

ANNUAL REPORT  
2009



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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.
- To bring in the best technological solutions ensuring excellence in service.
- To endure the current financial situation by maximizing customer satisfaction and long-term shareholder value.

## CORPORATE INFORMATION

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### BOARD OF DIRECTORS

Chairman Directors	Yusuf H. Shirazi Frahim Ali Khan Manzoor Ahmed Sanaullah Qureshi Saquib H. Shirazi Tariq Amin Aziz Rajkotwala
Chief Executive Officer	Aziz Rajkotwala

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### BOARD EXECUTIVE COMMITTEE

Chairman Members	Frahim Ali Khan Sanaullah Qureshi Saquib H. Shirazi Tariq Amin Aziz Rajkotwala
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### BOARD AUDIT COMMITTEE

Chairman Member	Tariq Amin Frahim Ali Khan
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### BOARD COMPLIANCE & RISK MGT. COMMITTEE

Chairman Members	Frahim Ali Khan Saquib H. Shirazi Aziz Rajkotwala
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### BOARD HUMAN RESOURCE COMMITTEE

Chairman Members	Frahim Ali Khan Tariq Amin Aziz Rajkotwala
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### COMPANY SECRETARY

Irfan Ibrahim Bhaiyat

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### CHIEF FINANCIAL OFFICER

Cyrus T. Tengra

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### AUDITORS

Ernst & Young Ford Rhodes Sidat Hyder  
(Chartered Accountants)

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### LEGAL ADVISORS

Mohsin Tayebally & Co.  
(Barrister & Advocates)

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### TAX ADVISORS

Ernst & Young Ford Rhodes Sidat Hyder  
(Chartered Accountants)

Lahore Law Associates

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### 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) 35655595

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### REGISTERED & HEAD OFFICE

3rd Floor, Federation House,  
Abdullah Shah Ghazi Road, Clifton, Karachi  
UAN (92-21) 111-333-225  
Fax: (92-21) 35870543  
E-mail: info@atlasbank.com.pk

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### WEBSITE

www.atlasbank.com.pk

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## PERFORMANCE AT A GLANCE

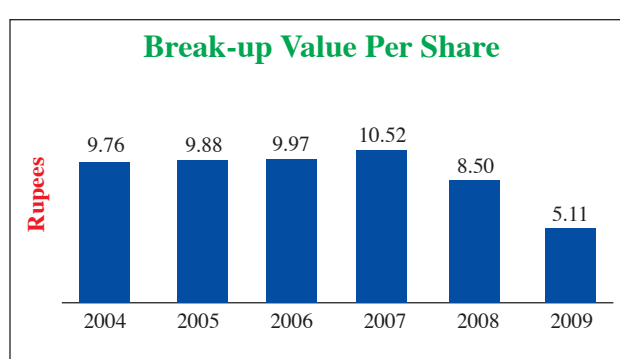
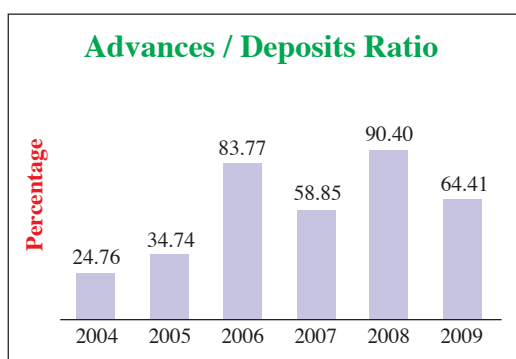
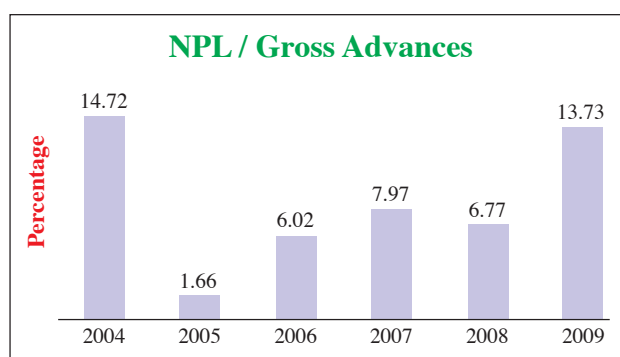
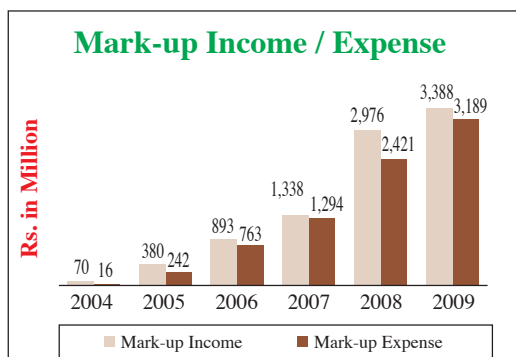
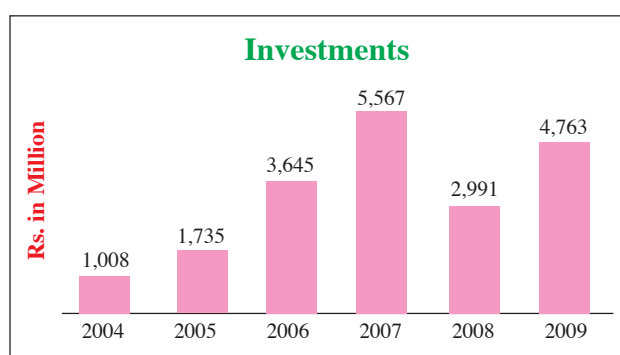
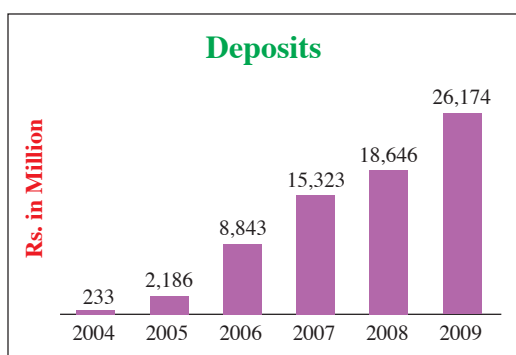
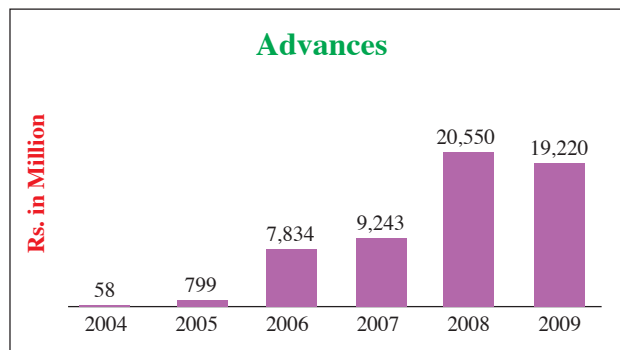
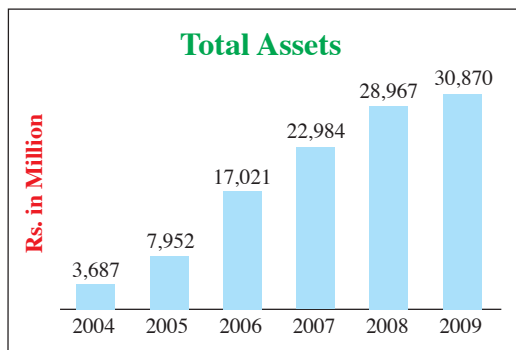
	(Rupees '000)						
	2009	2008	2007	2006	2005	2004	
<b>FINANCIAL DATA</b>							
Paid-up capital	5,001,466	5,001,466	5,001,466	3,125,916	1,537,000	1,060,000	
Shareholders' equity	2,554,008	4,249,567	5,260,126	3,116,083	1,518,485	1,034,520	
(Deficit) / surplus on revaluation of assets	(71,948)	(592,623)	(75,886)	(117,793)	10,895	850	
Borrowings	943,114	5,323,425	1,304,616	4,025,949	4,096,777	2,179,514	
Deposits and other accounts	26,173,680	18,646,412	15,322,671	8,842,946	2,186,005	232,663	
Lendings to financial institutions	838,438	114,000	4,427,824	3,500,844	4,847,386	2,421,660	
Investments - net of provision	4,763,388	2,990,906	5,566,841	3,645,195	1,735,015	1,007,630	
Advances - net of provision	19,219,928	20,549,869	9,242,511	7,833,786	799,411	57,617	
Total assets	30,869,506	28,967,027	22,984,261	17,020,586	7,951,719	3,686,830	
<b>OPERATING DATA</b>							
Mark-up / return / interest earned	3,387,928	2,975,768	1,338,459	892,583	380,135	70,402	
Mark-up / return / interest expensed	3,189,326	2,421,154	1,294,428	763,083	242,286	15,628	
Non mark-up / interest income	49,168	245,152	346,786	96,588	10,802	988	
Administrative & other expenses	1,910,579	1,871,935	668,923	308,729	130,997	95,166	
Operating (loss) / profit before provisions and taxation	(1,662,809)	(1,072,169)	(278,106)	(82,641)	17,654	(39,404)	
Provision against non-performing loans and advances	524,685	358,244	271,761	54,875	2,576	(1,799)	
Other provisions / impairment	539,589	163,797	(303)	3,320	5,552	62	
(Loss) / profit before taxation	(2,727,083)	(1,594,210)	(549,564)	(140,836)	9,526	(37,667)	
(Loss) / profit after taxation	(1,703,109)	(1,010,559)	(309,044)	8,682	3,788	(25,480)	
<b>FINANCIAL RATIOS</b>							
<b>Profitability (%)</b>							
Gross Spread Ratio	%	5.86	18.64	3.29	14.51	36.26	77.80
Income / Expense Ratio	Times	0.13	0.43	0.58	0.73	1.13	0.59
(Loss) / Profit After Taxation / Gross Revenue	%	(49.55)	(31.37)	(18.34)	0.88	0.97	(35.69)
Return on Average Equity	%	(50.07)	(21.25)	(7.38)	0.37	0.30	(2.46)
Return on Average Assets	%	(5.69)	(3.89)	(1.55)	0.07	0.07	(0.69)
<b>Share Information</b>							
(Loss) / Earnings Per Share	Rs.	(3.41)	(2.02)	(0.93)	0.04	0.03	(0.24)
Price Earning Ratio *	Times	(1.01)	(1.64)	(18.28)	365.00	-	-
Market Value Per Share *	Rs.	3.44	3.32	17.00	14.60	-	-
Break-up Value Per Share	Rs.	5.11	8.50	10.52	9.97	9.88	9.76
Break-up Value Per Share (including revaluation of assets)	Rs.	4.96	7.31	10.37	9.59	9.95	9.77
Capital Adequacy Ratio	%	6.27	11.28	26.62	15.79	44.93	71.01
Advances / Deposits Ratio	%	64.41	90.40	58.85	83.77	34.74	24.76
<b>OTHER INFORMATION</b>							
Number of employees		1,085	1,471	781	247	152	55
Number of branches		40	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.

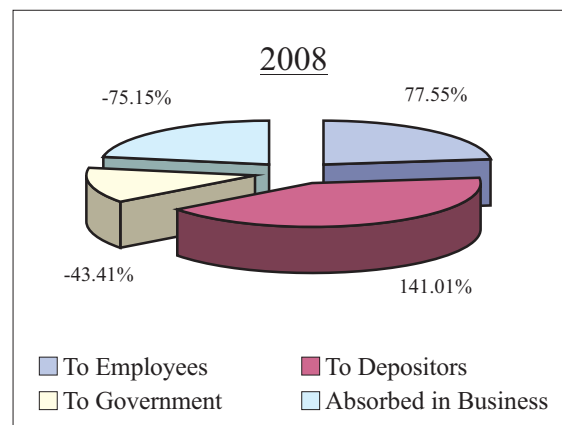
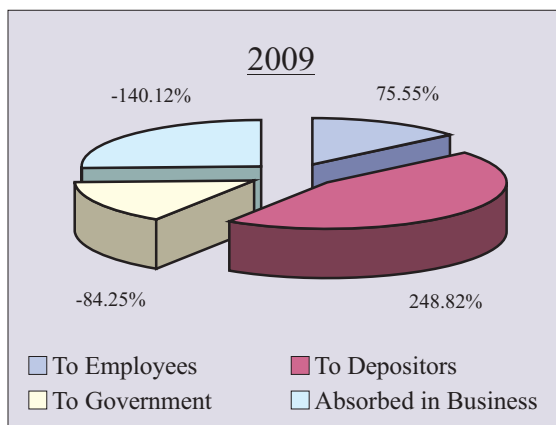
## PERFORMANCE AT A GLANCE

### GRAPHICAL PRESENTATION



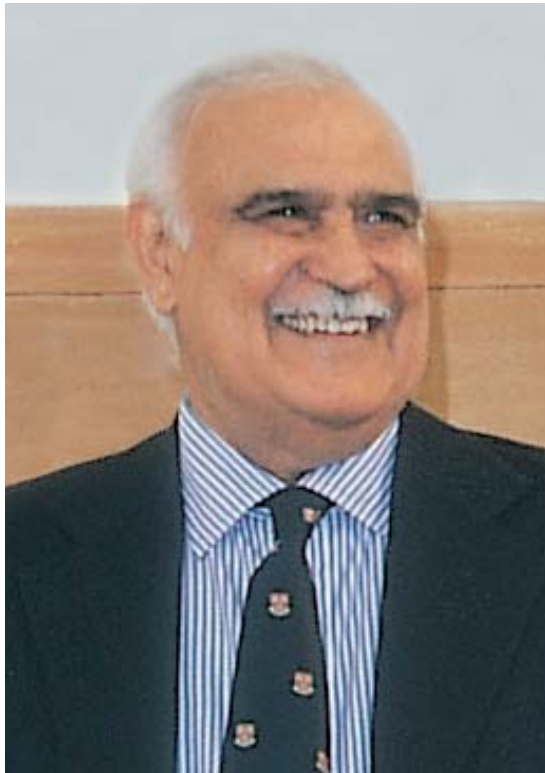
## VALUE ADDED STATEMENT

	2009		2008	
	(Rupees '000)	%	(Rupees '000)	%
<b>VALUE ADDED</b>				
Income from Banking Services	3,275,736	-	2,694,646	-
Cost of Services	(992,315)	-	(829,207)	-
Value added by Banking Services	2,283,421	-	1,865,439	-
Non Banking (Loss) / Income	(3,713)	-	1,255	-
Provisions / Impairment	(1,064,274)	-	(522,041)	-
	<u>1,215,434</u>	-	<u>1,344,653</u>	-
<b>VALUE ALLOCATED</b>				
To Employees	918,264	75.55%	1,042,728	77.55%
To Depositors	3,024,253	248.82%	1,896,135	141.01%
To Government	(1,023,974)	-84.25%	(583,651)	-43.41%
Absorbed in Business	(1,703,109)	-140.12%	(1,010,559)	-75.15%
	<u>1,215,434</u>	<u>100.00%</u>	<u>1,344,653</u>	<u>100.00%</u>





## CHAIRMAN'S REVIEW



I am pleased to present the Sixth Annual Report of your bank for the year ended December 31, 2009.

