

ANNUAL REPORT
2008







PROGRESS THROUGH TRANSPARENCY

Transparency lies at the core of Atlas Bank's services and transactions.

With clarity in vision, honesty in effort and by virtue of service that focuses on simplicity, Atlas Bank provides customers with a banking experience par excellence.



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Vision

Be the bank of choice

Mission

Consistently create superior value
for all our stakeholders

Core Values

Integrity

Customer Focus

Teamplay

Innovation

Meritocracy

Entrepreneurship

Overall Strategic Objectives

- To strengthen deposit base by providing focused and transparent financial solutions.
- To stand out in the changing market through competitive positioning as its prime objective.
- To bring in the best technological solutions in order to ensure in-depth customer understanding and excellence in service.
- To endure the current financial situation by maximizing customer satisfaction and long-term shareholder value.

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Yusuf H. Shirazi

DIRECTORS

Frahim Ali Khan
Manzoor Ahmed
Sanallah Qureshi
Saqib H. Shirazi
Stephan Blanke
Tariq Amin

CHIEF EXECUTIVE OFFICER

Aziz Rajkotwala

COMPANY SECRETARY

Irfan Ibrahim Bhaiyat

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Chairman

Frahim Ali Khan

Members

Sanallah Qureshi
Saqib H. Shirazi
Tariq Amin
Aziz Rajkotwala

AUDIT COMMITTEE

Chairman

Tariq Amin

Members

Frahim Ali Khan
Stephan Blanke

COMPLIANCE & RISK MGT. COMMITTEE

Chairman

Frahim Ali Khan
Members
Saqib H. Shirazi
Aziz Rajkotwala

HUMAN RESOURCE COMMITTEE

Chairman

Frahim Ali Khan

Members

Tariq Amin
Aziz Rajkotwala

AUDITORS

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

LEGAL ADVISORS

Mohsin Tayebally & Co.

TAX ADVISORS

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

Lahore Law Associates

REGISTRAR & SHARE TRANSFER OFFICE

THK Associates (Pvt.) Ltd.
Ground floor, State Life Building-3,
Dr. Ziauddin Ahmed Road, Karachi.
UAN (92-21) 111-000-322
Fax: (92-21) 5655595

REGISTERED & HEAD OFFICE

3rd Floor, Federation House,
Abdullah Shah Ghazi Road,
Clifton, Karachi
UAN (92-21) 111-333-225
Fax: (92-21) 5870543
E-mail: info@atlasbank.com.pk
Website: www.atlasbank.com.pk

PERFORMANCE AT A GLANCE

(Rupees '000)

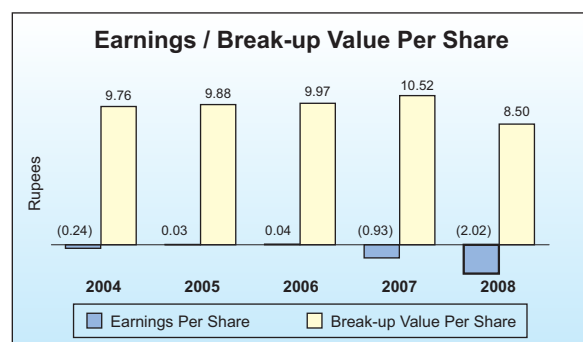
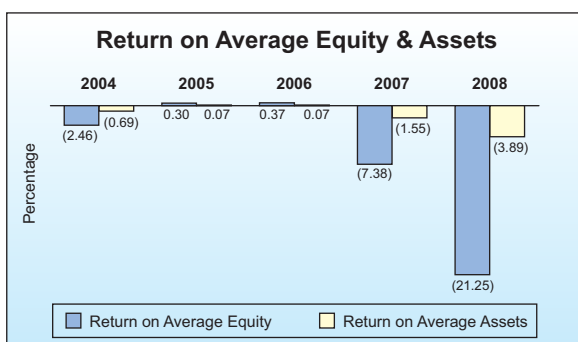
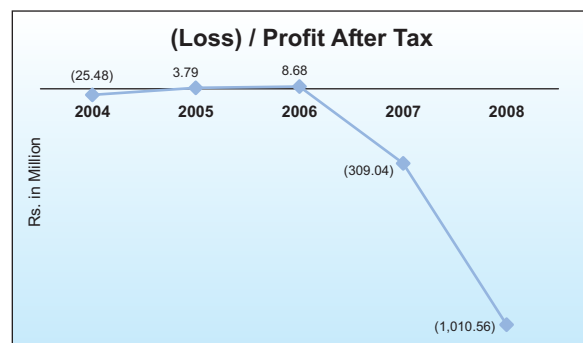
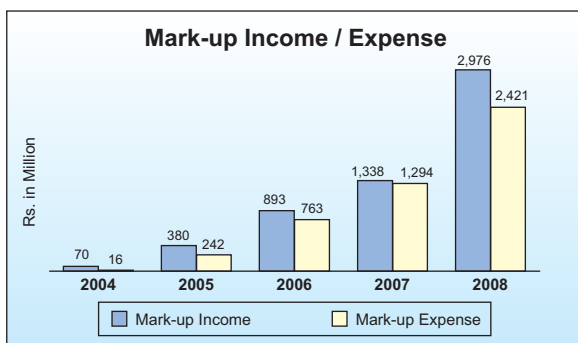
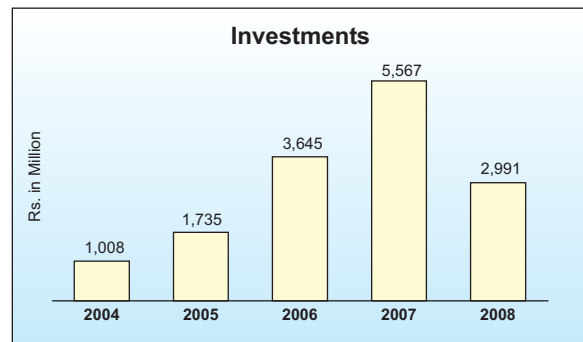
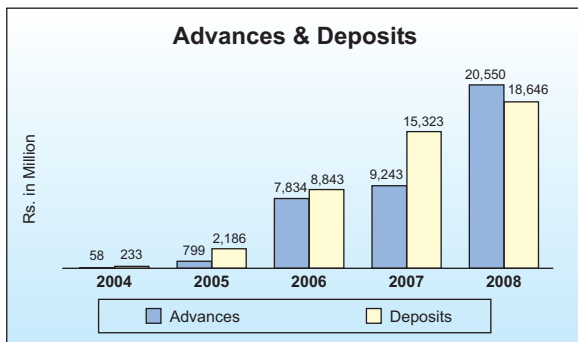
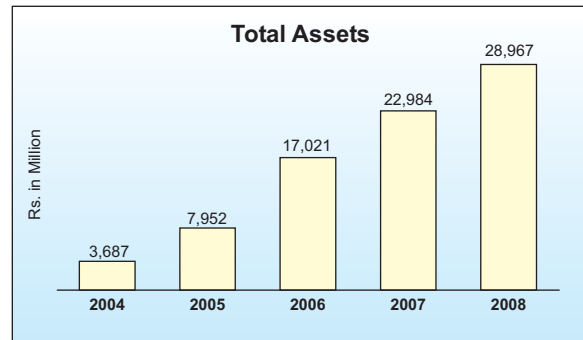
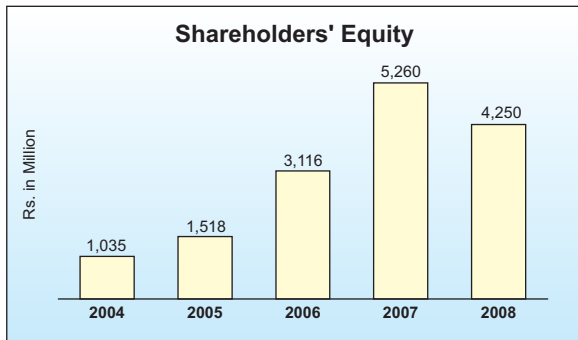
	2008	2007	2006	2005	2004	
FINANCIAL DATA						
Paid-up capital	5,001,466	5,001,466	3,125,916	1,537,000	1,060,000	
Shareholders' equity	4,249,567	5,260,126	3,116,083	1,518,485	1,034,520	
(Deficit) / surplus on revaluation of assets	(592,623)	(75,886)	(117,793)	10,895	850	
Borrowings	5,323,425	1,304,616	4,025,949	4,096,777	2,179,514	
Deposits and other accounts	18,646,412	15,322,671	8,842,946	2,186,005	232,663	
Lendings to financial institutions	114,000	4,427,824	3,500,844	4,847,386	2,421,660	
Investments - net of provisions	2,990,906	5,566,841	3,645,195	1,735,015	1,007,630	
Advances - net of provisions	20,549,869	9,242,511	7,833,786	799,411	57,617	
Total assets	28,967,027	22,984,261	17,020,586	7,951,719	3,686,830	
OPERATING DATA						
Mark-up / return / interest earned	2,975,768	1,338,459	892,583	380,135	70,402	
Mark-up / return / interest expensed	2,421,154	1,294,428	763,083	242,286	15,628	
Non mark-up / interest income	245,152	346,786	96,588	10,802	988	
Non mark-up / interest expenses	2,040,433	668,923	308,729	136,549	95,228	
Operating (loss) / profit before provisions and taxation	(1,240,667)	(278,106)	(82,641)	12,102	(39,466)	
Provisions / write offs	353,543	271,458	58,195	2,576	(1,799)	
(Loss) / profit before taxation	(1,594,210)	(549,564)	(140,836)	9,526	(37,667)	
(Loss) / profit after taxation	(1,010,559)	(309,044)	8,682	3,788	(25,480)	
FINANCIAL RATIOS						
Profitability						
Gross Spread Ratio	%	18.64	3.29	14.51	36.26	77.80
Income / Expense Ratio	Times	0.39	0.58	0.73	1.09	0.59
(Loss) / Profit After Taxation / Gross Revenue	%	(31.37)	(18.34)	0.88	0.97	(35.69)
Return on Average Equity	%	(21.25)	(7.38)	0.37	0.30	(2.46)
Return on Average Assets	%	(3.89)	(1.55)	0.07	0.07	(0.69)
Share Information						
(Loss) / Earnings Per Share	Rs.	(2.02)	(0.93)	0.04	0.03	(0.24)
Price Earning Ratio *	Times	(1.64)	(18.28)	365.00	-	-
Market Value Per Share *	Rs.	3.32	17.00	14.60	-	-
Break-up Value Per Share	Rs.	8.50	10.52	9.97	9.88	9.76
Break-up Value Per Share (including revaluation of assets)	Rs.	7.31	10.37	9.59	9.95	9.77
Capital Adequacy Ratio	%	10.30	26.62	15.79	44.93	71.01
Advances / Deposits Ratio	%	89.27	58.85	83.77	34.74	24.76
OTHER INFORMATION						
Number of employees		1,471	781	247	152	55
Number of branches		40	25	20	11	2

* The Bank was listed on Karachi, Lahore and Islamabad stock exchanges on October 16, 2006, therefore, the information pertaining to prior years is not applicable.

Note: The Bank commenced its operations from March 25, 2004. Figures upto July 28, 2006 are of the pre-merged entity - Atlas Bank Ltd.

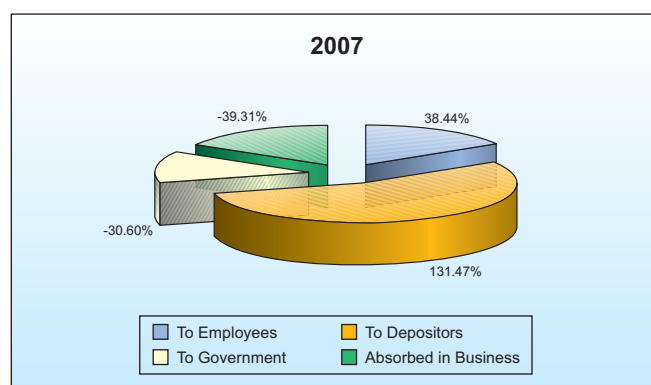
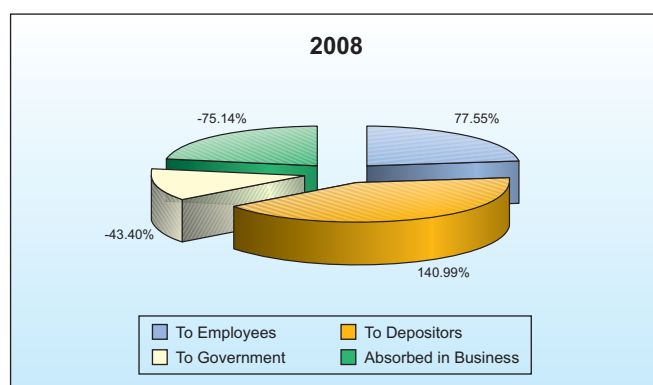
PERFORMANCE AT A GLANCE

GRAPHICAL PRESENTATION



VALUE ADDED STATEMENT

	2008		2007	
	(Rupees '000)	%	(Rupees '000)	%
VALUE ADDED				
Income from Banking Services	2,694,646	-	1,424,107	-
Cost of Services	(997,485)	-	(366,731)	-
Value added by Banking Services	1,697,161	-	1,057,376	-
Non Banking Income	1,255	-	208	-
Provisions / Write offs	(353,543)	-	(271,458)	-
	<u>1,344,873</u>	-	<u>786,126</u>	-
VALUE ALLOCATED				
To Employees	1,042,948	77.55%	302,192	38.44%
To Depositors	1,896,135	140.99%	1,033,498	131.47%
To Government	(583,651)	-43.40%	(240,520)	-30.60%
Absorbed in Business	(1,010,559)	-75.14%	(309,044)	-39.31%
	<u>1,344,873</u>	<u>100.00%</u>	<u>786,126</u>	<u>100.00%</u>





CHAIRMAN'S REVIEW

I am pleased to present the Fifth Annual Report of your bank for the year ended December 31, 2008.

ECONOMY

During the year the economy faced a multitude of shocks. Domestic politics, power shortage, law and order situation, external commodity prices and banking sector liquidity shocks all compounded together to create an extreme challenging situation. The global economic crisis has yet to have a direct impact. However, the days ahead there is a fear of declining exports and remittances. With record imports and declining FDI, the rupee finally gave way and depreciated by nearly 30% in 6 months, reaching a record low of 83.46 to US\$. In such circumstances, the country had no choice but to seek IMF's support. The IMF assistance has brought some measures of stability but with record high inflation at 25%, and interest rates remaining too high make an immediate recovery a difficult task.

However, import growth has moderated, helping Pak rupee to stabilise. With better agricultural output, there is expectation of improved liquidity. The catalyst for the recovery, as always, will no doubt be agriculture growth.

Large scale manufacturing (LSM), on the other hand, will remain under pressure. The industrial output is expected to drop further as textile and auto sectors are going through a severe adjustment period. Unless global crises abates and domestic banks start re-lending, one should remain cautious.

Monetary policy environment was extremely challenging during FY08. The inflationary impact of weaker domestic production was exacerbated by an extraordinary rise in global commodity prices (particularly food and energy) and strong domestic demand. Consequently, despite repeated monetary tightening measures undertaken during the year, CPI inflation reached a three-decade high by June 2008, and has since continued to trend upwards. The monetary policy released for 3Q/FY09 avoids further tightening measures and the discount rate has been kept constant at 15%. SBP has also decided to maintain the Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR) at 5% and 19% respectively. The Government borrowing from SBP has declined by \$220.1 in the 2Q/FY09 as compared to 1Q/FY09. The policy also states that the drastic fall in international oil prices will provide some relief to the trade account and hence strengthen the balance of payments position. Banks are avoiding fresh credit disbursements due to rising NPLs in current environment and hence are opting to invest in government securities, which have resulted in downward pressure on the yields. The current stabilization plan of the country's economy faces many risks such as the decline in the export proceeds and remittances due to global recession which will have an adverse effect on the external account. To keep the fiscal and monetary targets set under IMF

terms, SBP will maintain the policy measures taken in the previous policy statement.

STOCK MARKET REVIEW

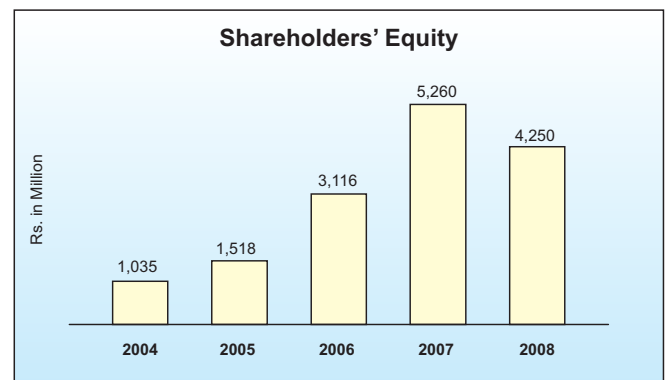
After witnessing a bull run for six consecutive years (2002-2007), the year under review turned out to be a difficult one for equities market, where KSE 100-index plunged by 58.3 percent. The KSE 100-index peaked to its lifetime high level of 15,739.25 points on April 21, 2008 from just 1,273.77 points on January 1, 2002. The year 2008 portrayed distinctly different trends. The market capitalization decreased from Rs.4,329.9bn to Rs1,828.69bn registering a decline of 57.1%. In FY08, the market posted a negative annual return of 11% in local currency terms and 21% in US\$ terms. Uncertain political situation and weak macroeconomic fundamentals were the major reasons behind this massive correction.

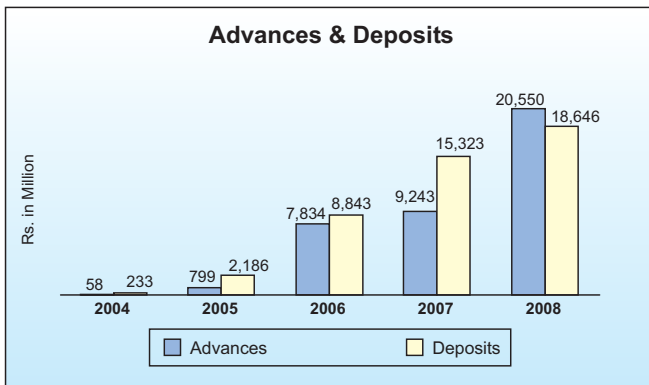
BANKING SECTOR

The banking sector in Pakistan remains somewhat protected from global financial turmoil but suffered with the unprecedented liquidity crunch during the last quarter of the year. It also faces other domestic problems due to its exposure to the textile and cyclical sectors in a slowing growth and high interest rate environment. Despite relative stability in banking sector spreads, the growth in net interest income in 2008 slowed down due to dismal deposit growth as a result of a liquidity crunch and outflow of hard currency through informal channels. In addition, non interest income growth slowed down on the back of lower levels of trade and other business. Total banking sector provisions rose by PKR44bn until Nov 2008 and lending rates averaged around 12.12% up till Oct 2008 as compared to 11.30% in 2007. On the other hand, cost of deposit averaged around 4.91% as against 4.0% in 2007.

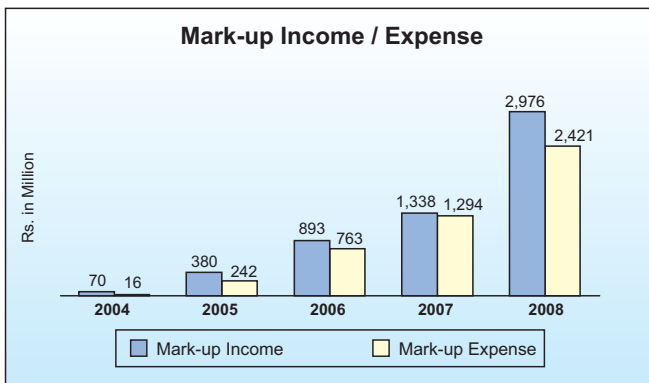
THE BANK'S PERFORMANCE

As at December 31, 2008 the shareholders equity of the bank stood at Rs.4.25bn, deposits grew to Rs.18.65bn from Rs.15.32bn, advances portfolio from Rs.9.24bn to Rs.20.55bn and total assets stood at Rs.28.97bn as against Rs.22.98bn, last year.



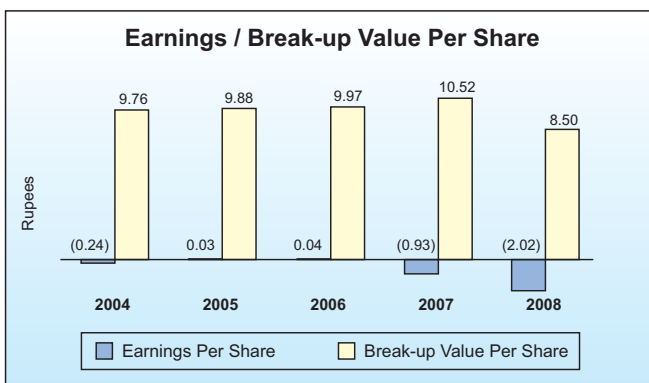


Mark-up earned during the year was Rs.2.98bn, compared to Rs.1.34bn in the previous year. Mark-up expense amounted to Rs.2.42bn, compared to Rs.1.29bn in the previous year. Non mark-up income reduced by 29.31% to Rs.245.15m due to significant decrease in capital gains. Administrative expenses grew 180.2% to Rs.1.86bn mainly due to branch expansion, people cost and technological investment upgrading the Bank's network. Provision for doubtful advances and investments amounted to Rs.353.54m compared to Rs.271.46m last year.



After the tax adjustments, net loss came to Rs.1,010.56m as compared to Rs.309.04m in the previous year.

After consolidating with the Bank's subsidiary, Atlas Capital Market's loss of Rs.60.65m and brought forward loss of Rs.295.05m of the Bank, the cumulative loss comes to Rs.1,366.25m.



GROWTH & EXPANSION

The customer base grew 143.2% in 2008 and deposits increased 21.56%. On December 31st, 2007, our deposits stood at Rs.15.3bn

and our customer base at 18,137, one year later our deposits stood at Rs.18.6bn and customers at 44,105.

To increase outreach and provide further convenience to our customers, Atlas Bank opened 15 branches in 2008. This was in line with our branch network expansion plan to have 40 branches operational by December 2008. Your bank is now present in 17 major towns and cities of Pakistan. All the branches are real-time online, allowing customers to access their accounts and other banking services 24 hours a day, seven days a week.

In the past 12 months, the Bank also expanded its ATM network to host a total of 42 on-site and off-site ATMs. Customers can now, not only draw money, but also pay their utility bills and transfer money from one Atlas Bank account to another account via your bank's ATMs. Atlas Bank customers can also access their accounts from over 2500 One Link ATMs across the country.

Your bank continued to enhance the product offering for its customers by introducing two new products. 'Jaib Kharch', a product targeting housewives that offers returns as high as 14.25% as well as 'Profit First' that offers returns in advance. Several innovative initiatives were carried out in 2008 to enhance efficiency within our internal processes, thus improving work flow and ultimately benefiting our customers.

During the year your Bank initiated a Corporate Governance Rating exercise and is the first bank in the private sector to have initiated such an exercise which reflects your Bank's focus on transparency, self regulation and consistent compliance. We received a rating of 7 by JCR-VIS, which denotes a moderately high level of Corporate Governance.

SMALL MEDIUM ENTERPRISE (SME)

Your bank has a well devised strategy in place with the Program Lending products being the generator of stable margins. For first quarter of coming year, deposit generation and related activities will remain the priority in line with Bank's overall future direction.

SME portfolio has so far shown satisfactory performance despite weakening economic conditions. The delinquency levels are much lower than forecasted. This has been achieved through proactive and efficient collection and recovery strategy. Going forward, the management will take all possible measures to address the expected impact of the slowdown in economic growth whilst ensuring strict monitoring of the credit portfolio.

Specialization in industry/ sector specific products will also be another important element of SME business strategy with complete focus on the customer. The growth in SME lending business has not only helped the bank to increase its book size but also played a key role in improving the portfolio composition resulting in substantial decrease in percentage of non-performing loans. Current market trends and outlook will be fully assessed in order to create growth opportunities in SME financing despite relatively weak market position.

HUMAN RESOURCE

As per Atlas policy emphases on training remained consistent throughout the year. Average training hours per staff member were 8.62 hours. Staff members underwent different training programs, especially, a Management Committee training session "Leading the way forward" was conducted by LUMS' professionals.

Your Bank moved towards a market - based salary and benefits system and also awarded Bonus to the star performers. Existing Human Resource policies were also improvised and new policies introduced and implemented.

RISK MANAGEMENT

In view of the uncertain outlook for the economy and credit quality your Bank carried out textile, construction and auto vendor portfolio reviews to anticipate risks that might appear in the bank's exposures within these industries. All your business groups are now more alert and responsive to limiting loans, to trim the size of credits and to not undertake risks to maintain or gain market share. Also, in allocating resources liquidity and availability is carefully evaluated. Furthermore, your Bank is continuing to enter into syndications to spread risk and retain a significant position, and longer tenor deals are being avoided, or allowed only for the "best" names.

TECHNOLOGY

During 2008, in the technology area, your bank on focused upgrading the branch network to enable and facilitate higher transaction volumes, and in building the core banking infrastructure. Your Bank has restructured the network for greater robustness and more bandwidth. The entire IT infrastructure of the bank has been shifted to the new facility. To further strengthen the availability of the critical data, a Disaster Recovery site has been established in Lahore and to improve the integrity, confidentiality and availability of the bank data, the system, application, security policies and procedures have been completely revamped in accordance with regulatory requirements and best practices.

The IT infrastructure has also been enhanced to enable the Consumer and SME businesses to launch new products, besides progressive working on enhancement of Call Centre, SIEBEL CRM, e-Banking and m-Banking.

COMPLIANCE & OP RISK

Your bank has introduced various initiatives in the area of compliance to optimize shareholder value by controlling compliance risk and ensuring compliance with all applicable laws and regulations.

The Board has approved compliance charter whereby the Compliance & Op Risk Group performs identification and assessment of potential compliance issues, guidance and educating staff on Compliance rules and standards, and performs a monitoring and reporting role.

The Operational Risk Management function has been introduced in your bank with the CEO chairing the Operational Risk Management Committee. The Committee comprises of functional

heads of respective business or support function as rotating members. The Operational Risk Management Unit has prepared Risk Control Self Assessments (RCSAs) for various areas. To provide due oversight to these areas Compliance & Risk Management Committee (CRMC) has been formulated at the Board level of your Bank.

ATLAS CAPITAL MARKETS (PVT.) LTD. (ACM)

ACM is a wholly owned subsidiary of your Bank with paid up capital of Rs.300 million. It is engaged in equity and money market brokerage, distribution of mutual fund units and advisory services. ACM incurred a net loss of Rs.50.95m before tax. After provision for tax the net loss stood at Rs.60.65m.

THE BOARD OF DIRECTORS

Mr. S. Salim Raza a renowned banker who was associated with the Bank since June' 2006 and made a remarkable contribution in the Bank, was appointed Governor of State Bank of Pakistan with effect from January 2, 2009. It speaks volumes of his capabilities and high standards of professionalism.

Mr. Sanaullah Qureshi replaces Mr. S. Salim Raza. He is a Chartered Accountant, a mature and experienced professional with stature. He remained on the Boards of various renowned companies and banks. I welcome him on the Board and look forward to his help in the future.

FUTURE OUTLOOK

2009 is globally going to be a difficult year. It calls for dedication, commitment and focused attention to the core issues. A better management will make difference.

During the year 2008, projects were set in motion, initiatives were launched and processes were improved and enhanced; all maintaining focus on our customers needs and requirements. We have grown as a Bank in 2008 and as a team are poised to further strengthen our position in 2009.

غ کیا پھینے گا غنچے سے کوئی ذوق شکر قند

(Overcoming difficulties has been our driving force)

ACKNOWLEDGMENT

I would like to thank the Board of Directors, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their help, support and guidance. I thank the management of the Bank for their sincerity, dedication and commitment. I also thank the financial institutions, clients and the shareholders for the trust and confidence reposed in your Bank.



Yusuf H. Shirazi

DIRECTORS' REPORT

The directors of your Bank take pleasure in presenting their report together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2008.

Financials

The financials of your Bank for the year ended December 31, 2008 under review are summarized as follows:

	2008 ---- (Rupees '000) ----	2007
Operating loss before provision and taxation	(1,240,667)	(278,106)
Provisions / Write-offs	(353,543)	(271,458)
Loss before taxation	(1,594,210)	(549,564)
Reversal of provision for taxation	583,651	240,520
Loss after taxation	(1,010,559)	(309,044)
Accumulated loss brought forward	(321,371)	(12,327)
	(1,331,930)	(321,371)
Appropriations:		
Transfer to statutory reserve	-	-
Accumulated loss carried forward	(1,331,930)	(321,371)
Loss per share - Basic and diluted (Rupee)	(2.02)	(0.93)

Deficit on Revaluation of Asset

As per BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities and mutual fund units held by the Bank have been valued as of December 31, 2008. Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss - net of tax amounting to Rs.421.22 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and has been taken to 'Deficit on revaluation of asset' account on the balance sheet. A detail disclosure of the same has been made in the note No.19.1 to the audited financial statements.

Dividend

Due to the accumulated losses outstanding as on December 31, 2008 the Board of Directors are not recommending any dividend payout for the year ended December 31, 2008.

Operating and Financial Data

The Bank was incorporated on July 17, 2003 and commenced operations in March 2004. Its Operating and Financial data and key ratios are annexed.

Employees Provident Fund

The Bank has a recognized provident fund for its employees. The value of investments and balance in a Daily Product Saving Account stands at Rs.113.90 million (including Rs.1.32 million profit accrued on Government securities) as of December 31, 2008.

Gratuity Scheme

The Bank has a Non-Contributory Gratuity Fund Scheme for its management employees. The value of investments as on December 31, 2008 is Rs.8.787 million.

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the Bank for the year ended December 31, 2008 and future prospects. The Directors endorse the contents of the review.

Board of Directors

The Board comprises of seven non-executive Directors and a Chief Executive Officer. All the Directors keenly take interest in the proper stewardship of the Bank's affairs. All non-executive Directors are independent from management.

During the year three casual vacancies were occurred on the Board of Atlas Bank Limited and after having requisite approval from the State Bank of Pakistan the same were co-opted as follows:

Mr. Saquib H. Shirazi	co-opted	Mr. Aamir H. Shirazi
Mr. Manzoor Ahmed	co-opted	Mr. Tariq Iqbal Khan
Mr. Sanaullah Qureshi	co-opted	Mr. S. Salim Raza

Except for the following transactions made by the Directors, no other transaction in the Bank's shares have been reported by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year.

Name of Director	Dated	Purchase / Transfer*	Sale / Transfer*	@ Rs. / Share
Mr. Tariq Amin	21.07.2008	100	-	10.05
Mr. S. Salim Raza	21.07.2008	100	-	10.06
Mr. Frahim Ali Khan	28.02.2008	1*	659*	-

During the year five (5) Board meetings were held and attended as follows:

Director	Meeting attended	Appointment / Cessation during the year	
Mr. Yusuf H. Shirazi	5		
Mr. Aamir H. Shirazi	3	Ceasing of office	w.e.f 29-09-2008
Mr. Frahim Ali Khan	4		
Mr. Manzoor Ahmed	2	Appointment	w.e.f 01-07-2008
Mr. Saquib H. Shirazi	2	Appointment	w.e.f 29-09-2008
Mr. S. Salim Raza	4	Ceasing of office	w.e.f 29-12-2008
Mr. Stephan Blanke	4		
Mr. Tariq Amin	4		
Mr. Tariq Iqbal Khan	-	Ceasing of office	w.e.f 01-07-2008
Mr. Aziz Rajkotwala	5		

Auditors

The present Auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends that they be appointed as Auditors for the year 2009.

Pattern of Shareholding

The pattern of shareholding of the Bank is annexed.

Compliance with the Code of Corporate Governance

The Directors confirm the compliance of the requirements of the Code of Corporate Governance as set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2008. Separate statement to this effect is annexed.

Statement of Directors' Responsibilities

The Board regularly reviews the Bank's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the Bank's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Bank has been in compliance with the provisions set out by the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the listing regulations of the Stock Exchanges. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial Statements

The financial statements, prepared by the management of the Bank, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The Bank has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgement.

International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.

Internal Control System

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

Going Concern

There is no doubt about the Bank's ability to continue as a going concern.

Statement on Internal Controls

The statement on internal controls of the Bank is annexed.

Risk Management Framework

In keeping with the SBP Circulars and Basel-II initiatives, Atlas Bank Limited maintains a comprehensive Risk Management Framework and this as part of its commitment to integrate risk management in its strategic thinking and business practices. As a result, the Bank's risk management processes have undergone significant improvement with more ownership and accountability, and the right level of executive involvement, allowing for improved decision making, and a higher level of corporate governance with respect to the total risk spectrum.

Furthermore, the Bank has taken steps to identify all the risk areas that it manages, including credit, market, liquidity and operational risks, and has particularly strengthened its credit and market risk policies. Additionally, with respect to credit risk the bank continuously performs portfolio reviews, to investigate and study individual exposures and to facilitate early problem recognition. Atlas Bank truly believes that this approach is crucial for avoiding unnecessary portfolio risks.

Moreover, during the year 2008 the operational risk management function has been merged with compliance to develop Key Risk Indicators (KRIs) and Risk & Control Self-Assessments (RCSAs). This exercise shall be extended, along with updation of policies and procedural manuals, across the bank during the year 2009.

Finally, in the last 12 months the Compliance & Risk Management Committee (CRMC) was constituted and it has held a number of meetings. The focus of these meetings was to assess the suitability of risk management policies for program and relationship lending as well as all other avoidable and unnecessary risks that can potentially impact the bank.

Credit Rating

The PACRA and JCR-VIS, both the rating agencies had maintained the credit rating of Atlas Bank for long and short term at A- (Single A minus) and A2 (A two) respectively. These ratings reflect your Bank's management capabilities, financial strength and potential competence to establish a niche in the increasingly competitive commercial banking sector.

Corporate Governance Rating

JCR-VIS has assigned a Corporate Governance rating of CGR-7 to Atlas Bank which denotes 'Moderately High Level of Corporate Governance'. This rating is based on a scale ranging from CGR-1 (lowest) to CGR-10 (highest).

BOARD COMMITTEES**Executive Committee**

The Board Executive Committee reviews and monitors all matters pertaining to banking business and banking operations, particularly to review and monitor the objectives, strategies and business plans. It oversees all affairs of the bank to ensure that these are carried out prudently within the frame work of existing laws and regulations.

Audit Committee

The Audit Committee assists the Board of Directors in discharging their responsibilities towards the Bank. Audit Committee's responsibilities include reviewing reports of the Bank's financial results, monitoring internal audit functions and compliance with relevant statutory requirements, assisting the Board of Directors in discharging their responsibilities for safeguarding of Bank's assets, development and implementation of an effective internal control system.

Compliance & Risk Management Committee

The Board Compliance & Risk Management Committee oversees the compliance and risk management functions of the Bank. It oversees and monitors the policies and procedures of the Bank in relation to the identification, measurement, monitoring and control of the risks the Bank is exposed to and monitors overall compliance of the Bank in relation to regulatory directives and guidelines.

Human Resource Committee

The Board Human Resource Committee reviews and recommends Human Resource policies and procedures, staff rules, compensation, training and development programs and retention strategies to the Board.

MANAGEMENT COMMITTEES

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the Chief Executive, providing recommendations relating to the business planning and other corporate affairs. The committee is responsible for reviewing and forwarding long term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the Bank as well as outside the Bank through channeling its financing and investments to projects producing environment friendly products.

Risk Management & Credit Committee

The committee focuses on credit and other risks under the Risk Management Framework and is responsible for identifying, assessing, addressing, reviewing and reporting Bank wide risks. The committee prepares, reviews and recommends risk mitigation strategies for various risks and related policies. It determines risk reward trade off and is responsible for setting the Bank's "risk appetite". It also identifies and analyzes existing and potential risks inherent in any product / activity. Further, the committee is responsible for implementation of Basel II policies and risk management mechanism and the Risk Management Framework.

The Committee approves credit proposals involving funded/non-funded exposures. It reviews sectorial and group exposures and takes corrective measures to ensure they are within limits. The committee also ensures adequacy of controls placed to identify and address the issues in a timely manner.

Op Risk Management Committee

The committee is responsible for developing and implementing operational risk management -including the risk of loss to the Bank due to inadequate or failed internal processes, people and system or from external events - and communicating the same across the Bank. It is also responsible for tracking compliance with recommendations under corrective action plan. All the business and support functions are integral part of the overall operational risk management framework in order to enable the institution to manage effectively the key operational risks facing the Bank.

Asset & Liability Committee (ALCO)

ALCO manages the structure and composition of Bank's assets and liabilities and decides about product pricing for deposits and advances. It reviews maturity profile and mix of short term/ long term assets and liabilities and foresees interest rates and reviews funding policy of the Bank. The committee also takes decisions on investment related matters as per Policy approved by BOD and decides strategies for forex position/rates etc.

Human Resource Committee

Its function is to ensure that policy guidelines provided by the Board's Human Resource Committee are followed, transparency in the entire process and function of human resource exist and to oversee policy implementation relating to personnel including, but not limited to, recruitment, training, promotion, cash award compensation, retirement and disciplinary cases.

Information Technology (IT) Steering Committee

The committee oversees effective use of IT resources to support business objectives, identifies IT related risks and provide guidance in designing & modifying the IT policy to cope with the related risks. It also ensures implementation of IT Guidelines issued by the State Bank of Pakistan from time to time.

Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them regularly as and when they are due. The Bank also has a website (www.atlasbank.com.pk), which contains up to date information of the Bank.

Safety and Environment

The Bank follows the safety and environment rules and regulations.

