I-Ramana, Opp: Punjab Medical College, Jail Road.
Phone : (041) 8581602-04
Fax : 8581582

Faisal Arcade G.T. Road, Gujranwala

Phone : (055) 4557301-05
Fax : 4557310

2, Bosan Road, Multan

Phone : (061) 750941-5 Fax : 750885

Jamrud Road, Peshawar

Phone : (091) 5701385-89 Fax : 5701392

Ali Building,**Khadim Ali Road, Sialkot**

Phone : (052) 3241302- 5 Fax : 3241306

11 - 12- 13, City Centre, Shahi Road**Rahim Yar Khan**

Phone : (068) 5885331, 5885803-5 Fax : (068) 5885668

Dera Islamil Khan

East Circular Road, Toopanwala Gate
Dera Ismail Khan
Phone : (0966) 710141-2
Fax : 710139

Quetta Branch

Shop # 1&2, Plot # 7,
Shahbaz Town Phase 4, Quetta Cantt
Phone : (081) 2838932
Fax : 2899012

Hyderabad Branch

Propert No. 80, Saddar Bazar, Hyderabad Cantt
Phone L (022) 2730867-72
Fax : 2730873

Abbottabad Branch

27-A, Supply Bazar, Mansehra Road
Phone : (0992) 344753
Fax : 344736

Gujrat Branch

Zaib Plaza, Rehman Shaheed Road
Phone : (053) 3517497-8
Fax : (3517499

Dhudial Branch

Dhudial Chowk, Village & Post Office,
Dhudial, Tehsil and District Chakwal
Phone : (0543) 590676 Fax : 590673

Pindi Ghaib Branch

Banora Chowk, District Attock
Phone : (057) 2350123-8
Fax : 2350120

OVERSEAS BRANCH**BANGLA DESH****DHAKA****Dhaka Branch**

5-Rajuk Avenue, Motijheel C.A.
Phone : (008802) 7168821-05 Fax : 9557413

Gulshan Branch

168, Gulshan Avenue,
Gulshan North, Dhaka 1212, Bangladesh
Phone : 0088 02 8861848, 8861704
Fax : 8850714

CHITTAGONG**Agrabad Branch**

57, Agrabad, Chittagong, Bangla Desh
Phone : (0088) 171-888727

Branch Network

SYLHET

Sylhet Branch

Marchant Tower 582 East Mirza Bazar
Phone: (00880821) 2830679
Fax: (00880821) 2830677

Dhanmondi Branch, Bangladesh

81/A- Satmasjid Road, Dhaka City Corporation,
Union Dhanmondi,
Phone : (00880) 0161-001477

AFGHANISTAN

KABUL

Kabul Branch

410, Chahrahi-e-Sadarat, Shar-e-Nau Bahrain
Phone : (009375) 2004105-10
Fax : 2002142

HERAT

Herat Branch

Ground Floor,
Chamber of Commerce & Industries,
Heart Blood Bank Street
Phone : (0093-40) 230705-07
Fax : 230704

KINGDOM OF BAHRAIN

MANAMA (OBU)

13-C-Harbour Tower West Bahrain
Financial Harbour P.O. Box # 1375
Phone: (00973) 17203100
Fax; (00973) 17224300

Form of Proxy

Folio/CDC Account No.

I/We _____ of _____ being member(s) of BANK ALFALAH LIMITED ("the Bank"), holding _____ ordinary shares, hereby appoint _____ of _____ or failing him/her _____ of _____, who is also a member of the Bank, as my/our proxy to vote for me/ us, and on my/our behalf at the 17th Annual General Meeting of the Bank to be held on 18th April 2009 and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2009

Witness:

 Name: _____
 CNIC/Passport No: _____
 Address: _____

(Member's signature on Rs. 5/- Revenue Stamp)

1. A member entitled to attend, and vote at the Meeting is entitled to appoint another member as a proxy to attend, speak and vote on his/her behalf. A corporation being a member may appoint as its proxy any of its official or any other person whether a member of the Bank or otherwise.
2. An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Share Registrar of the Bank, M/s. F. D. Registrar Services (SMC-Pvt) Limited, 1700-A, 17th Floor, Saima Trade Towers, I.I. Chundrigar Road, Karachi, not less than 48 hours before the time of the Meeting.
3. In case of proxy for an individual beneficial owner of CDC, attested copy of beneficial owner's Computerized National Identity Card, Account and Participant's ID numbers must be deposited alongwith the form of proxy with the Share Registrar. The proxy must produce his/her original identity card at the time of the Meeting. In case of proxy for corporate members, he/she should bring the usual documents required for such purpose.