### ECONOMY

The macro economic indicators continue to show improvements over FY09 and it is expected that GDP growth around 3.3% will be achieved in FY10 as against 2% of last year. Whereas agriculture and large scale manufacturing are showing positive growth the major impetus for the growth will come from the services sector. The exports are estimated to finish at around \$ 19bn i.e. almost equal to last year. Imports are also estimated to remain at the level of last year i.e. around \$ 31bn. Home remittances are expected to remain between \$ 7.8 to \$ 8.8bn. The fiscal deficit is likely to be around 5% and the current account deficit is expected to be around 4.7% of GDP. The Foreign Exchange reserves also improved and touched \$ 15bn

mark in December '09. The inflation has come down to 13% from 24.7% in November '08. The State Bank of Pakistan has gradually reduced the discount rate to 12.50%. Any further reduction will depend on the level of inflation.

Inflation, power shortage, rising commodity and oil prices, on going war against terrorism, Government spending and low tax base continue to be serious challenges needing more serious attention of the Government.

### STOCK MARKET REVIEW

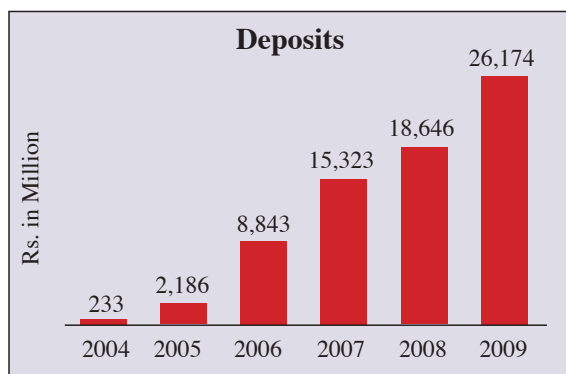
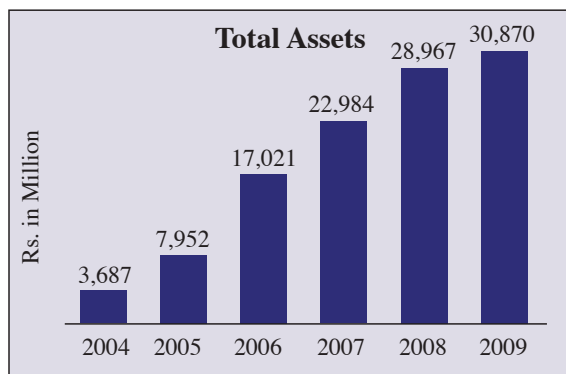
In the year 2009 the benchmark KSE-100 index posted a return of 60.05% from a disastrous low base of FY2008. It was due to improvement in country's sovereign ratings, ease in inflation, better corporate results especially in E&P and Fertilizer sectors, and favorable monetary policy. Market capitalization stood at Rs.2.7trn at the end of December '09 as against Rs.1.83trn at the end of December '08, showing an increase of 48.03%.

### BANKING SECTOR

The year 2009 was a year of consolidation for the banking sector and the banks continued strengthening their financial condition. Profitability of the sector particularly of small banks remained under pressure mainly due to economic slowdown causing contraction in credit demand from the private sector. Increase in provisioning against NPLs and higher cost of deposits were other major reasons of decline in the earnings of the banking sector. By November '09 banking spread shrunk to 7.33% from 7.78% at the end of the year 2008. Advances grew by 3.4% to PKR 3.30trn at the year end whereas deposits showed a growth of 12.00% to PKR 4.3trn over the last year.

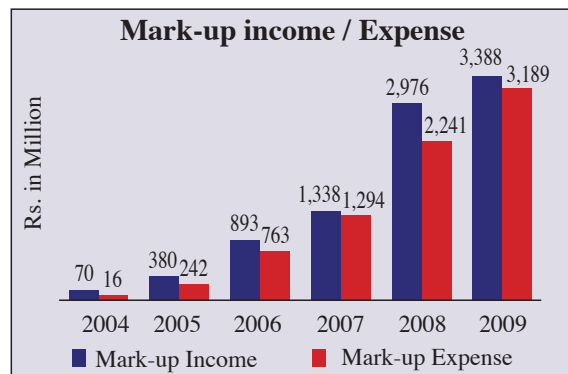
## THE BANK'S PERFORMANCE

As at December 31, 2009 the shareholders equity of the bank stood at Rs.2.55bn, deposits grew to Rs.26.17bn from Rs.18.65bn. The cost of deposits was brought down to 11.45% from 13.15% as on December 31, 2008. Advances portfolio stood at Rs.19.22bn and total assets stood at Rs.30.87bn as against Rs.28.97bn, last year.



Mark-up earned during the year was Rs.3.39bn, compared to Rs.2.97bn in the previous year. Mark-up expense amounted to Rs.3.19bn, compared to Rs.2.42bn in the previous year. Non mark-up income reduced to Rs.49.17m due to loss from dealing in foreign currencies and significant decrease in capital gains. Administrative expenses increased by 1.6% to Rs.1.89bn. The provision for doubtful advances stood at Rs.524m against Rs.358m last year. Provision for diminution in the value of investments amounted to

Rs.388m as against reversal of Rs.4.7m last year. After the tax adjustments, net loss stood at Rs.1.70bn as compared to Rs.1.01bn in the previous year.



After consolidating with the Bank's subsidiary, Atlas Capital Market's loss of Rs.51.90m and brought forward loss of Rs.1,366.25m of the Bank, the cumulative loss stands at Rs.3,121.26m.

Your Bank also introduced two new products in 2009 i.e. Bancassurance and MeraSahara, a plan that provides customers with a smart solution to save wisely.

Atlas Bank' 24SE7EN eBanking portfolio was completed and launched in the year 2009. This portfolio of services allows Atlas Bank's staff to better manage customer retention and more importantly provide a strong unique selling proposition to attract customers. In service quality Atlas Bank consistently enjoys the satisfaction of the customers.

Despite recession and low business activities our emphasis continued on training and development of the staff. Several in house training sessions were conducted which were attended by a large number of staff.

## **TECHNOLOGY**

In 2009 your bank took many new initiatives such as launch of Mobile Banking, Inter Bank Fund Transfer (IBFT), state-of-the-art Siebel CRM and Call Center and consistent upgrading of the services and infrastructure in cost-effective manner.

Your Bank has now successfully deployed virtualization solution, VMware, which is cost effective and has better manageability.

## **ATLAS CAPITAL MARKETS (PVT) LIMITED (ACM)**

ACM is a wholly owned subsidiary of your Bank with paid up capital of Rs.300m. It is engaged in equity and money market brokerage, distribution of mutual fund units and advisory services. ACM's net loss after provision for tax stood at Rs.51.90m.

## **SALE / PURCHASE AGREEMENTS WITH SUROOR INVESTMENTS AND DEG**

The Sponsors of Atlas Bank Ltd. have entered into an agreement with Suroor Investments Ltd. for sale of their 58.31% shareholding in Atlas Bank Ltd. Suroor Investments Ltd. has already acquired majority shares in Arif Habib Bank Ltd. and intends to acquire one more bank and then merge them into one. The sponsors have also entered into an agreement with DEG to purchase their 24.9% shareholding in the bank.

## **FUTURE OUTLOOK**

The economy is facing challenges like power crisis, high vulnerability of external account to rising

international commodity prices and ongoing war on terror and worsening law and order situation. Further, in the banking sector, spreads are also expected to shrink more particularly for the small banks.

With this background the sponsors have entered into a sale agreement with Suroor Investments Ltd. for sale of their 58.31% shareholding in the bank and are awaiting a merger which will create a medium size bank of 160 branches with great business potential. Despite all the challenges I see a great potential of growth and stability ahead.

ستاروں سے آگے جہاں اور بھی ہیں

*(Beyond the stars there is horizon too)*

## **ACKNOWLEDGMENT**

I would like to thank the Board of Directors, the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan for their help, support and guidance. I would also like to thank Mr. Stephan Blanke who resigned from the Board subsequent to the year end and place on record Board's appreciation for valuable contribution made by him during his tenure and I also 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, 2009.

### Financials

The financials of your Bank for the year ended December 31, 2009 under review are summarized as follows:

	2009	2008
	Rs. In '000	Rs. In '000
<b>Operating loss before provision and taxation</b>	<b>(1,814,268)</b>	(1,240,667)
Provisions	<b>(912,815)</b>	(353,543)
<b>Loss before taxation</b>	<b>(2,727,083)</b>	(1,594,210)
Reversal of provision for taxation	<b>(1,023,974)</b>	(583,651)
<b>Loss after taxation</b>	<b>(1,703,109)</b>	(1,010,559)
Accumulated loss brought forward	<b>(1,331,930)</b>	(321,371)
	<b>(3,035,039)</b>	(1,331,930)
<b>Appropriations:</b>		
Transfer to statutory reserve	-	-
<b>Accumulated loss carried forward</b>	<b>(3,035,039)</b>	(1,331,930)
<b>Loss per share - Basic and diluted (Rupees)</b>	<b>(3.41)</b>	(2.02)

### Dividend

Due to the accumulated losses outstanding as on December 31, 2009 the Board of Directors are not recommending any dividend payout for the year ended December 31, 2009.

### 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.121.81m (including Rs.7.85m profit accrued on TDRs) as of December 31, 2009.

### Gratuity Scheme

The Bank has a Non-Contributory Gratuity Fund Scheme for its management employees. The value of investments as on December 31, 2009 is Rs.17.15 m.

### 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, 2009 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.

No casual vacancy in the Board of the Bank occurred during the year. However, against a casual vacancy which occurred on December 29, 2008 Mr. Sanaullah Qureshi was co-opted during the year after receiving requisite approval from the State Bank of Pakistan.

No 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.

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

Director	Meetings attended	Appointment / Cessation during the year
Mr. Yusuf H. Shirazi	5	
Mr. Frahim Ali Khan	4	
Mr. Manzoor Ahmed	4	
Mr. Sanaullah Qureshi	5	Co-opted w.e.f 16.02.2009
Mr. Saquib H. Shirazi	5	
Mr. Stephan Blanke	2	
Mr. Tariq Amin	5	
Mr. Aziz Rajkotwala	5	

### Auditors

The present Auditors M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends that they be appointed as Auditors for the year 2010.

### 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, 2009. 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 and presentation of the financial statements except for the changes as referred to in note 5.1 to the financial statements. Further 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 except for the compliance with the requirements of International Accounting Standard 36 "Impairment of Assets" in respect of annual impairment test of the carrying value of goodwill. Due to this, the goodwill impairment, if any, remains indeterminate and the fact has been mentioned by external auditors in their report.

The management considers that while the business units to which the goodwill relates have incurred losses in the past due to adverse economic conditions, the said business units are expected to be profitable and generate positive cash flows in the future. However, a formal impairment test of the relevant cash generating units as required under the above referred international accounting standard, has not been carried out for the reason that the management is currently reviewing the business strategies in respect of certain business units to enhance their performance and believe that it would be more appropriate if the requisite impairment test is carried out after such business review is complete.

### **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 continue undergoing refinement 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 continues to refine its identification of 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 stress tests and 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 2009 the operational risk management function has worked on developing Key Risk Indicators (KRIs) and Risk & Control Self-Assessments (RCSAs). This exercise has included updation of policies and procedural manuals, across the bank during the year.

Finally, in the last 12 months the Compliance & Risk Management Committee 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 Credit Rating Company Limited has reaffirmed the Corporate Governance rating of Atlas Bank at CGR-7 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 Human Resource Committee reviews and recommends Human Resource policies and procedures, staff rules, compensation, training and development programs and retention strategies to the Board of Directors.

## **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.

#### **Operational 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 web site ([www.atlasbank.com.pk](http://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: March 20, 2010



**STATEMENT OF COMPLIANCE  
WITH THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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 present 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. No casual vacancy in the Board of the Bank occurred during the year.
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 orientation course was not conducted 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 Director's Report for the year ended December 31, 2009 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 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 as applicable in Pakistan 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: March 20, 2010

## **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 2009 prepared by the Board of Directors of Atlas Bank Limited (the Bank) to comply with the Listing Regulations of the Karachi Stock Exchange, Lahore Stock Exchange and 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 inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

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

Further, Sub- Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Bank for the year ended 31 December 2009.



**ERNST & YOUNG FORD RHODES SIDAT HYDER**  
Chartered Accountants

Karachi: March 20, 2010

## **STATEMENT ON INTERNAL CONTROLS** FOR THE YEAR ENDED DECEMBER 31, 2009

### **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 2009 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. 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 Report 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 & Operational Risk 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: March 20, 2010

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the members of Atlas Bank Limited will be held at 11:00 a.m., on Wednesday, April 14, 2010, at 3rd floor Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To confirm Minutes of the Annual General Meeting held on March 30, 2009.
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, 2009 together with the Directors' Report and Auditors' Report thereon including post facto approval of remuneration of Rs 230,000/- 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, 2010. The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, 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 24, 2010

### NOTES:

- i) The Register of Members of the Bank will remain closed from **07-04-2010** to **14-04-2010** (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 office of 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**  
For the Year Ended December 31, 2009

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Atlas Bank Limited (the Bank) as at 31 December 2009, and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for five 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 other than as stated in paragraph (a) below:

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.

Except for as stated in paragraph (a) below, 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) the management has not carried out an impairment test as of the balance sheet date in respect of the carrying value of goodwill (note 13.3) amounting to Rs.377.42 million as required by International Accounting Standard 36 "Impairment of Assets" and consequently, the impairment, if any, in respect of the said goodwill remains indeterminate.
- (b) 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;
- (c) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 5.1 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (d) except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matter stated in paragraph (a) above, in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and its true balance of the loss, comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (e) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 1.2 to the financial statements which fully explains matters regarding Bank's capital deficiency and its future plans including the proposed merger with two other commercial banks. Further, the SBP has granted the Bank extension in time up to 31 March 2010 or proposed merger, whichever occurs earlier, to meet the requisite capital requirements. These factors indicate a material dependency of future operations of the Bank on successful completion of the merger process or the implementation of the alternative plan of the management as referred to in the said note.