For and on Behalf of the Board of Directors



Yusuf H. Shirazi
Chairman

Karachi: February 28, 2009

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED DECEMBER 31, 2008

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At the date of the statement the Board consists of seven non-executive directors and a Chief Executive Officer who is deemed as Director in terms of Section 200(2) of the Companies Ordinance, 1984.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director in the board is a member of any of the stock exchanges in Pakistan.
4. Casual vacancies occurred during the year in the Board were filled-up by the directors within prescribed period except one director whose vacancy was filled after receiving requisite approval from the State Bank of Pakistan.
5. The Bank has adopted a 'Code of Business Principles', which has been distributed to and acknowledged by all the directors and employees of the Bank.
6. Vision/mission statement, overall corporate strategy and significant policies of the Bank have been developed. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman who is a non-executive director and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors of the Bank are aware of their responsibilities and therefore no need was felt for orientation course in this regard.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. No new appointments in the given positions were made during the year.
11. The Directors Report for the year ended December 31, 2008 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee comprising of three Non-Executive Directors as members including the Chairman of the committee.
16. The meetings of the Audit Committee were held atleast once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank or any of its associated companies or undertakings 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 Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

**For and on behalf of the
Board of Directors**



Chief Executive Officer

Karachi: February 28, 2009


REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended **31 December 2008** prepared by the Board of Directors of Atlas Bank Limited (the Bank) to comply with the 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 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 and report if it does not. A review is limited primarily to inquiry of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control systems 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, as applicable to the Bank for the year ended **31 December 2008**.



FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

Karachi: February 28, 2009

STATEMENT ON INTERNAL CONTROLS

FOR THE YEAR ENDED DECEMBER 31, 2008

Basis of Internal Control System

It is the basic requirement of bank's management to ensure implementation of an effective internal control system which is instrumental in determining achievement of the corporate objectives. The internal control system encompasses the policies, procedures, tasks, behaviors, discipline and other aspects taken together. It ensures effective operation enabling the organization to respond proficiently to the significant business, operational, financial and other risks encountered during the course of achieving the corporate objectives.

A properly designed and effectively enforced system of internal control system ensures implementation of corporate policies, procedures and directives. It reduces the possibility of significant errors, lapses and irregularities. With proactive approach of identifying the signals and indications of developing trouble, it helps to adopt timely preventive / remedial measures. It also provides internal control quality standards and mechanism to all the managerial and supervisory levels of responsibility within the organization.

Evaluation of Existing Internal Control System

The bank has made all-out efforts during the year 2008 for implementation of an effective and well-designed internal control system which was materialized to a large extent. Policies and procedures pertaining to the key areas of the bank have already been formulated, approved and implemented while some other are in the process of finalization. In the formulation of policies and procedures we have taken due cognizance of the observations and exceptions by the internal auditors as well as SBP Inspection Team and have issued necessary directives to all the functionaries of the bank emphasizing upon non-recurrence of the reported weaknesses.

The control activities are being closely monitored across the bank through Internal Audit working independent of the line management. In addition Compliance & Op Risks Group monitors control activities on an ongoing basis. Both functions cover all banking activities in general and key risk areas in particular.

**For and on behalf of the
Board of Directors**



Chief Executive Officer

Karachi: February 28, 2009

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the members of Atlas Bank Limited will be held at 4:00 p.m., on Monday, March 30, 2009, at 3rd floor Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Extraordinary General Meeting held on December 27, 2008.
2. To receive, consider and adopt the Audited Financial Statements of the Bank and Consolidated Financial Statements of the Bank and its subsidiary for the year ended December 31, 2008 together with the Directors' Report and Auditors' Report thereon including post facto approval of remuneration of Rs.220,000/- paid to the non-executive Directors reported at note No.26 of the annual report as required under SBP Prudential Regulations.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2009. The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

OTHER BUSINESS

4. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Irfan Ibrahim Bhaiyat
Company Secretary

Karachi: March 9, 2009

NOTES

- i) The Register of Members of the Bank will remain closed from 20-03-2009 to 30-03-2009 (both days inclusive).
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the Share Registrar of the Bank, M/s THK Associates (Pvt.) Limited, duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- iv) Members are requested to notify any change in their addresses immediately.
- v) Members are requested to submit copy of their CNICs with our Share Registrar M/s THK Associates (Pvt.) Limited.



Financial Statements

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Atlas Bank Limited (the Bank) as at 31 December 2008, and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (herein-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 four branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting 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 case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2008 and its true balance of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to the note 1.2 to the financial statements. As more fully explained in the said note, the Board of Directors of the Bank, in order to comply with the enhanced capital requirements, has approved in principle to merge the Bank with the KASB Bank Limited subject to finalization of merger terms, approval by the shareholders of the respective Banks and sanction by the State Bank of Pakistan (SBP). Pursuant to that, the SBP has granted the Bank extension in time up to 30 June 2009 or proposed merger, whichever occurs earlier, to meet the minimum capital requirement of Rs. 5 billion (net of losses) as of 31 December 2008.

Karachi: February 28, 2009



FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT DECEMBER 31, 2008

ASSETS	Note	2008 ---- (Rupees '000) ----	2007
Cash and balances with treasury banks	6	1,617,825	1,501,334
Balances with other banks	7	51,449	215,318
Lendings to financial institutions	8	114,000	4,427,824
Investments	9	2,990,906	5,566,841
Advances	10	20,549,869	9,242,511
Operating fixed assets	11	1,255,567	818,713
Deferred tax assets	12	1,010,349	168,986
Other assets	13	1,377,062	1,042,734
		28,967,027	22,984,261
LIABILITIES			
Bills payable	14	255,742	288,907
Borrowings	15	5,323,425	1,304,616
Deposits and other accounts	16	18,646,412	15,322,671
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,084,504	883,827
		25,310,083	17,800,021
NET ASSETS		3,656,944	5,184,240
REPRESENTED BY			
Share capital	18	5,001,466	5,001,466
Reserves		580,031	580,031
Accumulated loss		(1,331,930)	(321,371)
		4,249,567	5,260,126
Deficit on revaluation of assets - net of tax	19 and (i) below	(592,623)	(75,886)
		3,656,944	5,184,240
CONTINGENCIES AND COMMITMENTS	20		

- (i) The above deficit on revaluation of assets include impairment loss (net of tax) of Rs. 421.22 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as of December 31, 2008. Had the impairment loss been charged to profit and loss account, the deficit on revaluation of assets (net of tax) would have been lower by Rs. 421.22 million and the accumulated loss would have been higher by the same amount (See note 19.1).
- (ii) The annexed notes from 1 to 45 form an integral part of these financial statements.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



Sanullah Qureshi
Director


PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
Mark-up / return / interest earned	22	2,975,768	1,338,459
Mark-up / return / interest expensed	23	2,421,154	1,294,428
Net Mark-up / interest income		554,614	44,031
Provision against non-performing loans and advances	10.4	358,244	271,756
Reversal of diminution in the value of investments	9.3	(4,701)	(303)
Bad debts written off directly		-	5
		353,543	271,458
Net Mark-up / interest income / (loss) after provisions		201,071	(227,427)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		59,804	22,691
Dividend income		50,295	37,793
Income from dealing in foreign currencies		8,829	15,485
Gain on sale / redemption of securities	24	100,594	264,655
Unrealized loss on revaluation of investments classified as held-for-trading	9.2.8	(296)	(1,993)
Other income	25	25,926	8,155
Total non mark-up / interest income		245,152	346,786
		446,223	119,359
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	1,864,887	665,546
Other provisions / write offs	26.3	168,498	-
Other charges	27	7,048	3,377
Total non mark-up / interest expenses		2,040,433	668,923
		(1,594,210)	(549,564)
Extraordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,594,210)	(549,564)
Taxation - Current		-	13,399
- Prior years		260	(377)
- Deferred		(583,911)	(253,542)
	28	(583,651)	(240,520)
LOSS AFTER TAXATION		(1,010,559)	(309,044)
Accumulated loss brought forward		(321,371)	(12,327)
Accumulated loss carried forward		(1,331,930)	(321,371)
Loss per share - Basic and diluted (Rupees)	29	(2.02)	(0.93)

- (i) The loss for the year does not include impairment loss (net of tax) of Rs. 421.22 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as of December 31, 2008 and has been taken to 'deficit on revaluation of assets' account as shown in the balance sheet. Had the impairment loss been charged to profit and loss account, loss after tax for the year would have been higher by Rs. 421.22 million and loss per share would have been higher by Rs. 0.84 (See note 19.1).
- (ii) The annexed notes from 1 to 45 form an integral part of these financial statements.


Aziz Rajkotwala
 Chief Executive Officer


Yusuf H. Shirazi
 Chairman


Tariq Amin
 Director


Sanaulah Qureshi
 Director


STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

	Issued, subscribed and paid-up share capital	Capital Reserves		Accumulated loss	Total
		Share premium	Statutory reserve		
----- (Rupees '000) -----					
Balance as at January 1, 2007	3,125,916	-	2,494	(12,327)	3,116,083
Issue of share capital	1,875,550	577,537	-	-	2,453,087
Loss after taxation for the year ended December 31, 2007	-	-	-	(309,044)	(309,044)
Balance as at December 31, 2007	5,001,466	577,537	2,494	(321,371)	5,260,126
Loss after taxation for the year ended December 31, 2008	-	-	-	(1,010,559)	(1,010,559)
Balance as at December 31, 2008	<u>5,001,466</u>	<u>577,537</u>	<u>2,494</u>	<u>(1,331,930)</u>	<u>4,249,567</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


Aziz Rajkotwala
 Chief Executive Officer


Yusuf H. Shirazi
 Chairman


Tariq Amin
 Director


Sanaullah Qureshi
 Director


CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(1,594,210)	(549,564)
Less: Dividend income		(50,295)	(37,793)
		(1,644,505)	(587,357)
Adjustment:			
Depreciation	26	91,758	41,888
Amortisation	26.2	8,445	31,852
Provision against non-performing advances	10.4	358,244	271,756
Other provisions / write offs	26.3	168,498	-
Reversal of diminution in the value of investments	9.3	(4,701)	(303)
Gain on disposal of fixed assets	11.5	(1,255)	(208)
Bad Debts written off directly		-	5
		620,989	344,990
		(1,023,516)	(242,367)
(Increase) / Decrease in operating assets			
Lendings to financial institutions		4,313,824	(926,980)
Held-for-trading securities		37,587	430,723
Advances		(11,665,602)	(1,680,486)
Other assets (excluding advance taxation)		(467,549)	(121,194)
		(7,781,740)	(2,297,937)
Increase / (Decrease) in operating liabilities			
Bills payable		(33,165)	238,749
Borrowings		4,018,809	(2,721,333)
Deposits		3,323,741	6,479,725
Other liabilities		200,677	(141,048)
		7,510,062	3,856,093
		(1,295,194)	1,315,789
Income tax paid		(5,281)	(14,522)
		(1,300,475)	1,301,267
Net cash (used in) / inflow from operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		1,660,431	(2,330,790)
Net investment in held-to-maturity securities		108,329	26,820
Dividend received		49,462	38,677
Investments in operating fixed assets		(644,585)	(576,338)
Sale proceeds of operating fixed assets	11.5	79,460	11,108
		1,253,097	(2,830,523)
Net cash inflow from / (used in) investing activities			
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		-	2,453,087
		-	2,453,087
Net cash inflow from financing activities			
(Decrease) / Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		(47,378)	923,831
		1,716,652	792,821
Cash and cash equivalents at end of the year	30	1,669,274	1,716,652

The annexed notes from 1 to 45 form an integral part of these financial statements.


Aziz Rajkotwala
 Chief Executive Officer


Yusuf H. Shirazi
 Chairman


Tariq Amin
 Director


Sanaulah Qureshi
 Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 Atlas Bank Limited (the Bank) was incorporated on July 17, 2003 as a Public Limited Company under the Companies Ordinance, 1984 with the object of conducting banking business and related services and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank commenced its commercial operations effective March 25, 2004. The registered office of the Bank is situated at Third Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi and it operates with 40 branches (including 5 sub-branches) (2007: 25) in Pakistan.

1.2 The State Bank of Pakistan (SBP) vide BSD Circular No. 19 of 2008 dated September 5, 2008 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 23 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (net of losses) as of December 31, 2008 is Rs. 5 billion. The paid up capital of the Bank as of December 31, 2008 amounts to Rs. 5 billion and the Bank has reserves and accumulated losses of Rs. 0.58 billion and Rs. 1.33 billion respectively as of said date. Keeping in view the said requirements, the Board of Directors of the Bank have approved in principle to merge the Bank with the KASB Bank Limited. The announcement to this effect was made to the Stock Exchanges on October 21, 2008, following a memorandum of understanding which was signed between the sponsor groups of the respective banks on October 20, 2008. The said merger is subject to the terms and conditions to be finalized between the Bank and KASB Bank Limited, approval of shareholders of both the entities and sanction by the SBP.

Consequent to the announcement of merger, the Board of Directors of the Bank has also deferred the issuance of 20% right shares which was approved in its meeting held on August 27, 2008.

In view of the above, SBP vide their letter No. BSD/BAI-3/608/93/2009 dated January 22, 2009 has granted the Bank extension in time to meet MCR of Rs. 5 billion as of December 31, 2008 till June 30, 2009 or proposed merger whichever occurs earlier.

The management believes that the proposed amalgamation of the Bank would have no material impact on the carrying values of assets and liabilities as reflected in these financial statements and hence, no adjustments in this regard have been considered necessary in these financial statements.

1.3 The Pakistan Credit Rating Agency Limited has maintained the Bank's long term rating at "A-" (Single A Minus) and short term rating at "A 2" (A Two).

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006.

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

These financial statements are separate financial statements of the Bank in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated.

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

3.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

3.3 During the year, interpretations of accounting standards, namely IFRIC 11 "IFRS 2 - Group Reporting and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction" become effective. However, these interpretation do not affect the Bank's financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.4 below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.2 Lendings to financial institutions / borrowings

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

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

5.3 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.4 Investments

Investment in subsidiaries are stated at cost less provision for impairment, if any. Other investments in securities are classified as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held to maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Bank's held for trading investments is taken to the profit and loss account. The surplus / (deficit) on investments classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. However, in the current year impairment loss has been treated as described in note 19.1.

Provision for diminution in the value of term finance certificates is made in accordance with the requirements of Prudential Regulations issued by the SBP.

5.5 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Bank also maintains general provision for potential losses of consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

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

5.6 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Bank's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the profit and loss account.

5.7 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 and 11.3 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised.

Capital-work-in-progress

Capital work-in-progress is stated at cost.

5.8 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

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

5.9 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is more likely than not 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.

5.10 Staff benefits

Defined benefit plan

The Bank operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 11% per annum of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.11 Derivatives

Derivative financial instruments are recognized at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.12 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognised when earned.

Dividend income from investments is recognised when Bank's right to receive the dividend is established.

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

All exchange differences are recognised in income.

5.13 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.14 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.15 Off Setting of financial assets and financial liabilities

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

5.16 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.17 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in these financial statements.

5.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.19 Accounting judgments and estimates

The preparation of financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates/judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized 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. The estimates, judgements and assumptions that have significant effect on the financial statements are as follows:

	Note
Classification of investments and provision for diminution in value of investments	5.4 & 9.1
Goodwill impairment assessment	5.6
Useful lives of assets and methods of depreciation	5.7, 11.2 & 11.3
Deferred taxation	5.8 & 12
Provision against non-performing advances	5.9 & 10.3
Provision for staff benefits	5.10 & 32

5.20 Accounting standards not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)	
IAS - 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS - 23	Borrowings Costs (Revised)	January 01, 2009
IAS - 27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3	Business Combinations (Revised)	July 01, 2009
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IFRIC - 13	Customer Loyalty Programs	July 01, 2008
IFRIC - 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC - 16	Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC - 17	Distributions of Non - Cash Assets to Owners	July 01, 2009
IFRIC - 18	Interim Financial Reporting and Impairment	July 01, 2009
IFAS 2	Ijarah	January 01, 2009

The Bank considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Bank's financial statements for the ensuing periods.

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		407,766	159,668
- foreign currency		100,174	33,660
		507,940	193,328
With SBP in			
- local currency current account	6.1	937,815	1,280,770
- foreign currency current account	6.2	2,381	964
- foreign currency deposit account - special cash reserve	6.3	104,091	9,321
- cash reserve	6.4	34,364	9,145
		1,078,651	1,300,200
With National Bank of Pakistan in			
- local currency current account		31,234	7,806
		1,617,825	1,501,334

- 6.1** This represents statutory cash reserves required to be maintained under the Banking Companies Ordinance, 1962.
- 6.2** This account is remunerated by SBP at the rate of 0.9% to 3.6% (2007: 3.71% to 4.72%) per annum.
- 6.3** This represents special cash reserve maintained with SBP against foreign currency deposits and is remunerated at the rate declared by the SBP on monthly basis. The rate of the current year ranged between 0.9% to 3.6% (2007: 3.71% to 4.72%) per annum.
- 6.4** This represents cash reserve maintained with SBP against foreign currency deposits.

7. BALANCES WITH OTHER BANKS

In Pakistan			
- on current accounts		14,491	163,871
- on deposit accounts		-	36
Outside Pakistan			
- on current accounts		36,958	51,411
		51,449	215,318

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	750,000
Repurchase agreement lendings (Reverse Repos)		-	2,157,824
Certificates of investment		-	200,000
Letters of placements	8.2	114,000	620,000
Treasury deposit receipts		-	700,000
		114,000	4,427,824

8.1 Particulars of lendings

In local currency		114,000	4,427,824
In foreign currency		-	-
		114,000	4,427,824

- 8.2** This represent letter of placements with financial institutions at the rate ranging from 18% to 19% and includes Rs. 100 million of placement which matured on December 18, 2008. Subsequent to the year end, the Bank has accepted a proposal from the counter-party to settle the placement against Term Finance Certificates having value of Rs. 50 million. Balance amount is to be recovered by way of participation in a syndication.

9. INVESTMENTS

Note	2008			2007			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
	----- (Rupees '000) -----						
9.1 INVESTMENTS BY TYPES							
Held-for-trading securities							
Listed Companies (ordinary shares)	9.2.3	4,395	-	4,395	43,679	-	43,679
Available-for-sale securities							
Listed Companies (ordinary shares)	9.2.3	686,646	-	686,646	284,714	-	284,714
Mutual Funds (units / certificates)	9.2.7	314,517	-	314,517	964,516	-	964,516
Term Finance Certificates	9.2.5 & 9.2.6	543,847	100,000	643,847	766,630	-	766,630
Pakistan Investment Bonds	9.2.1	257,832	747,432	1,005,264	915,974	110,752	1,026,726
Market Treasury Bills	9.2.2	-	786,566	786,566	2,055,387	-	2,055,387
Unlisted Companies (ordinary shares)	9.2.4	31,000	-	31,000	31,000	-	31,000
		1,833,842	1,633,998	3,467,840	5,018,221	110,752	5,128,973
Held-to-maturity securities							
Term Finance Certificates - unlisted - Dewan Cement Ltd.		-	-	-	108,427	-	108,427
Subsidiary							
Unlisted Company - Atlas Capital Markets (Private) Ltd.	9.2.4	396,942	-	396,942	396,942	-	396,942
Total Investments at cost		2,235,179	1,633,998	3,869,177	5,567,269	110,752	5,678,021
Less: Provision for diminution in value of Investments	9.3	(2,363)	-	(2,363)	(7,766)	-	(7,766)
Investments (net of provisions)		2,232,816	1,633,998	3,866,814	5,559,503	110,752	5,670,255
Deficit on revaluation of Held-for-trading securities	9.2.8	(296)	-	(296)	(1,993)	-	(1,993)
Deficit on revaluation of Available-for-sale securities	19	(695,767)	(179,845)	(875,612)	(86,739)	(14,682)	(101,421)
Total investments at market value		1,536,753	1,454,153	2,990,906	5,470,771	96,070	5,566,841

Note	2008	2007	
	---- (Rupees '000) ----		
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,005,264	1,026,726
- Market Treasury Bills	9.2.2	786,566	2,055,387
		1,791,830	3,082,113
Fully Paid-up Ordinary Shares			
- Listed Companies (ordinary shares)	9.2.3	691,041	328,393
- Unlisted Companies (ordinary shares)			
Atlas Capital Markets (Private) Limited (subsidiary)	9.2.4	396,942	396,942
Atlas Asset Management Limited (related party)	9.2.4	30,000	30,000
Arabian Sea Country Club	9.2.4	1,000	1,000
		427,942	427,942
Term Finance Certificates			
- Listed	9.2.5	529,816	654,687
- Unlisted	9.2.6	114,031	220,370
		643,847	875,057
Other Investments			
- Mutual Funds (units / certificates)	9.2.7	314,517	964,516
Total investments at cost		3,869,177	5,678,021
Less: Provision for Diminution in value of Investments	9.3	(2,363)	(7,766)
Investments (net of provisions)		3,866,814	5,670,255
Deficit on revaluation of Held-for-trading securities	9.2.8	(296)	(1,993)
Deficit on revaluation of Available-for-sale securities	19	(875,612)	(101,421)
Total investments at market value		2,990,906	5,566,841

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2007: 6.22% to 9.58%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2007: 1 year). The effective yield of these bills is from 9.98% to 10.04% (2007: 9.00% to 9.40%) per annum with maturities from February 2009 to March 2009.

9.2.3 Details of investments in Listed Companies

	2008	2007	Market value		Cost	
			2008	2007	2008	2007
	--No. of shares--		------(Rupees '000)-----			
Held-for-trading securities						
Fully paid up ordinary shares of Rs. 10/- each						
Adamjee Insurance Co. Ltd.	2	-	-	-	-	-
Al-Abbas Cement Industries Ltd.	1	-	-	-	-	-
Allied Bank Ltd.	12	-	-	-	-	-
Arif Habib Bank Ltd.	132	-	1	-	1	-
Arif Habib Ltd.	16	-	1	-	1	-
Arif Habib Securities Ltd.	115	75,000	5	12,990	5	13,372
Askari Commercial Bank Ltd.	133	-	2	-	2	-
Attock Refinery Ltd.	5	-	-	-	-	-
Azgard Nine Ltd.	28	-	1	-	1	-
Bank Al Falah Ltd.	1,303	-	22	-	24	-
Bank Al Habib Ltd.	7	-	-	-	-	-
Bank Islami Pakistan Ltd.	141	-	1	-	1	-
Bosicor Pakistan Ltd.	174	-	1	-	1	-
Crescent Steel Industries Ltd.	15	-	-	-	-	-
D.G. Khan Cement Ltd.	21	-	1	-	1	-
D.S Industries Ltd.	58	-	1	-	1	-
Dawood Lawrancepur Ltd.	2	-	-	-	-	-
Dewan Cement Ltd.	45	-	-	-	-	-
Dewan Salman Fibre Ltd.	188	-	-	-	-	-
Dost Steel Ltd.	116	-	1	-	1	-
EFU General Insurance Co. Ltd.	1	-	-	-	-	-
Engro Chemicals Pakistan Ltd.	1,159	-	112	-	120	-
Fauji Fertilizer Bin Qasim Ltd.	30	-	-	-	-	-
Fauji Fertilizer Co. Ltd.	23	-	1	-	1	-
Fauji Cement Ltd.	242	-	1	-	1	-
Faysal Bank Ltd.	40	-	1	-	1	-
Habib Bank Ltd.	22	-	2	-	2	-
Honda Atlas Cars Ltd.	38	-	1	-	1	-
Hub Power Co. Ltd.	89	-	1	-	1	-
I.C.I Pakistan Ltd.	2	-	-	-	-	-
Indus Motor Co. Ltd.	2	-	-	-	-	-
Jahangir Siddiqui & Co. Ltd.	230	-	12	-	13	-
Javed Omer Vohra & Co. Ltd.	272	-	2	-	3	-
JS Bank Ltd.	441	-	3	-	2	-
JS Investments Ltd.	77	-	3	-	3	-
Kot Addu Power Co. Ltd.	9	-	-	-	-	-
Lucky Cement Ltd.	7	-	-	-	-	-
Maple Leaf Cement Co. Ltd.	106	-	1	-	-	-
MCB Bank Ltd.	7	13,800	1	5,519	1	5,915
National Bank of Pakistan Ltd.	58,112	-	2,924	-	3,140	-
Netsol Technologies Ltd.	14	-	-	-	-	-
NIB Bank Ltd.	356	-	2	-	1	-
Nishat Chunian Ltd.	12	-	-	-	-	-
Nishat Mills Ltd.	35	-	1	-	1	-
Oil & Gas Development Co. Ltd.	6,245	-	312	-	335	-
Pace Pakistan Ltd.	534	-	5	-	6	-
Packages Ltd.	8	-	1	-	1	-
Pak Electron Ltd.	34	-	1	-	1	-
Pak Refinery Ltd.	9	-	1	-	1	-
Pak. Int'l Container Terminal Ltd.	6	-	-	-	-	-
Pakistan Oil Fields Ltd.	1,460	-	150	-	161	-
Pakistan Petroleum Ltd.	5,005	22,300	504	5,465	541	5,780
Pakistan PTA Ltd.	688	-	1	-	1	-
Pakistan Re-insurance Ltd.	44	-	1	-	1	-
Pakistan State Oil Co. Ltd.	15	15,000	2	6,099	2	6,484
Pakistan Telecommunications Co. Ltd.	27	-	1	-	1	-
Pervez Ahmed Securities Ltd.	56	-	-	-	-	-
PICIC Growth Fund	18	-	-	-	-	-
Total carried forward			4,084	30,073	4,381	31,551

	2008	2007	Market value		Cost	
			2008	2007	2008	2007
	--No. of shares--		------(Rupees '000)-----			
Total brought forward			4,084	30,073	4,381	31,551
Pioneer Cement Ltd.	18	-	-	-	-	-
Searle Pakistan Ltd.	10	-	1	-	1	-
Sitara Peroxide Ltd.	279	-	5	-	4	-
Soneri Bank Ltd.	5	-	-	-	-	-
Sui Northern Gas Pipe Lines Ltd.	3	-	-	-	-	-
Sui Southern Gas Co. Ltd.	126	-	1	-	1	-
Telecard Ltd.	711	-	1	-	1	-
The Bank of Punjab	84	100,852	1	9,863	1	10,409
TRG Pakistan Ltd.	1,520	125,000	3	1,750	2	1,719
United Bank Ltd.	64	-	2	-	3	-
Worldcall Telecom Ltd.	249	-	1	-	1	-
			<u>4,099</u>	<u>41,686</u>	<u>4,395</u>	<u>43,679</u>

	Rating *		2008	2007	Paid-up value		Market value		Cost	
	2008	2007			2008	2007	2008	2007	2008	2007
			--No. of shares--		------(Rupees '000)-----					
Available-for-sale securities										
Adamjee Insurance Co. Ltd.	AA	AA	53,300	-	533	-	5,428	-	14,405	-
Arif Habib Securities Ltd.	A+	AA	156,250	100,000	1,563	1,000	6,572	17,320	22,013	16,871
Askari Commercial Bank Ltd.	AA	AA	135,000	50,000	1,350	500	1,967	4,988	9,579	4,400
Attock Refinery Ltd.	AA	AA-	30,000	-	300	-	1,797	-	3,323	-
Callmate Telips Ltd.	-	N/A	-	175,000	-	1,750	-	2,599	-	8,761
Crescent Steel Industries Ltd.	A+	A+	110,000	-	1,100	-	1,873	-	8,787	-
D.G. Khan Cement Co. Ltd.	N/A	-	50,000	-	500	-	1,064	-	1,964	-
Engro Chemicals Pakistan Ltd.	AA	AA	235,825	100,750	2,358	1,008	22,748	26,774	68,404	24,393
Eye Television Network Ltd.	N/A	-	49,000	-	490	-	1,678	-	3,227	-
Fauji Fertilizer Bin Qasim Ltd.	-	N/A	-	250,000	-	2,500	-	10,512	-	10,119
Fauji Fertilizer Co. Ltd.	N/A	N/A	205,000	75,000	2,050	750	12,040	8,906	25,493	8,377
Habib Bank Ltd.	AA+	AA+	-	40,000	-	400	-	9,596	-	9,976
Hira Textile Mills Ltd.	N/A	N/A	293,047	293,047	2,930	2,930	662	2,329	3,663	3,663
ICI Pakistan Ltd.	-	N/A	-	20,000	-	200	-	3,933	-	4,128
Jahangir Siddiqui & Co. Ltd.	AA+	-	189,078	-	1,891	-	9,885	-	34,965	-
Lucky Cement Ltd.	N/A	N/A	200,000	75,000	2,000	750	6,254	8,738	24,568	8,903
Maple Leaf Cement Co. Ltd. (Pref. Shares)	BBB+	A	30,000	30,000	300	300	227	225	225	225
MCB Bank Ltd.	AA+	AA+	135,000	-	1,350	-	16,984	-	55,201	-
Murree Brewery Co. Ltd.	N/A	N/A	24,200	22,000	242	220	2,542	4,015	3,601	3,601
National Bank of Pakistan Ltd.	AAA	AAA	167,500	30,000	1,675	300	8,429	6,965	33,835	6,856
National Refinery Ltd.	AAA	-	25,000	-	250	-	2,379	-	9,193	-
Nishat Chunian Ltd.	N/A	N/A	110,000	100,000	1,100	1,000	1,064	3,700	4,508	4,508
Nishat Mills Ltd.	A+	A+	275,000	50,000	2,750	500	6,215	5,260	31,064	5,144
Oil & Gas Development Co. Ltd.	AAA	AAA	480,400	150,000	4,804	1,500	24,015	17,918	59,150	17,275
Pak Suzuki Motor Co. Ltd.	N/A	N/A	25,000	10,000	250	100	1,990	3,297	8,671	4,242
Pakistan Int'l Container Terminal Ltd.	A-	-	50,000	-	500	-	2,269	-	6,256	-
Pakistan National Shipping Corp. Ltd.	-	N/A	-	25,000	-	250	-	2,499	-	2,490
Pakistan Oilfields Ltd.	N/A	N/A	210,000	90,000	2,100	900	21,523	30,096	66,339	31,504
Pakistan Petroleum Ltd.	N/A	N/A	271,700	110,000	2,717	1,100	27,338	26,956	61,672	26,487
Pakistan Refinery Ltd.	N/A	N/A	25,000	12,000	250	120	2,460	2,998	6,880	3,390
Pakistan State Oil Co. Ltd.	AAA	AAA	100,000	50,000	1,000	500	14,458	20,330	46,207	18,786
Pakistan Telecommunications Co. Ltd.	N/A	-	250,000	-	2,500	-	4,223	-	11,012	-
Shakarganj Sugar Ltd.	BBB+	BBB+	60,000	60,000	600	600	435	2,312	2,314	2,314
SME Leasing Ltd.	A-	A-	902,350	902,350	9,024	9,024	13,535	9,881	9,926	9,926
Soneri Bank Ltd.	AA-	AA-	210,000	210,000	2,100	2,100	2,310	9,114	10,807	10,807
Thal Ltd.	N/A	-	35,000	-	350	-	2,863	-	6,367	-
The Bank of Punjab	AA-	AA-	200,000	153,140	2,000	1,531	2,640	14,977	11,898	13,029
United Bank Ltd.	AA+	AA+	138,500	125,800	1,385	1,258	5,112	21,750	21,129	24,539
					<u>54,312</u>	<u>33,091</u>	<u>234,979</u>	<u>277,988</u>	<u>686,646</u>	<u>284,714</u>

Total investments in listed companies

691,041 328,393

* Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding (%)	Net Asset value per share * (Rupees)	Cost	
				2008 --- (Rupees '000) ---	2007
Subsidiary					
Atlas Capital Markets (Private) Limited Chief Executive Officer: Mr. M. Naeem Khan 30,000,000 ordinary shares of Rs. 10/- each (2007: 30,000,000 ordinary shares of Rs.10/- each)		100	9.13	396,942	396,942
Related party					
Atlas Asset Management Ltd. Chief Executive Officer: Mr. M. Habib-ur-Rahman 3,000,000 ordinary shares of Rs. 10/- each (2007: 3,000,000 ordinary shares of Rs.10/- each)	9.2.4.1	12	10.56	30,000	30,000
Others					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi 100,000 ordinary shares of Rs. 10 each (2007: 100,000 ordinary shares of Rs.10/- each)	9.2.4.2	1.29	7.85	1,000	1,000
				<u>427,942</u>	<u>427,942</u>

9.2.4.1 This has been classified as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No.16 of 2006 dated August 01, 2006.

	No. of shares as at		2008 ----(Rupees '000)----	2007
	Dec. 31, 2008	Dec. 31, 2007		
9.2.4.2 Arabian Sea Country Club Less: Provision for diminution in value of investments	100,000	100,000	1,000 (1,000) -	1,000 (1,000) -

* Net asset value per share is based on the audited financial statements for the year ended December 31, 2008 in case of Atlas Capital Markets (Pvt.) Ltd. and June 30, 2008 in case of Atlas Asset Management Ltd. and Arabian Sea Country Club.

9.2.5 Details of investments in Term Finance Certificates - Listed **	--No. of certificates--		Rating *		Market value		Cost	
	2008	2007	2008	2007	2008	2007	2008	2007
					----- (Rupees '000) -----			
Allied Bank Ltd.	3,000	3,000	AA-	A+	16,355	16,362	14,988	14,994
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	-	4,000	-	A	-	6,800	-	6,800
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	3,000	A	A	10,200	15,000	10,200	15,000
Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA-	AA-	34,908	35,620	34,908	34,922
Azgard Nine Ltd.	2,000	2,000	AA-	AA-	10,089	11,009	9,157	9,992
Bank Alfalah Ltd. - 1st issue (unsecured)	-	6,803	-	AA-	-	38,368	-	35,802
Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	8,079	AA-	AA-	40,333	40,349	40,333	40,349
Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,988	9,992	9,988	9,992
Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,372	17,379	17,372	17,379
Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	7,000	AA-	AA-	35,462	35,475	34,979	34,993
Chanda Oil and Gas Securitization Co. Ltd.	-	3,448	-	A+	-	12,413	-	12,413
Total carried forward					<u>174,707</u>	<u>238,767</u>	<u>171,925</u>	<u>232,636</u>

	2008		2007		Rating *		Market value		Cost	
	--No. of certificates--		2008	2007	2008	2007	2008	2007	----- (Rupees '000) -----	
Total brought forward							174,707	238,767	171,925	232,636
Crescent Leasing Corporation Ltd.										
- 2nd issue	2,000	2,000	A+	A-			10,235	10,235	10,000	10,000
Crescent Standard Investment Bank Ltd.	-	3,000	-	***			-	5,568	-	5,568
Escorts Investment Bank Ltd.	5,000	5,000	A+	A+			24,985	24,995	24,985	24,995
Grays Leasing Ltd - 2nd issue	-	2,000	-	N/A			-	10,000	-	10,000
IGI Investment Bank Ltd.	6,000	6,000	A+	A+			22,491	29,988	22,491	29,988
Ittehad Chemicals Ltd.	-	3,000	-	A			-	4,996	-	5,104
Jahangir Siddiqui & Co. Ltd.										
- 1st issue (unsecured)	-	2,000	-	AA+			-	2,497	-	2,497
Jahangir Siddiqui & Co. Ltd.										
- 2nd issue (unsecured)	5,000	5,000	AA+	AA+			24,960	24,970	24,960	24,970
Jahangir Siddiqui & Co. Ltd.										
- 4th issue	5,000	5,000	AA+	AA+			24,980	24,990	24,980	24,990
MCB Bank Ltd. (unsecured)	-	1,957	-	A1+			-	2,930	-	2,960
NIB Bank Ltd. (unsecured)	5,400	5,000	A+	A			26,995	27,000	26,995	27,000
Pakistan Mobile Communication (Private) Ltd.	2,000	2,000	AA-	AA-			9,990	9,994	9,990	9,994
Pakistan Services Ltd.	-	2,987	-	A			-	6,653	-	4,433
Searle Pakistan Ltd.	2,000	2,000	A-	A-			6,248	8,747	6,248	8,746
Standard Chartered Bank Ltd. - 1st issue (unsecured)	-	8,000	-	AAA			-	14,305	-	13,755
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	2,587	2,587	AAA	AAA			12,268	12,917	12,268	12,916
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	AAA	AAA			55,045	55,067	49,950	49,970
Telecard Ltd.	11,530	11,530	BBB	BBB			31,527	39,699	33,362	42,010
Trust Leasing & Investment Bank Ltd.										
- 1st issue	-	4,000	-	AA			-	7,630	-	7,914
Trust Leasing & Investment Bank Ltd.										
- 2nd issue - 1st tranche	5,128	5,128	A	AA			5,128	10,256	5,128	10,256
Trust Leasing & Investment Bank Ltd.										
- 2nd issue - 2nd tranche	6,807	6,807	A	AA			13,614	20,421	13,614	20,421
Trust Leasing & Investment Bank Ltd.										
- 4th issue	3,877	-	AA-	-			19,385	-	19,385	-
United Bank Ltd. (unsecured)	11,000	11,000	AA	AA			53,378	53,409	54,916	54,937
World Call Telecom Ltd.	3,727	3,727	AA-	AA-			18,619	18,628	18,619	18,627
Total investments in Term Finance Certificates - Listed							<u>534,555</u>	<u>664,662</u>	<u>529,816</u>	<u>654,687</u>

* Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.

9.2.5.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Ltd.	1.90% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. - 2nd Issue (unsecured)	1.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Ltd.	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Ltd. - 2nd issue (unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Ltd. - 3rd issue (unsecured)	1.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Ltd. - 1st issue (unsecured)	1.50% above 6 months KIBOR (Floor of 3.5% per annum Cap of 10% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Ltd. - 2nd issue (unsecured)	1.95% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from February 7, 2007.
Crescent Leasing Corporation Ltd. - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.
Escorts Investment Bank Ltd.	2.50% above 6 months KIBOR (Floor of 8% p.a. & Cap of 17% p.a. for first three years and 8% & 18% respectively for 4th and 5th year).	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
IGI Investment Bank Ltd.	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 28, 2006.
Jahangir Siddiqui & Co. Ltd. - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Co. Ltd. - 3rd issue	2.5% above 6 months KIBOR.	Semi-annually	Five and a half year from November 21, 2006.
NIB Bank Ltd. (unsecured)	1.15% above 6 months KIBOR.	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Ltd.	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Searle Pakistan Ltd.	2.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.

Particulars	Rate	Profit payment	Redemption terms
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.
Telecard Ltd.	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Ltd. - 4th issue	1.85% above 6 months KIBOR (no floor no cap).	Semi-annually	0.02% of principal in two semi-annual installments and remaining principal in eight semi-annual installments of 12.495% each of the issue amount respectively, starting from the 18th month.
United Bank Ltd. (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Ltd.	2.75% above 6 months KIBOR (no floor no cap).	Semi-annually	Five years from November 28, 2006.

9.2.6 Details of investments in Term Finance Certificates - Un-listed *

	2008		2007		Rating **		Cost	
	--No. of certificates--		2008	2007	2008	2007	---(Rupees '000)---	
Avari Hotels Ltd.	5,000	5,000	A-	A	12,667	12,667		
Dewan Cement Ltd. - Series A	-	1	-	A-	-	108,195		
Dewan Cement Ltd. - Series B	-	1	-	N/A	-	232		
Gharibwal Cement Ltd.	5,000	5,000	BBB	A-	24,995	25,000		
Grays Leasing Ltd.	2,000	3,000	BBB	A-	8,000	1,875		
Kashf Foundation	5,000	5,000	A	A	25,000	10,242		
New Khan Transport Co. (Private) Ltd.	10	10	N/A	N/A	5,453	5,910		
Orix Leasing Pakistan Ltd.	100	2,000	AA	AA	10,000	10,000		
Pakistan International Airlines Corporation Ltd.	4,000	4,000	N/A	N/A	14,166	17,499		
Pakistan Mobile Communication (Private) Ltd. (unsecured)	-	5,000	-	N/A	-	10,000		
Security Leasing Corporation Ltd.	2,000	2,000	BBB	N/A	6,250	8,750		
Trakker (Private) Ltd.	100	2,000	A	A	7,500	10,000		
Total investments in Term Finance Certificates - Un-listed					<u>114,031</u>	<u>220,370</u>		

* Secured and have face value of Rs. 5,000/- each unless specified otherwise, except for New Khan Transport Co. (Private) Ltd. (Rs.1 million each), Orix Leasing Pakistan Ltd. (Rs. 100,000/- each) and Trakker (Private) Ltd. (Rs. 100,000/- each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.6.1 Other particulars of unlisted term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Ltd. Chief Executive Officer: Mr. Byram D. Avari	3.25% over six months KIBOR (ask side).	Semi-annually	Seven years from November 1, 2007.
Gharibwal Cement Ltd. Chief Executive Officer: Tousif Paracha	3% above 6 months KIBOR rate.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Ltd. Chief Executive Officer: Abdul Rashid Mir	2.50% over six months KIBOR (ask side) with no floor and no cap.	Monthly	10% to be paid after allotment and balance in 36 equal monthly installments.
Kashf Foundation Chief Executive Officer: Roshan A. Zafar	2.45% over three months KIBOR (ask side).	Semi-annually	Three years from November 5, 2007.
New Khan Transport Co. (Private) Ltd. Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Ltd. Chief Executive Officer: Humayun Murad	1.40% over six months KIBOR (ask side).	Semi-annually	Five years from July 30, 2007.
Pakistan International Airlines Corporation Ltd. Chief Executive Officer: Mohammad Aijaz Haroon	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Security Leasing Corporation Ltd. Chief Executive Officer: Mohd. Khalid Ali	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Ltd. Chief Executive Officer: Ali Jamil	3.5% over six months KIBOR (ask side).	Semi-annually	Four years from September 15, 2007.

9.2.7 Details of investments in mutual funds

Available-for-sale securities

	No. of units / certificates		Rating*		Market value / net asset value		Cost	
	2008	2007	2008	2007	2008	2007	2008	2007
Open end								
Atlas Income Fund (a related party)	-	476,626	-	5-star	-	250,000	-	250,000
Atlas Stock Market Fund (a related party)	71,893	67,033	4-star	5-star	16,952	40,342	40,000	40,000
KASB Liquid Fund	-	2,849,815	-	N/A	-	300,000	-	300,000
NAFA Cash Fund	-	28,539,899	-	5-star	-	300,000	-	300,000
National Investment Trust	3,427,812	-	N/A	-	77,777	-	200,000	-
JS Fund of Funds	149,818	272,515	5-star	5-star	11,045	14,660	12,235	12,235
Close end								
First Dawood Mutual Fund	1,161,500	1,161,500	4-star	4-star	2,509	9,002	8,080	8,080
Pakistan Strategic Allocation Fund	2,566,500	2,566,500	4-star	4-star	5,852	23,355	27,215	27,214
PICIC Energy Fund	412,500	412,500	N/A	N/A	945	3,093	4,125	4,125
PICIC Growth Fund	245,000	245,000	N/A	2-star	1,369	6,983	8,490	8,490
UTP-Large Capital Fund	1,796,500	1,796,500	4-star	4-star	4,132	14,552	14,372	14,372
Total Investments in Mutual Funds					120,581	961,987	314,517	964,516

* Represents instrument rating in case of investment in mutual funds units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

	Note	2008 ---- (Rupees '000) ----	2007
9.2.8 Unrealised loss on revaluation of investments classified as held-for-trading			
Listed companies (ordinary shares)		(296)	(1,993)
		<u>(296)</u>	<u>(1,993)</u>
9.3 Particulars of provision of diminution in the value of investments			
Opening Balance		7,766	8,069
Charge for the year		1,363	-
Reversals during the year		(6,064)	(303)
		(4,701)	(303)
Write-off against provision		(702)	-
Closing Balance		<u>2,363</u>	<u>7,766</u>
9.3.1 Particulars of provision in respect of Type and Segment			
Available-for-sale securities			
Term Finance Certificates - unlisted		1,363	6,766
Unlisted companies (ordinary shares)		1,000	1,000
		<u>2,363</u>	<u>7,766</u>
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		19,695,612	6,855,302
Outside Pakistan		-	-
		19,695,612	6,855,302
Net investment in finance lease			
In Pakistan		1,532,854	2,654,444
Outside Pakistan		-	-
	10.2	1,532,854	2,654,444
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		21,301	41,293
Payable outside Pakistan		39,367	16,708
		60,668	58,001
Financing in respect of Continuous Funding System (CFS)		24,802	155,281
Advances - gross		21,313,936	9,723,028
Provision for non-performing advances			
- specific		(759,245)	(474,861)
- general (against consumer financing)		(4,822)	(5,656)
	10.4	(764,067)	(480,517)
Advances - net of provision		<u>20,549,869</u>	<u>9,242,511</u>
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		21,274,569	9,706,320
In foreign currency		39,367	16,708
		<u>21,313,936</u>	<u>9,723,028</u>
10.1.2 Short term (for upto one year)		17,766,572	2,979,199
Long term (for over one year)		3,547,364	6,743,829
		<u>21,313,936</u>	<u>9,723,028</u>

10.2 Net investment in 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 '000) -----								
Lease rentals receivable	474,002	763,445	-	1,237,447	414,838	1,995,039	-	2,409,877
Residual value	319,237	136,707	-	455,944	205,520	332,599	-	538,119
Minimum lease payments	793,239	900,152	-	1,693,391	620,358	2,327,638	-	2,947,996
Financial charges for future period	(51,873)	(108,664)	-	(160,537)	(31,059)	(262,493)	-	(293,552)
Present value of minimum lease payments	741,366	791,488	-	1,532,854	589,299	2,065,145	-	2,654,444

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.

10.3 Advances include Rs. 1,467.94 million (2007: Rs.775.19 million) which have been placed under non-performing status as detailed below:

	2008								
	Classified Advances			Provision Required			Provision Held		
Category of classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
----- (Rupees '000) -----									
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	506,068	-	506,068	100,664	-	100,664	100,664	-	100,664
Doubtful	389,518	-	389,518	159,180	-	159,180	159,180	-	159,180
Loss	572,354	-	572,354	499,401	-	499,401	499,401	-	499,401
	1,467,940	-	1,467,940	759,245	-	759,245	759,245	-	759,245

10.3.1 Subsequent to the year end, SBP vide its Circular No. 2 of 2009 dated January 27, 2009, has amended the Prudential Regulation in respect of provisioning requirement on non-performing advances. The said regulations which are effective from December 31, 2008 allow benefit of forced sale value to the extent of 30% against all non-performing advances for calculating provisioning requirement. Accordingly, the aforesaid change has resulted in reversal of provision of Rs.138.36 million and a consequent decrease in loss after tax of Rs.89.93 million.

10.4 Particulars of provision against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	474,861	5,656	480,517	356,678	8,649	365,327
Charge for the year	460,368	-	460,368	329,435	-	329,435
Reversals	(101,290)	(834)	(102,124)	(54,686)	(2,993)	(57,679)
Transferred to Other Assets	359,078	(834)	358,244	274,749	(2,993)	271,756
	(7,293)	-	(7,293)	-	-	-
Amount written off	351,785	(834)	350,951	274,749	(2,993)	271,756
	(67,401)	-	(67,401)	(156,566)	-	(156,566)
Closing balance	759,245	4,822	764,067	474,861	5,656	480,517
10.4.1 Particulars of provision against non-performing advances						
In local currency	759,245	4,822	764,067	474,861	5,656	480,517
In foreign currency	-	-	-	-	-	-
	759,245	4,822	764,067	474,861	5,656	480,517

10.5 Particulars of write offs

	2008	2007
	---- (Rupees '000) ----	
10.5.1 Against provisions	67,401	156,566
Directly charged to profit and loss account	-	5
	67,401	156,571
10.5.2 Write offs of Rs. 500,000/- and above	40,678	153,994
Write offs of below Rs. 500,000/-	26,723	2,577
	67,401	156,571

10.6 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000/- or above allowed to persons during the year ended December 31, 2008 is given in Annexure-1.

10.7 Particulars of loans and advances to directors, associated companies, subsidiaries 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	106,702	10,384
Loans granted during the year	451,747	102,549
Repayments	(30,816)	(6,231)
Balance at end of year	527,633	106,702

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	197,782	46,602
Loans granted during the year	387,299	165,576
Repayments	(51,860)	(14,396)
Balance at end of year	533,221	197,782

	Note	2008 ---- (Rupees '000) ----	2007
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		119,434	376,588
Net change during the year in respect of running finances		(6,461)	(257,154)
Balance at end of year	10.7.1	112,973	119,434
		1,173,827	423,918

10.7.1 Represents balance of running finance facility of Rs. 275 million to the subsidiary company (2007: Rs. 500 million). The maximum aggregate balance outstanding during the year in respect of such facility amounts to Rs. 549.12 million.

11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	319,574	360,864
Property and equipment - own use	11.2	820,396	357,846
Property and equipment - operating lease	11.3	27,754	30,859
Intangible assets	11.4	87,843	69,144
		1,255,567	818,713

11.1 Capital work-in-progress

Civil works		1,773	161,079
Equipment		25,040	41,583
Advances to suppliers and contractors		314,850	158,202

Less: Provision against advances to suppliers	11.1.1	341,663	360,864
		(22,089)	-

		319,574	360,864
--	--	---------	---------

11.1.1 Provision against advances to suppliers

Opening balance		-	-
Charge for the year	26.3	22,089	-
Reversals		-	-
Amount written off		-	-

11.2 Property and equipment - own use

	2008							
	COST			ACCUMULATED DEPRECIATION				Rate of Depreciation (%)
	As at January 1, 2008	Additions / (Deletions) / *(Write-off)	As at December 31, 2008	As at January 1, 2008	Charge for the year / (Deletions) / *(Write-off)	As at December 31, 2008	Book value as at December 31, 2008	
Furniture, fixtures and equipment	112,780	258,008 (1,130) (10,133)*	359,525	14,534	20,179 (155) (4,453)*	30,105	329,420	10-15
Vehicles	154,345	40,441 (94,774) (29)*	99,983	17,262	26,596 (17,544) (10)*	26,304	73,679	20
Leasehold improvements	81,076	255,689 (69)*	336,696	9,299	15,077 (13)*	24,363	312,333	10
Computer and allied equipment	79,630	82,504 (4,988)*	157,146	28,890	26,801 (3,509)*	52,182	104,964	30
December 31, 2008	427,831	636,642 (95,904) (15,219)*	953,350	69,985	88,653 (17,699) (7,985)*	132,954	820,396	

2007

	COST		ACCUMULATED DEPRECIATION			Book value as at December 31, 2007	Rate of Depreciation
	As at January 1, 2007	Additions / (Deletions)	As at December 31, 2007	As at January 1, 2007	Charge for the year / (Deletions) /		
	----- (Rupees '000) -----						(%)
Furniture, fixtures and equipment	53,881	58,899	112,780	7,923	6,611	14,534	10-15
Vehicles	35,913	130,763 (12,331)	154,345	3,869	14,824 (1,431)	17,262	20
Leasehold improvements	37,003	44,073	81,076	4,362	4,937	9,299	10
Computer and allied equipment	49,022	30,608	79,630	16,834	12,056	28,890	30
December 31, 2007	175,819	264,343 (12,331)	427,831	32,988	38,428 (1,431)	69,985	357,846

11.2.1 Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.13.47 million (2007: Rs.14.76 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.

11.3 Property and equipment - operating lease

2008

	COST		ACCUMULATED DEPRECIATION			Book value as at December 31, 2008	Rate of Depreciation	
	As at January 1, 2008	Additions	As at December 31, 2008	As at January 1, 2008	Charge for the year			As at December 31, 2008
	----- (Rupees '000) -----						(%)	
Equipment	35,667	-	35,667	4,904	3,076	7,980	27,687	10
Computer and allied equipment	158	-	158	62	29	91	67	30
December 31, 2008	35,825	-	35,825	4,966	3,105	8,071	27,754	

2007

	COST		ACCUMULATED DEPRECIATION			Book value as at December 31, 2007	Rate of Depreciation	
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year			As at December 31, 2007
	----- (Rupees '000) -----						(%)	
Equipment	35,667	-	35,667	1,486	3,418	4,904	30,763	10
Computer and allied equipment	158	-	158	20	42	62	96	30
December 31, 2007	35,825	-	35,825	1,506	3,460	4,966	30,859	

11.4 Intangible assets

	2008								
	COST		ACCUMULATED AMORTISATION					Book value as at December 31, 2008	Rate of Amortisation (%)
	As at January 1, 2008	Additions	As at December 31, 2008	As at January 1, 2008	Charge for the year	As at December 31, 2008			
	(Rupees '000)								
Computer softwares	41,403	27,144	68,547	24,059	8,445	32,504	36,043	30	
Tenancy rights (Note 11.4.1)	51,800	-	51,800	-	-	-	51,800	-	
December 31, 2008	93,203	27,144	120,347	24,059	8,445	32,504	87,843		

	2007								
	COST		ACCUMULATED AMORTISATION					Book value as at December 31, 2007	Rate of Amortisation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
	(Rupees '000)								
Computer softwares	35,203	6,200	41,403	17,816	6,243	24,059	17,344	30	
Tenancy rights (Note 11.4.1)	51,800	-	51,800	-	-	-	51,800	-	
December 31, 2007	87,003	6,200	93,203	17,816	6,243	24,059	69,144		

11.4.1 This represents the consideration paid by the Bank in connection with the transfer of tenancy rights in favour of the Bank in respect of the property situated on the first floor of the Karachi Stock Exchange Building. The ownership of the property rests with Karachi Stock Exchange and the afore-mentioned payment has only been made for the right to occupy the premises for the purposes of the Bank's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

Details of disposal of fixed assets where cost exceeds Rs. 1 million or book value is greater than Rs. 0.25 million, whichever is lower are as follows:

(Rupees '000)							
Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Vehicles	943	628	315	717	402	Auction	Cars Qilla 15, Fatima Jinnah Colony, Karachi.
	560	149	411	430	19	--- do ---	Manzoor Ahmed Khan 16 G, Block II PECHS, Karachi.
	560	149	411	420	9	--- do ---	-----do-----
	560	149	411	422	11	--- do ---	Adnan Ahmed Bhatti House No.148, Defence View, Phase II, Karachi.
	923	245	678	711	33	--- do ---	Ittehad Motors 55, Muslimabad, Madina Baa Apt., New M.A. Jinnah Road, Karachi.
	735	530	205	507	302	--- do ---	Khurram Motors 77-B-III, Gulberg III, Lahore.
	499	223	276	394	118	--- do ---	-----do-----
	474	390	84	433	349	--- do ---	Atiq-ur-Rehman 34 B, Street No. 2, Farooqia Colony, Multan Road, Lahore.
	474	71	403	403	-	Bank Policy	Waqas Asghar - Employee
	483	135	348	348	-	--- do ---	Faisal Iqbal - Employee
Total carried forward	6,211	2,667	3,544	4,784	1,242		

(Rupees '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Total brought forward	6,211	2,667	3,544	4,784	1,242		
	1,023	300	723	723	-	Bank Policy	Naeem Iftikhar - Ex-employee
	484	20	464	464	-	--- do ---	Saqib - Ex-employee
	497	8	489	489	-	--- do ---	Rashid Hussain - Ex-employee
	492	149	343	343	-	--- do ---	Cyrus Tengra - Employee
	417	116	301	301	-	--- do ---	Irfan Ibrahim - Employee
	923	150	773	773	-	--- do ---	Syed Hammad Haider - Ex-employee
	1,010	281	729	729	-	--- do ---	Nisar Zaman Khan - Employee
	1,351	393	958	958	-	--- do ---	Shaikh Tahir Azmat - Employee
	1,351	216	1,135	1,135	-	--- do ---	Hasan Imam - Employee
	914	89	825	825	-	--- do ---	Mazhar Ali - Ex-employee
	883	224	659	659	-	--- do ---	Khawaja Aslam Saeed - Ex-employee
	483	129	354	354	-	--- do ---	Farooq Saleem - Employee
	497	41	456	456	-	--- do ---	M. Iftikhar - Ex-employee
	949	181	768	768	-	--- do ---	Asim Shafiq - Ex-Employee
	951	123	828	828	-	--- do ---	Arsalan Sattar - Employee
	951	123	828	828	-	--- do ---	Mohd. Waseem - Employee
	949	167	782	782	-	--- do ---	Zubair Aziz - Employee
	949	196	753	753	-	--- do ---	Humayun Akhter - Employee
	949	167	782	782	-	--- do ---	Kashif Hafeez - Employee
	949	152	797	797	-	--- do ---	Rizwan Ahmed - Employee
	949	152	797	797	-	--- do ---	Ahmed Saeed - Employee
	694	68	626	626	-	--- do ---	Naveed Mushtaq - Employee
	1,397	70	1,327	1,327	-	--- do ---	Ahmed Qureshi - Employee
	1,397	115	1,282	1,282	-	--- do ---	Umer Azim Daudpota - Employee
	949	152	797	797	-	--- do ---	Brian Tellis - Employee
	1,403	137	1,266	1,266	-	--- do ---	Humayun Bawker - Employee
	1,403	115	1,288	1,288	-	--- do ---	Naveed Sherwani - Employee
	1,403	70	1,333	1,333	-	--- do ---	Faisal Iqbal - Employee
	1,383	178	1,205	1,205	-	--- do ---	Gulbano Asim - Ex-employee
	961	154	807	807	-	--- do ---	Abdul Basit Mehmood - Employee
	660	85	575	575	-	--- do ---	Junaid Bachani - Ex-Employee
	306	93	213	213	-	--- do ---	Zafar Abbass - Employee
	1,005	50	955	955	-	--- do ---	Salman Gul - Employee
	949	167	782	782	-	--- do ---	Afshan Waheed - Ex-employee
	949	152	797	797	-	--- do ---	Akbar Mughal - Employee
	694	68	626	626	-	--- do ---	Behnaz Sethna - Employee
	951	123	828	828	-	--- do ---	Zubair Abbassi - Employee
	889	115	774	774	-	--- do ---	Zaheer Anwar Iqbal - Employee
	1,351	237	1,114	1,114	-	--- do ---	Ghufran Atta Khan - Employee
	883	145	738	738	-	--- do ---	Shahid Mehmood Sajid - Ex-employee
	930	105	825	825	-	--- do ---	Farhan Abbas Sheikh - Ex-employee
	660	136	524	524	-	--- do ---	Shah Raza Naqvi - Employee
	923	148	775	775	-	--- do ---	Azfar Karimuddin - Employee
	479	62	417	417	-	--- do ---	Mohd. Omair - Employee
	973	110	863	863	-	--- do ---	Reza Said - Employee
	487	40	447	447	-	--- do ---	Kashif Bashir - Employee
	474	155	319	319	-	--- do ---	Iftikhar-ul-Islam - Employee
	949	196	753	753	-	--- do ---	Shafiq Pasha - Ex-employee
	888	142	746	746	-	--- do ---	Adnan Zia - Employee
	973	110	863	863	-	--- do ---	Awais Talmiz - Employee
	497	25	472	472	-	--- do ---	Yasir Younus - Employee
	694	68	626	626	-	--- do ---	Ghulam Fareed - Ex-employee
Total carried forward	52,680	9,633	43,054	44,294	1,242		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Total brought forward	52,680	9,633	43,054	44,294	1,242		
	469	89	380	380	-	Bank Policy	Ali Chohan - Ex-employee
	1,397	137	1,260	1,260	-	--- do ---	Naeem Awan - Employee
	497	25	472	472	-	--- do ---	Tahir Munir - Ex-employee
	477	156	321	321	-	--- do ---	Sajjad Arshad - Ex-employee
	930	163	767	767	-	--- do ---	Tayyab Raza - Ex-employee
	914	134	780	780	-	--- do ---	Shabbir Abbas - Employee
	895	157	738	738	-	--- do ---	Kashif Saeed - Employee
	495	41	454	454	-	--- do ---	Adeel Khurshid - Employee
	497	64	433	433	-	--- do ---	Mohsin Leghari - Employee
	381	120	261	261	-	--- do ---	Shahab Mujtaba - Employee
	495	41	454	454	-	--- do ---	Ehsan Elahi - Ex-employee
	694	69	625	625	-	--- do ---	Mohd. Azam Khan - Ex-Employee
	917	255	662	662	-	--- do ---	Khawar Saeed - Employee
	1,403	137	1,266	1,266	-	--- do ---	Salman Munir - Employee
	694	112	582	582	-	--- do ---	Zeeshan Taqvi - Employee
	494	41	453	453	-	--- do ---	Kamran Kiyani - Employee
	497	65	432	432	-	--- do ---	Iftikhar Masood - Ex-employee
	694	101	593	593	-	--- do ---	Khurram Sattar - Employee
	694	112	582	582	-	--- do ---	Waqas Anis - Employee
	694	112	582	582	-	--- do ---	Rehan Ashraf - Employee
	920	134	786	786	-	--- do ---	Rabia Salahuddin - Ex-employee
	943	653	290	290	-	--- do ---	Jawad Ali - Ex-employee
	497	57	440	440	-	--- do ---	Yusuf Gain - Ex-employee
	379	133	246	246	-	--- do ---	Amjad Ali - Employee
	479	47	432	432	-	--- do ---	Nehal Ahmed - Employee
	476	167	309	309	-	--- do ---	Ejaz Ahmed - Employee
	479	92	387	387	-	--- do ---	Nafees Rehman - Employee
	497	33	464	464	-	--- do ---	Aftab Ahmed Khan - Ex-employee
	495	41	454	454	-	--- do ---	Ahmed Nasim - Ex-employee
	923	230	693	693	-	--- do ---	Khalid Kamal - Employee
	694	58	636	636	-	--- do ---	Kamran Hassan - Employee
	890	281	609	609	-	--- do ---	Tariq Sabzwari - Ex-employee
	692	58	634	634	-	--- do ---	Faisal Qureshi - Employee
	920	177	743	743	-	--- do ---	Tariq Hashmi - Ex-employee
	660	155	505	505	-	--- do ---	Saima Mahfooz - Employee
	490	49	441	441	-	--- do ---	Khurram Hassan - Ex-employee
	923	203	720	720	-	--- do ---	Babar Wajid - Ex-employee
	920	92	828	828	-	--- do ---	William D' Souza - Ex-employee
	895	185	710	710	-	--- do ---	Liaquat Siddiq - Ex-employee
	497	58	439	439	-	--- do ---	Khurram Abbass - Employee
	694	122	572	572	-	--- do ---	Mohd. Ahmer - Employee
	497	65	432	432	-	--- do ---	Abbass Rafi Fida - Ex-employee
	476	167	309	309	-	--- do ---	Ebrahim Abbass - Employee
	655	154	501	501	-	--- do ---	Tahir Gillani - Employee
	694	89	605	605	-	--- do ---	Sadiq Saleem - Ex-employee
	694	145	549	549	-	--- do ---	Baber Ayaz - Employee
	694	134	560	560	-	--- do ---	Ahmer Zia - Ex-employee
	492	102	390	390	-	--- do ---	Rizwan Haider - Ex-employee
	507	17	490	490	-	--- do ---	Salman Ahmed - Ex-employee
	896	213	683	683	-	--- do ---	Arif Mehtab - Employee
	475	119	356	356	-	--- do ---	Arsalan Ullah Khan - Ex-employee
	497	98	399	399	-	--- do ---	Zahid Maqbool - Employee
	469	117	352	352	-	--- do ---	Zia Ameer - Ex-employee
	921	194	727	727	-	--- do ---	Marium Mansoor - Ex-employee
	914	192	722	722	-	--- do ---	Agha Naveed Haider - Employee
	830	277	553	553	-	--- do ---	Shahzad Ahmed - Ex-employee
Total carried forward	90,976	16,871	74,119	75,359	1,242		

(Rupees '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Total brought forward	90,976	16,871	74,119	75,359	1,242		
	497	33	464	464	-	Bank Policy	Waseem Alam - Employee
	359	100	259	259	-	--- do ---	Farhan Khan - Ex-employee
	689	57	632	689	57	Insurance Claim	Atlas Insurance Company Ltd.
	781	256	525	994	469	--- do ---	-----do-----
	<u>93,314</u>	<u>17,322</u>	<u>75,992</u>	<u>77,761</u>	<u>1,769</u>		

Items having book value of less than Rs. 0.25 million or cost of Rs. 1 million is as follows:

Vehicles	1,460	222	1,238	1,293	55
Electrical Equipment	1,130	155	975	406	(569)
	<u>95,904</u>	<u>17,699</u>	<u>78,205</u>	<u>79,460</u>	<u>1,255</u>

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
12. DEFERRED TAX ASSETS - net			
Differences in accounting base and tax base			
Deferred tax debits arising in respect of:			
- Employee benefits		-	4,366
- Deficit on revaluation of investments		283,442	25,535
- Provision against advances		3,040	2,890
- Tax losses		886,163	471,173
- Other deductible temporary differences		-	3,416
		<u>1,172,645</u>	<u>507,380</u>
Deferred tax credit arising due to:			
- operating fixed assets		(119,759)	(47,336)
- net investment in finance lease		(42,537)	(291,058)
		<u>(162,296)</u>	<u>(338,394)</u>
		<u>1,010,349</u>	<u>168,986</u>

The above net deferred tax asset has been recognised in accordance with the Bank's accounting policy as stated in note 5.8 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be realised.

13. OTHER ASSETS

Income / Mark-up accrued in local currency		633,335	221,078
Advances, deposits and other prepayments	13.1	223,634	203,241
Advance taxation (payments less provisions)		96,100	91,079
Branch adjustment account		12,974	-
Stationery and stamps on hand		2,832	2,881
Goodwill	13.2	377,421	516,498
Receivable against sale of securities		13,003	1,100
Receivable from brokers		-	4,468
Other charges recoverable from lessees		12,467	4,856
Others		18,894	3,838
		<u>1,390,660</u>	<u>1,049,039</u>
Less: Provision held against other assets	13.3	(13,598)	(6,305)
Other assets (net of provision)		<u>1,377,062</u>	<u>1,042,734</u>

	Note	2008 ---- (Rupees '000) ----	2007
13.1 Advances			
for purchase of land	13.1.1	32,000	32,000
office rent		130,876	146,328
others		32,301	4,344
Security deposits		21,615	18,651
Prepayments		6,842	1,918
		223,634	203,241

13.1.1 This represents consideration amount deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property was challenged by the judgment debtors / company in the Honourable Lahore High Court. Subsequently, case was transferred to Islamabad High Court. After hearing the appeal, Islamabad High Court has passed the order on December 01, 2008 and directed the Judgment Debtors to deposit the decreed money in the court within 90 days failing which the sale of land will be confirmed in favour of the Bank.

13.2 Goodwill

Cost

As at the beginning of the year	516,498	516,498
Less: Impairment charge for the year	(139,077)	-
Net book value	377,421	516,498

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash generating units:

- Commercial Banking
- Trading & Sales

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

Commercial Banking	222,893	309,899
Trading & Sales	154,528	206,599

Key assumptions used in value in use calculations

The recoverable amount of both the cash generating units have been determined based on a value in use calculation, using cash flow projections as per business plans approved by management covering a five year period. The discount rate applied to cash flow projections beyond the fifth year are extrapolated using a terminal growth rate. The following rates are used by the Bank:

	Commercial Banking		Trading & Sales	
	2008	2007	2008	2007
Discount rate - discrete period	26.3%	24.9%	25.1%	22.4%
Terminal growth rate	10.0%	10.0%	10.0%	10.0%

The calculation of value in use for both the cash generating units is most sensitive to the following assumptions:

- Interest margins;
- Discount rate;
- Key business assumptions during the projected period.

Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated using the Capital Asset Pricing Model for computing the cost of equity.

Key business assumptions

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's position might change over the projected period. Management expects Commercial Banking and Trading & Sales, particularly advances, deposits and other accounts and investments to grow aggressively during the projected period and thereafter stabilise in line with industry trends.

Sensitivity to changes in assumptions

For the Commercial Banking and Trading & Sales, there may be possible changes in key assumptions which could cause the carrying values of the respective units to exceed their recoverable amounts. Management has considered the possibility of lower than budgeted profits due to changes in the mix of inputs relating to growth in advances, deposits and other accounts and spreads. A reduction in net mark up / interest income of Rs. 110.67 million in Commercial Banking and Rs. 87.78 million in Trading & Sales or a reduction in profits of Rs. 63.27 million in Commercial Banking and Rs. 42.60 million in Trading & Sales would give a value in use equal to the carrying amounts of the respective units.

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
13.3 Provision held against other assets			
Opening balance		6,305	8,081
Transferred from provision against non-performing advances		7,293	-
Reversals		-	-
Write off against provision		-	(1,776)
		<u>13,598</u>	<u>6,305</u>
14. BILLS PAYABLE			
In Pakistan		255,742	288,907
Outside Pakistan		-	-
		<u>255,742</u>	<u>288,907</u>
15. BORROWINGS			
In Pakistan		5,317,929	1,258,042
Outside Pakistan		5,496	46,574
		<u>5,323,425</u>	<u>1,304,616</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		5,317,929	1,258,042
In foreign currencies		5,496	46,574
		<u>5,323,425</u>	<u>1,304,616</u>
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	379,301	224,568
Financing facility from State Bank of Pakistan	15.2.2	2,650,000	-
Borrowings from Banks		-	316,667
Repurchase agreement borrowings	15.2.3	1,438,628	716,807
		<u>4,467,929</u>	<u>1,258,042</u>
Unsecured			
Call borrowings		850,000	-
Overdrawn nostro accounts		5,496	46,574
		<u>5,323,425</u>	<u>1,304,616</u>

15.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2007: 6.50%) per annum having maturities upto June 2009.

15.2.2 This represents draw down against a facility obtained from SBP of Rs. 4,500 million at the rate of 18% per annum for a period of three months commencing from the date of first draw down. This facility is secured against personal guarantees of the sponsor directors, pledge of sponsors shareholdings, demand promissory note and a charge on the assets of the Bank.

15.2.3 These represent borrowings at rates ranging from 12% to 20% (2007: 9.35% to 9.60%) per annum having maturities upto January 13, 2009.

Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	9,522,909	3,693,681
Savings deposits	4,261,063	3,307,504
Current accounts – Non-remunerative	2,476,985	1,193,163
Margin and other accounts – Non-remunerative	84,575	185,066
	<u>16,345,532</u>	<u>8,379,414</u>
Financial Institutions		
Remunerative deposits	2,292,161	6,800,534
Non-remunerative deposits	8,719	142,723
	<u>2,300,880</u>	<u>6,943,257</u>
	<u>18,646,412</u>	<u>15,322,671</u>
16.1 Particulars of deposits		
In local currency	17,941,993	15,134,622
In foreign currencies	704,419	188,049
	<u>18,646,412</u>	<u>15,322,671</u>
17. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	401,595	215,622
Mark-up / return / interest payable in foreign currency	8,784	1,032
Accrued expenses	55,522	21,889
Payable to Bank of Ceylon, Colombo	20,611	20,611
Branch adjustment account	-	14,346
Retention money	17,530	3,185
Payable to staff gratuity fund	7,019	1,472
Security deposits against leases	442,859	527,317
Provision for employee compensated absences	55,846	13,193
Payable to creditors	21,720	10,077
Payments from clients / lessees received on account	35,563	39,173
Others	17,455	15,910
	<u>1,084,504</u>	<u>883,827</u>
18. SHARE CAPITAL		
18.1 Authorised capital		
<u>2008</u>	<u>2007</u>	
Number of shares		2008
		---- (Rupees '000) ----
<u>700,000,000</u>	<u>700,000,000</u>	<u>7,000,000</u>
	Ordinary shares of Rs 10/- each	<u>7,000,000</u>
18.2 Issued, subscribed and paid-up capital		
Ordinary shares of Rs 10/- each		
341,254,985	341,254,985	3,412,550
158,891,642	158,891,642	1,588,916
<u>500,146,627</u>	<u>500,146,627</u>	<u>5,001,466</u>
	Fully paid in cash	<u>3,412,550</u>
	Issued for consideration other than cash	<u>1,588,916</u>
		<u>5,001,466</u>
18.2.1 Shares held by associates and related parties are disclosed in pattern of share holding.		

	Note	2008 ---- (Rupees '000) ----	2007
19. DEFICIT ON REVALUATION OF ASSETS - net of tax			
Available-for-sale securities			
Government securities		(234,748)	(102,141)
Listed companies (ordinary shares)	19.1	(451,667)	(6,726)
Mutual funds (units / certificates)	19.1	(193,936)	(2,529)
Term Finance Certificates		4,739	9,975
		(875,612)	(101,421)
Related deferred taxation	19.1	282,989	25,535
		(592,623)	(75,886)

19.1 During the year, the stock exchange introduced 'floor mechanism' in respect of prices of equity securities based on the closing price as prevailing on August 27, 2008. Under the 'floor mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. During this period trading of securities effectively remained suspended on the stock exchanges. The trading resumed on December 15, 2008, however, the trading volumes upto December 31, 2008 were significantly low as compared to the volumes before the institution of floor mechanism. However, pursuant to the BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities held by the Bank have been valued at the prices quoted on the stock exchanges as of December 31, 2008 and the mutual fund units has been valued on the basis of the net asset values as of that date.

Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss amounting to Rs. 648.02 million and the related deferred tax impact of Rs. 226.81 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and have been taken to 'Deficit on revaluation of asset' account as shown on the balance sheet. The said impairment loss is required to be taken to the profit and loss account in the year 2009 on quarterly basis after adjustment for the effects of price movements in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss for the year.

The recognition of impairment loss in accordance with the requirement of accounting standards would have had the following effect on these financial statements:

	2008 (Rupees '000)
Increase in provision of diminution in the value of investments	648,024
Decrease in tax charge for the year	226,808
Increase in loss for the year	421,216
Increase in loss per share (Rupee)	0.84
Decrease in deficit on revaluation of assets – net of tax	421,216
Increase in accumulated loss	421,216

	2008 ---- (Rupees '000) ----	2007
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20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

Includes general guarantees of indebtedness in favour of:

i) Government	18,480	236,030
ii) Banking companies and other financial institutions	11,548	-
iii) Others	24,151	327,560
	54,179	563,590

20.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees favouring:

i) Government	409,384	160,474
ii) Banking companies and other financial institutions	92,440	102,832
iii) Others	125,267	313,593
	627,091	576,899

	2008 ---- (Rupees '000) ----	2007
20.3 Trade related contingent liabilities		
Letter of credit	1,156,373	1,523,416
20.4 Other contingencies		
- underwriting of shares and modaraba certificates	-	10,000
- underwriting of TFCs	-	80,000
- taxation matters have been disclosed in note 28.1		
20.5 Commitment in respect of forward lending		
- commitment to extend credits	6,034,214	1,860,429
- financing in respect of continuous funding system	-	3,894
20.6 Commitment in respect of forward exchange contracts		
- purchase	737,466	344,464
- sale	343,196	606,971
20.7 Commitment for the acquisition of operating fixed assets	79,400	228,183
20.8 Other commitments for		
- purchase of securities	-	62,090
21. DERIVATIVE INSTRUMENTS		
<p>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 Forward Exchange Contracts.</p> <p>Forward exchange contract is a product offered to customer backed by international trading contract. These customers used this product to hedge themselves from unfavorable movements in foreign currencies.</p> <p>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.</p> <p>Accounting policy in respect of derivative financial instrument is disclosed in note 5.11.</p>		
22. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	2,396,177	801,286
Financial institutions	23,480	6,843
On investments in:		
Available-for-sale securities	239,563	287,110
Held-to-maturity securities	89,060	14,753
On deposits with financial institutions	102,569	104,501
On securities purchased under resale agreements	124,919	123,966
	<u>2,975,768</u>	<u>1,338,459</u>
23. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	1,896,135	1,033,498
Securities sold under repurchase agreements	142,050	120,933
Long term borrowings	13,908	86,606
Other short term borrowings	369,061	53,391
	<u>2,421,154</u>	<u>1,294,428</u>
24. GAIN ON SALE / REDEMPTION OF SECURITIES		
Listed companies (ordinary shares)	55,382	97,705
Mutual funds (units / certificates)	45,212	166,950
	<u>100,594</u>	<u>264,655</u>

	Note	2008 ---- (Rupees '000) ----	2007
25. OTHER INCOME			
Net profit on sale of fixed assets	11.5	1,255	208
Recovery against written off advances		10,623	-
Others	25.1	14,048	7,947
		<u>25,926</u>	<u>8,155</u>
25.1 Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.			
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,003,899	287,095
Charge for defined benefit plan	32.1.4	7,019	2,146
Contribution to defined contribution plan		31,810	12,781
Non executive directors' fees		220	170
Rent, taxes, insurance, electricity, etc.		235,070	121,956
Legal and professional charges		50,165	13,448
Communications		81,649	25,967
Repairs and maintenance		100,618	22,689
Stationery and printing		33,201	11,820
Advertisement and publicity		80,405	9,439
Auditors' remuneration	26.1	6,761	5,753
Depreciation	11.2 & 11.3	91,758	41,888
Amortisation	26.2	8,445	31,852
Brokerage and commission		21,981	17,513
Travelling and motor car expenses		56,806	29,077
Entertainment		14,382	2,685
Fee and subscription		20,460	22,105
Security services		15,097	4,870
Others		5,141	2,292
		<u>1,864,887</u>	<u>665,546</u>
26.1 Auditors' remuneration			
Audit fee		1,100	1,100
Review of half yearly financial statements		275	250
Special audit, certifications and other advisory services		4,474	3,843
Tax services		75	250
Out-of-pocket expenses		837	310
		<u>6,761</u>	<u>5,753</u>
26.2 Amortisation			
Intangible assets	11.4	8,445	6,243
Deferred cost		-	25,609
		<u>8,445</u>	<u>31,852</u>
26.3 Other provisions / write offs			
Investments written off		98	-
Fixed assets written off	11.2	7,234	-
Provision against advances to suppliers	11.1.1	22,089	-
Impairment of goodwill	13.2	139,077	-
		<u>168,498</u>	<u>-</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		7,048	3,377
28. TAXATION			
Current	28.1	-	13,399
Prior year		260	(377)
Deferred		(583,911)	(253,542)
		<u>(583,651)</u>	<u>(240,520)</u>

28.1 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the tax department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgement of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.