**ERNST & YOUNG FORD RHODES SIDAT HYDER**

Chartered Accountants

Audit Engagement Partner: Arslan Khalid


Karachi: March 20, 2010

**BALANCE SHEET**  
AS AT DECEMBER 31, 2009


	Note	2009 ------(Rupees '000)-----	2008
<b>ASSETS</b>			
Cash and balances with treasury banks	6	1,577,093	1,617,825
Balances with other banks	7	97,691	51,449
Lendings to financial institutions	8	838,438	114,000
Investments	9	4,763,388	2,990,906
Advances	10	19,219,928	20,549,869
Operating fixed assets	11	1,138,909	1,255,567
Deferred tax assets	12	1,813,620	1,010,349
Other assets	13	1,420,439	1,377,062
		<b>30,869,506</b>	28,967,027
<b>LIABILITIES</b>			
Bills payable	14	265,875	255,742
Borrowings	15	943,114	5,323,425
Deposits and other accounts	16	26,173,680	18,646,412
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,004,777	1,084,504
		<b>28,387,446</b>	25,310,083
<b>NET ASSETS</b>		<b>2,482,060</b>	3,656,944
<b>REPRESENTED BY</b>			
Share capital	18	5,001,466	5,001,466
Reserves		587,581	580,031
Accumulated loss		(3,035,039)	(1,331,930)
		<b>2,554,008</b>	4,249,567
Deficit on revaluation of assets - net of tax	19	(71,948)	(592,623)
		<b>2,482,060</b>	3,656,944
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

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




**PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 ------(Rupees '000)-----	2008
Mark-up / return / interest earned	22	<b>3,387,928</b>	2,975,768
Mark-up / return / interest expensed	23	<b>3,189,326</b>	2,421,154
Net mark-up / interest income		<b>198,602</b>	554,614
Provision against non-performing loans and advances	10.4	<b>524,685</b>	358,244
Provision / (reversal of provision) for diminution in the value of investments	9.3	<b>388,130</b>	(4,701)
Bad debts written off directly		-	-
		<b>912,815</b>	353,543
Net mark-up / interest (loss) / income after provisions		<b>(714,213)</b>	201,071
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		<b>61,238</b>	59,804
Dividend income		<b>32,723</b>	50,295
(Loss) / income from dealing in foreign currencies		<b>(79,327)</b>	8,829
Gain on sale / redemption of securities	24	<b>845</b>	100,594
Unrealized loss on revaluation of investments classified as held-for-trading		-	(296)
Other income	25	<b>33,689</b>	25,926
Total non mark-up / interest income		<b>49,168</b>	245,152
		<b>(665,045)</b>	446,223
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	<b>1,894,233</b>	1,864,887
Other provisions / write offs	26.2	<b>151,459</b>	168,498
Other charges	27	<b>16,346</b>	7,048
Total non mark-up / interest expenses		<b>2,062,038</b>	2,040,433
		<b>(2,727,083)</b>	(1,594,210)
Extraordinary / unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		<b>(2,727,083)</b>	(1,594,210)
Taxation - Current		<b>20,335</b>	-
- Prior years		<b>817</b>	260
- Deferred		<b>(1,045,126)</b>	(583,911)
	28	<b>(1,023,974)</b>	(583,651)
<b>LOSS AFTER TAXATION</b>		<b>(1,703,109)</b>	(1,010,559)
<b>Loss per share - Basic and diluted (Rupees)</b>	29	<b>(3.41)</b>	(2.02)

The reconciliation of accumulated loss is reflected in the statement of changes in equity.

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

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED DECEMBER 31, 2009


	Note	2009 ------(Rupees '000)-----	2008
<b>Loss for the year</b>		<b>(1,703,109)</b>	(1,010,559)
<b>Other comprehensive income / (loss)</b>			
Reversal of provision against rescheduled / restructured advances	5.1 (ii)	<b>7,550</b>	-
<b>Total comprehensive income / (loss) for the year</b>		<b>(1,695,559)</b>	(1,010,559)

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, 2009

	Note	2009 ------(Rupees '000)-----	2008 -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(2,727,083)	(1,594,210)
Less: Dividend income		(32,723)	(50,295)
		<b>(2,759,806)</b>	<b>(1,644,505)</b>
<b>Adjustment:</b>			
Depreciation	26	128,043	91,758
Amortisation	26	13,905	8,445
Provision against non-performing advances	10.4	524,685	358,244
Other provisions / write offs	26.2	151,459	168,498
Provision / (reversal of provision) for diminution in the value of investments	9.3	388,130	(4,701)
Loss / (gain) on disposal of fixed assets	11.5	3,713	(1,255)
		<b>1,209,935</b>	<b>620,989</b>
		<b>(1,549,871)</b>	<b>(1,023,516)</b>
<b>Increase in operating assets</b>			
Lendings to financial institutions		(749,438)	4,313,824
Held-for-trading securities		4,099	37,587
Advances		820,129	(11,665,602)
Other assets (excluding advance taxation)		(157,721)	(467,549)
		<b>(82,931)</b>	<b>(7,781,740)</b>
<b>Increase in operating liabilities</b>			
Bills payable		10,133	(33,165)
Borrowings		(4,380,311)	4,018,809
Deposits		7,527,268	3,323,741
Other liabilities		(79,727)	200,677
		<b>3,077,363</b>	<b>7,510,062</b>
		<b>1,444,561</b>	<b>(1,295,194)</b>
Income tax paid		(34,645)	(5,281)
<b>Net cash flow from operating activities</b>		<b>1,409,916</b>	<b>(1,300,475)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(1,402,181)	1,660,431
Net investment in held-to-maturity securities		-	108,329
Dividend received		32,544	49,462
Investments in operating fixed assets		(82,965)	(644,585)
Sale proceeds of operating fixed assets	11.5	48,196	79,460
<b>Net cash flow from investing activities</b>		<b>(1,404,406)</b>	<b>1,253,097</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		-	-
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>5,510</b>	<b>(47,378)</b>
Cash and cash equivalents at beginning of the year		1,669,274	1,716,652
<b>Cash and cash equivalents at end of the year</b>	30	<b>1,674,784</b>	<b>1,669,274</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Issued, subscribed and paid-up share capital	Capital Reserves			Accumulated loss	Total
		Share premium	Statutory reserve	Others [Note 5.1 (ii)]		
----- (Rupees '000) -----						
<b>Balance as at January 1, 2008</b>	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)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	-	(1,010,559)	(1,010,559)
<b>Balance as at December 31, 2008</b>	5,001,466	577,537	2,494	-	(1,331,930)	4,249,567
Loss after taxation for the year ended December 31, 2009	-	-	-	-	(1,703,109)	(1,703,109)
Other comprehensive income	-	-	-	7,550	-	7,550
Total comprehensive income / (loss) for the year	-	-	-	7,550	(1,703,109)	(1,695,559)
<b>Balance as at December 31, 2009</b>	<b>5,001,466</b>	<b>577,537</b>	<b>2,494</b>	<b>7,550</b>	<b>(3,035,039)</b>	<b>2,554,008</b>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED DECEMBER 31, 2009**

#### **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 (2008: 40) in Pakistan.

**1.2** The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs.10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) as of December 31, 2009 is Rs.6 billion and 10% respectively. The paid up capital of the Bank as of December 31, 2009 amounts to Rs. 5 billion and the Bank has reserves and accumulated loss of Rs.587.58 million and Rs.3,035.04 million respectively as of said date while CAR stands at 6.27%. Keeping in view the said regulatory requirements, the Bank had earlier initiated a process for merger with KASB Bank Limited followed by Silk Bank Limited (formerly Saudi Pak Commercial Bank Limited). The said proposed mergers did not materialize.

During the year, the sponsors of the Bank have entered into an agreement with Suroor Investments Limited (SIL) to divest their 58.31% shareholding in the Bank. SIL, a company incorporated in Mauritius, has plans to acquire and undertake a merger of three commercial banks in Pakistan (including the Bank) which would result in transfer of assets, liabilities and operations of the Bank to the proposed merged entity. Additionally, the management of the Bank has prepared an alternative plan and future projections duly approved by the Board of Directors which include injection of additional equity, in case the proposed merger does not materialize. Based on the above, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Further, the SBP vide their letter No. BSD/BAI-3/608/006/2010 dated January 6, 2010 has extended the timeline for meeting the MCR of Rs. 6 billion and CAR of 10% for the Bank till March 31, 2010 or proposed merger, whichever is earlier.

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

#### **2. BASIS OF PRESENTATION**

These financial statements have been prepared in conformity with the format of financial statements prescribed by the 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.

#### **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 requirements of various circulars issued by the SBP.

#### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments and derivatives are carried at fair value as stated in note 5.5 and 5.8 below.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 5.1 Changes in accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Bank's financial statements for the year ended December 31, 2008, except for the following:

- i) The Bank has adopted International Accounting Standard 1, "Presentation of Financial Statements (Revised)" (IAS 1) which became effective for accounting years beginning on or after January 1, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Bank has adopted two statement approach and accordingly has presented separate statements of profit and loss account and comprehensive income. However, in accordance with requirements of the SBP directive, the Bank continues to treat the surplus / deficit on revaluation of available-for-sale investments as described in note 5.5 below and the same is not taken to the statements of comprehensive income and changes in equity.
- ii) During the year, the SBP has issued interim instructions whereby banks have been allowed to upgrade loan classification and reverse provisions held against non-performing advances upon restructuring / rescheduling of such advances. The instructions are applicable only to such non-performing advances that are overdue by less than one year at the time of restructuring / rescheduling. The instructions further require that the aforesaid reversal of provision shall be taken to equity as capital reserve and subsequently credited to the profit and loss account upon declassification of subject loans as per the conditions laid out in the said instructions.

The above instructions have resulted in a change in accounting policy regarding reversal of provision against non-performing advances which are now accounted for prospectively, in certain cases, based on the above instructions. Previously, all reversals of provisions against non-performing advances were taken to the profit and loss account. The impact of change in accounting policy is disclosed in note 10.3.2.

##### 5.2 Cash and cash equivalents

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

##### 5.3 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 recognized 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 repurchase agreement.

###### Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized 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.

##### 5.4 Financial instruments - recognition and derecognition

Financial assets and financial liabilities are initially recognized on the trade date i.e. at the time when the Bank becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. 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 rewards of ownership of the asset. Financial liabilities are de-recognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liabilities is recognized in the profit and loss account of the current period.

## **5.5 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, until the investment is disposed off or determined to be impaired in which case the cumulative surplus / deficit is transferred to the profit and loss account.

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

## **5.6 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. The provisions made / reversed during the year are charged / credited to the profit and loss account other than as stated in note 5.1(ii) to the financial statements. Advances are written off when there are no realistic prospects of recovery.

### **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 recognized 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.

## **5.7 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.

## **5.8 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.

## 5.9 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.

## 5.10 Operating fixed assets and depreciation

### Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include major 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 assets 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.

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 less accumulated impairment losses, if any.

## 5.11 Non banking assets acquired in satisfaction of claims

Non banking assets acquired in satisfaction of claims are initially measured at the settlement value assigned for the purpose of extinguishment of borrowers' liabilities. Subsequent to initial recognition the assets are carried at lower of their carrying values and fair values. Any resulting impairment loss is taken to profit and loss account currently. For subsequent increase in fair value, gain is recognized only to the extent it reverses previously recognized impairment loss.



## **5.12 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 recognized 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 recognized 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 recognized as an adjustment to surplus / (deficit) arising on revaluation.

## **5.13 Provisions for liabilities**

Provisions are recognized 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.

## **5.14 Staff benefits**

### **Defined benefit plan**

The Bank operates an approved funded gratuity scheme for all its permanent and full time employees in the management cadre. The liability recognized 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 recognized 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.

## **5.15 Provision for guarantee claims and other off-balance sheet obligations**

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee, commission and brokerage income" over the period of contracts. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**5.16 Revenue recognition**

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

Income on net investment in finance lease is recognized 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 recognized on receipt basis in compliance with the Prudential Regulations issued by the SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognized when earned.

Dividend income from investments is recognized 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 recognized in income.

**5.17 Foreign currencies translation**

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

**5.18 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.

**5.19 Fiduciary assets**

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

**5.20 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 products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The 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.

**5.21 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:

	<b>Note</b>
Classification of investments and provision for diminution in value of investments	5.5 & 9.1
Goodwill impairment assessment	5.9
Useful lives of assets and methods of depreciation / amortisation	5.10, 11.2, 11.3 & 11.4
Deferred taxation	5.12 & 12
Provision against non-performing advances / lendings to financial institutions / other assets	5.3, 5.6, 8, 10.3 & 13.4
Provision for staff benefits	5.14 & 32

## 5.22 Standards, interpretations and amendments to approved accounting standards that are not yet effective

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

Standard, Interpretation or Amendment	Effective date (accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 27 - Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Bank expects that the adoption of the above interpretations, amendments and revisions of the standards will not affect the Bank's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

	Note	2009 ------(Rupees '000)-----	2008
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		290,016	407,766
- foreign currency		100,644	100,174
		<b>390,660</b>	507,940
With SBP in			
- local currency current account	6.1	702,602	937,815
- foreign currency current account		4,246	2,381
- foreign currency deposit account - special cash reserve	6.2	300,073	104,091
- cash reserve	6.3	100,024	34,364
		<b>1,106,945</b>	1,078,651
With National Bank of Pakistan in			
- local currency current account		79,488	31,234
		<b>1,577,093</b>	1,617,825
<b>6.1</b>	This represents statutory cash reserves maintained with the SBP.		
<b>6.2</b>	This represents special cash reserve maintained with the SBP against foreign currency deposits and is remunerated at the rate declared by the SBP on monthly basis.		
<b>6.3</b>	This represents cash reserve maintained with the SBP against foreign currency deposits.		

	Note	2009 ------(Rupees '000)-----	2008
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
- on current accounts		1,111	14,491
Outside Pakistan			
- on current accounts		96,580	36,958
		<u>97,691</u>	<u>51,449</u>
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repos)	8.2	813,438	-
Letter of placement		50,000	114,000
		<u>863,438</u>	<u>114,000</u>
Less: Provision held against letter of placement	8.3	(25,000)	-
		<u>838,438</u>	<u>114,000</u>
<b>8.1 Particulars of lending</b>			
In local currency		863,438	114,000
In foreign currency		-	-
		<u>863,438</u>	<u>114,000</u>

**8.2 Securities held as collateral against lendings to financial institutions (Reverse Repos)**

	Note	2009			2008		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		------(Rupees '000)-----					
Market Treasury Bills	8.2.1	813,438	-	813,438	-	-	-
		<u>813,438</u>	<u>-</u>	<u>813,438</u>	<u>-</u>	<u>-</u>	<u>-</u>

**8.2.1** Market Treasury Bills have been purchased under resale agreements at rates ranging from 12.25% to 12.40% (2008: nil) with maturities in January 2010. The market value of Market Treasury Bills as of December 31, 2009 amounts to Rs.813.45 million (2008: nil).