The original assessment of the Bank for the tax year 2004 has also been amended by the department on the similar issue.

	Note	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
29. BASIC AND DILUTED LOSS PER SHARE			
Loss after taxation for the year		(1,010,559)	(309,044)
		Number of shares in thousand	
Weighted average number of ordinary shares in issue		500,146	333,670
		---- Rupees ----	
Loss per share - Basic and diluted		(2.02)	(0.93)
30. CASH AND CASH EQUIVALENTS		2008	2007
		---- (Rupees '000) ----	---- (Rupees '000) ----
Cash and balances with treasury banks	6	1,617,825	1,501,334
Balances with other banks	7	51,449	215,318
		<u>1,669,274</u>	<u>1,716,652</u>
31. STAFF STRENGTH		Number of staff	
Permanent		855	603
Temporary / on contractual basis		7	178
Outsourced		609	-
Total staff strength		<u>1,471</u>	<u>781</u>

32. DEFINED BENEFIT AND CONTRIBUTION PLANS

32.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of ten years. Contributions are made to the fund in accordance with the recommendations of the actuary. Employees are entitled to the benefits under the scheme which comprise of 15 days last drawn basic salary for each completed year of service.

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Method was carried out on December 31, 2008. Following are the significant assumptions used in the actuarial valuation:

	2008	2007
Discount rate - percent (per annum)	15	10
Expected rate of return on plan assets - percent (per annum)	15	10
Long term rate of salary increase - percent (per annum)	14	9

32.1.2 Reconciliation of payable to defined benefit plan

	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
Present value of defined benefit obligation	24,921	14,209
Fair value of plan assets	(12,476)	(17,554)
Net actuarial loss recognised	(7,674)	(3,644)
Payable to subsidiary in respect of employees transferred	2,248	2,223
Payable to related party in respect of employees transferred	-	6,238
	<u>7,019</u>	<u>1,472</u>

	2008 ---- (Rupees '000) ----	2007
32.1.3 Movement in payable to defined benefit plan		
Opening balance	1,472	298
Charge for the year	7,019	2,146
Contribution to fund made during the year	(1,472)	(972)
Closing balance	<u>7,019</u>	<u>1,472</u>
32.1.4 Charge for defined benefit plan		
Current service cost	5,974	1,627
Interest cost	2,220	1,754
Expected return on plan assets	(1,432)	(1,373)
Actuarial loss recognised	257	138
Charge for the year	<u>7,019</u>	<u>2,146</u>
32.1.5 Actual return on plan assets	<u>163</u>	<u>1,402</u>
32.1.6 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the year	14,209	17,074
Service cost	5,974	1,627
Interest cost	2,220	1,754
Actuarial loss / (gain) on obligation	2,859	(8)
Payable to related party in respect of employees transferred	-	(6,238)
Benefits paid during the year	(341)	-
Defined benefit obligation as at end of the year	<u>24,921</u>	<u>14,209</u>
32.1.7 Movement in fair value of plan assets		
Fair value of plan assets as at beginning of the year	17,554	14,994
Expected return on plan assets	1,432	1,373
Payable to subsidiary in respect of employees transferred	26	233
Actuarial loss on plan assets	(1,429)	(18)
Contribution to fund made during the year	1,472	972
Transferred to related party in respect of employees transferred	(6,238)	-
Benefits paid during the year	(341)	-
Fair value of plan assets as at end of the year	<u>12,476</u>	<u>17,554</u>
32.1.8 Annual Actuarial losses		
Experience loss / (gain) on obligation	2,859	(8)
Experience loss on plan assets	1,429	18
Total loss during the year	<u>4,288</u>	<u>10</u>
32.1.9 Categories of plan assets as a percentage of fair value of total plan assets		
Fixed income	25%	58%
Cash	38%	3%
Term Deposit Receipt	8%	-
Mutual Funds	29%	39%
Total	<u>100%</u>	<u>100%</u>

	2008 ----- (Rupees '000) -----	2007	2006
32.1.10 Historical information			
Present value of defined benefit obligation	24,921	14,209	17,074
Fair value of plan assets	(12,476)	(17,554)	(14,994)
Deficit / (surplus)	<u>12,445</u>	<u>(3,345)</u>	<u>2,080</u>

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	----- (Rupees '000) -----					
Managerial remuneration	16,241	7,210	-	832	221,723	69,423
Retirement benefits	1,553	690	-	80	19,873	6,127
Rent and house maintenance	6,353	2,821	-	325	17,572	27,166
Utilities	1,412	627	-	72	3,905	6,037
Medical	-	77	-	-	426	1,191
General / special allowance	-	-	-	-	133,938	-
Conveyance	-	-	-	-	45,663	4
Others	-	-	-	-	7,591	-
	<u>25,559</u>	<u>11,425</u>	<u>-</u>	<u>1,309</u>	<u>450,691</u>	<u>109,948</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>205</u>	<u>59</u>

In addition to the above, the Chief Executive Officer and certain executives have been provided with free use of Bank's vehicles and other benefits under the service contracts.

Fee paid to non-executive directors amounts to Rs. 0.22 million (2007: Rs. 0.17 million) during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
	----- (Rupees '000) -----			
Assets				
Cash and balances with treasury banks	1,617,825	1,617,825	1,501,334	1,501,334
Balances with other banks	51,449	51,449	215,318	215,318
Lendings to financial institutions	114,000	114,000	4,427,824	4,427,824
Investments	2,990,906	2,990,906	5,566,841	5,566,841
Advances	20,549,869	20,549,869	9,242,511	9,242,511
Other assets	702,465	702,465	271,729	271,694
	<u>26,026,514</u>	<u>26,026,514</u>	<u>21,225,557</u>	<u>21,225,522</u>
Liabilities				
Bills payable	255,742	255,742	288,907	288,907
Borrowings	5,323,425	5,323,425	1,304,616	1,304,616
Deposits and other accounts	18,646,412	18,646,412	15,322,671	15,322,671
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	585,912	585,912	279,070	279,070
	<u>24,811,491</u>	<u>24,811,491</u>	<u>17,195,264</u>	<u>17,195,264</u>

34.2 Off-balance sheet financial instruments

	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
	----- (Rupees '000) -----			
Forward purchase of foreign exchange	737,466	740,143	344,464	347,489
Forward sale of foreign exchange	343,196	341,045	606,971	610,031
Forward lending	6,034,214	6,034,214	1,860,429	1,860,429

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on cost less any impairment as per the policy of the Bank. Fair value of Government securities is determined using PKRV rates.

The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5 of these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and financial 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 financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Others
	(Rupees in '000)						
December 31, 2008							
Total income	2,674	529,635	1,854,492	831,419	2,143	557	-
Total expenses	-	697,049	2,827,684	1,290,397	-	-	-
Net income / (loss) before tax	2,674	(167,414)	(973,192)	(458,978)	2,143	557	-
Segment Assets	-	4,739,732	1,690,513	22,536,782	-	-	-
Segment Non Performing Loans	-	-	28,878	1,439,062	-	-	-
Segment Provision Required	-	-	13,733	745,512	-	-	-
Segment Liabilities	-	5,393,269	19,370,286	546,528	-	-	-
Segment Return on Assets (ROA) (%)	-	-1.92%	-4.78%	-2.52%	-	-	-
Segment Cost of Funds (%)	-	13.10%	9.93%	10.31%	-	-	-
December 31, 2007							
Total income	1,851	407,783	1,054,800	214,693	1,196	368	4,554
Total expenses	-	249,456	1,440,300	545,053	-	-	-
Net income / (loss) before tax	1,851	158,327	(385,500)	(330,360)	1,196	368	4,554
Segment Assets	-	10,278,935	1,834,736	8,961,352	-	-	1,909,238
Segment Non Performing Loans	-	-	85,671	689,519	-	-	-
Segment Provision Required	-	-	80,256	394,605	-	-	-
Segment Liabilities	-	1,008,864	16,005,404	770,874	-	-	14,879
Segment Return on Assets (ROA) (%)	-	1.81%	-3.35%	-4.97%	-	-	-
Segment Cost of Funds (%)	-	9.65%	9.45%	9.73%	-	-	-

36. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, staff retirement funds, key management personnel and major shareholders of the Bank.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2008 --- (Rupees '000) ---	2007 --- (Rupees '000) ---
Key management personnel		
Advances		
As at January 01	41,191	8,112
Disbursements	49,926	36,269
Repayments	(8,648)	(3,189)
As at December 31	82,469	41,191
Deposits		
As at January 01	19,240	6,176
Receipts	1,388,946	345,702
Withdrawals	(1,378,262)	(332,638)
As at December 31	29,924	19,240
Mark-up / return / interest earned	2,742	1,149
Mark-up / return / interest expensed	2,030	723
Subsidiary		
Advances		
Running finance	112,973	119,434
Deposits		
As at January 01	2,235	-
Receipts	559,420	89,735
Withdrawals	(559,089)	(87,500)
As at December 31	2,566	2,235
Mark-up / return / interest earned	26,204	17,588
Mark-up on deposits	258	171
Corporate advisory fees paid	1,000	1,537
Brokerage expense paid	1,653	6,271
Sharing of rent and other expenses	1,954	573

	2008 ---- (Rupees '000) ----	2007 ---- (Rupees '000) ----
Employee benefit plans		
Contribution to Atlas Bank Limited - Employees Gratuity Fund	1,472	972
Contribution to Atlas Bank Limited - Employees Provident Fund	31,641	12,782
Entities having directors in common with the Bank		
Advances		
As at January 01	197,782	46,602
Disbursements	387,299	165,576
Repayments	(51,860)	(14,396)
As at December 31	533,221	197,782
Running finance	98	74,835
Facilities in respect of non-funded exposure	316,842	687,275
Deposits		
As at January 01	2,394,598	853,134
Receipts	38,319,932	21,346,117
Withdrawals	(39,222,895)	(19,804,653)
As at December 31	1,491,635	2,394,598
Mark-up / return / interest earned	65,560	8,857
Mark-up / return / interest expensed	132,791	94,691
Shares issued	-	2,157,882
Rent paid	10,800	1,800
Sharing of rent expenses	1,911	1,091
Insurance premium paid	16,279	6,507
Insurance claim received	8,515	1,574
Printing and stationery expense	255	100
Purchase / repair of photocopier, PABX etc.	11,627	3,671
Purchase of motor vehicles	11,377	83,381
Advance for purchase of motor vehicles	-	4,326
Operating lease rental income	11,585	10,837
Purchase of mutual fund units	-	689,999
Redemption of mutual fund units	255,605	483,471

37. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

37.1 The primary objective of the Bank's capital management is to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. Basel II implementation is a vital initiative towards strengthening Bank's risk management. Bank in line with SBP guidelines has adopted the standardized approach for credit, market risks and basic indicator approach for operational risk.

37.2 Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions 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 status of Bank's compliance with minimum paid up capital requirement is explained in note 1.2 to the financial statements.

In addition, the Bank is also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Bank. Atlas Bank's CAR as at December 31, 2008 was 10.30% of its risk weighted exposures.

The Bank in alignment with its corporate strategy has expansion plans, starting from ensuring its presence in all major cities of the country, to providing a range of innovative financial products and services to a wide customer base. The capital adequacy is constantly been monitored and stress tested by using various adverse scenarios. The Bank also aims to develop a formalized strategy for the implementation of Internal Capital Adequacy Assessment Process as laid down by SBP.

37.3 Regulatory capital structure

	2008	2007
	---- (Rupees '000) ----	
Tier I Capital		
Paid up capital	5,001,466	5,001,466
Share premium	577,537	577,537
Reserves	2,494	2,494
Accumulated loss	(1,331,930)	(321,371)
Less: Deduction for goodwill and other intangible assets	(601,169)	(516,498)
50% deduction for investment in subsidiary	(198,471)	(198,471)
Deficit on revaluation of available-for-sale investments	(875,612)	(101,421)
Total Tier I Capital	2,574,315	4,443,736
Tier II Capital		
General Provisions subject to 1.25% of Total Risk Weighted Assets	4,822	5,656
Less: 50% deduction for investment in subsidiary	(198,471)	(198,471)
Total Tier II Capital	(193,649)	(192,815)
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	2,380,666	4,250,921

37.4 The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy is as follows:

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	----- (Rupees in '000) -----			
Credit Risk				
<u>Portfolios subject to standardized approach</u>				
<u>(Simple or Comprehensive)</u>				
Corporate portfolio	1,172,698	518,681	13,029,983	6,483,515
Retail	444,331	138,829	4,937,012	1,735,367
Claims on Banks	9,176	37,721	101,957	471,507
Mortgage Finance	18,599	5,813	206,656	72,660
Past Due Loans	67,114	29,035	745,706	362,935
Unlisted Equities	4,050	15,799	45,000	197,491
Claims on Fixed Assets	97,526	65,497	1,083,617	818,713
All Other Assets	119,237	52,242	1,324,855	653,031
Off Balance Sheet Non Market Related	39,618	110,473	440,202	1,380,918
Off Balance Sheet Market Related	15	6,311	163	78,890
	1,972,364	980,401	21,915,151	12,255,027
Equity Exposure Risk in the Banking Book				
<u>Equity portfolio subject to market-based approaches</u>				
Under simple risk weight method	-	-	-	-
Market Risk				
<u>Capital Requirement for portfolios subject to</u>				
<u>Standardized Approach</u>				
Interest rate risk - General	3,226	53,367	35,850	667,090
Interest rate risk - Specific	16,098	16,702	178,865	208,775
Equity position risk etc. - General	32,369	102,533	359,658	1,281,661
Equity position risk etc. - Specific	32,369	102,533	359,658	1,281,661
	84,062	275,135	934,031	3,439,187
Operational Risk				
<u>Capital Requirement for operational risks</u>				
	24,743	21,994	274,925	274,925
	24,743	21,994	274,925	274,925
TOTAL	2,081,169	1,277,530	23,124,107	15,969,139

	2008	2007
	---- (Rupees '000) ----	
Capital Adequacy Ratio		
Total eligible regulatory capital held (a)	2,380,666	4,250,921
Total Risk Weighted Assets (b)	23,124,107	15,969,139
Capital Adequacy Ratio - percent (a) / (b)	10.30%	26.62%

38. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At Atlas Bank it involves identification, measurement, monitoring and controlling risks.

Risk management framework of the Bank includes:

- a) Defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories has Risk Management & Credit Committee that supervises overall risk management at the Bank;
- c) Management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism is in place to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the Board of Directors, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board of Directors.

The Bank's Enterprise Risk Management Group generates the requisite risk reporting for the different tiers of management.

38.1 Credit Risk

Credit risk is the risk of loss to the Bank as a result of failure by a client or counter party to meet its contractual obligation. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit and guarantee, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions.

To effectively manage the credit portfolio, the Bank recognises that every extension of credit poses risks, assesses the credit risk posed by each borrower based on borrower type, industry and business conditions, credit worthiness, financial condition, cash flow, product and collateral types etc.

Credit risk is monitored at every stage of loan cycle i.e. approval, disbursement, collateral management, repayment and delinquency through defined policies and procedures.

Board of Directors provides strategic guidance through Credit Committee of the Board, which assist the Board in formulating credit policy, credit limit and other strategic functions.

The Bank continually assesses and monitors credit exposures. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

38.2 Segment by class of business

	2 0 0 8					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	2,522,746	11.84%	79,503	0.43%	640,542	7.09%
Services	3,296,540	15.47%	717,898	3.85%	2,774,865	30.72%
Steel & Engineering	1,391,535	6.53%	163,654	0.88%	626,415	6.94%
Print Publish & Allied	1,043,337	4.90%	117,629	0.63%	176,806	1.96%
Transport & Communication	945,998	4.44%	417,882	2.24%	517,355	5.73%
Consumer	882,870	4.14%	7,625,556	40.90%	3,336	0.04%
Miscellaneous	1,086,090	5.10%	1,661,600	8.91%	211,371	2.34%
Construction	1,673,306	7.85%	696,317	3.73%	852,242	9.44%
Chemical & Pharma	1,395,403	6.55%	32,454	0.17%	417,017	4.62%
Automobile	289,490	1.36%	207,929	1.12%	382,529	4.24%
Energy Oil & Gas	861,175	4.04%	1,533,775	8.23%	233,736	2.59%
Electric & Electrical Goods	614,008	2.88%	16,199	0.09%	241,468	2.67%
Carpet	275,722	1.29%	2,352	0.01%	757	0.01%
Food, Tobacco & Beverages	2,640,256	12.39%	237,375	1.27%	331,552	3.67%
Sugar & Allied	71,496	0.34%	10,156	0.05%	-	-
Health Care	466,895	2.19%	138,717	0.74%	43,567	0.48%
Financial Institutions	346,121	1.62%	2,300,876	12.34%	1,167,807	12.93%
Trust	-	-	2,452,440	13.15%	-	-
Education	471,479	2.21%	129,855	0.70%	116,693	1.29%
Glass & Ceramics	303,261	1.42%	465	0.00%	9,972	0.11%
Dairy & Poultry	98,600	0.46%	758	0.00%	9,272	0.10%
Leather & Footwear	20,136	0.09%	2,166	0.01%	35,325	0.39%
Paper & Allied Products	86,317	0.40%	-	-	16,445	0.18%
Hotels	208,939	0.98%	100,574	0.54%	131,995	1.46%
Cement	32,279	0.15%	282	0.00%	16,709	0.18%
Banaspati & Allied Industries	289,937	1.36%	-	-	74,143	0.82%
	21,313,936	100.00%	18,646,412	100.00%	9,031,919	100.00%

	2 0 0 7					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	1,430,984	14.72%	22,422	0.15%	169,794	2.90%
Services	1,809,983	18.62%	1,925,901	12.57%	602,018	10.27%
Steel & Engineering	655,832	6.75%	30,555	0.20%	338,809	5.78%
Print Publish & Allied	768,020	7.90%	7,491	0.05%	293,979	5.02%
Transport & Communication	537,458	5.53%	102,034	0.67%	77,917	1.33%
Consumer	591,146	6.08%	2,888,466	18.85%	-	-
Miscellaneous	595,469	6.12%	805,741	5.26%	588,434	10.04%
Construction	598,194	6.15%	58,624	0.38%	574,188	9.80%
Chemical & Pharma	483,054	4.97%	13,310	0.09%	320,981	5.48%
Automobile	65,830	0.68%	214,070	1.40%	246,134	4.20%
Energy Oil & Gas	328,242	3.38%	70,689	0.46%	904,360	15.43%
Electric & Electrical Goods	248,901	2.56%	-	-	95,867	1.64%
Carpet	239,715	2.47%	-	-	2,000	0.03%
Food, Tobacco & Beverages	357,915	3.68%	96,937	0.63%	54,539	0.93%
Sugar & Allied	97,968	1.01%	-	-	-	-
Health Care	68,432	0.70%	8,034	0.05%	14,840	0.25%
Financial Institutions	182,870	1.88%	6,940,100	45.29%	1,418,129	24.20%
Trust	3,908	0.04%	1,902,711	12.42%	-	-
Education	221,418	2.28%	231,077	1.51%	30,000	0.51%
Glass & Ceramics	48,470	0.50%	-	-	29,100	0.50%
Dairy & Poultry	46,255	0.48%	-	-	-	-
Leather & Footwear	26,314	0.27%	1,592	0.01%	995	0.02%
Paper & Allied Products	7,268	0.07%	-	-	7,758	0.13%
Hotels	201,579	2.07%	2,917	0.02%	60,827	1.04%
Cement	52,653	0.54%	-	-	-	-
Banaspati & Allied Industries	55,150	0.57%	-	-	29,267	0.50%
	9,723,028	100.00%	15,322,671	100.00%	5,859,936	100.00%

38.3 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	2,829,192	15.17%	-	-
Private	21,313,936	100.00%	15,817,220	84.83%	9,031,919	100.00%
	21,313,936	100.00%	18,646,412	100.00%	9,031,919	100.00%

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	522,601	3.41%	-	-
Private	9,723,028	100.00%	14,800,070	96.59%	5,859,936	100.00%
	9,723,028	100.00%	15,322,671	100.00%	5,859,936	100.00%

38.4 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
	----- Rs. in '000 -----			
Textile	458,471	286,772	232,849	131,616
Services	174,901	100,722	84,826	54,589
Steel & Engineering	87,264	21,618	82,456	26,910
Print Publish & Allied	91,284	34,598	18,121	6,354
Transport & Communication	24,777	19,146	59,665	29,726
Consumer	28,878	13,733	85,671	80,256
Miscellaneous	107,557	90,093	45,217	39,204
Construction	192,567	34,936	7,684	4,858
Chemical & Pharma	1,224	1,224	5,307	2,566
Automobile	16,557	15,809	15,559	15,559
Electric & Electrical Goods	2,716	2,716	3,971	1,986
Carpet	92,980	23,466	61,260	24,065
Food, Tobacco & Beverages	97,282	62,515	33,610	29,773
Health Care	21,206	11,162	15,656	4,430
Education	21,128	5,283	345	163
Leather & Footwear	1,191	1,191	1,553	1,553
Cement	-	-	374	187
Glass & Ceramics	26,891	13,195	-	-
Banaspati & Allied Industries	21,066	21,066	21,066	21,066
	1,467,940	759,245	775,190	474,861

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

Public / Government	-	-	-	-
Private	1,467,940	759,245	775,190	474,861
	1,467,940	759,245	775,190	474,861

38.6 Credit Risk - General Disclosures Basel II Specific

The Bank has not adopted the foundation or advanced approaches and instead use standardised approach.

38.6.1 Credit Risk: Standardized Approach

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilized by the Bank with respect to material categories of exposures;

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (Retail Exposures)	✓	✓	-	-	-
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitized	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparty. Both short and long term ratings has been used to rate corresponding short & long term exposures, for this purpose Mapping Grid provided by SBP has been used.

Credit Exposures subject to Standardised approach

Exposures	Rating Category	Rating Risk Weight	2008			2007		
			Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount
----- Rs. in '000 -----								
Cash and cash equivalents	-	0%	393,461	1,076	394,537	193,328	1,027	194,355
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	0%	1,083,528	-	1,083,528	1,289,540	2,163,312	3,452,852
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	0%	140,836	-	140,836	18,466	-	18,466
Claims on Banks	1	20%	1,441	-	1,441	707,313	-	707,313
Claims on Banks	2,3	50%	182,759	-	182,759	403,486	(201,713)	201,773
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	20%	36,958	-	36,958	50,387	-	50,387
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	20%	14,491	-	14,491	2,921,050	(1,825,650)	1,095,400
Claims on Corporates (excluding equity exposures)	1	20%	-	-	-	321,006	(135,949)	185,057
Claims on Corporates (excluding equity exposures)	2	50%	105,047	-	105,047	317,505	-	317,505
Claims on Corporates (excluding equity exposures)	3,4	100%	114,487	-	114,487	200,160	-	200,160
Claims categorized as retail portfolio	-	75%	6,582,683	-	6,582,683	2,313,823	-	2,313,823
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)	-	35%	590,445	-	590,445	207,599	-	207,599
Past due loans where specific provisions are no less than 20% of the outstanding amount of the past due claim	-	100%	672,120	-	672,120	352,915	-	352,915
Past due loans where specific provisions are more than 50% of the outstanding amount of the past due claim	-	50%	147,172	-	147,172	20,040	-	20,040
Unlisted equity investments (other than that deducted from capital) held in banking book	-	150%	30,000	-	30,000	131,661	-	131,661
Investments in premises, plant and equipment and all other fixed assets	-	100%	1,047,883	-	1,047,883	818,713	-	818,713
Claims on all fixed assets under operating lease	-	100%	35,734	-	35,734	-	-	-
All other assets	-	100%	1,324,855	-	1,324,855	653,031	-	653,031
Unrated	Unrated	100%	12,864,048	(1,076)	12,862,972	6,088,617	(1,027)	6,087,590
TOTAL			25,367,948	-	25,367,948	17,008,640	-	17,008,640

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardized Approach as prescribed by SBP which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, FDRs, TDRs, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills & Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

Under the bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the bank on weekly basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the Drawing Power is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

39. GEOGRAPHICAL SEGMENT ANALYSIS

	2 0 0 8			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees '000 -----			
Pakistan	(1,594,210)	28,967,027	3,656,944	9,031,919
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(1,594,210)	28,967,027	3,656,944	9,031,919

40. MARKET RISK

40.1 Market risk is defined as the loss in market value of a given portfolio that can be expected to be incurred arising from changes in variables, namely interest rates, foreign exchange rates and equity prices.

The Bank is exposed to market risk in its trading portfolio because the values of its trading positions are sensitive to changes in market prices and rates. Similarly, it is also exposed to market risk in its investment portfolio.

The Bank's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes. The Asset and Liability Committee (ALCO) is entrusted with key decision making in establishing market risk related strategies and monitoring these against limits. The committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Bank's interest rate view and determines the business strategy. On a periodical basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of bank's risk position.

40.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. Changes in currency rates affect the value of assets and liabilities dominated in foreign currencies and may affect the income from foreign exchange dealing. The Bank's exposure is limited to the extent of statutory Net Open Position limit prescribed by SBP. Foreign exchange open and mismatch positions are controlled through internal limits and are marked to market on a daily basis to contain forward exposures. Counter party and stop loss limits are also in place to limit risk and concentration.

	2 0 0 8			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	28,644,804	24,596,641	(355,796)	3,692,367
United States dollar	246,313	470,636	175,362	(48,961)
Great Britain pound	47,835	139,032	93,491	2,294
Japanese yen	209	-	-	209
Euro	27,866	103,774	86,943	11,035
Swiss franc	-	-	-	-
	28,967,027	25,310,083	-	3,656,944

	2 0 0 7			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	21,965,816	17,044,937	(997,933)	3,922,946
United States dollar	978,374	712,564	914,373	1,180,183
Great Britain pound	20,148	5,807	62,100	76,441
Japanese yen	-	21,733	21,460	(273)
Euro	19,551	14,980	-	4,571
Swiss franc	372	-	-	372
	22,984,261	17,800,021	-	5,184,240

40.3 Equity Position Risk

Equity position risk in trading book arises due to change in prices of stocks or levels of equity indices.

The Bank's equity and mutual fund exposure is managed with in the SBP statutory limits for overall investment and per script exposure. In addition, there are internal limits for trading position as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

40.4 Yield / Interest Rate Risk in the Banking Book (IRRBB) - Basel II Specific

Rate sensitive positions are hedged adequately and gaps are kept within acceptable limits.

Bank conducts regularly gap analysis, stress testing, duration analysis in order to identify and control the interest rate risk.

Economic conditions, interest rate scenario, loan repayments and behavior of non maturity deposits are monitored closely for controlling the interest rate risk.

In order to quantify the interest rate risk sensitivity on assets and liabilities, the Bank performs portfolio stress tests under certain assumptions to assess the impact on the Bank's Capital Adequacy. This exercise is conducted under SBP guidelines on Stress Testing.

41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

		2 0 0 8										
Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(%)	(Rupees in '000)											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.93%	1,617,825	106,472	-	-	-	-	-	-	-	-	1,511,353
Balances with other banks	-	51,449	-	-	-	-	-	-	-	-	-	51,449
Lendings to financial institutions	10.79%	114,000	3,000	104,000	6,000	1,000	-	-	-	-	-	-
Investments	8.96%	2,990,906	138,729	979,312	235,473	17,601	5,141	121,296	524,790	181,963	-	786,601
Advances	14.90%	20,549,869	8,446,073	3,144,090	4,157,855	3,173,395	566,245	304,756	217,453	121,689	340,185	78,128
Other assets	-	702,465	-	-	-	-	-	-	-	-	-	702,465
		26,026,514	8,694,274	4,227,402	4,399,328	3,191,996	571,386	426,052	742,243	303,652	340,185	3,129,996
Liabilities												
Bills payable	-	255,742	-	-	-	-	-	-	-	-	-	255,742
Borrowings	14.85%	5,323,425	2,293,454	2,741,275	283,200	-	-	-	-	-	-	5,496
Deposits and other accounts	10.34%	18,646,412	8,856,280	2,347,995	1,977,618	2,762,046	90,342	35,396	6,456	-	-	2,570,279
Other liabilities	-	585,912	-	-	-	-	-	-	-	-	-	585,912
		24,811,491	11,149,734	5,089,270	2,260,818	2,762,046	90,342	35,396	6,456	-	-	3,417,429
On-balance sheet gap		1,215,023	(2,455,460)	(861,868)	2,138,510	429,950	481,044	390,656	735,787	303,652	340,185	(287,433)
Off balance sheet financial instruments												
Forward purchase of foreign exchange		737,466	-	-	-	-	-	-	-	-	-	737,466
Forward sale of foreign exchange		(343,196)	-	-	-	-	-	-	-	-	-	(343,196)
Forward lending		6,034,214	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	-
Off balance sheet gap		6,428,484	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	394,270
Total Yield/Interest Risk Sensitivity Gap			(3,582,782)	(2,025,375)	49,831	(1,063,940)	324,867	386,017	735,787	303,652	340,185	
Cumulative Yield/Interest Risk Sensitivity Gap			(3,582,782)	(5,608,157)	(5,558,326)	(6,622,266)	(6,297,399)	(5,911,382)	(5,175,595)	(4,871,943)	(4,531,758)	

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

41.2 The interest rate exposure taken by the Bank arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Bank. This risk is addressed by an Asset and Liability Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.

41.3 The advances and deposits of the Bank are re-priced on a periodic basis based on existing interest rates scenario.

42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and also takes into account the effective maturities as indicated by the Bank's deposit retention history. Current and savings deposits are repayable on demand, however Asset and Liability Committee has determined the maturity buckets, based on its judgement and experience. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

2 0 0 8										
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	
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	1,617,825	1,114,671	127,637	152,078	64,452	35,986	61,501	44,491	17,009	-
Balances with other banks	51,449	51,449	-	-	-	-	-	-	-	-
Lendings to financial institutions	114,000	3,000	104,000	6,000	1,000	-	-	-	-	-
Investments	2,990,906	7,327	793,273	165,358	296,292	77,231	252,129	750,161	222,193	426,942
Advances	20,549,869	4,738,637	3,837,194	4,961,667	3,520,972	802,785	420,633	889,776	709,305	668,900
Operating fixed assets	1,255,567	-	-	-	-	41,753	45,975	390,787	624,173	152,879
Deferred tax assets	1,010,349	-	1,060	67,877	156,425	-	-	770,396	14,591	-
Other assets	1,377,062	124,837	85,776	579,399	153,589	38,020	18,020	-	-	377,421
	28,967,027	6,039,921	4,948,940	5,932,379	4,192,730	995,775	798,258	2,845,611	1,587,271	1,626,142
Liabilities										
Bills payable	255,742	255,742	-	-	-	-	-	-	-	-
Borrowings	5,323,425	2,298,950	2,741,275	283,200	-	-	-	-	-	-
Deposits and other accounts	18,646,412	4,968,692	2,877,953	3,436,747	4,051,080	810,069	1,265,407	896,275	340,189	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,084,504	206,516	217,665	139,533	261,681	247,089	11,284	736	-	-
	25,310,083	7,729,900	5,836,893	3,859,480	4,312,761	1,057,158	1,276,691	897,011	340,189	-
Net assets	3,656,944	(1,689,979)	(887,953)	2,072,899	(120,031)	(61,383)	(478,433)	1,948,600	1,247,082	1,626,142
Share capital	5,001,466									
Reserves	580,031									
Accumulated loss	(1,331,930)									
	4,249,567									
Deficit on revaluation of assets	(592,623)									
	3,656,944									

42.1 The Bank is exposed to liquidity risk, arising from mismatches between the maturities of its assets and liabilities.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets.

The Bank aims at sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity risk policy, controls and limits.

Regular review by the Asset and Liability Management Committee (ALCO) and Risk Management Committee provides supervision and guidance in managing the Bank's liquidity risk.

43. OPERATIONAL RISK

In line with the Basel-II framework, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) has been established under the umbrella of Compliance & Operational Risk Group (CORG) to provide a focused approach to the management of operational risk on a bank-wide basis. The respective business-development and business-support functions are the risk-takers while ORMD provides assistance and guidance to these areas for the proactive operational risk management.

Key Risk Indicators (KRIs) have been developed for identifying, assessing and controlling operational risk in people, processes and systems of the bank. Moreover, Risk & Control Self-Assessments (RCSAs) are being developed for creating awareness, identification of operational risk and compliance with the regulatory guidelines in the light of international best practices.

Currently, the Bank uses the Basic Indicator Approach (BIA) for calculation of regulatory capital allocated against operational risk.

44. GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

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

44.3 Figures have been rounded off to the nearest thousand rupees.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 28, 2009 by the Board of Directors of the Bank.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



Sanaullah Qureshi
Director

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
1	SHAHTAJ ENTERPRISES F/479 NEAR KESC GAS TURBINE STATION, SITE, KARACHI	MUHAMMAD AZMAT NIZAMI 42101-1850295-1	NAZAR HUSSAIN	5,564,373	535,341	577,080	6,676,794	1,285,597	535,341	577,080	2,398,018
2	KARACHI LUMINAR D-120, MANGOPIR ROAD, SITE, KARACHI	MUSHTAQ HAIDERY 42101-6414788-1 ABDUL SATTAR 42201-0891850-3	ABID HUSSAIN ABDUL SHAKOOR	9,902,017	1,333,471	1,656,164	12,891,652	2,287,769	1,333,471	1,656,164	5,277,404
3	ABDUL KHALIQ HOUSE D116, NAZIMABAD 4, KARACHI	42101-8076913-7	ABDUL LATIF	687,942	90,133	-	778,075	687,942	121,183	-	809,125
4	ABDUL MAJEED 31-B MARIPUR TRUCK STAND, KARACHI	54400-4668605-7	ABDUL RAHEEM	1,059,372	120,429	-	1,179,801	1,059,372	191,806	-	1,251,178
5	ABDUL AZEEM KHAN A/47, BLOCK-U, NORTH NAZIMABAD, KARACHI	42101-8389618-5	MUHAMMAD KAREEM KHAN	1,429,359	64,007	-	1,493,366	1,358,298	150,805	-	1,509,103
6	JAMEEL ZAMAN HOUSE NO. A-6, JASON CONDOMINIUM, CLIFTON BLOCK-7, KARACHI	42301-3767093-1	MUHAMMAD ASLAM KHAN	3,387,171	780,153	-	4,167,324	3,387,171	73,740	-	3,460,911
7	SYED MUHAMMAD IMRAN SAEED KAZI HOUSE C-350, BLOCK 1, GULISTAN-E-JOHAR, NEAR UNICLUB MARRIGE HALL, KARACHI	42201-4804301-3	SYED MAHMOODUL HASSAN KAZI	1,564,440	295,061	-	1,859,501	1,564,440	366,453	-	1,930,893
8	AHMED YOUSUF BUMBIYA A-399, BLOCK-19, GULSHAN-E-IQBAL, KARACHI	42201-5426603-9	MUHAMMAD YOUSUF BUMBIYA	1,492,550	149,336	-	1,641,886	1,364,086	145,245	-	1,509,331
9	ANWAAR HUSSAIN D 41, FAHAD SQUARE, METROVILLE 3, GULSHAN-E-IQBAL, KARACHI	42201-0566819-5	QUDDUS KHAN	1,161,822	185,167	-	1,346,989	1,161,822	245,751	-	1,407,573
10	FARAZ AHMED FLAT NO. 101, PLOT NO. C-148, BLOCK-2, SCHEME-5, CLIFTON, KARACHI	42301-9700607-7	MUHAMMAD AHMED	1,351,837	36,760	-	1,388,597	1,126,295	62,217	-	1,188,512
11	SYED MUHAMMAD TAHIR FLAT NO. 301, SHUMAIL HEIGHTS, KAMRAN CH., GULISTAN-E-JAUHAR, KARACHI	42101-1534008-5	SYED MUHAMMAD SULEMAN	1,842,581	260,241	-	2,102,822	1,842,581	348,000	-	2,190,581

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
12	MUHAMMAD AZEEM KHAN ASHRAFI HOUSE NO. R-301, AL-NOOR SOCIETY, BLOCK-19, F.B.AREA, KARACHI	42101-6192242-5	MUHAMMAD NAEEM KHAN	924,440	199,010	-	1,123,450	924,440	243,091	-	1,167,531
13	TIKKA KHAN HOUSE NO. 621, STREET-2, CHAK SHAHZAD, ISLAMABAD	61101-0911310-7	SHAH MIR	906,238	129,400	-	1,035,638	906,238	167,646	-	1,073,884
14	JAWAID AHMED HOUSE A-100, BLOCK-R, NORTH NAZIMABAD, KARACHI	42101-5099805-9	ABDUL GHAFOOR	877,051	76,829	-	953,880	877,051	120,014	-	997,065
15	ASIM -UR- REHMAN FLAT NO. 506, AL MUSHTARI SQUARE, NAZIMABAD 5, KARACHI	42101-6564721-7	ENAYAT-UR-REHMAN	816,896	144,463	-	961,359	816,896	176,900	-	993,796
16	MUHAMMAD TARIQ 35 A, STREET NO. 2, KHAYABAN-E-MUJAHID, DEFENCE, PHASE V, KARACHI	42301-4954603-3	HAMID MEHMOOD	853,596	87,910	-	941,506	853,596	127,008	-	980,604
17	DR. JAWED ALAM FAROOQI HOUSE NO. 220, CHAUDRY LAL MUHAMMAD ROAD, NEAR HILL PARK, KARACHI	42000-9445886-5	IFTIKHAR-UL-FAROOQI	1,028,067	37,650	-	1,065,717	922,294	44,307	-	966,601
18	FAIQ AFZAL FLAT NO. 1-32C, 2ND MUSLIM COMM. STREET, PH-6EXT, DHA, KARACHI	42101-8875709-3	M. AFZAL UL HAQ	731,731	172,097	-	903,828	731,731	203,152	-	934,883
19	MOHAMMAD NAEEM HOUSE NO. 356, STREET NO. 42, SECTOR G-9/1, ISLAMABAD	61101-4213689-1	MOHAMMAD SAEED	1,481,246	187,676	-	1,668,922	1,481,246	187,969	-	1,669,215
20	MUHAMMAD YASEEN ILYAS PLOT NO. C-6, BLOCK-8, SCHEME-5, GIZRI ROAD, CLIFTON, KARACHI	42301-0271188-5	MUHAMMAD ILYAS	908,792	63,980	-	972,772	832,561	85,495	-	918,056
21	TAHIR AMIN, HOUSE NO. 68, STREET 45, SANTNAGAR, LAHORE	35202-0825232-1	MOHAMMAD AMIN	770,218	62,059	-	832,277	770,218	113,054	-	883,272
22	KHALID HUDA FLAT NO. 13, ALI CENTRE, BLOCK-17, F.B. AREA, KARACHI	42101-9175104-9	SHAMS-UL-HUDA	737,532	97,278	-	834,810	737,532	136,279	-	873,811

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
23	AMEER ALI SIKANDER ALI MANZIL, STREET 12, HANFI MASJID ROAD, AGRA TAJ, KARACHI	42401-0297372-1	GHULAM HASAN	695,161	95,700	-	790,861	695,161	132,182	-	827,343
24	M. KHURRAM HASAN RAJPUT HOUSE B-95, BLOCK -13, F.B. AREA, KARACHI	42101-1406038-9	HAMID WAHEED KHAN	680,881	103,673	-	784,554	680,881	131,807	-	812,688
25	SHAHZAD RASHEED FLAT NO. A-30, ZUBAIDA CLASSIC, BLOCK-13/D-2, GULSHAN-E-IQBAL, KARACHI	42201-4346326-9	ABDUL RASHEED	1,335,437	204,925	-	1,540,362	1,335,437	143,993	-	1,479,430
26	WAQAR-E-HAIDER HOUSE NO. 28, ST. NO. 39, F-6/1, ISLAMABAD	61101-4145233-5	JAVEED IQBAL	1,322,083	211,417	-	1,533,500	1,322,083	212,969	-	1,535,052
27	NADEEM AHMED SE-NO R-275, BUFFAR ZONE, SECTOR 15-A/4, KARACHI	42101-0525858-7	INAYAT ULLAH	626,841	129,570	-	756,411	626,841	158,155	-	784,996
28	KHALID ABBAS KHAN NIAZI 108/2, PHASE-6, KHYABAN-E- RAHAT, DHA, KARACHI	42301-6523721-3	LUTFULLAH KHAN NIAZI	712,338	43,088	-	755,426	712,338	63,522	-	775,860
29	TAHIR AHMED HOUSE L-769, SECTOR 5/B/2, NORTH KARACHI, KARACHI	42101-1416091-5	MUHAMMAD TOUFIQUE	629,079	98,699	-	727,778	629,079	134,239	-	763,318
30	MUHAMMAD IMRAN ARSHAD HOUSE NO. 333, C1 STREET NO. 2, LANE NO. 4, PESHAWAR ROAD, RAWALPINDI	37405-0888815-7	ARSHAD LATIF PURI	607,679	92,999	-	700,678	607,679	118,196	-	725,875
31	RIZWAN FAZAL 7/158, STREET 10, GR FL-DMCH SOCIETY, TARIQ ROAD, KARACHI	42201-0329786-1	FAZAL ELAHI	563,776	90,962	-	654,738	563,776	114,070	-	677,846
32	AZHAR RAZA 66-D, BLOCK 02, PECHS, KARACHI	42201-0591686-5	EJAZ HUSSAIN	723,381	33,588	-	756,969	586,615	79,487	-	666,102
33	JUNAID AYUB HOUSE NO. D-67, BLOCK-8 GULSHAN-E-IQBAL, KARACHI	42201-9683957-1	SYED MUHAMMAD AYUB	1,351,344	233,044	-	1,584,388	851,344	287,022	-	1,138,366
34	TARIQ PERVEZ MUGHAL HOUSE NO.3-B,2/10, NAZIMABAD, KARACHI	42301-8773331-3	FEROZ KHAN	645,373	-	-	645,373	615,506	24,790	-	640,296

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
35	HUMAYYUN SAEED HOUSE NO. 206, MADINA ARCADE, BLOCK-A, KEMARI ROAD, KARACHI	42401-2467800-9	SULTAN ROOH	709,394	35,748	-	745,142	605,652	24,476	-	630,128
36	MOHAMMAD WAHID 181, BLOCK - Q, DHA PHASE II, LAHORE	35201-0950445-5	MOHAMMAD SHABBIR	525,333	79,132	-	604,465	525,333	98,143	-	623,476
37	MUHAMMAD ZAHID ZAHEER KHAN HOUSE NO. B-37, BLOCK-5, GULSHAN-E-IQBAL, KARACHI	42201-0953261-7	ABDUL ZAHEER KHAN	534,819	58,166	-	592,985	540,261	81,063	-	621,324
38	SAMEER AHMED HOUSE C4, BLOCK-20, GULSHAN-E-IQBAL, KARACHI	42101-1706188-3	NAJEEB AHMED	651,069	23,049	-	674,118	577,940	27,371	-	605,311
39	HAKEEM NASEEM AHMED SIDDIQUI B-142, BLOCK-5, GULSHAN-E-IQBAL, KARACHI	42201-7588165-9	HAKEEM MUHAMMAD QASIM SIDDIQUI	514,272	65,155	-	579,427	514,272	78,101	-	592,373
40	MUHAMMAD ASIF HOUSE NO. 21, S.A VILLA, 5TH COMM. STREET, PHASE-4, DHA, KARACHI	42101-1529010-5	ABDUL GHAFFAR	1,442,446	67,204	-	1,509,650	654,243	104,335	-	758,578
41	MUHAMMAD IQBAL FLAT NO. C-2, 1ST FLOOR, SANA GARDEN, GARDEN WEST, KARACHI	42201-6136222-1	MEHMOOD	1,054,354	99,284	-	1,153,638	1,054,354	140,598	-	1,194,952
	TOTAL			54,804,331	6,873,854	2,233,244	63,911,429	40,677,971	7,333,446	2,233,244	50,244,661

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2008

Number of Shareholders	Shareholding		Total Shares held
	From	To	
462	1	100	21,559
1454	101	500	435,747
555	501	1,000	474,965
871	1,001	5,000	2,359,441
263	5,001	10,000	2,043,123
75	10,001	15,000	949,806
65	15,001	20,000	1,154,037
35	20,001	25,000	788,505
27	25,001	30,000	750,413
23	30,001	35,000	750,372
23	35,001	40,000	880,653
13	40,001	45,000	554,545
20	45,001	50,000	974,854
7	50,001	55,000	367,793
16	55,001	60,000	924,890
6	60,001	65,000	379,493
1	65,001	70,000	68,000
3	70,001	75,000	216,500
7	75,001	80,000	552,626
1	80,001	85,000	84,000
2	85,001	90,000	175,800
2	90,001	95,000	184,975
4	95,001	100,000	400,000
3	100,001	105,000	303,900
1	105,001	110,000	105,500
2	110,001	115,000	227,045
3	115,001	120,000	360,000
3	125,001	130,000	381,640
2	135,001	140,000	272,900
4	145,001	150,000	600,000
1	150,001	155,000	154,700
2	155,001	160,000	318,320
2	170,001	175,000	347,500
2	175,001	180,000	355,000
1	190,001	195,000	192,708
3	195,001	200,000	600,000
1	205,001	210,000	209,600
2	215,001	220,000	437,437
1	220,001	225,000	224,233
1	225,001	230,000	225,005
2	250,001	255,000	504,400
1	300,001	305,000	302,500
2	315,001	320,000	639,337
1	335,001	340,000	338,375
1	340,001	345,000	343,320
1	350,001	355,000	352,400
1	375,001	380,000	375,500
1	385,001	390,000	388,000
1	395,001	400,000	400,000
1	450,001	455,000	452,000

PATTERN OF SHAREHOLDING

FOR THE YEAR ENDED DECEMBER 31, 2008

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	465,001	470,000	468,800
1	495,001	500,000	500,000
1	665,001	670,000	670,000
1	780,001	785,000	780,027
1	805,001	810,000	808,864
1	815,001	820,000	818,400
1	895,001	900,000	900,000
1	1,130,001	1,135,000	1,130,400
1	1,150,001	1,155,000	1,154,344
1	1,235,001	1,240,000	1,235,079
1	1,245,001	1,250,000	1,246,000
1	1,425,001	1,430,000	1,427,931
1	1,805,001	1,810,000	1,809,000
1	2,175,001	2,180,000	2,175,100
1	2,235,001	2,240,000	2,238,199
1	6,140,001	6,145,000	6,140,500
1	6,495,001	6,500,000	6,498,924
1	16,765,001	16,770,000	16,766,336
1	17,270,001	17,275,000	17,270,710
4	26,840,001	26,845,000	107,368,508
1	124,535,001	124,540,000	124,536,510
1	179,295,001	179,300,000	179,299,578
4006			500,146,627

The slabs representing nil holding have been omitted

CATEGORIES OF SHAREHOLDERS

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO and their spouse and minor children	4	29,080,428	5.81
Associated Companies, undertakings & related parties	4	181,934,876	36.39
NIT and ICP	3	34,044,630	6.81
Banks, DFIs, & NBFCs			
a. Local	13	10,359,749	2.07
b. Foreign - DEG Deutsche Investitions, Germany	1	124,536,510	24.90
Insurance Companies	3	1,317,500	0.26
Modarabas and Mutual Funds	2	56,000	0.01
Shareholders holding 10% or more voting interest in the Company *	-	-	-
General Public:			
a. Local (Individuals)	3,886	107,979,755	21.58
b. Foreign	1	58,611	0.01
Others:			
a. Joint Stock Companies	77	9,975,554	1.99
b. Others	12	803,014	0.17
TOTAL	4,006	500,146,627	100.00

* M/s Shirazi Investments (Pvt) Ltd. and M/s DEG Deutsche Investitions, Germany holding more than 10% voting interest in the Company are reported under the head Associated Companies and Foreign Banks/DFIs respectively.

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2008 INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Associated Companies, undertakings and related parties			
Shirazi Investments (Pvt) Ltd.	1	179,299,578	35.85
Atlas Insurance Ltd.	1	1,427,931	0.29
Atlas Foundation	1	1,130,400	0.23
Shirazi Capital (Pvt) Ltd.	1	76,967	0.02
NIT and ICP			
National Investment Trust Ltd.			
National Bank of Pakistan, Trustee Deptt.	1	16,766,336	3.35
NBP Trustee-NI(U) T (LOC) Funds	1	17,270,710	3.46
Investment Corporation of Pakistan	1	7,584	-
Directors, CEO and their spouse and minor children			
Mr. Yusuf H. Shirazi	1	2,238,199	0.44
Mr. Saquib H. Shirazi	1	26,842,127	5.37
Mr. Frahim Ali Khan	1	2	-
Mr. Tariq Amin	1	100	-
Executives	2	198,200	0.03
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non Banking Financial Companies, Insurance Companies, Modarabas and Mutual Funds			
a. Local	18	11,733,249	2.34
b. Foreign-DEG-Deutsche Investitions	1	124,536,510	24.90
Shareholders holding 10% or more voting interest in the company *	-	-	-
Individuals	3,883	107,781,455	21.55
Others	91	10,837,279	2.17
	<u>4,006</u>	<u>500,146,627</u>	<u>100.00</u>

* M/s Shirazi Investments (Pvt) Ltd. and M/s DEG Deutsche Investitions, Germany holding more than 10% voting interest in the company are reported under the head Associated Companies and Foreign Banks/DFIs respectively.

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**Consolidated
Financial Statements**

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors present report on the consolidated financial statements of Atlas Bank Limited and its subsidiary namely Atlas Capital Markets (Pvt.) Limited together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2008.

Financials

The consolidated financials of your Bank for the year ended December 31, 2008 under review are summarized as follows:

	2008	2007
	--- Rupees '000---	
Operating loss before provision and taxation	(1,291,614)	(248,435)
Provisions / write-offs	(353,543)	(271,458)
Loss before taxation	(1,645,157)	(519,893)
Reversal of provision for taxation	573,950	223,503
Loss after taxation	(1,071,207)	(296,390)
Accumulated profit / (loss) brought forward	(295,047)	1,343
	(1,366,254)	(295,047)
Appropriations:		
Transfer to statutory reserve	-	-
Accumulated loss carried forward	(1,366,254)	(295,047)
Loss per share - Basic and Diluted (Rupees)	(2.14)	(0.89)

Deficit on Revaluation of Asset

As per BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities and mutual fund units held by the Bank have been valued as of December 31, 2008. Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss - net of tax amounting to Rs.421.22 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and has been taken to 'Deficit on revaluation of asset' account on the balance sheet. A detail disclosure of the same has been made in the note No.19.1 to the audited financial statements.

Pattern of Shareholding

The pattern of shareholding as at December 31, 2008 is annexed with the financial statements of Atlas Bank Limited.

For and on Behalf of the Board of Directors



Yusuf H. Shirazi
Chairman

Karachi: February 28, 2009

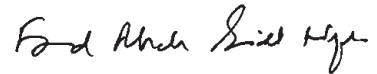
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Atlas Bank Limited (the Bank) and its subsidiary company, Atlas Capital Markets (Private) Limited (together referred to as Group) as at 31 December 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 four branches, which have been audited by us. We have also expressed separate opinions on the financial statements of the Bank and Atlas Capital Markets (Private) Limited. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

KARACHI: February 28, 2009



FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS


CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2008

ASSETS	Note	2008 ----- (Rupees '000) -----	2007
Cash and balances with treasury banks	6	1,617,828	1,501,363
Balances with other banks	7	116,223	229,873
Lendings to financial institutions	8	114,000	4,427,824
Investments	9	2,608,069	5,271,201
Advances	10	20,450,661	9,205,452
Operating fixed assets	11	1,430,367	992,146
Deferred tax assets	12	1,017,189	169,125
Other assets	13	1,869,792	3,607,713
		29,224,129	25,404,697
LIABILITIES			
Bills payable	14	255,742	288,907
Borrowings	15	5,510,101	1,493,859
Deposits and other accounts	16	18,643,846	15,320,840
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,192,677	3,090,527
		25,602,366	20,194,133
NET ASSETS		<u>3,621,763</u>	<u>5,210,564</u>
REPRESENTED BY			
Share capital	18	5,001,466	5,001,466
Reserves		580,031	580,031
Accumulated loss		(1,366,254)	(295,047)
		4,215,243	5,286,450
Deficit on revaluation of assets - net of tax	19 and (i) below	(593,480)	(75,886)
		<u>3,621,763</u>	<u>5,210,564</u>
CONTINGENCIES AND COMMITMENTS	20		

- (i) The above deficit on revaluation of assets include impairment loss (net of tax) of Rs. 421.22 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as of December 31, 2008. Had the impairment loss been charged to profit and loss account, the deficit on revaluation of assets (net of tax) would have been lower by Rs. 421.22 million and the accumulated loss would have been higher by the same amount (See Note 19.1).
- (ii) The annexed notes from 1 to 45 form an integral part of these financial statements.


Aziz Rajkotwala
 Chief Executive Officer


Yusuf H. Shirazi
 Chairman


Tariq Amin
 Director


Sanaulah Qureshi
 Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 ----- (Rupees '000) -----	2007
Mark-up / return / interest earned	22	2,963,750	1,320,564
Mark-up / return / interest expensed	23	2,449,906	1,316,661
Net Mark-up / interest income		513,844	3,903
Provision against non-performing loans and advances	10.4	358,244	271,756
Reversal of diminution in the value of investments	9.3	(4,701)	(303)
Bad debts written off directly		-	5
		353,543	271,458
Net Mark-up / interest income / (loss) after provisions		160,301	(267,555)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		155,414	141,152
Dividend income		50,852	37,793
Income from dealing in foreign currencies		8,829	15,485
Gain on sale / redemption of securities	24	115,436	290,461
Unrealized loss on revaluation of investments classified as held for trading	9.2.8	(591)	(6,772)
Other income	25	86,444	41,523
Total non mark-up / interest income		416,384	519,642
		576,685	252,087
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	1,988,169	768,603
Other provisions / write offs	26.3	226,625	-
Other charges	27	7,048	3,377
Total non mark-up / interest expenses		2,221,842	771,980
		(1,645,157)	(519,893)
Extraordinary / unusual items		-	-
LOSS BEFORE TAXATION		(1,645,157)	(519,893)
Taxation - Current		16,401	31,332
- Prior years		260	(1,377)
- Deferred		(590,611)	(253,458)
	28	(573,950)	(223,503)
LOSS AFTER TAXATION		(1,071,207)	(296,390)
Accumulated (loss) / profit brought forward		(295,047)	1,343
Accumulated loss carried forward		(1,366,254)	(295,047)
Loss per share - Basic and diluted (Rupees)	29	(2.14)	(0.89)

- (i) The loss for the year does not include impairment loss (net of tax) of Rs. 421.22 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 4 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as of December 31, 2008 and has been taken to 'deficit on revaluation of assets' account as shown in the balance sheet. Had the impairment loss been charged to profit and loss account, loss after tax for the year would have been higher by Rs. 421.22 million and loss per share would have been higher by Rs. 0.84 (See Note 19.1).
- (ii) The annexed notes from 1 to 45 form an integral part of these financial statements.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



Sanullah Qureshi
Director


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

	Issued, subscribed and paid-up share capital	Capital Reserves		Accumulated loss	Total
		Share premium	Statutory reserve		
----- (Rupees '000) -----					
Balance as at January 1, 2007	3,125,916	-	2,494	1,343	3,129,753
Issue of share capital	1,875,550	577,537	-	-	2,453,087
Loss after taxation for the year ended December 31, 2007	-	-	-	(296,390)	(296,390)
Balance as at December 31, 2007	5,001,466	577,537	2,494	(295,047)	5,286,450
Loss after taxation for the year ended December 31, 2008	-	-	-	(1,071,207)	(1,071,207)
Balance as at December 31, 2008	<u>5,001,466</u>	<u>577,537</u>	<u>2,494</u>	<u>(1,366,254)</u>	<u>4,215,243</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


Aziz Rajkotwala
Chief Executive Officer


Yusuf H. Shirazi
Chairman


Tariq Amin
Director


Sanauallah Qureshi
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(1,645,157)	(519,893)
Less: Dividend income		(50,852)	(37,793)
		(1,696,009)	(557,686)
Adjustment:			
Depreciation	26	99,831	49,302
Amortisation	26.2	9,366	32,960
Provision against non-performing advances	10.4	358,244	271,756
Other provisions / write offs	26.3	226,625	-
Reversal of diminution in the value of investments	9.3	(4,701)	(303)
Gain on disposal of fixed assets	11.5	(1,188)	(298)
Bad Debts written off directly		-	5
		688,177	353,422
		(1,007,832)	(204,264)
Increase / (decrease) in operating assets			
Lendings to financial institutions		4,313,824	(926,980)
Held for trading securities		138,519	629,278
Advances		(11,603,453)	(2,017,321)
Other assets (excluding current taxation)		1,549,721	(2,039,809)
		(5,601,389)	(4,354,832)
Increase / (decrease) in operating liabilities			
Bills payable		(33,165)	238,749
Borrowings		4,016,242	(2,632,090)
Deposits		3,323,006	6,477,894
Other liabilities		(1,897,850)	1,625,071
		5,408,233	5,709,624
		(1,200,988)	1,150,528
Income tax paid		(24,831)	(34,540)
Net cash (used in) / inflow from operating activities		(1,225,819)	1,115,988
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		1,645,839	(2,330,790)
Net investment in held to maturity securities		108,329	26,820
Dividend received		50,019	38,675
Investments in operating fixed assets		(659,175)	(594,848)
Sale proceeds of operating fixed assets	11.5	83,622	15,700
Net cash inflow from / (used in) investing activities		1,228,634	(2,844,443)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		-	2,453,087
Net cash inflow from financing activities		-	2,453,087
Increase in cash and cash equivalents		2,815	724,632
Cash and cash equivalents at beginning of the year		1,731,236	1,006,604
Cash and cash equivalents at end of the year	30	1,734,051	1,731,236

The annexed notes from 1 to 45 form an integral part of these financial statements.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



Sanullah Qureshi
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. GROUP AND ITS OPERATIONS

- 1.1 The Group comprise of Atlas Bank Limited - the holding company and Atlas Capital Markets (Private) Limited - a wholly owned subsidiary.
- 1.2 Atlas Bank Limited (the Bank) was incorporated on July 17, 2003 as a Public Limited Company under the Companies Ordinance, 1984 with the object of conducting banking business and related services and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank commenced its commercial operations effective March 25, 2004.
- 1.3 The Atlas Capital Markets (Private) Limited (the subsidiary company) was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services.
- 1.4 The principal place of business of the Bank is situated at Third Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi and the registered office of the subsidiary company is situated at 209-B, 2nd Floor, Park Towers, Abdullah Shah Ghazi Road, Clifton, Karachi.
- 1.5 The State Bank of Pakistan (SBP) vide BSD Circular No. 19 of 2008 dated September 5, 2008 has increased the Minimum Capital Requirement (MCR) for banks upto Rs. 23 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (net of losses) as of December 31, 2008 is Rs. 5 billion. The paid-up capital of the Bank as of December 31, 2008 amounts to Rs. 5 billion and the Bank has reserves and accumulated losses of Rs. 0.58 billion and Rs. 1.33 billion respectively as of said date. Keeping in view the said requirements, the Board of Directors of the Bank has approved in principle to merge the Bank with the KASB Bank Limited. The announcement to this effect was made to the Stock Exchanges on October 21, 2008, following a memorandum of understanding which was signed between the sponsor groups of the respective banks on October 20, 2008. The said merger is subject to the terms and conditions to be finalized between the Bank and KASB Bank Limited, approval of shareholders of both the entities and sanction by the SBP.

Consequent to the announcement of merger, the Board of Directors of the Bank has also deferred the issuance of 20% right shares which was approved in its meeting held on August 27, 2008.

In view of the above, SBP vide their letter No. BSD/BAI-3/608/93/2009 dated January 22, 2009 has granted the Bank extension in time to meet MCR of Rs.5 billion as of December 31, 2008 till June 30, 2009 or proposed merger whichever occurs earlier.

The management believes that the proposed amalgamation of the Bank would have no material impact on the carrying values of assets and liabilities as reflected in these financial statements and hence, no adjustments in this regard have been considered necessary in these financial statements.

- 1.6 The Pakistan Credit Rating Agency Limited has maintained the Bank's long term rating at "A-" (Single A Minus) and short term rating at "A 2" (A Two).

2. BASIS OF PRESENTATION AND CONSOLIDATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006.

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

- 2.2** These consolidated financial statements comprise the financial statements of the Bank and its subsidiary company. The financial statements of the subsidiary company have been prepared for the same reporting year as the Bank using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary companies have been consolidated on a line by line basis. Material intra-group balances and transactions have been eliminated for the purposes of consolidation.

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 International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.
- 3.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.
- 3.3** During the year, interpretations of accounting standards, namely IFRIC 11 "IFRS 2 - Group Reporting and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction" become effective. However, these interpretation do not affect the Bank's financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.4 below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.2 Lendings to financial institutions / borrowings

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

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

5.3 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.4 Investments

Other investments in securities are classified as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held to maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Group's held for trading investments is taken to the profit and loss account. The surplus / deficit on investments classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. However, in the current year impairment loss has been treated as described in note 19.1.

Provision for diminution in the value of term finance certificates is made in accordance with the requirements of Prudential Regulations issued by the SBP.

5.5 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Group also maintains general provision for potential losses of consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

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

5.6 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The impairment loss, if any, resulting from such review is charged to the profit and loss account.

5.7 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 & 11.3 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

Intangible with definite useful life are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

Intangible assets having an indefinite useful life are carried at cost less any impairment in value and are not amortised.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Capital-work-in-progress

Capital work-in-progress is stated at cost.

5.8 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

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

5.9 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not 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.

5.10 Staff benefits

Defined benefit plan

The Group operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Group operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Group and the employees at the rate of 11% per annum of basic salary. The Group has no further payment obligations once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.11 Derivatives

Derivative financial instruments are recognized at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.12 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognised when earned.

Dividend income from investments is recognised when Group's right to receive the dividend is established.

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

All exchange differences are recognised in income.

5.13 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.14 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.15 Off Setting of financial assets and financial liabilities

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

5.16 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.17 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in these financial statements.

5.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.19 Accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized 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. The estimates, judgements and assumptions that have significant effect on the financial statements are as follows:

	Note
Classification of investments and provision for diminution in value of investments	5.4 & 9.1
Goodwill impairment assessment	5.6
Useful lives of assets and methods of depreciation	5.7, 11.2 & 11.3
Deferred taxation	5.8 & 12
Provision against non-performing advances	5.9 & 10.3
Provision for staff benefits	5.10 & 32

5.20 Accounting standards not yet effective

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

Standard or Interpretation
Effective date (accounting periods beginning on or after)

IAS - 1	Presentation of Financial Statements (Revised)	January 01, 2009
IAS - 23	Borrowings Costs (Revised)	January 01, 2009
IAS - 27	Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3	Business Combinations (Revised)	July 01, 2009
IFRS 4	Insurance Contracts	January 01, 2009
IFRS 8	Operating Segments	January 01, 2009
IFRIC - 13	Customer Loyalty Programs	July 01, 2008
IFRIC - 15	Agreements for the Construction of Real Estate	January 01, 2009
IFRIC - 16	Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC - 17	Distributions of Non - Cash Assets to Owners	July 01, 2009
IFRIC - 18	Interim Financial Reporting and Impairment	July 01, 2009
IFAS 2	Ijarah	January 01, 2009

The Group considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by SBP for banks.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Group's financial statements for the ensuing periods.

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		407,769	159,697
- foreign currency		100,174	33,660
		507,943	193,357
With SBP in			
- local currency current account	6.1	937,815	1,280,770
- foreign currency current account	6.2	2,381	964
- foreign currency deposit account - special cash reserve	6.3	104,091	9,321
- foreign currency deposit account - cash reserve	6.4	34,364	9,145
		1,078,651	1,300,200
With National Bank of Pakistan in			
- local currency current account		31,234	7,806
		<u>1,617,828</u>	<u>1,501,363</u>

6.1 This represents statutory cash reserves required to be maintained under the Banking Companies Ordinance, 1962.

6.2 This account is remunerated by SBP at the rate of 0.9% to 3.6% (2007: 3.71% to 4.72%) per annum.

6.3 This represents special cash reserve maintained with SBP against foreign currency deposits and is remunerated at the rate declared by the SBP on monthly basis. The rate of the current year ranged between 0.9% to 3.6% (2007: 3.71% to 4.72%) per annum.

6.4 This represents cash reserve maintained with SBP against foreign currency deposits.

7. BALANCES WITH OTHER BANKS

In Pakistan			
- on current accounts		14,603	164,500
- on deposit accounts		64,662	13,962
Outside Pakistan			
- on current accounts		36,958	51,411
		<u>116,223</u>	<u>229,873</u>

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		-	750,000
Repurchase agreement lendings (Reverse Repos)		-	2,157,824
Certificates of investment		-	200,000
Letters of placements	8.2	114,000	620,000
Treasury deposit receipts		-	700,000
		<u>114,000</u>	<u>4,427,824</u>
8.1 Particulars of lending			
In local currency		114,000	4,427,824
In foreign currency		-	-
		<u>114,000</u>	<u>4,427,824</u>

8.2 This represent letter of placements with financial institutions at the rate ranging from 18% to 19% and includes Rs. 100 million of placement which matured on December 18, 2008. Subsequent to the year end, the Bank has accepted a proposal from the counter-party to settle the placement against Term Finance Certificates having value of Rs. 50 million. Balance amount is to be recovered by way of participation in a syndication.

9. INVESTMENTS

Note	2008			2007			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
----- (Rupees '000) -----							
9.1 INVESTMENTS BY TYPES							
Held-for-trading securities							
Listed Companies (ordinary shares)	9.2.3	5,060	-	5,060	149,760	-	149,760
Available-for-sale securities							
Listed Companies (ordinary shares)	9.2.3	701,238	-	701,238	284,714	-	284,714
Mutual Funds (units / certificates)	9.2.7	314,517	-	314,517	964,516	-	964,516
Term Finance Certificates	9.2.5 & 9.2.6	543,847	100,000	643,847	766,630	-	766,630
Pakistan Investment Bonds	9.2.1	257,832	747,432	1,005,264	915,974	110,752	1,026,726
Market Treasury Bills	9.2.2	-	786,566	786,566	2,055,387	-	2,055,387
Unlisted Companies (ordinary shares)	9.2.4	31,000	-	31,000	31,000	-	31,000
		<u>1,848,434</u>	<u>1,633,998</u>	<u>3,482,432</u>	<u>5,018,221</u>	<u>110,752</u>	<u>5,128,973</u>
Held-to-maturity securities							
Term Finance Certificates - unlisted - Dewan Cement Ltd.		-	-	-	108,427	-	108,427
Total Investments at cost		<u>1,853,494</u>	<u>1,633,998</u>	<u>3,487,492</u>	<u>5,276,408</u>	<u>110,752</u>	<u>5,387,160</u>
Less: Provision for diminution in value of Investments	9.3	(2,363)	-	(2,363)	(7,766)	-	(7,766)
Investments (net of provisions)		<u>1,851,131</u>	<u>1,633,998</u>	<u>3,485,129</u>	<u>5,268,642</u>	<u>110,752</u>	<u>5,379,394</u>
Deficit on revaluation of held-for-trading securities	9.2.8	(591)	-	(591)	(6,772)	-	(6,772)
Deficit on revaluation of available-for-sale securities	19	(696,624)	(179,845)	(876,469)	(86,739)	(14,682)	(101,421)
Total investments at market value		<u>1,153,916</u>	<u>1,454,153</u>	<u>2,608,069</u>	<u>5,175,131</u>	<u>96,070</u>	<u>5,271,201</u>

	Note	2008 ----- (Rupees '000) -----	2007
9.2 INVESTMENTS BY SEGMENTS			
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,005,264	1,026,726
- Market Treasury Bills	9.2.2	786,566	2,055,387
		1,791,830	3,082,113
Fully Paid-up Ordinary Shares			
- Listed Companies (ordinary shares)	9.2.3	706,298	434,474
- Unlisted Companies (ordinary shares)			
Atlas Asset Management Limited (related party)	9.2.4	30,000	30,000
Arabian Sea Country Club	9.2.4	1,000	1,000
		31,000	31,000
Term Finance Certificates			
- Listed	9.2.5	529,816	654,687
- Unlisted	9.2.6	114,031	220,370
		643,847	875,057
Other Investments			
- Mutual Funds (units / certificates)	9.2.7	314,517	964,516
Total investments at cost			
Less: Provision for Diminution in value of Investments	9.3	3,487,492 (2,363)	5,387,160 (7,766)
Investments (net of provisions)			
Deficit on revaluation of held-for-trading securities	9.2.8	3,485,129 (591)	5,379,394 (6,772)
Deficit on revaluation of available-for-sale securities	19	(876,469)	(101,421)
Total investments at market value			
		2,608,069	5,271,201

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2007: 6.22% to 9.58%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2007: 1 year). The effective yield of these bills is from 9.98% to 10.04% (2007: 9.00% to 9.40%) per annum with maturities from February 2009 to March 2009.