	2009 ------(Rupees '000)-----	2008
<b>8.3 Particulars of provision held against letter of placement</b>		
Opening balance	-	-
Charge for the year	25,000	-
Closing balance	<u>25,000</u>	<u>-</u>

## 9. INVESTMENTS

	Note	2009			2008		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees '000) -----							
<b>9.1 INVESTMENTS BY TYPES</b>							
<b>Held-for-trading securities</b>							
Listed Companies (ordinary shares)	9.2.3	-	-	-	4,395	-	4,395
<b>Available-for-sale securities</b>							
Listed Companies (ordinary shares)	9.2.3	695,000	-	695,000	686,646	-	686,646
Mutual Funds (units / certificates)	9.2.7	614,517	-	614,517	314,517	-	314,517
Term Finance Certificates	9.2.5 & 9.2.6	611,004	-	611,004	543,847	100,000	643,847
Pakistan Investment Bonds	9.2.1	983,820	-	983,820	257,832	747,432	1,005,264
Market Treasury Bills	9.2.2	1,934,680	-	1,934,680	-	786,566	786,566
Unlisted Companies (ordinary shares)	9.2.4	31,000	-	31,000	31,000	-	31,000
		<b>4,870,021</b>	<b>-</b>	<b>4,870,021</b>	<b>1,833,842</b>	<b>1,633,998</b>	<b>3,467,840</b>
<b>Subsidiary</b>							
Unlisted Company - Atlas Capital Markets (Private) Limited	9.2.4	396,942	-	396,942	396,942	-	396,942
<b>Total Investments at cost</b>		<b>5,266,963</b>	<b>-</b>	<b>5,266,963</b>	<b>2,235,179</b>	<b>1,633,998</b>	<b>3,869,177</b>
Less: Provision for diminution in value of Investments	9.3	(390,493)	-	(390,493)	(2,363)	-	(2,363)
<b>Investments (net of provisions)</b>		<b>4,876,470</b>	<b>-</b>	<b>4,876,470</b>	<b>2,232,816</b>	<b>1,633,998</b>	<b>3,866,814</b>
Deficit on revaluation of held-for-trading securities		-	-	-	(296)	-	(296)
Deficit on revaluation of available-for-sale securities	19	(113,082)	-	(113,082)	(695,767)	(179,845)	(875,612)
<b>Total investments at market value *</b>		<b>4,763,388</b>	<b>-</b>	<b>4,763,388</b>	<b>1,536,753</b>	<b>1,454,153</b>	<b>2,990,906</b>

	Note	2009	2008
		----- (Rupees '000) -----	
<b>9.2 INVESTMENTS BY SEGMENTS</b>			
<b>Federal Government Securities</b>			
- Pakistan Investment Bonds	9.2.1	983,820	1,005,264
- Market Treasury Bills	9.2.2	1,934,680	786,566
		<b>2,918,500</b>	<b>1,791,830</b>
<b>Fully Paid-up Ordinary Shares</b>			
- Listed Companies (ordinary shares)	9.2.3	695,000	691,041
- 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
		<b>427,942</b>	<b>427,942</b>
<b>Term Finance Certificates</b>			
- Listed	9.2.5	471,216	529,816
- Unlisted	9.2.6	139,788	114,031
		<b>611,004</b>	<b>643,847</b>
<b>Other Investments</b>			
- Mutual Funds (units / certificates)	9.2.7	614,517	314,517
<b>Total Investments at cost</b>		<b>5,266,963</b>	<b>3,869,177</b>
Less: Provision for diminution in value of Investments	9.3	(390,493)	(2,363)
<b>Investments (net of provisions)</b>		<b>4,876,470</b>	<b>3,866,814</b>
Deficit on revaluation of held-for-trading securities		-	(296)
Deficit on revaluation of available-for-sale securities	19	(113,082)	(875,612)
<b>Total investments at market value *</b>		<b>4,763,388</b>	<b>2,990,906</b>

**9.2.1** These securities are for a period of ten years (2008: ten years). The effective yield on these bonds ranges from 6.22% to 9.58% (2008: 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 six months to one year (2008: one year). The effective yield of these bills ranges from 11.85% to 13.23% (2008: 9.98% to 10.04%) per annum with maturities from March 2010 to April 2010.

\* Unlisted investments are carried at cost less provision for diminution in value of investment, if any.

### 9.2.3 Details of investments in Listed Companies

	Rating *		No. of shares		Paid-up value		Market value		Cost	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
------(Rupees '000)-----										
<b>Held-for-trading securities</b>	-	-	-	-	-	-	-	4,099	-	4,395
<b>Available-for-sale securities</b>										
<b>Fully paid up ordinary shares of Rs. 10/- each (unless stated otherwise)</b>										
Adamjee Insurance Company Limited	AA	AA	58,630	53,300	586	533	7,211	5,428	14,405	14,405
Arif Habib Securities Limited	N/A	A+	156,250	156,250	1,563	1,563	7,681	6,572	22,013	22,013
Askari Bank Limited	AA	AA	168,750	135,000	1,687	1,350	4,564	1,967	9,579	9,579
Attock Refinery Limited	AA	AA	30,000	30,000	300	300	4,148	1,797	3,323	3,323
Crescent Steel Industries Limited	A+	A+	110,000	110,000	1,100	1,100	2,861	1,873	8,787	8,787
D.G. Khan Cement Company Limited	N/A	N/A	60,000	50,000	600	500	1,954	1,064	2,164	1,964
Engro Chemicals Pakistan Limited	AA	AA	330,155	235,825	3,301	2,358	60,401	22,748	73,121	68,404
Eye Television Network Limited	A	N/A	49,000	49,000	490	490	1,426	1,678	3,227	3,227
Fauji Fertilizer Company Limited	N/A	N/A	281,875	205,000	2,819	2,050	28,881	12,040	25,493	25,493
Hira Textile Mills Limited	N/A	N/A	293,047	293,047	2,930	2,930	1,108	662	3,663	3,663
Jahangir Siddiqui & Company Limited	AA+	AA+	189,078	189,078	1,891	1,891	5,672	9,885	34,965	34,965
Lucky Cement Limited	N/A	N/A	200,000	200,000	2,000	2,000	13,220	6,254	24,568	24,568
Maple Leaf Cement Company Limited (Pref.Shares)	SD	BBB+	30,000	30,000	300	300	143	227	225	225
MCB Bank Limited	AA+	AA+	148,500	135,000	1,485	1,350	32,596	16,984	55,201	55,201
Murree Brewery Company Limited	N/A	N/A	26,620	24,200	266	242	2,047	2,542	3,601	3,601
National Bank of Pakistan	AAA	AAA	201,000	167,500	2,010	1,675	14,924	8,429	33,835	33,835
National Refinery Limited	AAA	AAA	25,000	25,000	250	250	4,413	2,379	9,193	9,193
Nishat Chunian Limited	N/A	N/A	110,000	110,000	1,100	1,100	2,321	1,064	4,508	4,508
Nishat Mills Limited	A+	A+	412,500	275,000	4,125	2,750	28,722	6,215	34,501	31,064
Oil & Gas Development Company Limited	AAA	AAA	480,400	480,400	4,804	4,804	53,036	24,015	59,150	59,150
Pak Suzuki Motor Company Limited	N/A	N/A	25,000	25,000	250	250	2,235	1,990	8,671	8,671
Pakistan Int'l Container Terminal Limited	A	A-	60,000	50,000	600	500	6,000	2,269	6,256	6,256
Pakistan Oilfields Limited	N/A	N/A	210,000	210,000	2,100	2,100	48,405	21,523	66,339	66,339
Pakistan Petroleum Limited	N/A	N/A	326,040	271,700	3,260	2,717	61,664	27,338	61,672	61,672
Pakistan Refinery Limited	N/A	N/A	25,000	25,000	250	250	2,988	2,460	6,880	6,880
Pakistan State Oil Company Limited	AA+	AAA	100,000	100,000	1,000	1,000	30,000	14,458	46,207	46,207
Pakistan Telecommunications Company Limited	N/A	N/A	250,000	250,000	2,500	2,500	4,390	4,223	11,012	11,012
Shakarganj Sugar Limited	D	BBB+	60,000	60,000	600	600	480	435	2,314	2,314
SME Leasing Limited	A-	A-	902,350	902,350	9,024	9,024	9,475	13,535	9,926	9,926
Soneri Bank Limited	AA-	AA-	256,200	210,000	2,562	2,100	2,844	2,310	10,807	10,807
Thal Limited	N/A	N/A	42,000	35,000	420	350	3,556	2,863	6,367	6,367
The Bank of Punjab	AA-	AA-	200,000	200,000	2,000	2,000	3,870	2,640	11,898	11,898
United Bank Limited	AA+	AA+	152,350	138,500	1,524	1,385	8,859	5,112	21,129	21,129
					59,697	54,312	462,095	234,979	695,000	686,646
<b>Total investments in listed companies</b>							462,095	239,078	695,000	691,041

\* 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	
				2009	2008
<b>Subsidiary</b>					
Atlas Capital Markets (Private) Limited Chief Executive Officer: Mr. M. Naeem Khan 30,000,000 ordinary shares of Rs.10/- each (2008: 30,000,000 ordinary shares of Rs.10/- each)		100	7.43	396,942	396,942
<b>Related party</b>					
Atlas Asset Management Limited Chief Executive Officer: Mr. M. Habib-ur-Rahman 3,000,000 ordinary shares of Rs.10/- each (2008: 3,000,000 ordinary shares of Rs.10/- each)	9.2.4.1	12	8.99	30,000	30,000
<b>Others</b>					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi 100,000 ordinary shares of Rs.10/- each (2008: 100,000 ordinary shares of Rs.10/- each)		1.29	8.25	1,000	1,000
				427,942	427,942

**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.

\* Net asset value per share is based on the audited financial statements for the year ended December 31, 2009 in case of Atlas Capital Markets (Private) Limited and June 30, 2009 in case of Atlas Asset Management Limited and Arabian Sea Country Club.

**9.2.5 Details of investments in Term Finance Certificates - Listed \*\***

	2009		2008		Rating *		Market Value		Cost	
	(No. of certificates)		2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees '000) -----										
Allied Bank Limited	3,000	3,000	AA-	AA-	14,514	16,355	14,982	14,988		
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	3,000	A	A	4,952	10,200	5,100	10,200		
Askari Commercial Bank Limited - 2nd issue (unsecured)	6,990	6,990	AA-	AA-	33,538	34,908	34,894	34,908		
Azgard Nine Limited	2,000	2,000	AA-	AA-	7,466	10,089	7,489	9,157		
Bank Alfalah Limited - 2nd issue (unsecured)	8,079	8,079	AA-	AA-	39,423	40,333	40,317	40,333		
Bank Alfalah Limited - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,625	9,988	9,985	9,988		
Bank Al-Habib Limited - 1st issue (unsecured)	3,480	3,480	AA	AA-	15,942	17,372	17,365	17,372		
Bank Al-Habib Limited - 2nd issue (unsecured)	7,000	7,000	AA	AA-	34,965	35,462	34,965	34,979		
Al zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited) - 2nd issue	2,000	2,000	A-	A+	10,000	10,235	10,000	10,000		
Escorts Investment Bank Limited	5,000	5,000	A+	A+	20,637	24,985	20,817	24,985		
IGI Investment Bank Limited	6,000	6,000	A+	A+	14,897	22,491	14,994	22,491		
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	5,000	5,000	AA+	AA+	12,480	24,960	12,480	24,960		
Jahangir Siddiqui & Company Limited - 4th issue	5,000	5,000	AA+	AA+	25,574	24,980	24,970	24,980		
NIB Bank Limited (unsecured)	5,400	5,400	A+	A+	24,765	26,995	26,984	26,995		
Pakistan Mobile Communication (Private) Limited	2,000	2,000	AA-	AA-	10,014	9,990	9,986	9,990		
Searle Pakistan Limited	2,000	2,000	BBB+	A-	3,627	6,248	3,749	6,248		
Standard Chartered Bank Limited - 2nd issue (unsecured)	2,587	2,587	AA	AAA	8,858	12,268	9,044	12,268		
Standard Chartered Bank Limited - 3rd issue (unsecured)	10,000	10,000	AA	AAA	49,930	55,045	49,930	49,950		
Telecard Limited	11,530	11,530	BBB	BBB	23,577	31,527	26,271	33,362		
Trust Investment Bank Limited - 2nd issue - 1st tranche	-	5,128	-	A	-	5,128	-	5,128		
Trust Investment Bank Limited - 2nd issue - 2nd tranche	6,807	6,807	BBB	A	9,786	13,614	10,210	13,614		
Trust Investment Bank Limited - 3rd issue	3,877	3,877	BBB	AA-	17,346	19,385	19,377	19,385		
United Bank Limited (unsecured)	11,000	11,000	AA	AA	48,712	53,378	54,894	54,916		
World Call Telecom Limited	3,727	3,727	A	AA-	12,145	18,619	12,413	18,619		
<b>Total investments in Term Finance Certificates - Listed</b>					<b>452,773</b>	<b>534,555</b>	<b>471,216</b>	<b>529,816</b>		

\* 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.

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

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Limited	1.90% above 6 months KIBOR.	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 Limited -2nd Issue (unsecured)	1.50% above 6 months KIBOR.	Semi-annually	Eight years from October 31, 2005.



Particulars	Rate	Profit payment	Redemption terms
Azgard Nine Limited	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited. - 2nd issue (unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (unsecured)	1.50% above 6 months KIBOR.	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 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 Limited - 2nd issue (unsecured)	1.95% above 6 months KIBOR.	Semi-annually	Eight years from February 7, 2007
Al Zamin Leasing Corporation Limited (Formerly Crescent Leasing Corp. Limited) - 2nd issue	2.75% 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 Limited	2.50% above 6 months KIBOR (Floor of 8% per annum & Cap of 17% per annum 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 Limited	2.25% over six months KIBOR.	Semi-annually	Five years from July 28, 2006.
Jahangir Siddiqui & Co. Limited - 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. Limited - 4th issue	2.5% above 6 months KIBOR.	Semi-annually	Five and a half year from November 21, 2006.
NIB Bank Limited (unsecured)	1.15% above 6 months KIBOR.	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Limited	2.85% over six months KIBOR.	Semi-annually	Five years from May 31, 2006.
Searle Pakistan Limited	2.50% above 6 months KIBOR.	Semi-annually	Five years from March 09, 2006.
Standard Chartered Bank Limited - 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 Limited - 3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.
Telecard Limited	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Eight and half years from May 27, 2005.
Trust Investment Bank Limited - 2nd issue - 2nd tranche	2.00% over six months KIBOR.	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 Investment Bank Limited - 3rd issue	1.85% above 6 months KIBOR.	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 Limited (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Limited	2.75% above 6 months KIBOR.	Semi-annually	Five years from November 28, 2006.



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

	2009 (No. of certificates)	2008	Rating **		Cost	
			2009	2008	2009 ---- (Rupees '000) ----	2008
Avari Hotels Limited	5,000	5,000	A-	A-	25,000	12,667
Bunnys Limited	10,000	-	N/A	-	50,000	-
Gharibwal Cement Limited	5,000	5,000	N/A	BBB	24,985	24,995
Grays Leasing Limited	2,000	2,000	N/A	BBB	5,000	8,000
Kashf Foundation	5,000	5,000	A-	A	10,714	25,000
New Khan Transport Company (Private) Limited	10	10	N/A	N/A	5,339	5,453
Orix Leasing Pakistan Limited	100	100	AA	AA	10,000	10,000
Pakistan International Airlines Corporation Limited	-	4,000	-	N/A	-	14,166
Security Leasing Corporation Limited	2,000	2,000	BBB-	BBB	3,750	6,250
Trakker (Private) Limited	100	100	A	A	5,000	7,500
<b>Total investments in Term Finance Certificates - Un-listed</b>					<b>139,788</b>	<b>114,031</b>

\* Secured and have face value of Rs. 5,000/- each unless specified otherwise, except for New Khan Transport Company (Private) Limited (Rs.1 million each), Orix Leasing Pakistan Limited (Rs.100,000/- each) and Trakker (Private) Limited (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 Term finance certificates having cost of Rs.30.32 million (2008: Rs.5.45 million) have been placed under non-performing status.