	2008	2007	Market value		Cost	
----(No. of shares)----			2008	2007	2008	2007
	----- (Rupees '000) -----					

9.2.3 Details of investments in Listed Companies

Held for trading securities

Fully paid up ordinary shares of Rs. 10/- each

Adamjee Insurance Co. Ltd.	2	-	-	-	-	-
Al-Abbas Cement Industries Ltd.	1	-	-	-	-	-
Allied Bank Ltd.	12	-	-	-	-	-
Arif Habib Bank Ltd.	132	-	1	-	1	-
Arif Habib Ltd.	16	-	1	-	1	-
Arif Habib Securities Ltd.	365	75,000	16	12,990	5	13,372
Askari Commercial Bank Ltd.	133	24,000	2	2,394	2	2,319
Attock Refinery Ltd.	5	-	-	-	-	-
Azgard Nine Ltd.	28	-	1	-	1	-
Bank Al Falah Ltd.	1,303	-	22	-	24	-
Bank Al Habib Ltd.	7	-	-	-	-	-
Bank Islami Pakistan Ltd.	141	-	1	-	1	-
Bosicor Pakistan Ltd.	174	-	1	-	1	-
Crescent Steel Industries Ltd.	15	-	-	-	-	-
Dawood Lawrancepur Ltd.	2	-	-	-	-	-
Dewan Cement Ltd.	45	-	-	-	-	-
Total carried forward			45	15,384	36	15,691

	2008	2007	Market value		Cost	
			2008	2007	2008	2007
	----(No. of shares)----		------(Rupees '000)-----			
Total brought forward			45	15,384	36	15,691
Dewan Salman Fibre Ltd.	188	-	-	-	-	-
D.G. Khan Cement Ltd.	21	-	1	-	1	-
Dost Steel Ltd.	116	-	1	-	1	-
D.S Industries Ltd.	58	-	1	-	1	-
EFU General Insurance Co. Ltd.	1	-	-	-	-	-
Engro Chemicals Pakistan Ltd.	1,159	-	112	-	120	-
Fauji Fertilizer Bin Qasim Ltd.	30	-	-	-	-	-
Fauji Fertilizer Co. Ltd.	23	-	1	-	1	-
Fauji Cement Ltd.	242	-	1	-	1	-
Faysal Bank Ltd.	40	-	1	-	1	-
Habib Bank Ltd.	22	-	2	-	2	-
Honda Atlas Cars Ltd.	38	-	1	-	1	-
Hub Power Co. Ltd.	89	-	1	-	1	-
I.C.I Pakistan Ltd.	2	-	-	-	-	-
Indus Motor Co. Ltd.	2	-	-	-	-	-
Javed Omer Vohra & Co. Ltd.	272	-	2	-	3	-
Jahangir Siddiqui & Co. Ltd.	7,105	-	371	-	678	-
JS Bank Ltd.	441	-	3	-	2	-
JS Investments Ltd.	77	-	3	-	3	-
Kot Addu Power Co. Ltd.	9	-	-	-	-	-
Lucky Cement Ltd.	7	-	-	-	-	-
Maple Leaf Cement Co. Ltd.	106	-	1	-	-	-
MCB Bank Ltd.	7	13,800	1	5,519	1	5,915
National Bank of Pakistan Ltd.	58,112	211,500	2,924	49,100	3,140	51,934
Netsol Technologies Ltd.	14	-	-	-	-	-
NIB Bank Ltd.	356	-	2	-	1	-
Nishat Mills Ltd.	35	-	1	-	1	-
Nishat Chunian Ltd.	12	-	-	-	-	-
Oil & Gas Development Co. Ltd.	6,245	-	312	-	335	-
Pace Pakistan Ltd.	534	-	5	-	6	-
Packages Ltd.	8	-	1	-	1	-
Pak Elektron Ltd.	34	-	1	-	1	-
Pak Refinery Ltd.	9	-	1	-	1	-
Pak. Int'l Container Terminal Ltd.	6	-	-	-	-	-
Pakistan Oil Fields Ltd.	1,460	500	150	167	161	174
Pakistan Petroleum Ltd.	5,005	171,800	504	42,100	541	43,637
Pakistan PTA Ltd.	688	-	1	-	1	-
Pakistan Re-insurance Ltd.	44	-	1	-	1	-
Pakistan State Oil Co. Ltd.	15	15,000	2	6,099	2	6,484
Pakistan Telecommunication Co. Ltd.	27	-	1	-	1	-
Pervez Ahmed Securities Ltd.	56	-	-	-	-	-
Pioneer Cement Ltd.	18	-	-	-	-	-
PICIC Growth Fund	18	-	-	-	-	-
Searle Pakistan Ltd.	10	-	1	-	1	-
Sitara Peroxide Ltd.	279	-	5	-	4	-
Soneri Bank Ltd.	5	-	-	-	-	-
Sui Northern Gas Pipe Lines Ltd.	3	-	-	-	-	-
Sui Southern Gas Co. Ltd.	126	-	1	-	1	-
Telecard Ltd.	711	-	1	-	1	-
The Bank of Punjab	84	233,852	1	22,870	1	24,206
TRG Pakistan Ltd.	1,520	125,000	3	1,749	2	1,719
United Bank Ltd.	64	-	2	-	3	-
Worldcall Telecom Ltd.	249	-	1	-	1	-
			4,469	142,988	5,060	149,760

	Rating *		No. of shares		Paid-up value		Market value		Cost	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
----- (Rupees '000) -----										
Available-for-sale securities										
Adamjee Insurance Co. Ltd.	AA	AA	53,328	-	533	-	5,431	-	14,408	-
Al Abbas Cement Company Ltd.	N/A	-	87	-	1	-	-	-	-	-
Allied Bank Ltd.	AA	-	85	-	1	-	3	-	3	-
Arif Habib Bank Ltd.	A	-	963	-	10	-	5	-	3	-
Arif Habib Ltd.	N/A	-	95	-	1	-	8	-	7	-
Arif Habib Securities Ltd.	A+	AA	158,334	100,000	1,583	1,000	6,660	17,320	22,107	16,871
Askari Commercial Bank Ltd.	AA	AA	138,219	50,000	1,382	500	2,014	4,988	9,631	4,400
Attock Petroleum Ltd.	N/A	-	46	-	-	-	7	-	7	-
Attock Refinery Ltd.	AA	AA-	31,000	-	310	-	1,853	-	3,387	-
Azgard Nine Ltd.	A+	-	80	-	1	-	1	-	1	-
Bank Al Falah Ltd.	AA	-	2,182	-	22	-	37	-	40	-
Bank Al Habib Ltd.	AA	-	295	-	3	-	7	-	7	-
Bank Islami Pakistan Ltd.	A-	-	1,733	-	17	-	13	-	9	-
The Bank of Punjab	AA-	AA-	245,777	153,140	2,916	1,531	3,244	14,977	12,587	13,029
BOC Pakistan Ltd.	N/A	-	6	-	-	-	1	-	1	-
Bosicor Pakistan Ltd.	N/A	-	4,290	-	43	-	20	-	14	-
Callmate Telips	N/A	N/A	-	175,000	-	1,750	-	2,599	-	8,761
Crescent Steel Industries Ltd.	A+	A+	110,192	-	1,102	-	1,876	-	8,790	-
D.G. Khan Cement Co. Ltd.	N/A	-	101,995	-	1,020	-	2,170	-	3,151	-
D. S. Industries Ltd.	N/A	-	162	-	2	-	2	-	2	-
Dawood Equities Ltd.	N/A	-	6	-	-	-	-	-	-	-
Dawood Lawrencepur Ltd.	N/A	-	12	-	-	-	1	-	1	-
Dewan Cement Ltd.	BB	-	300	-	3	-	1	-	1	-
Dewan Salman Fibre Ltd.	N/A	-	17,663	-	177	-	25	-	16	-
Dost Steel Ltd.	N/A	-	428	-	4	-	3	-	3	-
EFU General Insurance Ltd.	AA	-	99	-	1	-	13	-	12	-
Engro Chemicals Pakistan Ltd.	AA	AA	253,747	100,750	2,537	1,008	24,477	26,774	70,261	24,393
Eye Television Network Ltd.	N/A	-	49,000	-	490	-	1,678	-	3,227	-
Fauji Cement Company Ltd.	N/A	-	4,127	-	41	-	19	-	14	-
Fauji Fertilizer Bin Qasim Ltd.	N/A	N/A	10,966	250,000	110	2,500	141	10,512	140	10,119
Fauji Fertilizer Company Ltd.	N/A	N/A	205,286	75,000	2,053	750	12,057	8,906	25,509	8,377
Faysal Bank Ltd.	AA	-	189	-	2	-	2	-	3	-
Habib Bank Ltd.	AA+	AA+	129	40,000	1	400	10	9,596	10	9,976
Hira Textile Mills Ltd.	N/A	N/A	293,047	293,047	2,930	2,930	662	2,329	3,663	3,663
Honda Atlas Cars Ltd.	N/A	-	900	-	9	-	10	-	12	-
Hub Power Company Ltd.	N/A	-	1,072	-	11	-	15	-	13	-
ICI Pakistan Ltd.	N/A	N/A	119	20,000	1	200	8	3,933	9	4,128
Indus Motor Company Ltd.	N/A	-	15	-	-	-	2	-	2	-
Jahangir Siddiqui & Co. Ltd.	AA+	-	190,799	-	1,908	-	9,975	-	35,062	-
Javed Omer Vohra & Company Ltd.	BB+	-	1,907	-	19	-	17	-	22	-
JS Bank Ltd.	A-	-	2,389	-	24	-	14	-	8	-
JS Investments Ltd.	AA-	-	265	-	3	-	11	-	11	-
JS Value Fund Ltd.	N/A	-	171	-	2	-	1	-	-	-
Kot Addu Power Company Ltd.	N/A	-	20	-	-	-	1	-	-	-
Lucky Cement Ltd.	N/A	N/A	202,280	75,000	2,023	750	6,325	8,738	24,645	8,903
Maple Leaf Cement Co. Ltd.	BBB+	-	1,802	-	18	-	7	-	5	-
Maple Leaf Cement Co. Ltd. (Pref. Shares)	BBB+	A	30,000	30,000	300	300	227	225	225	225
MCB Bank Ltd.	AA+	AA+	135,202	-	1,352	-	17,009	-	55,228	-
Meezan Bank Ltd.	A+	-	9	-	-	-	-	-	-	-
Murree Brewery Co. Ltd.	N/A	N/A	24,200	22,000	242	220	2,542	4,015	3,601	3,601
National Bank of Pakistan Ltd.	AAA	AAA	185,572	30,000	1,856	300	9,338	6,965	34,812	6,856
National Refinery Ltd.	AAA	-	25,099	-	251	-	2,388	-	9,203	-
Netsol Technologies Company Ltd.	N/A	-	11,736	-	117	-	297	-	318	-
NIB Bank Ltd.	AA-	-	47,086	-	471	-	220	-	136	-
Nishat Chunian Ltd.	N/A	N/A	110,211	100,000	1,102	1,000	1,066	3,700	4,510	4,508
Nishat Mills Ltd.	A+	A+	276,485	50,000	2,765	500	6,249	5,260	31,097	5,144
Oil & Gas Development Co. Ltd.	AAA	AAA	525,671	150,000	5,257	1,500	26,278	17,918	61,581	17,275
Pace Pakistan Ltd.	N/A	-	6,189	-	62	-	53	-	66	-
Packages Ltd.	AA	-	9,214	-	92	-	748	-	758	-
Pak Elektron Ltd.	A	-	397	-	4	-	9	-	10	-
Pak Suzuki Motor Co. Ltd.	N/A	N/A	25,000	10,000	250	100	1,990	3,297	8,671	4,242
Total carried forward					35,435	17,239	147,241	152,052	447,020	154,471

	Rating *		No. of shares		Paid-up value		Market value		Cost	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
----- (Rupees '000) -----										
Total brought forward					35,435	17,239	147,241	152,052	447,020	154,471
Pakistan Cement Company Ltd.	N/A	-	920	-	9	-	3	-	2	-
Pakistan Int'l Container Terminal Ltd.	A-	-	50,100	-	501	-	2,274	-	6,260	-
Pakistan National Shipping Corp. Ltd.	-	N/A	-	25,000	-	250	-	2,499	-	2,490
Pakistan Oilfields Ltd.	N/A	N/A	221,693	90,000	2,217	900	22,721	30,096	67,627	31,504
Pakistan Petroleum Ltd.	N/A	N/A	289,307	110,000	2,893	1,100	29,110	26,956	63,575	26,487
Pakistan Premier Fund	N/A	-	170	-	2	-	-	-	-	-
Pakistan PTA Ltd.	N/A	-	1,982	-	20	-	3	-	2	-
Pakistan Refinery Ltd.	N/A	N/A	25,218	12,000	252	120	2,481	2,998	6,899	3,390
Pakistan Reinsurance Co. Ltd.	N/A	N/A	-	256	-	-	6	-	7	-
Pakistan State Oil Ltd.	AAA	AAA	109,348	50,000	1,093	500	15,810	20,330	47,659	18,786
Pakistan Telecommunication Co. Ltd.	N/A	-	254,484	-	2,545	-	4,299	-	11,094	-
Pervez Ahmed Securities Ltd.	N/A	-	6,269	-	63	-	23	-	42	-
PICIC Growth Fund	N/A	-	356	-	4	-	2	-	2	-
Pioneer Cement Co. Ltd.	BBB	-	232	-	2	-	6	-	5	-
Saudi Pak Commercial Bank Ltd.	A-	-	1,882	-	19	-	9	-	10	-
Searle Pakistan Ltd.	BBB	-	31	-	-	-	2	-	2	-
Shakarganj Sugar Ltd.	BBB+	BBB+	60,000	60,000	600	600	435	2,312	2,314	2,314
Sitara Peroxide Ltd.	N/A	-	859	-	9	-	16	-	14	-
SME Leasing Ltd.	A-	A-	902,350	902,350	9,024	9,024	13,535	9,881	9,926	9,926
Soneri Bank Ltd.	AA-	AA-	210,191	210,000	2,102	2,100	2,312	9,114	10,809	10,807
Sui Northern Gas Pipelines Ltd.	AA	-	463	-	5	-	10	-	8	-
Sui Southern Gas Co. Ltd.	AA-	-	2,288	-	23	-	24	-	27	-
Telecard Ltd.	BBB	-	2,542	-	25	-	5	-	3	-
Thal Ltd.	N/A	-	35,000	-	350	-	2,863	-	6,367	-
TRG Pakistan Ltd.	BBB+	-	6,098	-	61	-	11	-	8	-
Tristar Power Ltd.	N/A	-	33	-	-	-	4	-	4	-
United Bank Ltd.	AA+	AA+	148,731	125,800	1,487	1,258	5,490	21,750	21,535	24,539
WorldCall Telecom Ltd.	A+	-	6,052	-	61	-	18	-	17	-
					58,802	33,091	248,713	277,988	701,238	284,714
Total investments in listed companies									706,298	434,474

* Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding %	Net asset value per share *	Cost	
				2008	2007
---- (Rupees '000) ----					
Related party					
Atlas Asset Management Ltd.	9.2.4.1	12	10.56	30,000	30,000
Chief Executive Officer: Mr. M. Habib-ur-Rahman					
3,000,000 ordinary shares of Rs. 10/- each					
(2007: 3,000,000 ordinary shares of Rs.10/- each)					
Others					
Arabian Sea Country Club	9.2.4.2	1.29	7.85	1,000	1,000
Chief Executive Officer: Mr. Arif Ali Khan Abbasi					
100,000 ordinary shares of Rs. 10 each.					
(2007: 100,000 ordinary shares of Rs.10/- each)					
				31,000	31,000

9.2.4.1 This has been classified as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No.16 of 2006 dated August 01, 2006.

	No. of shares as at		2008	2007
	Dec. 31, 2008	Dec. 31, 2007	----- (Rupees '000) -----	
9.2.4.2 Arabian Sea Country Club	100,000	100,000	1,000	1,000
Less: Provision for diminution in value of investments			(1,000)	(1,000)
			<u>-</u>	<u>-</u>

* Net asset value per share is based on the audited financial statements for the year ended December 31, 2008 in case of Atlas Capital Markets (Pvt.) Ltd and June 30, 2008 in case of Atlas Asset Management Ltd. and Arabian Sea Country Club.

9.2.5 Details of investments in Term Finance Certificates - Listed **	2008 (No. of certificates)	2007	Rating*		Market value		Cost	
			2008	2007	2008	2007	2008	2007
					----- (Rupees '000) -----			
Allied Bank Ltd.	3,000	3,000	AA-	A+	16,355	16,362	14,988	14,994
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	-	4,000	-	A	-	6,800	-	6,800
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	3,000	A	A	10,200	15,000	10,200	15,000
Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA-	AA-	34,908	35,620	34,908	34,922
Azgard Nine Ltd.	2,000	2,000	AA-	AA-	10,089	11,009	9,157	9,992
Bank Alfalah Ltd. - 1st issue (unsecured)	-	6,803	-	AA-	-	38,368	-	35,802
Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	8,079	AA-	AA-	40,333	40,349	40,333	40,349
Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,988	9,992	9,988	9,992
Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,372	17,379	17,372	17,379
Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	7,000	AA-	AA-	35,462	35,475	34,979	34,993
Chanda Oil and Gas Securitization Company Ltd.	-	3,448	-	A+	-	12,413	-	12,413
Crescent Leasing Corporation Ltd. - 2nd issue	2,000	2,000	A+	A-	10,235	10,235	10,000	10,000
Crescent Standard Investment Bank Ltd.	-	3,000	-	***	-	5,568	-	5,568
Escorts Investment Bank Ltd.	5,000	5,000	A+	A+	24,985	24,995	24,985	24,995
Grays Leasing Ltd - 2nd issue	-	2,000	-	N/A	-	10,000	-	10,000
IGI Investment Bank Ltd.	6,000	6,000	A+	A+	22,491	29,988	22,491	29,988
Ittehad Chemicals Ltd.	-	3,000	-	A	-	4,996	-	5,104
Jahangir Siddiqui & Company Ltd. - 1st issue (unsecured)	-	2,000	-	AA+	-	2,497	-	2,497
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	5,000	5,000	AA+	AA+	24,960	24,970	24,960	24,970
Jahangir Siddiqui & Company Ltd. - 3rd issue	5,000	5,000	AA+	AA+	24,980	24,990	24,980	24,990
MCB Bank Ltd. (unsecured)	-	1,957	-	A1+	-	2,930	-	2,960
NIB Bank Ltd. (unsecured)	5,400	5,000	A+	A	26,995	27,000	26,995	27,000
Pakistan Mobile Communication (Private) Ltd.	2,000	2,000	AA-	AA-	9,990	9,994	9,990	9,994
Pakistan Services Ltd.	-	2,987	-	A	-	6,653	-	4,433
Searle Pakistan Ltd.	2,000	2,000	A-	A-	6,248	8,747	6,248	8,746
Standard Chartered Bank Ltd. - 1st issue (unsecured)	-	8,000	-	AAA	-	14,305	-	13,755
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	2,587	2,587	AAA	AAA	12,268	12,917	12,268	12,916
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	AAA	AAA	55,045	55,067	49,950	49,970
Total carried forward					392,904	514,619	384,792	500,522

	2008		2007		Rating *		Market value		Cost	
	(No. of certificates)		2008	2007	2008	2007	2008	2007	2008	2007
							(Rupees '000)			
Total brought forward							392,904	514,619	384,792	500,522
Telecard Ltd.	11,530	11,530	BBB	BBB			31,527	39,699	33,362	42,010
Trust Leasing & Investment Bank Ltd. - 1st issue	-	4,000	-	AA			-	7,630	-	7,914
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	5,128	5,128	A	AA			5,128	10,256	5,128	10,256
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	6,807	6,807	A	AA			13,614	20,421	13,614	20,421
Trust Leasing & Investment Bank Ltd. - 4th issue	3,877	-	AA-	-			19,385	-	19,385	-
United Bank Ltd. (unsecured)	11,000	11,000	AA	AA			53,378	53,409	54,916	54,937
World Call Telecom Ltd.	3,727	3,727	AA-	AA-			18,619	18,628	18,619	18,627
Total investments in Term Finance Certificates - Listed							534,555	664,662	529,816	654,687

* Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.

9.2.5.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Ltd.	1.90% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
AI - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. -2nd Issue (unsecured)	1.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Ltd.	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Ltd. - 2nd issue (unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Ltd. - 3rd issue (unsecured)	1.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Ltd. - 1st issue (unsecured)	1.50% above 6 months KIBOR (Floor of 3.5% per annum cap of 10% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Ltd. - 2nd issue (unsecured)	1.95% above 6 months KIBOR (no floor no cap).	Semi-annually	Eight years from February 7, 2007
Crescent Leasing Corporation Ltd. - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.

Particulars	Rate	Profit payment	Redemption terms
Escorts Investment Bank Ltd.	2.50% above 6 months KIBOR (Floor of 8% p.a. & Cap of 17% p.a. for first three years and 8% & 18% respectively for 4th and 5th year).	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
IGI Investment Bank Ltd.	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 28, 2006.
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Company Ltd. - 3rd issue	2.5% above 6 months KIBOR.	Semi-annually	Five and a half year from November 21, 2006.
NIB Bank Ltd. (unsecured)	1.15% above 6 months KIBOR.	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Ltd.	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Searle Pakistan Ltd.	2.50% above 6 months KIBOR (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.
Telecard Ltd.	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st Tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Ltd. - 4th issue	1.85% above 6 months KIBOR (no floor no cap).	Semi-annually	0.02% of principal in two semi-annual installments and remaining principal in eight semi-annual installments of 12.495% each of the issue amount respectively, starting from the 18th month.
United Bank Ltd. (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Ltd.	2.75% above 6 months KIBOR (no floor no cap).	Semi-annually	Five years from November 28, 2006.

	2008 (No. of certificates)	2007	Rating **		Cost	
			2008	2007	2008	2007
					----(Rupees '000)----	
9.2.6 Details of investments in Term Finance Certificates - Un-listed *						
Avari Hotels Ltd.	5,000	5,000	A-	A	12,667	12,667
Dewan Cement Ltd. - Series A	-	1	-	A-	-	108,195
Dewan Cement Ltd. - Series B	-	1	-	N/A	-	232
Gharibwal Cement Ltd.	5,000	5,000	BBB	A-	24,995	25,000
Grays Leasing Ltd.	2,000	3,000	BBB	A-	8,000	1,875
Kashf Foundation	5,000	5,000	A	A	25,000	10,242
New Khan Transport Co. (Private) Ltd.	10	10	N/A	N/A	5,453	5,910
Orix Leasing Pakistan Ltd.	100	2,000	AA	AA	10,000	10,000
Pakistan International Airlines Corporation Ltd.	4,000	4,000	N/A	N/A	14,166	17,499
Pakistan Mobile Communication (Private) Ltd. (unsecured)	-	5,000	-	N/A	-	10,000
Security Leasing Corporation Ltd.	2,000	2,000	BBB	N/A	6,250	8,750
Trakker (Private) Ltd.	100	2,000	A	A	7,500	10,000
Total investments in Term Finance Certificates - Un-listed					114,031	220,370

* Secured and have face value of Rs. 5,000/- each unless specified otherwise, except for New Khan Transport Co. (Private) Ltd. (Rs.1 million each), Orix Leasing Pakistan Ltd. (Rs. 100,000 each) and Trakker (Private) Ltd. (Rs. 100,000 each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.6.1 Other particulars of un-listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Ltd. Chief Executive Officer: Byram D. Avari	3.25% over six months KIBOR (ask side).	Semi-annually	Seven years from November 1, 2007.
Gharibwal Cement Ltd. Chief Executive Officer: Tousif Paracha	3% above 6 months KIBOR rate.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Ltd. Chief Executive Officer: Abdul Rashid Mir	2.50% over six months KIBOR (ask side) with no floor and no cap.	Monthly	10% to be paid after allotment and balance in 36 equal monthly installments.
Kashf Foundation Chief Executive Officer: Roshan A. Zafar	2.45% over three months KIBOR (ask side).	Semi-annually	Three years from November 5, 2007.
New Khan Transport Co. (Private) Ltd. Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Ltd. Chief Executive Officer: Humayun Murad	1.40% over six months KIBOR (ask side).	Semi-annually	Five years from July 30, 2007.
Pakistan International Airlines Corporation Ltd. Chief Executive Officer: Mohammad Aijaz Haroon	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Security Leasing Corporation Ltd. Chief Executive Officer: Mohd. Khalid Ali	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Ltd. Chief Executive Officer: Ali Jamil	3.5% over six months KIBOR (ask side).	Semi-annually	Four years from September 15, 2007.

**9.2.7 Details of investments in Mutual Funds
Available-for-sale securities**

	(No. of units / certificates)		Rating*		Market value / net asset value		Cost	
	2008	2007	2008	2007	2008	2007	2008	2007
	----- (Rupees '000) -----							
Open end								
Atlas Income Fund (a related party)	-	476,626	-	5-star	-	250,000	-	250,000
Atlas Stock Market Fund (a related party)	71,893	67,033	4-star	5-star	16,952	40,342	40,000	40,000
KASB Liquid Fund	-	2,849,815	-	N/A	-	300,000	-	300,000
NAFA Cash Fund	-	28,539,899	-	5-star	-	300,000	-	300,000
National Investment Trust	3,427,812	-	N/A	-	77,777	-	200,000	-
JS Fund of Funds	149,818	272,515	5-star	5-star	11,045	14,660	12,235	12,235
Close end								
First Dawood Mutual Fund	1,161,500	1,161,500	4-star	4-star	2,509	9,002	8,080	8,080
Pakistan Strategic Allocation Fund	2,566,500	2,566,500	4-star	4-star	5,852	23,355	27,215	27,214
PICIC Energy Fund	412,500	412,500	N/A	N/A	945	3,093	4,125	4,125
PICIC Growth Fund	245,000	245,000	N/A	2-star	1,369	6,983	8,490	8,490
UTP-Large Capital Fund	1,796,500	1,796,500	4-star	4-star	4,132	14,552	14,372	14,372
Total Investments in Mutual Funds					<u>120,581</u>	<u>961,987</u>	<u>314,517</u>	<u>964,516</u>

* Represents instrument rating in case of investment in mutual funds units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

**9.2.8 Unrealised loss on revaluation of
investments classified as Held-for-trading**

	2008	2007
	----- (Rupees '000) -----	
Listed companies (ordinary shares)	(591)	(6,772)
	<u>(591)</u>	<u>(6,772)</u>

9.3 Particulars of provision of diminution in the value of investments

Opening Balance	7,766	8,069
Charge for the year	1,363	-
Reversals during the year	(6,064)	(303)
	(4,701)	(303)
Write-off against provision	(702)	-
Closing Balance	<u>2,363</u>	<u>7,766</u>

9.3.1 Particulars of provision in respect of Type and Segment

Available-for-sale securities

Term Finance Certificates - unlisted	1,363	6,766
Unlisted companies (ordinary shares)	1,000	1,000
	<u>2,363</u>	<u>7,766</u>

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		19,584,980	6,739,193
Outside Pakistan		-	-
		19,584,980	6,739,193
Net investment in finance lease			
In Pakistan		1,532,854	2,654,444
Outside Pakistan		-	-
	10.2	1,532,854	2,654,444
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		21,301	41,293
Payable outside Pakistan		39,367	16,708
		60,668	58,001
Financing in respect of Continuous Funding System (CFS)		36,226	234,331
Advances - gross		21,214,728	9,685,969
Provision for non-performing advances			
- specific		(759,245)	(474,861)
- general (against consumer financing)		(4,822)	(5,656)
	10.4	(764,067)	(480,517)
Advances - net of provision		20,450,661	9,205,452
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		21,175,361	9,669,261
In foreign currency		39,367	16,708
		21,214,728	9,685,969
10.1.2 Short term (for upto one year)		17,766,572	2,979,199
Long term (for over one year)		3,448,156	6,706,770
		21,214,728	9,685,969

10.2 Net investment in 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 '000) -----							
Lease rentals receivable	474,002	763,445	-	1,237,447	414,838	1,995,039	-	2,409,877
Residual value	319,237	136,707	-	455,944	205,520	332,599	-	538,119
Minimum lease payments	793,239	900,152	-	1,693,391	620,358	2,327,638	-	2,947,996
Financial charges for future period	(51,873)	(108,664)	-	(160,537)	(31,059)	(262,493)	-	(293,552)
Present value of minimum lease payments	741,366	791,488	-	1,532,854	589,299	2,065,145	-	2,654,444

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.

10.3 Advances include Rs. 1,467.94 million (2007: Rs. 775.19 million) 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 '000) -----								
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	506,068	-	506,068	100,664	-	100,664	100,664	-	100,664
Doubtful	389,518	-	389,518	159,180	-	159,180	159,180	-	159,180
Loss	572,354	-	572,354	499,401	-	499,401	499,401	-	499,401
	<u>1,467,940</u>	<u>-</u>	<u>1,467,940</u>	<u>759,245</u>	<u>-</u>	<u>759,245</u>	<u>759,245</u>	<u>-</u>	<u>759,245</u>

10.3.1 Subsequent to the year end, SBP vide its Circular No. 2 of 2009 dated January 27, 2009, has amended the Prudential Regulation in respect of provisioning requirement on non-performing advances. The said regulations which are effective from December 31, 2008 allow benefit of forced sale value to the extent of 30% against all non-performing advances for calculating provisioning requirement. Accordingly, the aforesaid change has resulted in reversal of provision of Rs.138.36 million and a consequent decrease in loss after tax of Rs.89.93 million.

10.4 Particulars of provision against non-performing advances

	2008			2007		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	474,861	5,656	480,517	356,678	8,649	365,327
Charge for the year	460,368	-	460,368	329,435	-	329,435
Reversals	(101,290)	(834)	(102,124)	(54,686)	(2,993)	(57,679)
Transferred to Other Assets	359,078	(834)	358,244	274,749	(2,993)	271,756
	(7,293)	-	(7,293)	-	-	-
Amount written off	351,785	(834)	350,951	274,749	(2,993)	271,756
	(67,401)	-	(67,401)	(156,566)	-	(156,566)
Closing balance	<u>759,245</u>	<u>4,822</u>	<u>764,067</u>	<u>474,861</u>	<u>5,656</u>	<u>480,517</u>
10.4.1 Particulars of provision against non-performing advances						
In local currency	759,245	4,822	764,067	474,861	5,656	480,517
In foreign currency	-	-	-	-	-	-
	<u>759,245</u>	<u>4,822</u>	<u>764,067</u>	<u>474,861</u>	<u>5,656</u>	<u>480,517</u>

10.5 Particulars of write offs

10.5.1 Against provisions
Directly charged to profit and loss account

10.5.2 Write offs of Rs.500,000 and above
Write offs of below Rs.500,000

	2008	2007
	----- (Rupees '000) -----	
	67,401	156,566
	-	5
	<u>67,401</u>	<u>156,571</u>
	40,678	153,994
	26,723	2,577
	<u>67,401</u>	<u>156,571</u>

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

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to persons during the year ended December 31, 2008 is given in Annexure 1.

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
10.7 Particulars of loans and advances to directors, associated companies, subsidiaries 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		114,987	18,669
Loans granted during the year		452,012	102,549
Repayments		(31,447)	(6,231)
Balance at end of year		535,552	114,987
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		222,174	70,994
Loans granted during the year		467,707	165,576
Repayments		(115,040)	(14,396)
Balance at end of year		574,841	222,174
		1,110,393	337,161
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	324,030	364,513
Property and equipment - own use	11.2	863,516	399,758
Property and equipment - operating lease	11.3	27,754	30,859
Intangible assets	11.4	215,067	197,016
		1,430,367	992,146
11.1 Capital work-in-progress			
Civil works		1,773	161,078
Equipment		25,040	41,583
Advances to suppliers and contractors		319,306	161,852
		346,119	364,513
Less: Provision against advances to suppliers	11.1.1	(22,089)	-
		324,030	364,513
11.1.1 Provision against advances to suppliers			
Opening balance		-	-
Charge for the year	26.3	22,089	-
Reversals		-	-
Amount written off		-	-
		22,089	-

11.2 Property and equipment - own use

	2008							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2008	Rate of Depreciation (%)
	As at January 1, 2008	Additions / (Deletions) / *(Write-off)	As at December 31, 2008	As at January 1, 2008	Charge for the year / (Deletions) / *(Write-off)	As at December 31, 2008		
(Rupees '000)								
Furniture, fixtures and equipment	124,204	259,901 (1,254) (10,133)*	372,718	15,804	21,274 (174) (4,453)*	32,451	340,267	10-15
Vehicles	169,821	45,499 (100,296) (29)*	114,995	19,144	29,391 (18,943) (10)*	29,582	85,413	20
Leasehold improvements	91,480	259,872 (69)*	351,283	10,377	16,119 (13)*	26,483	324,800	10
Computer and allied equipment	92,364	84,879 (4,988)*	172,255	32,786	29,942 (3,509)*	59,219	113,036	30
December 31, 2008	477,869	650,151 (101,550) (15,219)*	1,011,251	78,111	96,726 (19,117) (7,985)*	147,735	863,516	

	2007							
	COST			ACCUMULATED DEPRECIATION			Book value as at December 31, 2007	Rate of Depreciation (%)
	As at January 1, 2007	Additions / (Deletions) / *(Adjustments)*	As at December 31, 2007	As at January 1, 2007	Charge for the year / (Deletions) / *(Adjustments)*	As at December 31, 2007		
(Rupees '000)								
Furniture, fixtures and equipment	62,625	61,610 (31)	124,204	8,138	7,670 (4)	15,804	108,400	10-15
Vehicles	45,120	142,879 (18,178)	169,821	4,576	17,371 (2,803)	19,144	150,677	20
Leasehold improvements	45,764	45,833 (117)*	91,480	4,444	5,946 (13)*	10,377	81,103	10
Computer and allied equipment	56,921	35,443	92,364	17,931	14,855	32,786	59,578	30
December 31, 2007	210,430	285,765 (18,209) (117)*	477,869	35,089	45,842 (2,807) (13)*	78,111	399,758	

11.2.1 Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.13.47 million (2007: Rs.14.76 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.

11.3 Property and equipment - operating lease

	2008								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2008	Rate of Depreciation (%)
	As at January 1, 2008	Additions	As at December 31, 2008	As at January 1, 2008	Charge for the year	As at December 31, 2008			
	(Rupees '000)								
Equipment	35,667	-	35,667	4,904	3,076	7,980	27,687	10	
Computer and allied equipment	158	-	158	62	29	91	67	30	
December 31, 2008	35,825	-	35,825	4,966	3,105	8,071	27,754		

	2007								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2007	Rate of Depreciation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
	(Rupees '000)								
Equipment	35,667	-	35,667	1,486	3,418	4,904	30,763	10	
Computer and allied equipment	158	-	158	20	42	62	96	30	
December 31, 2007	35,825	-	35,825	1,506	3,460	4,966	30,859		

11.4 Intangible assets

	2008								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2008	Rate of Ammortisation (%)
	As at January 1, 2008	Additions	As at December 31, 2008	As at January 1, 2008	Charge for the year	As at December 31, 2008			
	(Rupees '000)								
Computer softwares	45,696	27,417	73,113	25,615	9,326	34,941	38,172	30	
Cards (Note 11.4.1)	110,000	-	110,000	-	-	-	110,000	-	
Website cost	150	-	150	15	40	55	95	30	
Tenancy rights (Note 11.4.2)	66,800	-	66,800	-	-	-	66,800	-	
December 31, 2008	222,646	27,417	250,063	25,630	9,366	34,996	215,067		

	2007								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2007	Rate of Ammortisation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
	(Rupees '000)								
Computer softwares	39,261	6,435	45,696	18,279	7,336	25,615	20,081	30	
Cards (Note 11.4.1)	110,000	-	110,000	-	-	-	110,000	-	
Website cost	-	150	150	-	15	15	135	30	
Tenancy rights (Note 11.4.2)	66,800	-	66,800	-	-	-	66,800	-	
December 31, 2007	216,061	6,585	222,646	18,279	7,351	25,630	197,016		

11.4.1 These represents membership cards of Karachi, Lahore and Islamabad Stock Exchanges. These have an indefinite useful life and are carried at cost and not amortised.

11.4.2 This represents the consideration paid by the Bank in connection with the transfer of tenancy rights in favour of the Bank in respect of the property situated on the first floor of the Karachi Stock Exchange Building. The ownership of the property rests with Karachi Stock Exchange and the afore-mentioned payment has only been made for the right to occupy the premises for the purposes of the Bank's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

Details of disposal of fixed assets where cost exceeds Rs. 1 million or book value is greater than Rs. 0.25 million, whichever is lower are as follows:

(Rupees '000)							
Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Vehicles	943	628	315	717	402	Auction	Cars Qilla 15, Fatima Jinnah Colony, Karachi.
	560	149	411	430	19	--- do ---	Manzoor Ahmed Khan 16 G, Block II PECHS, Karachi.
	560	149	411	420	9	--- do ---	-----do-----
	560	149	411	422	11	--- do ---	Adnan Ahmed Bhatti House No.148, Defence View, Phase II, Karachi.
	923	245	678	711	33	--- do ---	Ittehad Motors 55, Muslimabad, Madina Baa Apt., New M.A. Jinnah Road, Karachi.
	735	530	205	507	302	--- do ---	Khurram Motors 77-B-III, Gulberg III, Lahore.
	499	223	276	394	118	--- do ---	-----do-----
	474	390	84	433	349	--- do ---	Atiq-ur-Rehman 34 B, Street No. 2, Farooqia Colony, Multan Road, Lahore.
	474	71	403	403	-	Bank Policy	Waqas Asghar - Employee
	483	135	348	348	-	--- do ---	Faisal Iqbal - Employee
	1,023	300	723	723	-	--- do ---	Naeem Iftikhar - Ex-employee
	484	20	464	464	-	--- do ---	Saquist - Ex-employee
	497	8	489	489	-	--- do ---	Rashid Hussain - Ex-employee
	492	149	343	343	-	--- do ---	Cyrus Tengra - Employee
	417	116	301	301	-	--- do ---	Irfan Ibrahim - Employee
	923	150	773	773	-	--- do ---	Syed Hammad Haider - Ex-employee
	1,010	281	729	729	-	--- do ---	Nisar Zaman Khan - Employee
	1,351	393	958	958	-	--- do ---	Shaikh Tahir Azmat - Employee
	1,351	216	1,135	1,135	-	--- do ---	Hasan Imam - Employee
	914	89	825	825	-	--- do ---	Mazhar Ali - Ex-employee
	883	224	659	659	-	--- do ---	Khawaja Aslam Saeed - Ex-employee
	483	129	354	354	-	--- do ---	Farooq Saleem - Employee
	497	41	456	456	-	--- do ---	M. Iftikhar - Ex-employee
	949	181	768	768	-	--- do ---	Asim Shafiq - Ex-Employee
	951	123	828	828	-	--- do ---	Arsalan Sattar - Employee
	951	123	828	828	-	--- do ---	Mohd. Waseem - Employee
	949	167	782	782	-	--- do ---	Zubair Aziz - Employee
	949	196	753	753	-	--- do ---	Humayun Akhter - Employee
	949	167	782	782	-	--- do ---	Kashif Hafeez - Employee
	949	152	797	797	-	--- do ---	Rizwan Ahmed - Employee
	949	152	797	797	-	--- do ---	Ahmed Saeed - Employee
	694	68	626	626	-	--- do ---	Naveed Mushtaq - Employee
	1,397	70	1,327	1,327	-	--- do ---	Ahmed Qureshi - Employee
	1,397	115	1,282	1,282	-	--- do ---	Umer Azim Daudpota - Employee
	949	152	797	797	-	--- do ---	Brian Tellis - Employee
	1,403	137	1,266	1,266	-	--- do ---	Humayun Bawker - Employee
	1,403	115	1,288	1,288	-	--- do ---	Naveed Sherwani - Employee
	1,403	70	1,333	1,333	-	--- do ---	Faisal Iqbal - Employee
	1,383	178	1,205	1,205	-	--- do ---	Gulbano Asim - Ex-employee
	961	154	807	807	-	--- do ---	Abdul Basit Mehmood - Employee
	660	85	575	575	-	--- do ---	Junaid Bachani - Ex-Employee
	306	93	213	213	-	--- do ---	Zafar Abbass - Employee
	1,005	50	955	955	-	--- do ---	Salman Gul - Employee
Total carried forward	37,088	7,329	29,765	31,005	1,243		

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Pardiculars of purchaser
Total brought forward	37,088	7,329	29,765	31,005	1,243		
	949	167	782	782	-	Bank Policy	Afshan Waheed - Ex-employee
	949	152	797	797	-	--- do ---	Akbar Mughal - Employee
	694	68	626	626	-	--- do ---	Behnaz Sethna - Employee
	951	123	828	828	-	--- do ---	Zubair Abbassi - Employee
	889	115	774	774	-	--- do ---	Zaheer Anwar Iqbal - Employee
	1,351	237	1,114	1,114	-	--- do ---	Ghufran Atta Khan - Employee
	883	145	738	738	-	--- do ---	Shahid Mehmood Sajid - Ex-employee
	930	105	825	825	-	--- do ---	Farhan Abbas Sheikh - Ex-employee
	660	136	524	524	-	--- do ---	Shah Raza Naqvi - Employee
	923	148	775	775	-	--- do ---	Azfar Karimuddin - Employee
	479	62	417	417	-	--- do ---	Mohd. Omair - Employee
	973	110	863	863	-	--- do ---	Reza Said - Employee
	487	40	447	447	-	--- do ---	Kashif Bashir - Employee
	474	155	319	319	-	--- do ---	Iftikhar-ul-Islam - Employee
	949	196	753	753	-	--- do ---	Shafiq Pasha - Ex-employee
	888	142	746	746	-	--- do ---	Adnan Zia - Employee
	973	110	863	863	-	--- do ---	Awais Talmiz - Employee
	497	25	472	472	-	--- do ---	Yasir Younus - Employee
	694	68	626	626	-	--- do ---	Ghulam Fareed - Ex-employee
	469	89	380	380	-	--- do ---	Ali Chohan - Ex-employee
	1,397	137	1,260	1,260	-	--- do ---	Naeem Awan - Employee
	497	25	472	472	-	--- do ---	Tahir Munir - Ex-employee
	477	156	321	321	-	--- do ---	Sajjad Arshad - Ex-employee
	930	163	767	767	-	--- do ---	Tayyab Raza - Ex-employee
	914	134	780	780	-	--- do ---	Shabbir Abbas - Employee
	895	157	738	738	-	--- do ---	Kashif Saeed - Employee
	495	41	454	454	-	--- do ---	Adeel Khurshid - Employee
	497	64	433	433	-	--- do ---	Mohsin Leghari - Employee
	381	120	261	261	-	--- do ---	Shahab Mujtaba - Employee
	495	41	454	454	-	--- do ---	Ehsan Elahi - Ex-employee
	694	69	625	625	-	--- do ---	Mohd. Azam Khan - Ex-Employee
	917	255	662	662	-	--- do ---	Khawar Saeed - Employee
	1,403	137	1,266	1,266	-	--- do ---	Salman Munir - Employee
	694	112	582	582	-	--- do ---	Zeeshan Taqvi - Employee
	494	41	453	453	-	--- do ---	Kamran Kiyani - Employee
	497	65	432	432	-	--- do ---	Iftikhar Masood - Ex-employee
	694	101	593	593	-	--- do ---	Khurram Sattar - Employee
	694	112	582	582	-	--- do ---	Waqas Anis - Employee
	694	112	582	582	-	--- do ---	Rehan Ashraf - Employee
	920	134	786	786	-	--- do ---	Rabia Salahuddin - Ex-employee
	943	653	290	290	-	--- do ---	Jawad Ali - Ex-employee
	497	57	440	440	-	--- do ---	Yusuf Gain - Ex-employee
	379	133	246	246	-	--- do ---	Amjad Ali - Employee
	479	47	432	432	-	--- do ---	Nehal Ahmed - Employee
	476	167	309	309	-	--- do ---	Ejaz Ahmed - Employee
	479	92	387	387	-	--- do ---	Nafees Rehman - Employee
	497	33	464	464	-	--- do ---	Aftab Ahmed Khan - Ex-employee
	495	41	454	454	-	--- do ---	Ahmed Nasim - Ex-employee
	923	230	693	693	-	--- do ---	Khalid Kamal - Employee
	694	58	636	636	-	--- do ---	Kamran Hassan - Employee
	890	281	609	609	-	--- do ---	Tariq Sabzwari - Ex-employee
	692	58	634	634	-	--- do ---	Faisal Qureshi - Employee
	920	177	743	743	-	--- do ---	Tariq Hashmi - Ex-employee
	660	155	505	505	-	--- do ---	Saima Mahfooz - Employee
	490	49	441	441	-	--- do ---	Khurram Hassan - Ex-employee
Total carried forward	77,339	14,130	63,223	64,463	1,243		