**9.2.6.2 Other particulars of unlisted term finance certificates are as follows:**

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Limited Chief Executive Officer: Mr. Byram D. Avari	3.25% over 6 months KIBOR.	Semi-annually	Seven years from November 1, 2007.
Bunnys Limited Chief Executive Officer: Mr. Ch. Haroon Shafiq	2.5% over 6 months KIBOR.	Semi-annually	Five years from November 30, 2008.
Gharibwal Cement Limited Chief Executive Officer: Mr. Tousif Paracha	3% above 6 months KIBOR.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Limited Chief Executive Officer: Mr. Abdul Rashid Mir	2.50% over 6 months KIBOR.	Monthly	10% to be paid after allotment and balance in 36 equal monthly installments.
Kashf Foundation Chief Executive Officer: Mr. Roshan A. Zafar	2.45% over 3 months KIBOR.	Semi-annually	Three years from November 5, 2007.
New Khan Transport Company (Private) Limited Chief Executive Officer: Mr. Mohammad Ashraf	3.0% 6 months KIBOR with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Limited Chief Executive Officer: Mr. Humayun Murad	1.40% over 6 months KIBOR.	Semi-annually	Five years from July 30, 2007.
Security Leasing Corporation Limited Chief Executive Officer: Mr. Mohd. Khalid Ali	2.40% over 6 months KIBOR.	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Limited Chief Executive Officer: Mr. Ali Jamil	3.5% over 6 months KIBOR.	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	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees '000) -----								
<b>Open end</b>								
Atlas Income Fund (a related party)	508,536	-	5-star	-	262,490	-	250,000	-
Atlas Stock Market Fund (a related party)	71,893	71,893	4-star	4-star	33,233	16,952	40,000	40,000
Faysal Saving Growth Fund	518,957	-	N/A	-	53,406	-	50,000	-
National Investment Trust	3,436,404	3,427,812	5-star	N/A	103,951	77,777	200,000	200,000
JS Fund of Funds	149,818	149,818	4-star	5-star	14,777	11,045	12,235	12,235
<b>Closed end</b>								
First Dawood Mutual Fund	1,161,500	1,161,500	4-star	4-star	1,975	2,509	8,080	8,080
Pakistan Strategic Allocation Fund	2,566,500	2,566,500	4-star	4-star	11,293	5,852	27,215	27,215
PICIC Energy Fund	412,500	412,500	N/A	N/A	1,955	945	4,125	4,125
PICIC Growth Fund	245,000	245,000	N/A	N/A	3,499	1,369	8,490	8,490
UTP-Large Capital Fund	1,796,500	1,796,500	5-star	4-star	8,264	4,132	14,372	14,372
<b>Total Investments in Mutual Funds</b>					<b>494,843</b>	<b>120,581</b>	<b>614,517</b>	<b>314,517</b>

\* 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'.

### 9.3 Particulars of provision for diminution in the value of investments

	Note	2009 ----- (Rupees '000) -----	2008 ----- (Rupees '000) -----
Opening balance		2,363	7,766
Charge for the year	9.3.1	388,130	1,363
Reversals during the year		-	(6,064)
		388,130	(4,701)
Write-off against provision		-	(702)
Closing balance		390,493	2,363

**9.3.1** The impairment loss resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 amounted to Rs. 648.02 million. In accordance with the requirement of BSD circular No. 4 dated February 13, 2009, of the SBP, the said impairment loss after adjustments for the effect of price movements during the current year has been charged to the profit and loss account. Accordingly, the impairment charge for the year ended December 31, 2009 works out to be Rs.374.70 million which is included in the provision for diminution in value of investments as shown above.

#### 9.3.2 Particulars of provision in respect of Type and Segment

##### Available-for-sale securities

Term Finance Certificates - unlisted	11,586	1,363
Listed shares	236,585	-
Mutual Funds	138,112	-
Unlisted shares	4,210	1,000
	<b>390,493</b>	<b>2,363</b>

	Note	2009 ------(Rupees '000)-----	2008
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		<b>19,641,498</b>	19,695,612
Outside Pakistan		-	-
		<b>19,641,498</b>	19,695,612
Net investment in finance lease			
In Pakistan		<b>686,610</b>	1,532,854
Outside Pakistan		-	-
	10.2	<b>686,610</b>	1,532,854
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		<b>98,489</b>	21,301
Payable outside Pakistan		<b>15,329</b>	39,367
		<b>113,818</b>	60,668
Financing in respect of Continuous Funding System (CFS)		-	24,802
Advances - gross		<b>20,441,926</b>	21,313,936
Provision for non-performing advances			
- specific	10.3	<b>(1,220,436)</b>	(759,245)
- general (against consumer financing)		<b>(1,562)</b>	(4,822)
	10.4	<b>(1,221,998)</b>	(764,067)
Advances - net of provision		<b>19,219,928</b>	20,549,869
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1</b> In local currency		<b>20,426,597</b>	21,274,569
In foreign currency		<b>15,329</b>	39,367
		<b>20,441,926</b>	21,313,936
<b>10.1.2</b> Short term (for upto one year)		<b>17,637,545</b>	17,766,572
Long term (for over one year)		<b>2,804,381</b>	3,547,364
		<b>20,441,926</b>	21,313,936

## 10.2 Net investment in finance lease

	2009				2008			
	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	296,897	209,832	-	506,729	474,002	763,445	-	1,237,447
Residual value	204,521	37,755	-	242,276	319,237	136,707	-	455,944
Minimum lease payments	501,418	247,587	-	749,005	793,239	900,152	-	1,693,391
Financial charges for future period	(26,658)	(35,737)	-	(62,395)	(51,873)	(108,664)	-	(160,537)
Present value of minimum lease payments	<b>474,760</b>	<b>211,850</b>	-	<b>686,610</b>	741,366	791,488	-	1,532,854

**10.2.1** 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.2,807.16 million (2008: Rs.1,467.94 million) which have been placed under non-performing status as detailed below:

	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
<b>Category of classification</b>									
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	736,785	-	736,785	131,684	-	131,684	131,684	-	131,684
Doubtful	667,303	-	667,303	178,182	-	178,182	178,182	-	178,182
Loss	1,403,073	-	1,403,073	910,570	-	910,570	910,570	-	910,570
	<b>2,807,161</b>	<b>-</b>	<b>2,807,161</b>	<b>1,220,436</b>	<b>-</b>	<b>1,220,436</b>	<b>1,220,436</b>	<b>-</b>	<b>1,220,436</b>

	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
<b>Category of classification</b>									
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
	<b>1,467,940</b>	<b>-</b>	<b>1,467,940</b>	<b>759,245</b>	<b>-</b>	<b>759,245</b>	<b>759,245</b>	<b>-</b>	<b>759,245</b>

**10.3.1** During the year, SBP vide its Circular No.10 of 2009 dated October 20, 2009, has amended the Prudential Regulations in respect of provisioning requirement for non-performing advances. In accordance with the revised regulations, banks may consider 40 percent of the forced sale value of pledged stock and mortgaged residential, commercial and industrial properties held as collateral against non-performing advances for the purposes of computing the provisioning requirement in relation thereto. Previously, such benefit was allowed only to the extent of 30 percent of the forced sale value of pledged stock and mortgaged residential and commercial properties. This change in provisioning regulation has resulted in decrease in aggregate provisioning against non-performing advances of Rs.210.27 million and a consequent decrease in loss after tax for the year of Rs.136.68 million.

**10.3.2** As explained in note 5.1(ii) to the financial statements during the year the Bank has rescheduled / restructured loans and advances amounting to Rs.138.81 million, which resulted in upgradation of advances amounting to Rs.17.74 million for loss to doubtful category, Rs.75.89 million for doubtful to substandard category and Rs.45.18 million for substandard to regular category and reversal of provision amounting to Rs.7.55 million to the capital reserve.

**10.4 Particulars of provision against non-performing advances**

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
		----- (Rupees '000) -----					
Opening balance		759,245	4,822	764,067	474,861	5,656	480,517
Charge for the year		713,220	-	713,220	460,368	-	460,368
Reversals		(185,275)	(3,260)	(188,535)	(101,290)	(834)	(102,124)
		<b>527,945</b>	<b>(3,260)</b>	<b>524,685</b>	359,078	(834)	358,244
Transferred to:		(7,323)	-	(7,323)	(7,293)	-	(7,293)
- Other assets		(7,550)	-	(7,550)	-	-	-
- Capital reserve	10.3.2	(14,873)	-	(14,873)	(7,293)	-	(7,293)
		<b>513,072</b>	<b>(3,260)</b>	<b>509,812</b>	351,785	(834)	350,951
Amount written off	10.5	(51,881)	-	(51,881)	(67,401)	-	(67,401)
Closing balance		<b>1,220,436</b>	<b>1,562</b>	<b>1,221,998</b>	759,245	4,822	764,067

**10.4.1 Particulars of provision against non-performing advances**

In local currency	1,220,436	1,562	1,221,998	759,245	4,822	764,067
In foreign currency	-	-	-	-	-	-
	<b>1,220,436</b>	<b>1,562</b>	<b>1,221,998</b>	759,245	4,822	764,067

	Note	2009 ------(Rupees '000)-----	2008
<b>10.5 Particulars of write offs</b>			
<b>10.5.1</b> Against provisions		<b>51,881</b>	67,401
Directly charged to profit and loss account		-	-
		<b>51,881</b>	67,401
<b>10.5.2</b> Write offs of Rs.500,000/- and above		<b>50,650</b>	40,678
Write offs of below Rs.500,000/-		<b>1,231</b>	26,723
		<b>51,881</b>	67,401
<b>10.6 Details of loan write off of Rs.500,000/- and above</b>			
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, 2009 is given in Annexure 1.			
<b>10.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		<b>527,633</b>	106,702
Loans granted during the year		<b>62,186</b>	451,747
Repayments		<b>(167,693)</b>	(30,816)
Balance at end of year		<b>422,126</b>	527,633
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		<b>533,221</b>	197,782
Loans granted during the year		<b>340,149</b>	387,299
Repayments		<b>(665,920)</b>	(51,860)
Balance at end of year		<b>207,450</b>	533,221
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		<b>112,973</b>	119,434
Net change during the year in respect of running finances		<b>(112,973)</b>	(6,461)
Balance at end of year		-	112,973
		<b>629,576</b>	1,173,827
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	<b>114,521</b>	319,574
Property and equipment - own use	11.2	<b>942,633</b>	820,396
Property and equipment - operating lease	11.3	<b>47</b>	27,754
Intangible assets	11.4	<b>81,708</b>	87,843
		<b>1,138,909</b>	1,255,567
<b>11.1 Capital work-in-progress</b>			
Civil works		<b>158</b>	1,773
Equipment		<b>1,429</b>	25,040
Advances to suppliers and contractors		<b>140,789</b>	314,850
		<b>142,376</b>	341,663
Less: Provision against advances to suppliers	11.1.1	<b>(27,855)</b>	(22,089)
		<b>114,521</b>	319,574
<b>11.1.1 Provision against advances to suppliers</b>			
Opening balance		<b>22,089</b>	-
Charge for the year	26.2	<b>5,766</b>	22,089
Reversals		-	-
Amount written off		-	-
		<b>27,855</b>	22,089

**11.2 Property and equipment - own use**

	2009							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	As at January 1, 2009	Additions/Transfer*/(Deletions)	As at December 31, 2009	As at January 1, 2009	Charge for the year / (Deletions)	As at December 31, 2009	As at December 31, 2009	Rate of Depreciation
----- (Rupees '000) -----								(%)
Leasehold Premises	-	37,825 51,800*	89,625	-	689	689	88,936	5
Leasehold improvements	336,696	86,055	422,751	24,363	38,621	62,984	359,767	10
Furniture, fixtures and equipment	359,525	74,444 (298)	433,671	30,105	39,429 (41)	69,493	364,178	10-15
Vehicles	99,983	1,022 (36,943)	64,062	26,304	12,807 (11,363)	27,748	36,314	20
Computer and allied equipment	157,146	23,336	180,482	52,182	34,862	87,044	93,438	30
<b>December 31, 2009</b>	<b>953,350</b>	<b>222,682 51,800* (37,241)</b>	<b>1,190,591</b>	<b>132,954</b>	<b>126,408 (11,404)</b>	<b>247,958</b>	<b>942,633</b>	

	2008							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	
	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	As at December 31, 2008	Rate of Depreciation
----- (Rupees '000) -----								(%)
Leasehold improvements	81,076	255,689 (69)*	336,696	9,299	15,077 (13)*	24,363	312,333	10
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
Computer and allied equipment	79,630	82,504 (4,988)*	157,146	28,890	26,801 (3,509)*	52,182	104,964	30
<b>December 31, 2008</b>	<b>427,831</b>	<b>636,642 (95,904) (15,219)*</b>	<b>953,350</b>	<b>69,985</b>	<b>88,653 (17,699) (7,985)*</b>	<b>132,954</b>	<b>820,396</b>	

**11.2.1** Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.10.55 million (2008: Rs.13.47 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**

	2009							Rate of Depreciation (%)
	COST			ACCUMULATED DEPRECIATION		BOOK VALUE		
	As at January 1, 2009	(Deletions)	As at December 31, 2009	As at January 1, 2009	Charge for the year/ (Deletions)	As at December 31, 2009	As at December 31, 2009	
	----- (Rupees '000) -----							
Equipment	35,667	(35,667)	-	7,980	1,615 (9,595)	-	-	10
Computer and allied equipment	158	-	158	91	20	111	47	30
<b>December 31, 2009</b>	<b>35,825</b>	<b>(35,667)</b>	<b>158</b>	<b>8,071</b>	<b>1,635 (9,595)</b>	<b>111</b>	<b>47</b>	

	2008							Rate of Depreciation (%)
	COST			ACCUMULATED DEPRECIATION		BOOK VALUE		
	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	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
<b>December 31, 2008</b>	<b>35,825</b>	<b>-</b>	<b>35,825</b>	<b>4,966</b>	<b>3,105</b>	<b>8,071</b>	<b>27,754</b>	

**11.4 Intangible assets**

	2009							Rate of Amortisation (%)
	COST			ACCUMULATED AMORTISATION		BOOK VALUE		
	As at January 1, 2009	Additions/ (Transfer)	As at December 31, 2009	As at January 1, 2009	Charge for the year	As at December 31, 2009	As at December 31, 2009	
	----- (Rupees '000) -----							
Computer software	68,547	59,570	128,117	32,504	13,905	46,409	81,708	30
Tenancy rights	51,800	(51,800)	-	-	-	-	-	-
<b>December 31, 2009</b>	<b>120,347</b>	<b>59,570 (51,800)</b>	<b>128,117</b>	<b>32,504</b>	<b>13,905</b>	<b>46,409</b>	<b>81,708</b>	