(Rupees '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit / (loss)	Mode of disposal	Particulars of purchaser
Total brought forward	77,339	14,130	63,223	64,463	1,243		
	923	203	720	720	-	Bank Policy	Babbar Wajid - Ex-employee
	920	92	828	828	-	--- do ---	William D' Souza - Ex-employee
	895	185	710	710	-	--- do ---	Liaquat Siddiq - Ex-employee
	497	58	439	439	-	--- do ---	Khurram Abbass - Employee
	694	122	572	572	-	--- do ---	Mohd. Ahmer - Employee
	497	65	432	432	-	--- do ---	Abbass Rafi Fida - Ex-employee
	476	167	309	309	-	--- do ---	Ebrahim Abbass - Employee
	655	154	501	501	-	--- do ---	Tahir Gillani - Employee
	694	89	605	605	-	--- do ---	Sadiq Saleem - Ex-employee
	694	145	549	549	-	--- do ---	Baber Ayaz - Employee
	694	134	560	560	-	--- do ---	Ahmer Zia - Ex-employee
	492	102	390	390	-	--- do ---	Rizwan Haider - Ex-employee
	507	17	490	490	-	--- do ---	Salman Ahmed - Ex-employee
	896	213	683	683	-	--- do ---	Arif Mehtab - Employee
	475	119	356	356	-	--- do ---	Arsalan Ullah Khan - Ex-employee
	497	98	399	399	-	--- do ---	Zahid Maqbool - Employee
	469	117	352	352	-	--- do ---	Zia Ameer - Ex-employee
	921	194	727	727	-	--- do ---	Marium Mansoor - Ex-employee
	914	192	722	722	-	--- do ---	Agha Naveed Haider - Employee
	830	277	553	553	-	--- do ---	Shahzad Ahmed - Ex-employee
	497	33	464	464	-	--- do ---	Waseem Alam - Employee
	359	100	259	259	-	--- do ---	Farhan Khan - Ex-employee
	390	134	256	256	-	--- do ---	Monis Farid - Employee
	480	95	385	385	-	--- do ---	Ali Naeem - Employee
	665	251	414	414	-	--- do ---	Abbas Sajjad - Employee
	937	194	743	743	-	--- do ---	Kashif Yasin - Employee
	688	141	547	547	-	--- do ---	Najma Khan - Ex-employee
	488	107	381	381	-	--- do ---	Khalid Khan - Ex-employee
	481	78	403	403	-	--- do ---	Muzammil Merchant - Employee
	488	86	402	434	32	Negotiation	Z. Waqar Haider Kazmi House No. 32-B Mahala Jafarya, Colony, Band Road, Lahore
	689	57	632	689	57	Insurance Claim	Atlas Insurance Company Ltd.
	781	256	525	994	469	--- do ---	-----do-----
	97,926	18,408	79,525	81,325	1,800		

Items having book value of less than Rs. 0.25 million or cost of Rs. 1 million is as follows:

Vehicles	2,365	535	1,830	1,886	56
Electrical Equipment	1,254	174	1,080	411	(669)
	101,545	19,117	82,435	83,622	1,187

	Note	2008 ----- (Rupees '000) -----	2007
12. DEFERRED TAX ASSETS - net			
Differences in accounting base and tax base			
Deferred tax debits arising in respect of:			
- Employee benefits		1,767	5,208
- Deficit on revaluation of investments		283,442	25,535
- Provision against advances		3,040	2,890
- Tax losses		892,828	471,334
- Other deductible temporary differences		-	3,416
		1,181,077	508,383
Deferred tax credit arising due to:			
- operating fixed assets		(121,351)	(48,200)
- net investment in finance lease		(42,537)	(291,058)
		(163,888)	(339,258)
		<u>1,017,189</u>	<u>169,125</u>

The above net deferred tax asset has been recognised in accordance with the Group's accounting policy as stated in note 5.8 above. The management based on financial projections prepared during the year, estimates that sufficient taxable profits would be available in future against which this deferred tax assets could be realised.

13. OTHER ASSETS

Income / Mark-up accrued in local currency		634,816	219,725
Advances, deposits and other prepayments	13.1	231,352	210,459
Advance taxation (payments less provisions)		102,793	94,623
Branch adjustment account		12,974	-
Stationery and stamps on hand		2,832	2,881
Goodwill	13.2	377,421	516,498
Receivable against sale of securities		13,003	1,100
Receivable from brokers		-	4,468
Trade debts of subsidiary	13.3	535,841	2,259,234
Deposit with stock exchanges		550	110,805
Derivatives - equity futures		-	5,529
Brokerage commission receivable		1,379	3,793
Receivable from stock exchanges		8,426	190,015
Other charges recoverable from lessees		12,467	4,856
Others		19,775	2,144
		1,953,629	3,626,130
Less: Provision held against other assets	13.4	(83,837)	(18,417)
Other assets (net of provision)		<u>1,869,792</u>	<u>3,607,713</u>
13.1 Advances			
for purchase of land	13.1.1	32,000	32,000
office rent		130,876	146,328
others		32,301	4,344
Security deposits		25,242	22,541
Prepayments		10,933	5,246
		<u>231,352</u>	<u>210,459</u>

13.1.1 This represents consideration amount deposited in Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property was challenged by the judgment debtors / company in the Honourable Lahore High Court. Subsequently, case was transferred to Islamabad High Court. After hearing the appeal, Islamabad High Court has passed the order on December 01, 2008 and directed the Judgment Debtors to deposit the decreed money in the court within 90 days failing which the sale of land will be confirmed in favour of the Bank.

	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
13.2 Goodwill		
Cost		
As at the beginning of the year	516,498	516,498
Less: Impairment charge for the year	(139,077)	-
Net book value	377,421	516,498

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash generating units:

- Commercial Banking
- Trading & Sales

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

Commercial Banking	222,893	309,899
Trading & Sales	154,528	206,599

Key assumptions used in value in use calculations

The recoverable amount of both the cash generating units have been determined based on a value in use calculation, using cash flow projections as per business plans approved by management covering a five year period. The discount rate applied to cash flow projections beyond the fifth year are extrapolated using a terminal growth rate. The following rates are used by the Bank:

	<u>Commercial Banking</u>		<u>Trading & Sales</u>	
	2008	2007	2008	2007
Discount rate - discrete period	26.3%	24.9%	25.1%	22.4%
Terminal growth rate	10.0%	10.0%	10.0%	10.0%

The calculation of value in use for both the cash generating units is most sensitive to the following assumptions:

- Interest margins;
- Discount rate;
- Key business assumptions during the projected period.

Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

Discount rates

Discount rates reflect management estimates of the rate of return required for each business and are calculated using the Capital Asset Pricing Model for computing the cost of equity.

Key business assumptions

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's position might change over the projected period. Management expects Commercial Banking and Trading & Sales, particularly advances, deposits and other accounts and investments to grow aggressively during the projected period and thereafter stabilise in line with industry trends.

Sensitivity to changes in assumptions

For the Commercial Banking and Trading & Sales, there may be possible changes in key assumptions which could cause the carrying values of the respective units to exceed their recoverable amounts. Management has considered the possibility of lower than budgeted profits due to changes in the mix of inputs relating to growth in advances, deposits and other accounts and spreads. A reduction in net mark up / interest income of Rs. 110.67 million in Commercial Banking and Rs. 87.78 million in Trading & Sales or a reduction in profits of Rs. 63.27 million in Commercial Banking and Rs. 42.60 million in Trading & Sales would give a value in use equal to the carrying amounts of the respective units.

	Note	2008 ----- (Rupees '000) -----	2007
13.3 Trade debts of subsidiary			
Considered good			
Due from clients in respect of securities transactions	13.3.1		
- Secured		291,830	-
- Unsecured		173,772	2,249,503
Considered doubtful			
Due from clients in respect of securities transactions		70,239	12,112
		535,841	2,261,615
Less: Provision for doubtful debts	13.3.1	(70,239)	(12,112)
		465,602	2,249,503

13.3.1 Includes an aggregate balance Rs. 101.85 million in respect of customers who have not settled their dues towards the subsidiary company in respect of securities transactions. The Company holds securities with market value of Rs. 39.52 million against these balances. The management has made a provision of Rs. 51.79 million after considering the subsequent recovery and other securities held against these balances.

In addition, subsequent to the balance sheet date the Company has entered into settlement agreements with certain clients in respect of balances amounted to Rs. 305 million. Under such agreements the clients have agreed to settle the balances over a period of one to two years and have also agreed to provide collaterals in the nature of equitable mortgage over properties, stock exchange membership cards and rooms. As a result of such settlements the management has made a provision of Rs. 18.45 million against impairment representing the difference between the present value of the future receivable in term of the settlements and the carrying amount of such balances.

13.4 Provision held against other assets

Opening balance	18,417	20,193
Charge for the year	58,127	-
Transferred from provision against non-performing advances	7,293	-
Reversals	-	-
Write off against provision	-	(1,776)
	83,837	18,417

14. BILLS PAYABLE

In Pakistan	255,742	288,907
Outside Pakistan	-	-
	255,742	288,907

15. BORROWINGS

In Pakistan	5,504,605	1,447,285
Outside Pakistan	5,496	46,574
	5,510,101	1,493,859

15.1 Particulars of borrowings with respect to currencies

In local currency	5,504,605	1,447,285
In foreign currencies	5,496	46,574
	5,510,101	1,493,859

	Note	2008 ----- (Rupees '000) -----	2007
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	379,301	224,568
Financing facility from State Bank of Pakistan	15.2.2	2,650,000	-
Borrowings from Banks	15.2.3	186,676	405,910
Repurchase agreement borrowings	15.2.4	1,438,628	716,807
		4,654,605	1,347,285
Unsecured			
Call borrowings		850,000	-
Loan from a related party		-	100,000
Overdrawn nostro accounts		5,496	46,574
		5,510,101	1,493,859

15.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2007: 6.50%) per annum having maturities upto June 2009.

15.2.2 This represents draw down against a facility obtained from SBP of Rs. 4,500 million at the rate of 18% per annum for a period of three months commencing from the date of first draw down. This facility is secured against personal guarantees of the sponsor directors, pledge of sponsors shareholdings, demand promissory note and a charge on the assets of the Bank.

15.2.3 Secured			
Loan 1		-	41,667
Loan 2		-	75,000
Loan 3		-	200,000
Loan 4	15.2.3.1	100,000	-
Running finance facility 1	15.2.3.2	42,850	39,143
Running finance facility 2	15.2.3.3	33,845	50,100
Running finance facility 3	15.2.3.4	9,981	-
		186,676	405,910

15.2.3.1 Represents a loan facility of Rs.100 million obtained from a banking company. The loan is repayable in June 2011 and carries mark-up at three months KIBOR plus 1.75% per annum with no floor and cap and payable on quarterly basis.

15.2.3.2 This represents running finance facility of Rs. 200 million obtained from a banking company and is secured against pledge of securities to meet the working capital requirements. It carries mark-up rate of one month KIBOR (ask side) plus 4% per annum with no floor and cap. The mark-up is repayable quarterly. This arrangement is valid till February 28, 2009.

15.2.3.3 This represents running finance facility of Rs. 300 million obtained from a banking company and is secured against hypothecation of amount due from customers and pledge of securities to meet the working capital requirements. It carries mark-up rate of three months average KIBOR (ask side) plus 2.5% per annum with no floor and cap. The mark-up is repayable quarterly. This arrangement is valid till June 24, 2009.

15.2.3.4 This represents running finance facility of Rs. 25 million obtained from a banking company and is secured against pledge of securities to meet the working capital requirements. It carries mark-up rate of three months average KIBOR (ask side) plus 1.75% per annum with no floor and cap. The mark-up is repayable quarterly. This arrangement is valid till June 30, 2009.

15.2.4 These represent borrowings at rates ranging from 12% to 20% (2007: 9.35% to 9.60%) per annum having maturities upto January 13, 2009.

	Note	2008 ----- (Rupees '000) -----	2007
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		9,522,909	3,693,681
Savings deposits		4,258,497	3,305,673
Current accounts – Non-remunerative		2,476,985	1,193,163
Margin and other accounts – Non-remunerative		84,575	185,066
		<u>16,342,966</u>	<u>8,377,583</u>
Financial Institutions			
Remunerative deposits		2,292,161	6,800,534
Non-remunerative deposits		8,719	142,723
		<u>2,300,880</u>	<u>6,943,257</u>
		<u>18,643,846</u>	<u>15,320,840</u>
16.1 Particulars of deposits			
In local currency		17,939,427	15,132,791
In foreign currencies		704,419	188,049
		<u>18,643,846</u>	<u>15,320,840</u>
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		409,128	215,622
Mark-up / return / interest payable in foreign currency		8,784	1,032
Accrued expenses		57,695	23,765
Payable to Bank of Ceylon, Colombo		20,611	20,611
Branch adjustment account		-	14,346
Retention money		17,530	3,185
Payable to staff gratuity fund	32	9,895	3,060
Security deposits against leases		442,859	527,317
Provision for employee compensated absences		63,755	19,573
Payable to creditors		22,930	10,825
Payments from clients / lessees received on account		35,563	39,173
Payable to brokerage house clients		84,435	2,196,360
Payable to stock exchanges		-	-
Others		19,492	15,658
		<u>1,192,677</u>	<u>3,090,527</u>
18. SHARE CAPITAL			
18.1 Authorised capital			
		2008	2007
		Number of shares	
<u>700,000,000</u>	<u>700,000,000</u>	Ordinary shares of Rs 10/- each	<u>7,000,000</u>
			<u>7,000,000</u>
18.2 Issued, subscribed and paid-up capital			
		Ordinary shares of Rs 10/- each	
<u>341,254,985</u>	<u>341,254,985</u>	Fully paid in cash	<u>3,412,550</u>
<u>158,891,642</u>	<u>158,891,642</u>	Issued for consideration other than cash	<u>1,588,916</u>
<u>500,146,627</u>	<u>500,146,627</u>		<u>5,001,466</u>
			<u>5,001,466</u>

18.2.1 Shares held by associates and related parties are disclosed in pattern of share holding.

	Note	2008 ----- (Rupees '000) -----	2007
19. DEFICIT ON REVALUATION OF ASSETS - net of tax			
Available for sale securities			
Government securities		(234,748)	(102,141)
Listed companies (ordinary shares)	19.1	(452,524)	(6,726)
Mutual funds (units / certificates)	19.1	(193,936)	(2,529)
Term Finance Certificates		4,739	9,975
		(876,469)	(101,421)
Related deferred taxation	19.1	282,989	25,535
		(593,480)	(75,886)

19.1 During the year, the stock exchange introduced 'floor mechanism' in respect of prices of equity securities based on the closing price as prevailing on August 27, 2008. Under the 'floor mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. During this period trading of securities effectively remained suspended on the stock exchanges. The trading resumed on December 15, 2008, however, the trading volumes upto December 31, 2008 were significantly low as compared to the volumes before the institution of floor mechanism. However, pursuant to the BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities held by the Bank have been valued at the prices quoted on the stock exchanges as of December 31, 2008 and the mutual fund units has been valued on the basis of the net asset values as of that date.

Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss amounting to Rs. 648.02 million and the related deferred tax impact of Rs. 226.81 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and have been taken to 'Deficit on revaluation of asset' account as shown on the balance sheet. The said impairment loss is required to be taken to the profit and loss account in the year 2009 on quarterly basis after adjustment for the effects of price movements in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss for the year.

The recognition of impairment loss in accordance with the requirement of accounting standards would have had the following effect on these financial statements.

	2008 (Rupees '000)
Increase in provision of diminution in the value of investments	648,024
Decrease in tax charge for the year	226,808
Increase in loss for the year	421,216
Increase in loss per share (Rupee)	0.84
Decrease in deficit on revaluation of assets – net of tax	421,216
Increase in accumulated loss	421,216

	2008 ----- (Rupees '000) -----	2007
20. CONTINGENCIES AND COMMITMENTS		
20.1 Direct credit substitutes		
Includes general guarantees of indebtedness in favour of :		
i) Government	18,480	236,030
ii) Banking companies and other financial institutions	11,548	-
iii) Others	99,151	327,560
	129,179	563,590
20.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees favouring:		
i) Government	409,384	160,474
ii) Banking companies and other financial institutions	92,440	102,832
iii) Others	125,267	313,593
	627,091	576,899

	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
20.3 Trade related contingent liabilities		
Letter of credit	1,156,373	1,523,416
20.4 Other contingencies		
- underwriting of shares and modaraba certificates	-	10,000
- underwriting of TFCs	-	80,000
- taxation matter have been disclosed in note 28.1		
20.5 Commitment in respect of forward lending		
- commitment to extend credits	6,034,214	1,860,429
- financing in respect of continuous funding system	12,361	-
20.6 Commitment in respect of forward exchange contracts		
- purchase	737,466	344,464
- sale	343,196	606,971
20.7 Commitment for the acquisition of operating fixed assets	79,400	228,183
20.8 Other commitments for		
- purchase of securities	-	62,090
- sale of listed shares under futures contract	-	108,154
21. DERIVATIVE INSTRUMENTS		
<p>The Group at present does not offer structured derivative products such as Interest Rate Swaps, Forward Rate Agreements or FX Options. However, the Group's Treasury buys and sells Forward Exchange Contracts.</p> <p>Forward exchange contract is a product offered to customer backed by international trading contract. These customers used this product to hedge themselves from unfavorable movements in foreign currencies.</p> <p>In order to mitigate this risk of adverse exchange rate movements the Group 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.</p> <p>Accounting policy in respect of derivative financial instrument is disclosed in note 5.11.</p>		
22. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	2,384,159	783,206
Financial institutions	23,480	6,843
On investments in:		
Available-for-sale securities	239,563	287,110
Held-to-maturity securities	89,060	14,753
On deposits with financial institutions	102,569	104,686
On securities purchased under resale agreements	124,919	123,966
	2,963,750	1,320,564
23. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	1,895,877	1,033,332
Securities sold under repurchase agreements	142,050	120,933
Pledge cost	-	6,747
Long-term borrowings	42,827	98,356
Other short term borrowings	369,152	57,293
	2,449,906	1,316,661

	Note	2008 ----- (Rupees '000) -----	2007
24. GAIN ON SALE / REDEMPTION OF SECURITIES			
Listed companies (ordinary shares)		70,224	123,511
Mutual funds (units / certificates)		45,212	166,950
		<u>115,436</u>	<u>290,461</u>
25. OTHER INCOME			
Net profit on sale of fixed assets	11.5	1,188	298
Recovery against written off advances		10,623	-
Profit on receivable from trade debts of subsidiary		52,138	17,485
Others	25.1	22,495	23,740
		<u>86,444</u>	<u>41,523</u>
25.1 Includes income from various general banking / brokerage services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.			
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,061,956	336,643
Charge for defined benefit plan	32.1.4	8,307	3,171
Contribution to defined contribution plan		34,339	14,926
Non executive directors' fees		290	220
Rent, taxes, insurance, electricity, etc.		249,922	132,937
Legal and professional charges		49,497	14,098
Communications		107,768	53,704
Repairs and maintenance		103,235	25,404
Stationery and printing		34,958	13,474
Advertisement and publicity		80,441	10,559
Auditors' remuneration	26.1	7,455	6,085
Depreciation	11.2 & 11.3	99,831	49,302
Amortisation	26.2	9,366	32,960
Brokerage and commission		20,328	6,973
Travelling and motor car expenses		61,319	32,839
Entertainment		15,361	3,435
Fee and subscription		22,302	24,096
Security services		15,097	4,870
Others		6,397	2,907
		<u>1,988,169</u>	<u>768,603</u>
26.1 Auditors' remuneration			
Audit fee		1,400	1,250
Review of half yearly financial statements		275	250
Special audit, certifications and other advisory services		4,749	3,918
Tax services		135	330
Out-of-pocket expenses		896	337
		<u>7,455</u>	<u>6,085</u>
26.2 Amortisation			
Intangible assets	11.4	9,366	7,351
Deferred cost		-	25,609
		<u>9,366</u>	<u>32,960</u>
26.3 Other provisions / write offs			
Investments written off		98	-
Fixed assets written off	11.2	7,234	-
Provision against advances to suppliers	11.1.1	22,089	-
Provision against receivable from trade debts of subsidiary		58,127	-
Impairment of goodwill	13.2	139,077	-
		<u>226,625</u>	<u>-</u>

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		7,048	3,377

28. TAXATION

Current	28.1	16,401	31,332
Prior year		260	(1,377)
Deferred		(590,611)	(253,458)
		(573,950)	(223,503)

28.1 In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the tax department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date nor an estimate could be made of the liability that may result from the unfavourable outcome of the matter.

Based on the opinion of the legal counsel of the Bank and considering the latest judgment of the Honourable Lahore High Court in a similar case, the management believes that the outcome of the above pending assessments would be favourable. Hence, no provision has been made in respect of the above in these financial statements.

The original assessment of the Bank for the tax year 2004 has also been amended by the department on the similar issue.

29. BASIC AND DILUTED LOSS PER SHARE

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
Loss after taxation for the year		(1,071,207)	(296,390)
		Number of shares in thousand	
Weighted average number of ordinary shares in issue		500,146	333,670
		----- (Rupees '000) -----	
Loss per share - Basic and diluted		(2.14)	(0.89)

30. CASH AND CASH EQUIVALENTS

	Note	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
Cash and balances with treasury banks	6	1,617,828	1,501,363
Balances with other banks	7	116,223	229,873
		1,734,051	1,731,236

31. STAFF STRENGTH

		Number of staff	
Permanent		930	670
Temporary / on contractual basis		15	189
Outsourced		609	-
Total staff strength		1,554	859

32. DEFINED BENEFIT AND CONTRIBUTION PLANS

32.1 Defined benefit plan

The Group operates a funded gratuity scheme for all its permanent employees who have completed the minimum qualifying period of ten years. Contributions are made to the fund in accordance with the recommendations of the actuary. Employees are entitled to the benefits under the scheme which comprise of 15 days last drawn basic salary for each completed year of service.

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Group's defined benefit plan based on Projected Unit Credit Method was carried out on December 31, 2008. Following are the significant assumptions used in the actuarial valuation:

	2008	2007
Discount rate - percent (per annum)	15	10
Expected rate of return on plan assets - percent (per annum)	15	10
Long term rate of salary increase - percent (per annum)	14	9
	2008	2007
	----- (Rupees '000) -----	

32.1.2 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligation	33,165	20,545
Fair value of plan assets	(12,476)	(17,554)
Net actuarial loss recognised	(10,794)	(6,169)
Payable to related party in respect of employees transferred	-	6,238
	<u>9,895</u>	<u>3,060</u>

32.1.3 Movement in payable to defined benefit plan

Opening balance	3,060	861
Charge for the year	8,307	3,171
Contribution to fund made during the year	(1,472)	(972)
	<u>9,895</u>	<u>3,060</u>

32.1.4 Charge for defined benefit plan

Current service cost	6,649	2,199
Interest cost	3,005	2,339
Expected return on plan assets	(1,744)	(1,615)
Actuarial loss recognised	397	248
	<u>8,307</u>	<u>3,171</u>

32.1.5 Actual return on plan assets

	<u>163</u>	<u>1,634</u>
--	------------	--------------

32.1.6 Movement in present value of defined benefit obligation

Defined benefit obligation as at beginning of the year	20,545	7,525
Service cost	6,649	2,199
Interest cost	3,005	2,339
Actuarial loss on obligation	3,307	501
Benefits paid during the year	(341)	-
Payable to related party in respect of employees transferred	-	(6,238)
	<u>33,165</u>	<u>6,326</u>

	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----	
32.1.7 Movement in fair value of plan assets			
Fair value of plan assets as at beginning of the year	17,554	14,994	
Expected return on plan assets	1,432	1,373	
Payable to subsidiary in respect of employees transferred	26	233	
Actuarial loss on plan assets	(1,429)	(18)	
Contribution to fund made during the year	1,472	972	
Transferred to related party in respect of employees transferred	(6,238)	-	
Benefits paid during the year	(341)	-	
Fair value of plan assets as at end of the year	<u>12,476</u>	<u>17,554</u>	
32.1.8 Annual Actuarial losses			
Experience loss on obligation	3,307	501	
Experience loss on plan asset	1,429	18	
Total loss during the year	<u>4,736</u>	<u>519</u>	
32.1.9 Categories of plan assets as a percentage of fair value of total plan assets			
Fixed income	25%	58%	
Cash	38%	3%	
Term Deposit Receipt	8%	-	
Mutual Funds	29%	39%	
Total	<u>100%</u>	<u>100%</u>	
32.1.10 Historical information	2008	2007	2006
	----- (Rupees '000) -----		
Present value of defined benefit obligation	33,165	6,326	21,743
Fair value of plan assets	(12,476)	(17,554)	(14,994)
Deficit / (surplus)	<u>20,689</u>	<u>(11,228)</u>	<u>6,749</u>

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	----- (Rupees '000) -----					
Managerial remuneration	16,241	7,210	-	832	236,558	86,267
Retirement benefits	1,553	690	-	80	21,437	7,474
Rent and house maintenance	6,353	2,821	-	325	24,248	32,676
Utilities	1,412	627	-	72	5,388	7,261
Medical	-	77	-	-	908	1,500
General / special allowance	-	-	-	-	133,938	-
Conveyance	-	-	-	-	45,663	4
Others	-	-	-	-	13,523	-
	<u>25,559</u>	<u>11,425</u>	<u>-</u>	<u>1,309</u>	<u>481,663</u>	<u>135,182</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>217</u>	<u>70</u>

In addition to the above, the Chief Executive Officer and certain executives have been provided with free use of Group's vehicles and other benefits under the service contracts.

Fee paid to non-executive directors amounts to Rs. 0.22 million (2007: Rs. 0.22 million) during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
----- (Rupees '000) -----				
Assets				
Cash and balances with treasury banks	1,617,828	1,617,828	1,501,363	1,501,363
Balances with other banks	116,223	116,223	229,873	229,873
Lendings to financial institutions	114,000	114,000	4,427,824	4,427,824
Investments	2,608,069	2,608,069	5,271,201	5,271,201
Advances	20,450,661	20,450,661	9,205,452	9,205,452
Other assets	1,178,777	1,178,777	2,828,829	2,828,794
	<u>26,085,558</u>	<u>26,085,558</u>	<u>23,464,542</u>	<u>23,464,507</u>
Liabilities				
Bills payable	255,742	255,742	288,907	288,907
Borrowings	5,510,101	5,510,101	1,493,859	1,493,859
Deposits and other accounts	18,643,846	18,643,846	15,320,840	15,320,840
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	695,508	695,508	2,487,685	2,487,685
	<u>25,105,197</u>	<u>25,105,197</u>	<u>19,591,291</u>	<u>19,591,291</u>

34.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	737,466	740,143	344,464	347,489
Forward sale of foreign exchange	343,196	341,045	606,971	610,031
Forward lending	6,034,214	6,034,214	1,860,429	1,860,429

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on cost less any impairment as per the policy of the Bank. Fair value of Government securities is determined using PKRV rates.

The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5 of these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and financial 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 financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Others
----- (Rupees in '000) -----								
December 31, 2008								
Total income	6,678	529,635	1,854,492	805,215	2,143	557	181,414	-
Total expenses	3,679	697,049	2,827,426	1,287,744	-	-	209,393	-
Net income / (loss) before tax	2,999	(167,414)	(972,934)	(482,529)	2,143	557	(27,979)	-
Segment Assets	-	4,342,790	1,690,513	22,422,315	-	-	768,511	-
Segment Non Performing Loans	-	-	28,878	1,439,062	-	-	-	-
Segment Provision Required	-	-	13,733	745,512	-	-	-	-
Segment Liabilities	-	5,393,269	19,367,720	546,509	-	-	294,868	-
Segment Return on Assets (ROA) (%)	-	-1.92%	-4.78%	-2.52%	-	-	-5.79%	-
Segment Cost of funds (%)	-	13.10%	9.93%	10.31%	-	-	18.00%	-

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Others
----- (Rupees in '000) -----								
December 31, 2007								
Total income	1,851	407,783	1,054,800	196,613	1,196	368	173,041	4,554
Total expenses	-	247,348	1,435,918	540,837	-	-	135,996	-
Net income / (loss) before tax	1,851	160,435	(381,118)	(344,224)	1,196	368	37,045	4,554
Segment Assets	-	9,881,992	1,834,736	8,839,649	-	-	2,939,082	1,909,238
Segment Non Performing Loans	-	-	85,671	689,519	-	-	-	-
Segment Provision Required	-	-	80,256	394,605	-	-	-	-
Segment Liabilities	-	1,008,864	16,003,573	767,621	-	-	2,399,196	14,879
Segment Return on Assets (ROA) (%)	-	1.81%	-3.35%	-4.97%	-	-	0.84%	-
Segment Cost of funds (%)	-	9.65%	9.45%	9.73%	-	-	12.88%	-

36. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, staff retirement funds, key management personnel and major shareholders of the Group.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
Key management personnel		
Advances		
As at January 01	48,926	16,397
Disbursements	50,026	36,369
Repayments	(9,260)	(3,840)
As at December 31	89,692	48,926
Deposits		
As at January 01	20,645	6,176
Receipts	1,408,620	351,921
Withdrawals	(1,397,085)	(337,452)
As at December 31	32,180	20,645
Mark-up / return / interest earned	3,397	1,731
Mark-up / return / interest expensed	2,041	723
Brokerage income	521	633
Employee benefit plans		
Contribution to Atlas Bank Limited - Employees Gratuity Fund	1,472	972
Contribution to Atlas Bank Limited - Employees Provident Fund	31,641	12,782
Entities having directors in common with the Group		
Advances		
As at January 01	206,330	52,865
Disbursements	387,299	176,740
Repayments	(51,860)	(23,275)
As at December 31	541,769	206,330
Running Finance	98	74,844
Facilities in respect of non-funded exposure	316,842	687,275
Borrowings		
As at January 01	100,000	100,000
Drawdown	-	-
Repayments	(100,000)	-
As at December 31	-	100,000
Deposits		
As at January 01	2,394,577	938,134
Receipts	38,319,932	23,183,053
Withdrawals	(39,222,895)	(21,726,610)
As at December 31	1,491,614	2,394,577

	2008 ----- (Rupees '000) -----	2007 ----- (Rupees '000) -----
Mark-up / return / interest earned	72,135	8,857
Mark-up / return / interest expensed	132,791	20,017
Financial Charges paid on borrowings	9,809	-
Shares issued	-	2,157,882
Rent paid	10,800	1,800
Sharing of rent expenses	2,238	1,091
Insurance premium paid	17,605	7,550
Insurance claim received	8,728	2,321
Printing and stationary expense	427	635
Purchase / repair of photocopier, PABX etc.	11,821	3,697
Purchase of motor vehicles	11,763	89,512
Advance for purchase of motor vehicles	-	4,326
Operating lease rental income	11,585	10,837
Brokerage income	7,539	19,773
Purchase of mutual fund units	-	689,999
Redemption of mutual fund units	255,605	483,471
Income on lodgement of shares with CDC	-	1,150
Corporate advisory fees	-	1,331
Fees received on distribution of open end units	1,297	-

37. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

37.1 The primary objective of the Bank's capital management is to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. Basel II implementation is a vital initiative towards strengthening Bank's risk management. Bank in line with SBP guidelines has adopted the standardized approach for credit, market risks and basic indicator approach for operational risk.

37.2 Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions 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 status of Bank's compliance with minimum paid up capital requirement is explained in note 1.2 to the financial statements.

In addition, the Bank is also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Bank. Atlas Bank's CAR as at December 31, 2008 was 11.47% of its risk weighted exposures.

The Bank in alignment with its corporate strategy has expansion plans, starting from ensuring its presence in all major cities of the country, to providing a range of innovative financial products and services to a wide customer base. The capital adequacy is constantly been monitored and stress tested by using various adverse scenarios. The Bank also aims to develop a formalized strategy for the implementation of Internal Capital Adequacy Assessment Process as laid down by SBP.

37.3 Regulatory capital structure

Tier I Capital

Paid up capital	5,001,466	5,001,466
Share premium	577,537	577,537
Reserves	2,494	2,494
Accumulated loss	(1,366,254)	(295,047)
Less: Deduction for goodwill and intangible	(601,169)	(516,498)
Deficit on revaluation of available-for-sale investments	(876,469)	(101,421)

Total Tier I Capital

2,737,605

4,668,531

Tier II Capital

General Provisions subject to 1.25% of Total Risk Weighted Assets

4,822

5,656

Total Tier II Capital

4,822

5,656

Eligible Tier III Capital

-

-

Total Regulatory Capital Base

2,742,427

4,674,187

37.4 The capital to risk weighted assets ratio, calculated in accordance with the SBP guidelines on capital adequacy is as follows:

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	----- (Rupees in '000) -----			
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
Corporate portfolio	1,163,509	515,716	12,927,876	6,446,456
Retail	444,495	138,829	4,938,833	1,735,367
Claims on Banks	10,344	37,953	114,930	474,418
Mortgage Finance	18,599	5,813	206,656	72,660
Past Due Loans	67,114	29,035	745,706	362,935
Unlisted Equities	4,050	15,799	45,000	197,491
Claims on Fixed Asset	113,257	79,372	1,258,416	992,146
All Other Assets	164,233	257,452	1,824,808	3,218,149
Off Balance Sheet Non Market Related	46,368	111,322	515,203	1,391,530
Off Balance Sheet Market Related	15	17,767	163	222,092
	2,031,984	1,209,058	22,577,591	15,113,244
Equity Exposure Risk in the Banking Book				
Equity portfolio subject to market-based approaches Under simple risk weight method	-	-	-	-
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk - General	3,227	53,367	35,850	667,089
Interest rate risk - Specific	16,098	16,702	178,865	208,775
Equity position risk etc. - General	33,639	110,637	373,764	1,382,963
Equity position risk etc. - Specific	33,639	110,637	373,764	1,382,963
	86,603	291,343	962,243	3,641,790
Operational Risk				
Capital Requirement for operational risks	32,735	29,098	363,725	363,725
	32,735	29,098	363,725	363,725
TOTAL	2,151,322	1,529,499	23,903,559	19,118,759
Capital Adequacy Ratio			2008	2007
			----- (Rupees '000) -----	
Total eligible regulatory capital held (a)			2,742,427	4,674,187
Total Risk Weighted Assets (b)			23,903,559	19,118,759
Capital Adequacy Ratio - percent (a) / (b)			11.47%	24.45%

38. RISK MANAGEMENT

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. At Atlas Bank it involves identification, measurement, monitoring and controlling risks.

Risk management framework of the bank includes:

- a) Defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories has Risk Management & Credit Committee that supervises overall risk management at the Bank;
- c) Management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism is in place to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

While the overall responsibility of risk management rests with the Board of Directors, it is the duty of Senior Management to devise risk management strategy by setting up well defined policies and procedures for mitigating / controlling risks, duly approved by the Board of Directors.

The Bank's Enterprise Risk Management Group generates the requisite risk reporting for the different tiers of management.

38.1 Credit Risk

Credit risk is the risk of loss to the Group as a result of failure by a client or counter party to meet its contractual obligation. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit and guarantee, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions.

To effectively manage the credit portfolio, the Group recognises that every extension of credit poses risks, assesses the credit risk posed by each borrower based on borrower type, industry and business conditions, credit worthiness, financial condition, cash flow, product and collateral types etc.

Credit risk is monitored at every stage of loan cycle i.e. approval, disbursement, collateral management, repayment and delinquency through defined policies and procedures.

Board of Directors provides strategic guidance through Credit Committee of the Board, which assist the Board in formulating credit policy, credit limit and other strategic functions.