	2008							Rate of Amortisation (%)
	COST			ACCUMULATED AMORTISATION		BOOK VALUE		
	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	As at December 31, 2008	
	----- (Rupees '000) -----							
Computer software	41,403	27,144	68,547	24,059	8,445	32,504	36,043	30
Tenancy rights	51,800	-	51,800	-	-	-	51,800	-
<b>December 31, 2008</b>	<b>93,203</b>	<b>27,144</b>	<b>120,347</b>	<b>24,059</b>	<b>8,445</b>	<b>32,504</b>	<b>87,843</b>	

### 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:

Description	Cost	Accumul- ated depre- ciation	Book value	Sale proceeds	Profit/ (loss)	Mode of disposal	Particulars of purchaser
	----- (Rupees '000) -----						
Vehicles	820	135	685	500	(185)	Auction	Arfim Zafar - House # 304 Heven, Centre, 5 B -19 Block K North Nazimabad, Karachi
	519	195	324	607	283	-----do-----	Azhar Shahzad - CA 195/12 Saidpur Road Pindora Satallite Town, Rawalpindi
	951	276	675	937	262	-----do-----	Tahir Gul - House # A75, Block 18, Gulshan-e-Iqbal, Karachi
	951	276	675	937	262	-----do-----	-----do-----
	943	238	705	941	236	-----do-----	Riaz Ahmed - House # A-216, Block 3, Gulshan-e-Iqbal, Karachi
	475	220	255	452	197	-----do-----	Tanveer Kafeel - House C-37, Usmania Colony, Jagerabad, Karachi
	896	238	658	658	-	Bank Policy	Shariq Mubeen - Employee
	507	92	415	415	-	-----do-----	Atif Zahoor - Ex-employee
	830	316	514	514	-	-----do-----	Abbas Khan - Ex-employee
	497	125	372	372	-	-----do-----	Adeel Shaikh - Ex-employee
	921	244	677	677	-	-----do-----	Imran Bashir - Employee
	1,403	390	1,013	1,013	-	-----do-----	Shabbir Baxamosa - Ex-employee
	914	254	660	660	-	-----do-----	Umer Waheed - Employee
	930	282	648	648	-	-----do-----	Muhammad Azam - Ex-employee
	830	325	505	505	-	-----do-----	Farrukh Shujat - Ex-employee
	479	145	334	334	-	-----do-----	Sulaiman Ul Haq - Employee
	479	145	334	334	-	-----do-----	Mohammad Shahbaz - Employee
	497	104	393	393	-	-----do-----	Muhammad Ahmed Hashmi - Ex-employee
	920	244	676	676	-	-----do-----	Dawood Mohammad Vaid - Ex-employee
	497	105	392	392	-	-----do-----	Murarji Mandhan - Ex-employee
	497	125	372	372	-	-----do-----	Hamid Iqbal - Ex-employee
	660	292	368	368	-	-----do-----	Muhammad Haris - Ex-employee
	660	233	427	427	-	-----do-----	Ijaz Ahmed - Ex-employee
	882	294	588	588	-	-----do-----	Aurangzaib Mohsin - Ex-employee
	495	124	371	371	-	-----do-----	Nadeem Shafi Butt - Employee
	687	161	526	526	-	-----do-----	Kamran Hayee - Employee
	694	184	510	510	-	-----do-----	Qaiser Aftab - Ex-employee
	694	202	492	492	-	-----do-----	Zahir Ali Quettawala - Ex-employee
	920	279	641	641	-	-----do-----	Farjad Jafri - Ex-employee
	694	193	501	501	-	-----do-----	Faheem Qureshi - Ex-employee
	677	188	489	489	-	-----do-----	Wasim Alam - Employee
	921	269	652	652	-	-----do-----	Fawad Hamid - Employee
	867	297	570	570	-	-----do-----	Shakeel Sarwar - Employee
	479	157	322	322	-	-----do-----	Zahid Zulfiqar - Ex-employee
	497	176	321	321	-	-----do-----	Mohammad Ijaz - Ex-employee
	694	229	465	465	-	-----do-----	Ruqaya M. Rizvi - Employee
	923	347	576	576	-	-----do-----	Omar Kazmi - Ex-employee
	920	327	593	593	-	-----do-----	Aamir Ahmadani - Employee
	867	308	559	559	-	-----do-----	Arshad Abbas Soomro - Ex-employee
	497	171	326	326	-	-----do-----	Adeel Abdul Rehman - Ex-employee
	918	389	529	529	-	-----do-----	Yousuf Ali - Ex-employee
	689	209	480	480	-	-----do-----	Aqeel Mirza - Ex-employee
	497	119	378	475	97	Insurance claim	Altas Insurance Limited - Related Party
	497	138	359	485	126	-----do-----	-----do-----
	497	160	337	485	148	-----do-----	-----do-----
	474	195	279	474	195	-----do-----	-----do-----
	497	188	309	485	176	-----do-----	-----do-----
	497	159	338	480	142	-----do-----	-----do-----
	889	347	542	688	146	-----do-----	-----do-----
Electrical Equipment (operating lease)	35,667	9,595	26,072	20,000	(6,072)	Lease agreement	Atlas Honda Limited - Related Party
	<b>70,606</b>	<b>20,404</b>	<b>50,202</b>	<b>46,215</b>	<b>(3,987)</b>		

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

Vehicles	2,004	554	1,450	1,857	407
Furniture, fixtures and equipment	298	41	257	124	(133)
	<b>72,908</b>	<b>20,999</b>	<b>51,909</b>	<b>48,196</b>	<b>(3,713)</b>



	Note	2009 ------(Rupees '000)-----	2008
<b>12. DEFERRED TAX ASSETS - net</b>			
<b>Deferred tax debits arising in respect of:</b>			
- Deficit on revaluation of investments		41,134	283,442
- Provision against advances		229,066	3,040
- Provision against lendings to financial institutions		8,750	-
- Provision against investments		136,673	-
- Net investment in lease finance		5,249	-
- Tax losses	28.3	1,545,433	886,163
		<b>1,966,305</b>	1,172,645
<b>Deferred tax credit arising due to:</b>			
- Operating fixed assets		(152,685)	(119,759)
- Net investment in finance lease		-	(42,537)
		<b>(152,685)</b>	(162,296)
		<b>1,813,620</b>	1,010,349
<b>13. OTHER ASSETS</b>			
Income / Mark-up accrued in local currency		542,678	633,335
Advances, deposits and other prepayments	13.1	191,974	223,634
Advance taxation (payments less provisions)		109,593	96,100
Non banking assets acquired in satisfaction of claims	13.2	187,574	-
Branch adjustment account		3,842	12,974
Stationery and stamps on hand		1,908	2,832
Goodwill	13.3	377,421	377,421
Receivable against sale of securities		-	13,003
Branch Claims		125,580	-
Other charges recoverable from lessees		6,394	12,467
Unrealized gain on derivative instruments		-	6,404
Others		7,282	12,490
		<b>1,554,246</b>	1,390,660
Less: Provision held against other assets	13.4	(133,807)	(13,598)
Other assets (net of provision)		<b>1,420,439</b>	1,377,062
<b>13.1 Advances</b>			
- for purchase of land	13.1.1	32,000	32,000
- office rent		102,044	130,876
- others		27,418	32,301
Security deposits		22,524	21,615
Prepayments		7,988	6,842
		<b>191,974</b>	223,634
<b>13.1.1</b>			
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 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. The Judgment Debtors failed to deposit the amount as directed by court and sale of property stand confirmed.			
<b>13.2</b>			
During the year the Bank has settled loan balance amounting to Rs.187.57 million against property having market value of Rs.254.70 million. As per the policy of the Bank the property acquired in satisfaction of claims is recognized at settlement amount of Rs.187.57 million.			
<b>13.3 Goodwill</b>			
Cost		516,498	516,498
Less: Accumulated Impairment		(139,077)	(139,077)
Book value as at the end of the year		<b>377,421</b>	377,421

	Note	2009 ------(Rupees '000)-----	2008
<b>13.4 Provision held against other assets</b>			
Opening balance		13,598	6,305
Charge for the year		127,847	-
Reversals		(7,154)	-
Transferred from provision against non-performing advances		7,323	7,293
Write off against provision		(7,807)	-
		133,807	13,598
<b>14. BILLS PAYABLE</b>			
In Pakistan		265,875	255,742
Outside Pakistan		-	-
		265,875	255,742
<b>15. BORROWINGS</b>			
In Pakistan		943,114	5,317,929
Outside Pakistan		-	5,496
		943,114	5,323,425
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		943,114	5,317,929
In foreign currencies		-	5,496
		943,114	5,323,425
<b>15.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	918,114	379,301
Financing facility from State Bank of Pakistan		-	2,650,000
Repurchase agreement borrowings		-	1,438,628
		918,114	4,467,929
<b>Unsecured</b>			
Call borrowings	15.2.2	25,000	850,000
Overdrawn nostro accounts		-	5,496
		943,114	5,323,425
<b>15.2.1</b>			
These represent borrowings from SBP under export refinance scheme at the rate ranging from 6.50% to 7% (2008: 6.50%) per annum having maturities upto June 2010.			
<b>15.2.2</b>			
This represents borrowing at the rate of 12.40% (2008: 18% to 19.5%) per annum having maturity in January 2010.			
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		15,300,490	9,522,909
Savings deposits		6,104,829	4,261,063
Current accounts – Non-remunerative		2,267,946	2,476,985
Margin and other accounts – Non-remunerative		74,546	84,575
		23,747,811	16,345,532
<b>Financial Institutions</b>			
Remunerative deposits		2,418,516	2,292,161
Non-remunerative deposits		7,353	8,719
		2,425,869	2,300,880
		26,173,680	18,646,412
<b>16.1 Particulars of deposits</b>			
In local currency		24,191,088	17,941,993
In foreign currencies		1,982,592	704,419
		26,173,680	18,646,412

	Note	2009 ------(Rupees '000)-----	2008
<b>17. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		581,666	401,595
Mark-up / return / interest payable in foreign currency		17,242	8,784
Accrued expenses		32,401	55,522
Payable to Bank of Ceylon, Colombo		20,163	20,611
Retention money		2,839	17,530
Payable to staff gratuity fund	32	11,564	7,019
Security deposits against leases		234,357	442,859
Provision for employee compensated absences		49,741	55,846
Payable to creditors		18,666	21,720
Payments from clients / lessees received on account		12,442	35,563
Unrealized loss on derivative instruments		12,030	-
Others		11,666	17,455
		<u>1,004,777</u>	<u>1,084,504</u>
<b>18. SHARE CAPITAL</b>			
<b>18.1 Authorised capital</b>			
		<u>2009</u>	<u>2008</u>
		<b>Number of shares</b>	
		<u>700,000,000</u>	<u>700,000,000</u>
		7,000,000	7,000,000
		Ordinary shares of Rs.10/- each	
<b>18.2 Issued, subscribed and paid-up capital</b>			
		<b>Ordinary shares of Rs.10/- each</b>	
		<u>341,254,985</u>	341,254,985
		<u>158,891,642</u>	158,891,642
		500,146,627	500,146,627
		3,412,550	3,412,550
		1,588,916	1,588,916
		<u>5,001,466</u>	<u>5,001,466</u>
<b>18.2.1</b>			
Shares held by associates and related parties are disclosed in the pattern of share holding.			
<b>19. DEFICIT ON REVALUATION OF ASSETS - net of tax</b>			
<b>Available-for-sale securities</b>			
Government securities		(116,757)	(234,748)
Listed companies (ordinary shares)		3,680	(451,667)
Mutual funds (units / certificates)		18,438	(193,936)
Term Finance Certificates		(18,443)	4,739
		<u>(113,082)</u>	<u>(875,612)</u>
Related deferred taxation		41,134	282,989
		<u>(71,948)</u>	<u>(592,623)</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>			
<b>20.1 Direct credit substitutes</b>			
Includes general guarantees of indebtedness in favour of:			
i) Government		22,282	18,480
ii) Banking companies and other financial institutions		-	11,548
iii) Others		3,092	24,151
		<u>25,374</u>	<u>54,179</u>
<b>20.2 Transaction-related contingent liabilities</b>			
Includes performance bonds, bid bonds, shipping guarantees favouring:			
i) Government		398,059	409,384
ii) Banking companies and other financial institutions		11,040	92,440
iii) Others		192,686	125,267
		<u>601,785</u>	<u>627,091</u>

	2009	2008
	------(Rupees '000)-----	
<b>20.3 Trade related contingent liabilities</b>		
Letter of credit	576,446	1,156,373
<b>20.4 Other contingencies</b>		
- taxation matters have been disclosed in note 28		
<b>20.5 Commitment in respect of forward lending</b>		
- commitment to extend credits	5,346,022	6,034,214
<b>20.6 Commitment in respect of forward exchange contracts</b>		
- purchase	3,183,513	737,466
- sale	1,792,450	343,196
<b>20.7 Commitment for the acquisition of operating fixed assets</b>	61,077	79,400
<b>21. DERIVATIVE INSTRUMENTS</b>		
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 and Foreign Exchange Swaps.		
Forward exchange contract is a product offered to customer backed by international trading contract. These customers used this product to hedge themselves from unfavourable movements in foreign currencies.		
In order to mitigate this risk of adverse exchange rate movements the Bank hedges its exposure by taking forward position in inter bank market. In addition to this, the exposure is also managed by matching the maturities and fixing the counter parties, dealers, intra-day and overnight limits.		
A foreign exchange swap is used by the Bank if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the interbank market and fluctuate according to supply and demand.		
Accounting policy in respect of derivative financial instrument is disclosed in note 5.8.		
<b>22. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to:		
Customers	2,891,790	2,396,177
Financial institutions	29,124	23,480
On investments in:		
Available-for-sale securities	320,240	239,563
Held-to-maturity securities	-	89,060
On deposits with financial institutions	9,138	102,569
On securities purchased under resale agreements	137,636	124,919
	<u>3,387,928</u>	<u>2,975,768</u>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	3,024,253	1,896,135
Securities sold under repurchase agreements	28,759	142,050
Long term borrowings	-	13,908
Other short term borrowings	136,314	369,061
	<u>3,189,326</u>	<u>2,421,154</u>
<b>24. GAIN ON SALE / REDEMPTION OF SECURITIES</b>		
Listed companies (ordinary shares)	845	55,382
Mutual funds (units / certificates)	-	45,212
	<u>845</u>	<u>100,594</u>

	Note	2009 ------(Rupees '000)-----	2008
<b>25. OTHER INCOME</b>			
Net profit on sale of fixed assets		-	1,255
Recovery against written off advances		<b>9,010</b>	10,623
Others	25.1	<b>24,679</b>	14,048
		<b>33,689</b>	25,926
<b>25.1</b>	Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers, ATM switch fee, ATM card replacement charges, late payment charges, penalty on overdue installments etc.		
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		<b>869,244</b>	1,003,899
Charge for defined benefit plan	32.1.4	<b>11,564</b>	7,019
Contribution to defined contribution plan		<b>37,456</b>	31,810
Non executive directors' fees		<b>230</b>	220
Rent, taxes, insurance, electricity, etc.		<b>254,349</b>	235,070
Legal and professional charges		<b>52,313</b>	50,165
Communications		<b>77,907</b>	81,649
Repairs and maintenance		<b>127,027</b>	100,618
Stationery and printing		<b>23,584</b>	33,201
Advertisement and publicity		<b>21,963</b>	80,405
Auditors' remuneration	26.1	<b>2,172</b>	6,761
Depreciation	11.2 & 11.3	<b>128,043</b>	91,758
Amortisation of intangible assets	11.4	<b>13,905</b>	8,445
Brokerage and commission		<b>212,985</b>	21,981
Traveling and motor car expenses		<b>25,299</b>	56,806
Entertainment		<b>8,990</b>	14,382
Fee and subscription		<b>3,375</b>	20,460
Security services		<b>20,556</b>	15,097
Others		<b>3,271</b>	5,141
		<b>1,894,233</b>	1,864,887
<b>26.1 Auditors' remuneration</b>			
Audit fee		<b>1,100</b>	1,100
Review of half yearly financial statements		<b>275</b>	275
Special audit, certifications and other advisory services		<b>264</b>	4,474
Tax services		<b>279</b>	75
Out-of-pocket expenses		<b>254</b>	837
		<b>2,172</b>	6,761
<b>26.2 Other provisions / write offs</b>			
Investments written off		-	98
Fixed assets written off		-	7,234
Provision (net of reversal) against			
- letter of placement		<b>25,000</b>	-
- other assets		<b>120,693</b>	-
- advances to suppliers	11.1.1	<b>5,766</b>	22,089
Impairment of goodwill	13.3	-	139,077
		<b>151,459</b>	168,498
<b>27. OTHER CHARGES</b>			
Net loss on sale of fixed assets	11.5	<b>3,713</b>	-
Penalties imposed by State Bank of Pakistan		<b>12,633</b>	7,048
		<b>16,346</b>	7,048



	Note	2009 ------(Rupees '000)-----	2008
<b>28. TAXATION</b>			
Current	28.1	20,335	-
Prior year		817	260
Deferred		(1,045,126)	(583,911)
		<u>(1,023,974)</u>	<u>(583,651)</u>
<b>28.1</b> The charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001 (the Ordinance). Accordingly, reconciliation of tax expense with the accounting loss is not presented.			
<b>28.2</b> In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial expenses against exempt income for the said years. The Bank preferred an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR (A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which through a Larger Bench disapproved the formula for apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well, while deciding the matter.			
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.			
<b>28.3</b> For tax assessment in respect of tax years 2003 to 2005 and 2008 various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangible and deferred cost. In relation to tax year 2003 the Bank filed an appeal before ITAT, in respect of disallowances of provision for non-performing advances, who confirmed the order of CIR(A) against which the Bank has filed tax references before Sindh High Court. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of aforesaid issues. The above matters may result in reduction of claimed tax losses with an aggregate tax impact of Rs.286.22 million. The management of the Bank is confident about the favourable outcome of the appeals and hence, no adjustment with regard to the above matters has been made in the financial statements.			
<b>28.4</b> For the tax year 2006 and 2007, the taxation authorities have initiated proceedings under section 122(5A) of the Ordinance, however, such proceedings are yet to culminate.			
<b>29. BASIC AND DILUTED LOSS PER SHARE</b>			
Loss after taxation for the year		<u>(1,703,109)</u>	<u>(1,010,559)</u>
		<b>Number of shares in thousand</b>	
Weighted average number of ordinary shares in issue		<u>500,146</u>	<u>500,146</u>
		<b>----- Rupees -----</b>	
Loss per share - Basic and diluted		<u>(3.41)</u>	<u>(2.02)</u>
<b>30. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	1,577,093	1,617,825
Balances with other banks	7	97,691	51,449
		<u>1,674,784</u>	<u>1,669,274</u>

	2009	2008
<b>31. STAFF STRENGTH</b>	-----Number of staff-----	
Permanent	709	855
Temporary / on contractual basis	5	7
Bank's own staff at the end of the year	714	862
Outsourced	371	609
Total staff strength	1,085	1,471
<b>32. DEFINED BENEFIT AND CONTRIBUTION PLANS</b>		
<b>32.1 Defined benefit plan</b>		
<p>The Bank operates an approved funded gratuity scheme for all its permanent and full time employees in the management cadre 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.</p>		
<b>32.1.1 Principal actuarial assumptions</b>		
<p>The actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Method was carried out on December 31, 2009. Following are the significant assumptions used in the actuarial valuation:</p>		
	2009	2008
Discount rate - percent (per annum)	12.75	15
Expected rate of return on plan assets - percent (per annum)	12.75	15
Long term rate of salary increase - percent (per annum)	11.75	14
<b>32.1.2 Reconciliation of payable to defined benefit plan</b>	2009	2008
	------(Rupees '000)-----	
Present value of defined benefit obligation	30,690	24,921
Fair value of plan assets	(21,153)	(12,476)
Unrecognised actuarial loss	(2,079)	(7,674)
Payable to subsidiary company	3,982	2,248
Payable to related party in respect of employees transferred	124	-
	11,564	7,019
<b>32.1.3 Movement in payable to defined benefit plan</b>		
Opening balance	7,019	1,472
Charge for the year	11,564	7,019
Contribution to fund made during the year	(7,019)	(1,472)
Closing balance	11,564	7,019
<b>32.1.4 Charge for defined benefit plan</b>		
Current service cost	9,169	5,974
Interest cost	4,368	2,220
Expected return on plan assets	(2,343)	(1,432)
Actuarial loss recognized	370	257
Charge for the year	11,564	7,019
<b>32.1.5 Actual return on plan assets</b>	1,753	163
<b>32.1.6 Movement in present value of defined benefit obligation</b>		
Defined benefit obligation as at beginning of the year	24,921	14,209
Service cost	9,169	5,974
Interest cost	4,368	2,220
Actuarial (gain) / loss on obligation	(5,816)	2,859
Transfer to related party in respect of employees transferred	(182)	-
Benefits paid during the year	(1,770)	(341)
Defined benefit obligation as at end of the year	30,690	24,921



	2009	2008
	------(Rupees '000)-----	
<b>32.1.7 Movement in fair value of plan assets</b>		
Fair value of plan assets as at beginning of the year	12,476	17,554
Expected return on plan assets	2,343	1,432
Profit allocated to subsidiary	450	26
Actuarial loss on plan assets	(591)	(1,429)
Contribution to fund made during the year	7,019	1,472
Contribution to fund made during the year on behalf of subsidiary	1,589	-
Transferred to related party in respect of employees transferred	(58)	(6,238)
Benefits paid during the year on behalf of subsidiary	(305)	-
Benefits paid during the year	(1,770)	(341)
Fair value of plan assets as at end of the year	<u>21,153</u>	<u>12,476</u>
<b>32.1.8 Annual Actuarial losses</b>		
Experience (gain) / loss on obligation	(5,816)	2,859
Experience loss on plan assets	591	1,429
Total actuarial (gain) / loss during the year	<u>(5,225)</u>	<u>4,288</u>

	2009	2008
<b>32.1.9 Categories of plan assets as a percentage of fair value of total plan assets</b>		
Fixed income	23%	25%
Cash	16%	38%
Term Deposit Receipt	-	8%
Mutual Funds	61%	29%
Total	<u>100%</u>	<u>100%</u>

	2009	2008	2007	2006
	------(Rupees '000)-----			
<b>32.1.10 Historical information</b>				
Present value of defined benefit obligation	30,690	24,921	14,209	17,074
Fair value of plan assets	(21,153)	(12,476)	(17,554)	(14,994)
Deficit / (surplus)	<u>9,537</u>	<u>12,445</u>	<u>(3,345)</u>	<u>2,080</u>

### 32.2 Defined contribution plan

The general description of defined contribution plan is included in note 5.14 to the financial statements.

### 33. COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	------(Rupees '000)-----					
Managerial remuneration	16,241	16,241	-	-	193,129	203,167
Retirement benefits	1,553	1,553	-	-	20,602	18,525
Rent and house maintenance	6,353	6,353	-	-	-	16,865
Utilities	1,412	1,412	-	-	-	3,748
Medical	-	-	-	-	-	264
General / special allowance	-	-	-	-	169,373	120,168
Conveyance	-	-	-	-	65,226	40,305
Others	-	-	-	-	718	7,486
	<u>25,559</u>	<u>25,559</u>	<u>-</u>	<u>-</u>	<u>449,048</u>	<u>410,528</u>
Number of persons	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>171</u>	<u>156</u>

**33.1** 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.

**33.2** Fee paid to non-executive directors amounts to Rs.0.23 million (2008: Rs.0.22 million) during the year.



### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 34.1 On-balance sheet financial instruments

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
----- (Rupees '000) -----				
<b>Assets</b>				
Cash and balances with treasury banks	1,577,093	1,577,093	1,617,825	1,617,825
Balances with other banks	97,691	97,691	51,449	51,449
Lendings to financial institutions	838,438	838,438	114,000	114,000
Investments	4,763,388	4,763,388	2,990,906	2,990,906
Advances	19,219,928	19,219,928	20,549,869	20,549,869
Other assets	605,230	605,230	702,465	702,465
	<b>27,101,768</b>	<b>27,101,768</b>	<b>26,026,514</b>	<b>26,026,514</b>
<b>Liabilities</b>				
Bills payable	265,875	265,875	255,742	255,742
Borrowings	943,114	943,114	5,323,425	5,323,425
Deposits and other accounts	26,173,680	26,173,680	18,646,412	18,646,412
Other liabilities	963,761	963,761	585,912	585,912
	<b>28,346,430</b>	<b>28,346,430</b>	<b>24,811,491</b>	<b>24,811,491</b>

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 5.6 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.

#### 34.2 Off-balance sheet financial instruments

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
----- (Rupees '000) -----				
Forward purchase of foreign exchange	3,183,513	3,176,258	737,466	740,143
Forward sale of foreign exchange	1,792,450	1,797,650	343,196	341,045
Forward lending	5,346,022	5,346,022	6,034,214	6,034,214

### 35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Others
----- (Rupees '000) -----							
<b>December 31, 2009</b>							
Total income	-	196,147	2,229,298	1,007,904	2,718	1,029	-
Total expenses	-	615,645	3,901,401	1,647,133	-	-	-
Net (loss) / income before tax	-	(419,498)	(1,672,103)	(639,229)	2,718	1,029	-
Segment assets	-	2,888,664	6,421,606	21,559,236	-	-	-
Segment non-performing loans	-	-	27,464	2,779,697	-	-	-
Segment provision required	-	-	19,069	1,201,367	-	-	-
Segment liabilities	-	57,247	24,746,188	3,584,011	-	-	-
Segment return on assets (ROA) (%)	-	-13.72%	-7.76%	-2.58%	-	-	-
Segment cost of funds (%)	-	5.70%	12.41%	11.65%	-	-	-

#### 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%	-	-	-

**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:

	2009	2008
	------(Rupees '000)-----	
<b>Key management personnel</b>		
<b>Advances</b>		
As at January 01	82,469	41,191
Disbursements	38,618	49,926
Repayments	(33,472)	(8,648)
As at December 31	87,615	82,469
<b>Deposits</b>		
As at January 01	29,924	19,240
Receipts	478,075	1,388,946
Withdrawals	(492,459)	(1,378,262)
As at December 31	15,540	29,924
Mark-up / return / interest earned	5,542	2,742
Mark-up / return / interest expensed	1,379	2,030
<b>Subsidiary</b>		
<b>Advances</b>		
Running finance	-	112,973
<b>Deposits</b>		
As at January 01	2,566	2,235
Receipts	339,239	559,420
Withdrawals	(340,607)	(559,089)
As at December 31	1,198	2,566
Mark-up / return / interest earned	4,840	26,204
Mark-up on deposits	290	258
Corporate advisory fees paid	-	1,000
Brokerage expense paid	159	1,653
Sharing of rent and other expenses	1,158	1,954
<b>Employee benefit plans</b>		
Contribution to Atlas Bank Limited - Employees Gratuity Fund	7,019	1,472
Contribution to Atlas Bank Limited - Employees Provident Fund	37,456	31,641
<b>Entities having directors in common with the Bank</b>		
<b>Advances</b>		
As at January 01	533,221	197,782
Disbursements	340,149	387,299
Repayments	(665,920)	(51,860)
As at December 31	207,450	533,221
Running Finance	-	98
Facilities in respect of non-funded exposure	20,698	316,842
<b>Deposits</b>		
As at January 01	1,491,635	2,394,598
Receipts	14,546,681	38,319,932
Withdrawals	(15,129,706)	(39,222,895)
As at December 31	908,610	1,491,635
Mark-up / return / interest earned	48,861	65,560
Mark-up / return / interest expensed	98,661	132,791
Rent paid	10,800	10,800
Sharing of rent expenses	1,874	1,911
Insurance premium paid	13,350	16,279
Insurance claim received	4,826	8,515
Printing and stationery expense	277	255
Purchase / repair of photocopier, PABX etc.	4,200	11,627
Purchase of motor vehicles	-	11,377
Operating lease rental income	6,336	11,585
Purchase of mutual fund units	250,000	-
Redemption of mutual fund units	-	255,605

### 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. The 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 SBP through its BSD Circular No.7 dated April 15, 2009 requires the MCR for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The increase in capital is to be achieved in a phased manner and requires Rs.6 billion paid-up capital (free of losses) by the end of the financial year 2009.

In addition, the Bank is also required to maintain a minimum CAR of 10% of the risk weighted exposure of the Bank.

The status of Bank's compliance with MCR and CAR ratios requirement is explained in note 1.2 to the financial statements.