The Group continually assesses and monitors credit exposures. The Group follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

38.2 Segment by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	2,522,746	11.89%	79,503	0.43%	640,542	7.02%
Services	3,183,480	15.01%	715,332	3.84%	2,849,865	31.25%
Steel & Engineering	1,391,535	6.56%	163,654	0.88%	626,415	6.87%
Print Publish & Allied	1,043,337	4.92%	117,629	0.63%	176,806	1.94%
Transport & Communication	945,998	4.46%	417,882	2.24%	517,355	5.67%
Consumer	885,298	4.17%	7,625,556	40.90%	3,336	0.04%
Miscellaneous	1,097,514	5.18%	1,661,600	8.92%	223,732	2.45%
Construction	1,673,306	7.89%	696,317	3.73%	852,242	9.35%
Chemical & Pharma	1,395,403	6.58%	32,454	0.17%	417,017	4.57%
Automobile	289,490	1.36%	207,929	1.12%	382,529	4.19%
Energy Oil & Gas	861,175	4.06%	1,533,775	8.23%	233,736	2.56%
Electric & Electrical Goods	614,008	2.89%	16,199	0.09%	241,468	2.65%
Carpet	275,722	1.30%	2,352	0.01%	757	0.01%
Food, Tobacco & Beverages	2,640,256	12.45%	237,375	1.27%	331,552	3.64%
Sugar & Allied	71,496	0.34%	10,156	0.05%	-	-
Health Care	466,895	2.20%	138,717	0.74%	43,567	0.48%
Financial Institutions	346,121	1.63%	2,300,876	12.34%	1,167,807	12.81%
Trust	-	-	2,452,440	13.15%	-	-
Education	471,479	2.22%	129,855	0.70%	116,693	1.28%
Glass & Ceramics	303,261	1.43%	465	0.00%	9,972	0.11%
Dairy & Poultry	98,600	0.46%	758	0.00%	9,272	0.10%
Leather & Footwear	20,136	0.09%	2,166	0.02%	35,325	0.39%
Paper & Allied Products	86,317	0.41%	-	-	16,445	0.18%
Hotels	208,939	0.98%	100,574	0.54%	131,995	1.45%
Cement	32,279	0.15%	282	0.00%	16,709	0.18%
Banaspati & Allied Industries	289,937	1.37%	-	-	74,143	0.81%
	21,214,728	100.00%	18,643,846	100.00%	9,119,280	100.00%

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	1,430,984	14.77%	22,422	0.15%	169,794	2.85%
Services	1,692,802	17.48%	1,924,070	12.56%	602,018	10.09%
Steel & Engineering	655,832	6.77%	30,555	0.20%	338,809	5.68%
Print Publish & Allied	768,020	7.93%	7,491	0.05%	293,979	4.93%
Transport & Communication	537,458	5.55%	102,034	0.67%	77,917	1.31%
Consumer	592,218	6.11%	2,888,466	18.85%	-	-
Miscellaneous	595,469	6.15%	805,741	5.26%	588,434	9.87%
Construction	598,194	6.18%	58,624	0.38%	574,188	9.63%
Chemical & Pharma	483,054	4.99%	13,310	0.09%	320,981	5.38%
Automobile	65,830	0.68%	214,070	1.40%	246,134	4.13%
Energy Oil & Gas	328,242	3.39%	70,689	0.46%	904,360	15.16%
Electric & Electrical Goods	248,901	2.57%	-	-	95,867	1.61%
Carpet	239,715	2.47%	-	-	2,000	0.03%
Food, Tobacco & Beverages	357,915	3.70%	96,937	0.63%	54,539	0.91%
Sugar & Allied	97,968	1.00%	-	-	-	-
Health Care	68,432	0.71%	8,034	0.04%	14,840	0.24%
Financial Institutions	261,920	2.70%	6,940,100	45.30%	1,522,389	25.53%
Trust	3,908	0.04%	1,902,711	12.42%	-	-
Education	221,418	2.29%	231,077	1.51%	30,000	0.50%
Glass & Ceramics	48,470	0.50%	-	-	29,100	0.49%
Dairy & Poultry	46,255	0.48%	-	-	-	-
Leather & Footwear	26,314	0.27%	1,592	0.01%	995	0.02%
Paper & Allied Products	7,268	0.08%	-	-	7,758	0.13%
Hotels	201,579	2.08%	2,917	0.02%	60,827	1.02%
Cement	52,653	0.54%	-	-	-	-
Banaspati & Allied Industries	55,150	0.57%	-	-	29,267	0.49%
	9,685,969	100.00%	15,320,840	100.00%	5,964,196	100.00%

38.3 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	2,829,192	15.17%	-	-
Private	21,214,728	100.00%	15,814,654	84.83%	9,119,280	100.00%
	21,214,728	100.00%	18,643,846	100.00%	9,119,280	100.00%

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	522,601	3.41%	-	-
Private	9,685,969	100.00%	14,798,239	96.59%	5,964,196	100.00%
	9,685,969	100.00%	15,320,840	100.00%	5,964,196	100.00%

38.4 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
	Rs. in '000			
Textile	458,471	286,772	232,849	131,616
Services	174,901	100,722	84,826	54,589
Steel & Engineering	87,264	21,618	82,456	26,910
Print Publish & Allied	91,284	34,598	18,121	6,354
Transport & Communication	24,777	19,146	59,665	29,726
Consumer	28,878	13,733	85,671	80,256
Miscellaneous	107,557	90,093	45,217	39,204
Construction	192,567	34,936	7,684	4,858
Chemical & Pharma	1,224	1,224	5,307	2,566
Automobile	16,557	15,809	15,559	15,559
Electric & Electrical Goods	2,716	2,716	3,971	1,986
Carpet	92,980	23,466	61,260	24,065
Food, Tobacco & Beverages	97,282	62,515	33,610	29,773
Health Care	21,206	11,162	15,656	4,430
Education	21,128	5,283	345	163
Leather & Footwear	1,191	1,191	1,553	1,553
Cement	-	-	374	187
Glass & Ceramics	26,891	13,195	-	-
Banaspati & Allied Industries	21,066	21,066	21,066	21,066
	1,467,940	759,245	775,190	474,861

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

Public / Government	-	-	-	-
Private	1,467,940	759,245	775,190	474,861
	1,467,940	759,245	775,190	474,861

38.6 Credit Risk-General Disclosures Basel II Specific

The Group has not adopted the foundation or advanced approaches and instead use standardised approach.

38.6.1 Credit Risk: Standardized Approach

The following table illustrates the approved External Credit Assessment Institutions (ECAIs) whose ratings are being utilized by the bank with respect to material categories of exposures;

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (Retail Exposures)	✓	✓	-	-	-
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securizations	N/A	N/A	N/A	N/A	N/A

The Bank has used Issue Specific Ratings for rating / risk weighing Issue Specific Exposures and Entity Ratings for rating / risk weighing claims against specific counterparty. Both short and long term ratings has been used to rate corresponding short & long term exposures, for this purpose Mapping Grid provided by SBP has been used.

Credit Exposures subject to Standardised approach									
		2008			2007				
Rating Category Number	Rating Risk Weight	Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount		
----- (Rupees in '000) -----									
Cash and Cash Equivalents	-	0%	393,465	1,076	394,540	193,357	1,027	194,384	
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	0%	1,083,528	-	1,083,528	1,289,540	2,163,312	3,452,852	
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	0%	140,836	-	140,836	18,466	-	18,466	
Claims on Banks	1	20%	1,441	-	1,441	707,313	-	707,313	
Claims on Banks	2,3	50%	182,759	-	182,759	403,486	(201,713)	201,773	
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	20%	36,958	-	36,958	50,387	-	50,387	
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	20%	79,353	-	79,353	2,935,605	(1,825,650)	1,109,955	
Claims on Corporates (excluding equity exposures)	1	20%	-	-	-	321,006	(135,949)	185,057	
Claims on Corporates (excluding equity exposures)	2	50%	105,047	-	105,047	317,505	-	317,505	
Claims on Corporates (excluding equity exposures)	3,4	100%	114,487	-	114,487	200,160	-	200,160	
Claims categorized as retail portfolio	-	75%	6,585,111	-	6,585,111	2,313,823	-	2,313,823	
Claims fully secured by residential property (Residential Mortgage Finance as defined in Section 2.1)	-	35%	590,445	-	590,445	207,599	-	207,599	
Past due loans where specific provisions are no less than 20% of the outstanding amount of the past due claim	-	100%	672,120	-	672,120	352,915	-	352,915	
Past due loans where specific provisions are more than 50% of the outstanding amount of the past due claim	-	50%	147,172	-	147,172	20,040	-	20,040	
Unlisted equity investments (other than that deducted from capital) held in banking book	-	150%	30,000	-	30,000	131,661	-	131,661	
Investments in premises, plant and equipment and all other fixed assets	-	100%	1,222,682	-	1,222,682	992,146	-	992,146	
Claims on all fixed assets under operating lease	-	100%	35,734	-	35,734	-	-	-	
All other assets	-	100%	1,824,808	-	1,824,808	3,218,149	-	3,218,149	
Unrated	Unrated	100%	12,761,941	(1,076)	12,760,865	6,051,558	(1,027)	6,050,531	
TOTAL			26,007,887	-	26,007,887	19,724,716	-	19,724,716	

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardized Approach as prescribed by SBP which includes Cash and Cash Equivalent Securities including Government Securities (like Cash Margins, Lien on Bank Accounts, FDRs, TDRs, Pledge of Defense Saving Certificates, Regular Income Certificates, Special Saving Certificates, T-Bills & Pakistan Investment Bonds etc.) and Shares Listed on the Main Index.

Under the bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the bank on weekly basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the Drawing Power is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

39. GEOGRAPHICAL SEGMENT ANALYSIS

	2008			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- Rupees '000 -----				
Pakistan	(1,645,157)	29,224,129	3,621,763	9,119,280
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
TOTAL	(1,645,157)	29,224,129	3,621,763	9,119,280

40. MARKET RISK

40.1 Market risk is defined as the loss in market value of a given portfolio that can be expected to be incurred arising from changes in variables, namely interest rates, foreign exchange rates and equity prices.

The Group is exposed to market risk in its trading portfolio because the values of its trading positions are sensitive to changes in market prices and rates. Similarly, it is also exposed to market risk in its investment portfolio.

The Group's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes. The Asset and Liability Committee (ALCO) is entrusted with key decision making in establishing market risk related strategies and monitoring these against limits. The committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Group's interest rate view and determines the business strategy. On a periodical basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of group's risk position.

40.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. Changes in currency rates affect the value of assets and liabilities dominated in foreign currencies and may affect the income from foreign exchange dealing. The Group's exposure is limited to the extent of statutory Net Open Position limit prescribed by SBP. Foreign exchange open and mismatch positions are controlled through internal limits and are marked to market on a daily basis to contain forward exposures. Counter party and stop loss limits are also in place to limit risk and concentration.

	2 0 0 8			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	28,901,906	24,888,924	(355,796)	3,657,186
United States dollar	246,313	470,636	175,362	(48,961)
Great Britain pound	47,835	139,032	93,491	2,294
Japanese yen	209	-	-	209
Euro	27,866	103,774	86,943	11,035
Swiss Franc	-	-	-	-
	29,224,129	25,602,366	-	3,621,763
	2 0 0 7			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	24,386,252	19,439,049	(997,933)	3,949,270
United States dollar	978,374	712,564	914,373	1,180,183
Great Britain pound	20,148	5,807	62,100	76,441
Japanese yen	-	21,733	21,460	(273)
Euro	19,551	14,980	-	4,571
Swiss Franc	372	-	-	372
	25,404,697	20,194,133	-	5,210,564

40.3 Equity Position Risk

Equity position risk in trading book arises due to change in prices of stocks or levels of equity indices.

The Group's equity and mutual fund exposure is managed with in the SBP statutory limits for overall investment and per script exposure. In addition, there are internal limits for trading position as well as stop loss limits, dealer limits, future contracts limits and continuous funding system limits.

40.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Rate sensitive positions are hedged adequately and gaps are kept within acceptable limits.

Bank conducts regularly gap analysis, stress testing, duration analysis in order to identify and control the interest rate risk.

Economic conditions, interest rate scenario, loan repayments and behavior of non maturity deposits are monitored closely for controlling the interest rate risk.

In order to quantify the interest rate risk sensitivity on assets and liabilities, the Bank performs portfolio stress tests under certain assumptions to assess the impact on the Bank's Capital Adequacy. This exercise is conducted under SBP guidelines on Stress Testing.

41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Yield risk is the risk of decline in earnings due to adverse movement of the yields curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities and off-balance sheet instruments. The Group's yield / interest rate sensitivity position, based on the earlier of contractual re-pricing or maturity date, is as follows:

		2 0 0 8										
		Exposed to Yield / Interest risk										
Effective Yield / Interest rate (%)	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	Non interest bearing financial instruments	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.93%	1,617,828	106,476	-	-	-	-	-	-	-	-	1,511,352
Balances with other banks	5.12%	116,223	64,662	-	-	-	-	-	-	-	-	51,561
Lendings to financial institutions	10.79%	114,000	3,000	104,000	6,000	1,000	-	-	-	-	-	-
Investments	9.77%	2,608,069	152,834	979,312	235,473	17,601	5,141	121,296	524,790	181,963	-	389,659
Advances	14.79%	20,450,661	8,344,437	3,144,090	4,157,855	3,173,640	566,245	304,756	217,453	121,689	340,185	80,311
Other assets	21.75%	1,178,777	232,191	-	-	-	-	-	-	-	-	946,586
		26,085,558	8,903,600	4,227,402	4,399,328	3,192,241	571,386	426,052	742,243	303,652	340,185	2,979,469
Liabilities												
Bills payable	-	255,742	-	-	-	-	-	-	-	-	-	255,742
Borrowings	14.60%	5,510,101	2,380,130	2,741,275	283,200	-	100,000	-	-	-	-	5,496
Deposits and other accounts	10.34%	18,643,846	8,853,714	2,347,995	1,977,618	2,762,046	90,342	35,396	6,456	-	-	2,570,279
Other liabilities	-	695,508	-	-	-	-	-	-	-	-	-	695,508
		25,105,197	11,233,844	5,089,270	2,260,818	2,762,046	190,342	35,396	6,456	-	-	3,527,025
On-balance sheet gap		980,361	(2,330,244)	(861,868)	2,138,510	430,195	381,044	390,656	735,787	303,652	340,185	(547,556)
Off balance sheet financial instruments												
Forward purchase of foreign exchange		737,466	-	-	-	-	-	-	-	-	-	737,466
Forward sale of foreign exchange		(343,196)	-	-	-	-	-	-	-	-	-	(343,196)
Forward lending		6,034,214	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	-
Off balance sheet gap		6,428,484	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	394,270
Total Yield/Interest Risk Sensitivity Gap			(3,457,566)	(2,025,375)	49,831	(1,063,695)	224,867	386,017	735,787	303,652	340,185	
Cumulative Yield/Interest Risk Sensitivity Gap			(3,457,566)	(5,482,941)	(5,433,110)	(6,496,805)	(6,271,938)	(5,885,921)	(5,150,134)	(4,846,482)	(4,506,297)	

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

41.2 The interest rate exposure taken by the group arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Group. This risk is addressed by an Asset and Liability Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Group remains at an acceptable level.

41.3 The advances and deposits of the Group are re-priced on a periodic basis based on existing interest rates scenario.

42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and also takes into account the effective maturities as indicated by the Bank's deposit retention history. Current and savings deposits are repayable on demand, however Asset and Liability Committee has determined the maturity buckets, based on its judgment and experience. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	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
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	1,617,828	1,114,674	127,637	152,078	64,452	35,986	61,501	44,491	17,009	-
Balances with other banks	116,223	116,223	-	-	-	-	-	-	-	-
Lendings to financial institutions	114,000	3,000	104,000	6,000	1,000	-	-	-	-	-
Investments	2,608,069	21,432	793,273	165,358	296,292	77,231	252,129	750,161	222,193	30,000
Advances	20,450,661	4,637,272	3,837,194	4,961,667	3,521,217	802,785	422,545	889,776	709,305	668,900
Operating fixed assets	1,430,367	-	942	6,909	-	42,448	46,953	399,966	639,799	293,350
Deferred tax assets	1,017,189	-	1,060	67,877	156,425	-	-	770,396	21,431	-
Other assets	1,869,792	403,829	98,088	608,580	230,595	105,564	32,677	9,411	-	381,048
	29,224,129	6,296,430	4,962,194	5,968,469	4,269,981	1,064,014	815,805	2,864,201	1,609,737	1,373,298
Liabilities										
Bills payable	255,742	255,742	-	-	-	-	-	-	-	-
Borrowings	5,510,101	2,385,626	2,741,275	283,200	-	100,000	-	-	-	-
Deposits and other accounts	18,643,846	4,967,409	2,876,670	3,436,747	4,051,080	810,069	1,265,407	896,275	340,189	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,192,677	307,995	217,665	139,533	261,681	250,482	11,284	1,160	-	2,877
	25,602,366	7,916,772	5,835,610	3,859,480	4,312,761	1,160,551	1,276,691	897,435	340,189	2,877
Net assets	<u>3,621,763</u>	<u>(1,620,342)</u>	<u>(873,416)</u>	<u>2,108,989</u>	<u>(42,780)</u>	<u>(96,537)</u>	<u>(460,886)</u>	<u>1,966,766</u>	<u>1,269,548</u>	<u>1,370,421</u>
Share capital	5,001,466									
Reserves	580,031									
Accumulated loss	(1,366,254)									
	4,215,243									
Deficit on revaluation of assets	(593,480)									
	<u>3,621,763</u>									

42.1 The Group is exposed to liquidity risk, arising from mismatches between the maturities of its assets and liabilities.

Liquidity risk is defined as the potential loss arising from the Group's inability to meet in orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets.

The Group aims at sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity risk policy, controls and limits.

Regular review by the Asset and Liability Management Committee (ALCO) and Risk Management Committee provides supervision and guidance in managing the group's liquidity risk.

43. OPERATIONAL RISK

In line with the Basel-II framework, operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Department (ORMD) has been established under the umbrella of Compliance & Operational Risk Group (CORG) to provide a focused approach to the management of operational risk on a bank-wide basis. The respective business-development and business-support functions are the risk-takers while ORMD provides assistance and guidance to these areas for the proactive operational risk management.

Key Risk Indicators (KRIs) have been developed for identifying, assessing and controlling operational risk in people, processes and systems of the bank. Moreover, Risk & Control Self-Assessments (RCSAs) are being developed for creating awareness, identification of operational risk and compliance with the regulatory guidelines in the light of international best practices.

Currently the Bank uses the Basic Indicator Approach (BIA) for calculation of regulatory capital allocated against operational risk.

44. GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

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

44.3 Figures have been rounded off to the nearest thousand rupees.

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 28, 2009 by the Board of Directors of the Bank.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



Sanaullah Qureshi
Director

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
1	SHAHTAJ ENTERPRISES F/479 NEAR KESC GAS TURBINE STATION, SITE, KARACHI	MUHAMMAD AZMAT NIZAMI 42101-1850295-1	NAZAR HUSSAIN	5,564,373	535,341	577,080	6,676,794	1,285,597	535,341	577,080	2,398,018
2	KARACHI LUMINAR D-120, MANGOPIR ROAD, SITE, KARACHI	MUSHTAQ HAIDERY 42101-6414788-1 ABDUL SATTAR 42201-0891850-3	ABID HUSSAIN ABDUL SHAKOOR	9,902,017	1,333,471	1,656,164	12,891,652	2,287,769	1,333,471	1,656,164	5,277,404
3	ABDUL KHALIQ HOUSE D116, NAZIMABAD 4, KARACHI	42101-8076913-7	ABDUL LATIF	687,942	90,133	-	778,075	687,942	121,183	-	809,125
4	ABDUL MAJEED 31-B MARIPUR TRUCK STAND, KARACHI	54400-4668605-7	ABDUL RAHEEM	1,059,372	120,429	-	1,179,801	1,059,372	191,806	-	1,251,178
5	ABDUL AZEEM KHAN A/47, BLOCK-U, NORTH NAZIMABAD, KARACHI	42101-8389618-5	MUHAMMAD KAREEM KHAN	1,429,359	64,007	-	1,493,366	1,358,298	150,805	-	1,509,103
6	JAMEEL ZAMAN HOUSE NO. A-6, JASON CONDOMINIUM, CLIFTON BLOCK-7, KARACHI	42301-3767093-1	MUHAMMAD ASLAM KHAN	3,387,171	780,153	-	4,167,324	3,387,171	73,740	-	3,460,911
7	SYED MUHAMMAD IMRAN SAEED KAZI HOUSE C-350, BLOCK 1, GULISTAN-E-JOHAR, NEAR UNICLUB MARRIGE HALL, KARACHI	42201-4804301-3	SYED MAHMOODUL HASSAN KAZI	1,564,440	295,061	-	1,859,501	1,564,440	366,453	-	1,930,893
8	AHMED YOUSUF BUMBIYA A-399, BLOCK-19, GULSHAN-E-IQBAL, KARACHI	42201-5426603-9	MUHAMMAD YOUSUF BUMBIYA	1,492,550	149,336	-	1,641,886	1,364,086	145,245	-	1,509,331
9	ANWAAR HUSSAIN D 41, FAHAD SQUARE, METROVILLE 3, GULSHAN-E-IQBAL, KARACHI	42201-0566819-5	QUDDUS KHAN	1,161,822	185,167	-	1,346,989	1,161,822	245,751	-	1,407,573
10	FARAZ AHMED FLAT NO. 101, PLOT NO. C-148, BLOCK-2 SCHEME-5, CLIFTON, KARACHI	42301-9700607-7	MUHAMMAD AHMED	1,351,837	36,760	-	1,388,597	1,126,295	62,217	-	1,188,512
11	SYED MUHAMMAD TAHIR FLAT NO 301, SHUMAIL HEIGHTS, KAMRAN CH., GULISTAN-E-JAUHAR, KARACHI	42101-1534008-5	SYED MUHAMMAD SULEMAN	1,842,581	260,241	-	2,102,822	1,842,581	348,000	-	2,190,581

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
12	MUHAMMAD AZEEM KHAN ASHRAFI HOUSE NO. R-301, AL-NOOR SOCIETY, BLOCK-19, F.B.AREA, KARACHI	42101-6192242-5	MUHAMMAD NAEEM KHAN	924,440	199,010	-	1,123,450	924,440	243,091	-	1,167,531
13	TIKKA KHAN HOUSE NO. 621, STREET-2, CHAK SHAHZAD, ISLAMABAD	61101-0911310-7	SHAH MIR	906,238	129,400	-	1,035,638	906,238	167,646	-	1,073,884
14	JAWAID AHMED HOUSE A-100, BLOCK-R, NORTH NAZIMABAD, KARACHI	42101-5099805-9	ABDUL GHAFOOR	877,051	76,829	-	953,880	877,051	120,014	-	997,065
15	ASIM -UR- REHMAN FLAT NO. 506, AL MUSHTARI SQUARE, NAZIMABAD 5, KARACHI	42101-6564721-7	ENAYAT-UR-REHMAN	816,896	144,463	-	961,359	816,896	176,900	-	993,796
16	MUHAMMAD TARIQ 35 A, STREET NO. 2, KHAYABAN-E-MUJAHID, DEFENCE, PHASE V, KARACHI	42301-4954603-3	HAMID MEHMOOD	853,596	87,910	-	941,506	853,596	127,008	-	980,604
17	DR. JAWED ALAM FAROOQI HOUSE NO. 220, CHAUDRY LAL MUHAMMAD ROAD NEAR HILL PARK, KARACHI	42000-9445886-5	IFTIKHAR-UL-FAROOQI	1,028,067	37,650	-	1,065,717	922,294	44,307	-	966,601
18	FAIQ AFZAL FLAT NO. 1, 32C 2ND MUSLIM COMM STREET, PH-6EXT DHA, KARACHI	42101-8875709-3	M AFZAL UL HAQ	731,731	172,097	-	903,828	731,731	203,152	-	934,883
19	MOHAMMAD NAEEM HOUSE NO. 356, STREET NO. 42, SECTOR G-9/1, ISLAMABAD	61101-4213689-1	MOHAMMAD SAEED	1,481,246	187,676	-	1,668,922	1,481,246	187,969	-	1,669,215
20	MUHAMMAD YASEEN ILYAS PLOT NO. C-6, BLOCK-8, SCHEME-5, GIZRI ROAD, CLIFTON, KARACHI	42301-0271188-5	MUHAMMAD ILYAS	908,792	63,980	-	972,772	832,561	85,495	-	918,056
21	TAHIR AMIN, HOUSE NO. 68, STREET 45, SANTNAGAR, LAHORE	35202-0825232-1	MOHAMMAD AMIN	770,218	62,059	-	832,277	770,218	113,054	-	883,272
22	KHALID HUDA FLAT NO. 13, ALI CENTRE, BLOCK-17 F.B AREA, KARACHI	42101-9175104-9	SHAMS-UL-HUDA	737,532	97,278	-	834,810	737,532	136,279	-	873,811

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
23	AMEER ALI SIKANDER ALI MANZIL, STREET 12, HANFI MASJID ROAD, AGRA TAJ, KARACHI	42401-0297372-1	GHULAM HASAN	695,161	95,700	-	790,861	695,161	132,182	-	827,343
24	M. KHURRAM HASAN RAJPUT HOUSE B-95, BLOCK -13 F.B. AREA, KARACHI	42101-1406038-9	HAMID WAHEED KHAN	680,881	103,673	-	784,554	680,881	131,807	-	812,688
25	SHAHZAD RASHEED FLAT NO. A-30, ZUBAIDA CLASSIC, BLOCK-13/D-2 GULSHAN-E-IQBAL, KARACHI	42201-4346326-9	ABDUL RASHEED	1,335,437	204,925	-	1,540,362	1,335,437	143,993	-	1,479,430
26	WAQAR-E-HAIDER HOUSE NO. 28, ST. NO. 39, F-6/1, ISLAMABAD	61101-4145233-5	JAVEED IQBAL	1,322,083	211,417	-	1,533,500	1,322,083	212,969	-	1,535,052
27	NADEEM AHMED SE-NO R-275, BUFFAR ZONE, SECTOR 15-A/4, KARACHI	42101-0525858-7	INAYAT ULLAH	626,841	129,570	-	756,411	626,841	158,155	-	784,996
28	KHALID ABBAS KHAN NIAZI 108/2, PHASE-6, KHYABAN-E- RAHAT, DHA, KARACHI	42301-6523721-3	LUTFULLAH KHAN NIAZI	712,338	43,088	-	755,426	712,338	63,522	-	775,860
29	TAHIR AHMED HOUSE L-769, SECTOR 5/ B/2, NORTH KARACHI, KARACHI	42101-1416091-5	MUHAMMAD TOUFIQUE	629,079	98,699	-	727,778	629,079	134,239	-	763,318
30	MUHAMMAD IMRAN ARSHAD HOUSE NO. 333, C1 STREET NO. 2, LANE NO. 4, PESHAWAR ROAD, RAWALPINDI	37405-0888815-7	ARSHAD LATIF PURI	607,679	92,999	-	700,678	607,679	118,196	-	725,875
31	RIZWAN FAZAL 7/158, STREET 10, GR FL-DMCH SOCIETY, TARIQ ROAD, KARACHI	42201-0329786-1	FAZAL ELAHI	563,776	90,962	-	654,738	563,776	114,070	-	677,846
32	AZHAR RAZA 66-D, BLOCK 02, PECHS, KARACHI	42201-0591686-5	EJAZ HUSSAIN	723,381	33,588	-	756,969	586,615	79,487	-	666,102
33	JUNAID AYUB HOUSE NO. D-67, BLOCK-8 GULSHAN-E-IQBAL, KARACHI	42201-9683957-1	SYED MUHAMMAD AYUB	1,351,344	233,044	-	1,584,388	851,344	287,022	-	1,138,366
34	TARIQ PERVEZ MUGHAL HOUSE NO.3-B,2/10, NAZIMABAD, KARACHI	42301-8773331-3	FEROZ KHAN	645,373	-	-	645,373	615,506	24,790	-	640,296

STATEMENT SHOWING WRITE OFF LOANS OF Rs. 500,000/- OR ABOVE

Annexure-1

DURING THE YEAR ENDED DECEMBER 31, 2008

(Rupees)

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2008				Principal Written Off	Interest / Markup Written Off	Other financial relief provided	Total
				Principal	Interest / Markup	Others	Total				
35	HUMAYYUN SAEED HOUSE NO. 206, MADINA ARCADE, BLOCK-A, KEMARI ROAD, KARACHI	42401-2467800-9	SULTAN ROOH	709,394	35,748	-	745,142	605,652	24,476	-	630,128
36	MOHAMMAD WAHID 181, BLOCK - Q, DHA PHASE II, LAHORE	35201-0950445-5	MOHAMMAD SHABBIR	525,333	79,132	-	604,465	525,333	98,143	-	623,476
37	MUHAMMAD ZAHID ZAHEER KHAN HOUSE NO. B-37, BLOCK-5 GULSHAN-E-IQBAL, KARACHI	42201-0953261-7	ABDUL ZAHEER KHAN	534,819	58,166	-	592,985	540,261	81,063	-	621,324
38	SAMEER AHMED HOUSE C4, BLOCK-20 GULSHAN-E-IQBAL, KARACHI	42101-1706188-3	NAJEEB AHMED	651,069	23,049	-	674,118	577,940	27,371	-	605,311
39	HAKEEM NASEEM AHMED SIDDIQUI B-142, BLOCK-5 GULSHAN-E-IQBAL, KARACHI	42201-7588165-9	HAKEEM MUHAMMAD QASIM SIDDIQUI	514,272	65,155	-	579,427	514,272	78,101	-	592,373
40	MUHAMMAD ASIF HOUSE NO. 21, S.A VILLA, 5TH COMM. STREET, PHASE-4, DHA, KARACHI	42101-1529010-5	ABDUL GHAFAR	1,442,446	67,204	-	1,509,650	654,243	104,335	-	758,578
41	MUHAMMAD IQBAL FLAT NO. C-2, 1ST FLOOR, SANA GARDEN, GARDEN WEST, KARACHI	42201-6136222-1	MEHMOOD	1,054,354	99,284	-	1,153,638	1,054,354	140,598	-	1,194,952
	TOTAL			54,804,331	6,873,854	2,233,244	63,911,429	40,677,971	7,333,446	2,233,244	50,244,661

BRANCH NETWORK

S.No.	Name	Address	Telephone	Fax
01	Bahadurabad Branch	28-Adam Arcade, Sub Plot # B/7 & B/8, Block # 3, BMCHS, Karachi	☎ 021-4145317, 4145321-23	☎ 021-4145324
02	Cloth Market Branch	41, Saleh Muhammad Street, Cloth Market, Karachi	☎ 021-2461601-3	☎ 021-2461608
03	DHA Phase-1 Branch	101-C, Commercial Area 'B', Phase-1 DHA, Karachi	☎ 021-5314062, 5314064-7,	☎ 021-5314070
04	Khayaban-e-Tanzeem Branch	4-C, Tauheed Commercial, Khayaban-e-Tanzeem, Phase-5, DHA, Karachi	☎ 021-5869147, 5810977, 5871640, 5869427	☎ 021-5869342
05	Khayaban-e-Shahbaz Branch	Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA Karachi	☎ 021-5344936-5344957 5344963-5344966	☎ 021-5344942
06	Hasan Square Branch	I/15, Hassan Square, Block 13/A, Gulshan-e-Iqbal, Karachi	☎ 021-4818759-60, 4818763, 4818766	☎ 021-4818720
07	I. I. Chundrigar Road Branch	P&O Plaza (ex-Volkart Building), I. I. Chundrigar Road, Karachi	☎ 021-2463746-50	☎ 021-2463744
08	Korangi Industrial Area Branch	37/9, Sector 15, Korangi Industrial Area, Karachi	☎ 021-5121240-43	☎ 021-5121251
09	KPT Interchange Branch	Honda Defence Building, 67/1, Korangi Road, KPT Interchange, Karachi	☎ 021-5205480-81 Ext. 3156-7,9	☎ 021-5318840
10	Shahrah-e-Faisal Branch	44/A-Nice Trade Orbit, Shop 8, Block-6, PECHS, Shahrah-e-Faisal, Karachi	☎ 021-4328426-7	☎ 021-4386180
11	SITE Branch	B/53, Estate Avenue, SITE Area, Karachi	☎ 021-2587535-37, 2554702-05	☎ 021-2587672
12	Jodia Bazar Branch	Plot # 65, N.P.2, Napier Quarter, Karachi	☎ 021-2537845-48	☎ 021-2537842
13	Zaibunnisa Street Branch	B-6/16-A, Sadar Bazar Quarters, Zaibunnisa Street, Karachi	☎ 021-5660612, 5660615	☎ 021-5224761
14	Hyderi Branch	Plot No. D-10, Block-F, North Nazimabad, Karachi	☎ 021-6724982-86	☎ 021-6724987
15	G.T. Road Branch	Hammad Plaza, G.T. Road, Gujranwala	☎ 051-3516431-34	☎ 051-3516435
16	Minara Road Branch	C.S. No. C-550, Plot # 10-B, 10-C, Regent Colony, Sukkur	☎ 071-5626291,318,334,336	☎ 071-5626340
17	Azam Cloth Branch	285-286, Punjab Block, Azam Cloth Market, Lahore	☎ 042- 7642390-4, 7661686, 7642394	☎ 042-7661863
18	Circular Road Branch	1 SE, 38-R-55/D, Circular Road, Lahore	☎ 042-7379209-10-11, 7379213	☎ 042-7379212
19	Faisal Town Branch	853/D, Akbar Chowk, Faisal Town, Lahore	☎ 042-5204101-2	☎ 042-5204104
20	Gulberg Branch	131/A-E-1, Gulberg-III, Lahore	☎ 042-5871740-43, 45	☎ 042-5871744
21	Model Town Branch	14-15, Central Commercial Market, Model Town, Lahore	☎ 042-5915540-48	☎ 042-5915549
22	PASSCO House Branch	PASSCO House,11, Kashmir Road, Adjacent LDA Plaza, Lahore	☎ 042-6300670-1, 6300673-4	☎ 042-6310362
23	The Mall Branch	56, Ground Floor, Sharah-e-Quaid-e-Azam (The Mall), Lahore	☎ 042-6284801-4, 6284799	☎ 042-6284805
24	Z Block DHA Branch	323-Z, DHA, Phase-3, Lahore	☎ 042-5693113-5	☎ 042-5693117
25	Blue Area Branch	24-West Raza Noor Plaza, Jinnah Avenue, Blue Area, Islamabad	☎ 051-2871630-32	☎ 051-2871596
26	F-11 Markaz Branch	28-Alkaram Plaza, F-11 Markaz, Islamabad	☎ 051-2228027-28	☎ 051-2228365
27	F-6 Markaz Branch	2-Fateh Plaza, Block C, Super Market, F-6 Markaz, Islamabad	☎ 051-2601701-3	☎ 051-2601710
28	Mirpur Branch	Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road, Mirpur, Azad Kashmir	☎ 058610-46406-9	☎ 058610-45405
29	Kotwali Road Branch	P-12, Kotwali Road, Faisalabad	☎ 041-2412151-53	☎ 041-2412154
30	G. T. Road Branch	B/11-S7/103, G. T. Road, Gujranwala	☎ 055-3842751, 29	☎ 055-3842890
31	G. T. Road Branch	Small Estate, G. T. Road, Gujrat	☎ 053-3533934	☎ 053-3533995
32	Saddar Branch	91/3-4, Saddar, Behind Cantonment Police Station, Hyderabad	☎ 022-2730054	☎ 022-2730046
33	Abdali Road Branch	77, Abdali Tower, Moaza Taraf Ismail, Abdali Road, Multan	☎ 061-4575264,269, 4500253, 4500258, 4575918	☎ 061-4575249
34	Sadar Branch	Shop # 4, Jasmine Arcade, Fakhar-e-Alam Road, Peshawar	☎ 091-5260185,6	☎ 091-5260917
35	M. A. Jinnah Road Branch	20-21, Ward No. 18, Main M. A. Jinnah Road, Quetta	☎ 081-2842369-70, 2842372	☎ 081-2842374
36	Bank Road Branch	60, Bank Road, Rawalpindi	☎ 051-5120778-80, 5564123	☎ 051-5528148
37	Club Road Branch	2-B, Civil Lines, Club Road, Sargodha	☎ 048-3741845-7, 3729197-8	☎ 048-3741843
38	Paris Road Branch	B1,16S, 71/A/1, Paris Road, Sialkot	☎ 052-4602712-17	☎ 052-4598849
39	Cantt. Branch	Day Building 1482/A, Abdul Rehman Road, Lahore	☎ 042-6603062-65	☎ 042-6603065
40	Kamoki Branch	Madni Trade Centre, G.T. Road, Kamoki	☎ 055-6815181-4	☎ 055-6815180

The Company Secretary,
Atlas Bank Limited
3rd Floor, Federation House,
Abdullah Shah Ghazi Road, Clifton,
Karachi.

I /We _____

of _____

being a member (s) of **Atlas Bank Limited** and holder(s) of _____

Ordinary Shares, as per Registered Folio/ CDC Account or Sub-Account No. _____ hereby

appoint _____

of _____

or failing him _____

of _____

as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held at the Registered Office of the Bank at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi on Monday, March 30, 2009, at 4:00 p.m. and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2009

signed by the said _____ in the presence of

WITNESSES

1. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport No. _____

Signature

Affix
Revenue
Stamp

Signature

2. Signature: _____

Name: _____

Address: _____

CNIC or _____

Passport No. _____

(Signature must agree with the specimen signature registered with the Bank's Registrar)

Note: Proxies in order to be effective, must be received at the Bank's Registrar Office M/s THK Associates (Pvt.) Ltd., 2nd floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi (Ph: 111-000-322) not less than 48 hours before the meeting and must be duly stamped, signed and witnessed. A proxy must be a member of the Bank.

**AFFIX
POSTAGE**

Atlas Bank Limited

SHARE REGISTRAR

THK Associates (Pvt) Ltd.

Ground Floor, State Life Building No. 3,

Dr. Ziauddin Ahmed Rd. KARACHI.

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Fold Here

Fold Here

Fold Here

Atlas Bank Limited

3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi-75600

UAN: 111-333-225 **Fax:** (92-21) 5870543 **Email:** info@atlasbank.com.pk

Website: www.atlasbank.com.pk