	2009	2008
	------(Rupees '000)-----	
<b>37.3 Regulatory capital structure</b>		
<i>Tier I Capital</i>		
Paid up capital	5,001,466	5,001,466
Share premium	577,537	577,537
Reserves	2,494	2,494
Accumulated loss	(3,035,039)	(1,331,930)
Less: Deduction for goodwill and intangible	(571,328)	(601,169)
50% deduction for investment in subsidiary	(198,471)	(198,471)
Deficit on revaluation of available-for-sale investments	(113,082)	(640,864)
<i>Total Tier I Capital</i>	<b>1,663,577</b>	2,809,063
<i>Tier II Capital</i>		
General Provisions subject to 1.25% of Total Risk Weighted Assets	1,562	4,822
Less: 50% deduction for investment in subsidiary	(198,471)	(198,471)
<i>Total Tier II Capital</i>	<b>(196,909)</b>	(193,649)
<i>Eligible Tier III Capital</i>	-	-
<b>Total Regulatory Capital Base</b>	<b>1,466,668</b>	2,615,414

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	
	2009	2008	2009	2008
	------(Rupees '000)-----			
<i>Credit Risk</i>				
<u>Portfolios subject to standardized approach</u>				
Claim on				
Corporate portfolio	1,120,465	1,187,874	11,204,653	13,198,598
Retail portfolio	421,638	444,331	4,216,383	4,937,012
Banks	16,755	17,413	167,550	193,480
Residential property	17,713	18,599	177,130	206,656
Past due loans	201,148	67,114	2,011,481	745,706
Investment in fixed asset	94,500	97,526	945,002	1,083,617
All other assets	231,379	119,237	2,313,786	1,324,855
Off balance sheet - non market related	43,207	39,618	432,073	440,202
Off balance sheet - market related	17,365	15	173,647	163
Equity exposure risk held in the banking book	99,712	39,550	997,122	439,449
Carried forward	<b>2,263,882</b>	2,031,277	<b>22,638,827</b>	22,569,738

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	----- (Rupees '000) -----			
Brought forward	2,263,882	2,031,277	22,638,827	22,569,738
<b>Market Risk</b>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk - general	-	-	-	-
Interest rate risk - specific	-	-	-	-
Equity position risk - general	-	369	-	4,099
Equity position risk - specific	-	369	-	4,099
Foreign exchange risk	6,167	-	61,674	-
	6,167	738	61,674	8,198
<b>Operational Risk</b>				
<u>Capital Requirement for operational risks</u>				
	67,561	55,319	675,613	614,652
Total	2,337,610	2,087,334	23,376,114	23,192,588
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (a)	1,466,668	2,615,414		
Total Risk Weighted Assets (b)	23,376,114	23,192,588		
Capital Adequacy Ratio - percent (a) / (b)	6.27%	11.28%		

### 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 the Bank it involves identification, measurement, monitoring and controlling risks. Risk management framework of the bank includes:

- Defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- 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;
- Management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- 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**

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Automobile	1,045,651	5.12%	64,529	0.25%	349,038	3.01%
Banaspati & Allied Industries	101,848	0.50%	-	-	625	0.01%
Carpet	229,620	1.12%	1,888	0.01%	51,271	0.44%
Cement	30,279	0.15%	78	-	18,209	0.16%
Chemical & Pharma	1,694,654	8.29%	113,833	0.43%	543,614	4.69%
Construction	1,334,196	6.53%	496,570	1.90%	677,362	5.85%
Consumer	676,932	3.31%	7,370,515	28.16%	71,043	0.61%
Dairy & Poultry	35,478	0.17%	343	-	24,075	0.21%
Education	320,761	1.57%	533,169	2.04%	264,905	2.29%
Electric & Electrical Goods	622,798	3.05%	4,649	0.02%	388,677	3.35%
Energy Oil & Gas	405,212	1.98%	1,694,578	6.47%	19,763	0.17%
Financial Institutions	154,429	0.75%	2,425,867	9.27%	4,975,963	42.95%
Food, Tobacco & Beverages	2,859,313	13.99%	103,049	0.39%	445,514	3.85%
Glass & Ceramics	221,901	1.08%	106	-	13,362	0.12%
Health Care	497,168	2.43%	19,470	0.07%	185,116	1.60%
Hotels	452,087	2.21%	4,240	0.02%	130,309	1.12%
Leather & Footwear	36,238	0.18%	726	-	84,580	0.73%
Miscellaneous	1,141,926	5.59%	6,979,740*	26.67%	226,374	1.95%
Paper & Allied Products	55,014	0.27%	275	-	22,928	0.20%
Print Publish & Allied	828,577	4.05%	3,032	0.01%	413,039	3.56%
Services	2,790,234	13.65%	4,392,936	16.78%	1,014,360	8.75%
Steel & Engineering	211,845	1.04%	33,093	0.13%	99,355	0.86%
Sugar & Allied	527,500	2.58%	238	-	28,567	0.24%
Textile	2,964,162	14.50%	66,365	0.25%	1,282,904	11.07%
Transport & Communication	1,204,103	5.89%	31,267	0.12%	255,714	2.21%
Trust	-	-	1,833,124	7.01%	-	-
	<b>20,441,926</b>	<b>100.00%</b>	<b>26,173,680</b>	<b>100.00%</b>	<b>11,586,667</b>	<b>100.00%</b>

\* Includes public sector deposits which are not classified in any other category.

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Automobile	289,490	1.36%	207,929	1.12%	382,529	4.24%
Banaspati & Allied Industries	289,937	1.36%	-	-	74,143	0.82%
Carpet	275,722	1.29%	2,352	0.01%	757	0.01%
Cement	32,279	0.15%	282	-	16,709	0.18%
Chemical & Pharma	1,395,403	6.55%	32,454	0.17%	417,017	4.62%
Construction	1,673,306	7.85%	696,317	3.73%	852,242	9.44%
Consumer	882,870	4.14%	7,625,556	40.90%	3,336	0.04%
Dairy & Poultry	98,600	0.46%	758	-	9,272	0.10%
Education	471,479	2.21%	129,855	0.70%	116,693	1.29%
Electric & Electrical Goods	614,008	2.88%	16,199	0.09%	241,468	2.67%
Energy Oil & Gas	861,175	4.04%	1,533,775	8.23%	233,736	2.59%
Financial Institutions	346,121	1.62%	2,300,876	12.34%	1,167,807	12.93%
Food, Tobacco & Beverages	2,640,256	12.39%	237,375	1.27%	331,552	3.67%
Glass & Ceramics	303,261	1.42%	465	-	9,972	0.11%
Health Care	466,895	2.19%	138,717	0.74%	43,567	0.48%
Hotels	208,939	0.98%	100,574	0.54%	131,995	1.46%
Leather & Footwear	20,136	0.09%	2,166	0.01%	35,325	0.39%
Miscellaneous	1,086,090	5.10%	1,661,600	8.91%	211,371	2.34%
Paper & Allied Products	86,317	0.40%	-	-	16,445	0.18%
Print Publish & Allied	1,043,337	4.90%	117,629	0.63%	176,806	1.96%
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%
Sugar & Allied	71,496	0.34%	10,156	0.05%	-	-
Textile	2,522,746	11.84%	79,503	0.43%	640,542	7.09%
Transport & Communication	945,998	4.44%	417,882	2.24%	517,355	5.73%
Trust	-	-	2,452,440	13.15%	-	-
	<b>21,313,936</b>	<b>100.00%</b>	<b>18,646,412</b>	<b>100.00%</b>	<b>9,031,919</b>	<b>100.00%</b>

**38.3 Segment by sector**

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Public / Government	-	-	9,846,967	37.62%	-	-
Private	20,441,926	100.00%	16,326,713	62.38%	11,586,667	100.00%
	<u>20,441,926</u>	<u>100.00%</u>	<u>26,173,680</u>	<u>100.00%</u>	<u>11,586,667</u>	<u>100.00%</u>
	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '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%
	<u>21,313,936</u>	<u>100.00%</u>	<u>18,646,412</u>	<u>100.00%</u>	<u>9,031,919</u>	<u>100.00%</u>

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	----- (Rs. '000) -----			
Automobile	140,854	55,847	16,557	15,809
Banaspati & Allied Industries	80,304	53,557	21,066	21,066
Carpet	69,080	24,329	92,980	23,466
Cement	287	287	-	-
Chemical & Pharma	62,043	39,458	1,224	1,224
Construction	195,318	51,031	192,567	34,936
Consumer	27,474	19,079	28,878	13,733
Education	19,642	7,640	21,128	5,283
Electric & Electrical Goods	155,256	46,265	2,716	2,716
Energy Oil & Gas	125,240	31,490	-	-
Food, Tobacco & Beverages	107,216	43,494	97,282	62,515
Glass & Ceramics	30,881	28,700	26,891	13,195
Health Care	41,167	25,902	21,206	11,162
Hotels	76,527	23,828	-	-
Leather & Footwear	-	-	1,191	1,191
Miscellaneous	264,669	119,221	107,557	90,093
Print Publish & Allied	282,195	70,459	91,284	34,598
Services	374,785	187,140	174,901	100,722
Steel & Engineering	95,602	41,804	87,264	21,618
Textile	589,114	309,919	458,471	286,772
Transport & Communication	69,507	40,986	24,777	19,146
	<u>2,807,161</u>	<u>1,220,436</u>	<u>1,467,940</u>	<u>759,245</u>

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

Public / Government	-	-	-	-
Private	2,807,161	1,220,436	1,467,940	759,245
	<u>2,807,161</u>	<u>1,220,436</u>	<u>1,467,940</u>	<u>759,245</u>

### 38.6 Credit Risk-General Disclosures Basel II Specific

Bank has not adopted the foundation or advanced approaches and instead use standardized 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:

<u>Exposures</u>	<u>JCR-VIS</u>	<u>PACRA</u>	<u>FITCH</u>	<u>S&amp;P</u>
Corporate	✓	✓	-	-
Banks	✓	✓	✓	✓
SME's (Retail Exposures)	✓	✓	-	-
Sovereigns	N/A	N/A	N/A	N/A
Securitized	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 have been used to rate corresponding short & long term exposures, for this purpose Mapping Grid provided by SBP has been used.

#### 38.6.2 Credit Exposures subject to Standardized approach

<u>Exposures</u>	<u>2009</u>				<u>2008</u>			
	<u>Rating Category Number</u>	<u>Rating Risk Weight</u>	<u>Amount Outstanding</u>	<u>Deduction CRM</u>	<u>Net amount (Rupees '000)</u>	<u>Amount Outstanding</u>	<u>Deduction CRM</u>	<u>Net amount</u>
Cash and cash equivalents	-	-	390,660	-	390,660	393,461	-	393,461
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	-	3,520,141	-	3,520,141	2,656,416	-	2,656,416
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	-	404,343	-	404,343	140,836	-	140,836
Claims on Banks	1	20%	265,211	-	265,211	327,691	-	327,691
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	2,3	50%	92,942	-	92,942	235,304	-	235,304
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	1,2,3	20%	96,580	-	96,580	36,958	-	36,958
Claims on Corporates (excluding equity exposures)	1	20%	894,354	650,750	243,604	14,491	-	14,491
Claims on Corporates (excluding equity exposures)	2	50%	766,551	-	766,551	90,298	-	90,298
Claims on Corporates (excluding equity exposures)	2	50%	516,715	-	516,715	212,236	-	212,236
Claims categorized as retail portfolio	3,4	100%	165,287	-	165,287	146,635	-	146,635
Claims fully secured by residential property (Residential Mortgage Finance)	-	75%	5,633,606	11,762	5,621,844	6,582,683	-	6,582,683
Past due loans where specific provisions are less than 20% of the outstanding amount of the past due claim	-	35%	506,086	-	506,086	590,445	-	590,445
Past due loans where specific provisions are no less than 20% of the outstanding amount of the past due claim	-	150%	797,041	-	797,041	-	-	-
Past due loans where specific provisions are more than 50% of the outstanding amount of the past due claim	-	100%	732,878	-	732,878	672,120	-	672,120
Listed equity investments (other than that deducted from capital) held in banking book	-	50%	166,084	-	166,084	147,172	-	147,172
Unlisted equity investments (other than that deducted from capital) held in banking book	-	100%	956,937	-	956,937	277,783	-	277,783
Investments in premises, plant and equipment and all other fixed assets	-	150%	26,790	-	26,790	107,777	-	107,777
Claims on all fixed assets under operating lease	-	100%	944,955	-	944,955	1,047,883	-	1,047,883
All other assets	-	100%	47	-	47	35,734	-	35,734
Unrated	-	100%	2,313,786	-	2,313,786	1,324,855	-	1,324,855
<b>TOTAL</b>	<b>Unrated</b>	<b>100%</b>	<b>10,702,692</b>	<b>74,994</b>	<b>10,627,698</b>	<b>12,928,861</b>	<b>1,076</b>	<b>12,927,785</b>

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 Defence 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**

	2009			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees '000) -----				
Pakistan	(2,727,083)	30,869,506	2,482,060	11,586,667
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(2,727,083)</u>	<u>30,869,506</u>	<u>2,482,060</u>	<u>11,586,667</u>

	2008			
	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	-	-	-	-
	<u>(1,594,210)</u>	<u>28,967,027</u>	<u>3,656,944</u>	<u>9,031,919</u>

**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 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 denominated 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.

2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees '000) -----			
Pakistan rupee	30,233,237	26,387,525	(1,302,324)	2,543,388
United States dollar	546,992	1,732,478	1,131,919	(53,567)
Great Britain pound	40,548	184,469	135,814	(8,107)
Japanese yen	340	-	-	340
Euro	48,389	82,974	34,591	6
	<u>30,869,506</u>	<u>28,387,446</u>	<u>-</u>	<u>2,482,060</u>
2008				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees '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
	<u>28,967,027</u>	<u>25,310,083</u>	<u>-</u>	<u>3,656,944</u>

#### 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 the objective to be in the SBP 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 behaviour 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 CAR. 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 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. 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:

		2009											
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)													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	-	1,577,093	304,319	-	-	-	-	-	-	-	-	-	1,272,774
Balances with other banks	0.04%	97,691	-	-	-	-	-	-	-	-	-	-	97,691
Lendings to financial institutions	11.79%	838,438	813,438	25,000	-	-	-	-	-	-	-	-	-
Investments	7.70%	4,763,388	140,049	620,547	1,708,806	10	116,452	493,283	303,571	-	-	-	1,380,670
Advances	14.52%	19,219,928	12,418,481	2,813,214	2,614,231	309,633	184,989	360,367	64,451	154,118	258,977	-	41,467
Other assets	-	605,230	-	-	-	-	-	-	-	-	-	-	605,230
		27,101,768	13,676,287	3,458,761	4,323,037	309,643	301,441	853,650	368,022	154,118	258,977	-	3,397,832
<b>Liabilities</b>													
Bills payable	-	265,875	-	-	-	-	-	-	-	-	-	-	265,875
Borrowings	11.55%	943,114	29,860	887,089	26,165	-	-	-	-	-	-	-	-
Deposits and other accounts	13.07%	26,173,680	9,843,581	7,318,750	2,153,714	4,327,317	33,681	145,042	1,750	-	-	-	2,349,845
Other liabilities	-	963,761	-	-	-	-	-	-	-	-	-	-	963,761
		28,346,430	9,873,441	8,205,839	2,179,879	4,327,317	33,681	145,042	1,750	-	-	-	3,879,481
<b>On-balance sheet gap</b>		<b>(1,244,662)</b>	<b>3,802,846</b>	<b>(4,747,078)</b>	<b>2,143,158</b>	<b>(4,017,674)</b>	<b>267,760</b>	<b>708,608</b>	<b>366,272</b>	<b>154,118</b>	<b>258,977</b>	-	<b>(181,649)</b>
<b>Off balance sheet financial instruments</b>													
Commitment to extend credits	-	5,346,022	614,327	1,192,775	2,105,976	1,351,900	25,214	55,830	-	-	-	-	-
Forward purchase of foreign exchange	-	3,183,513	-	-	-	-	-	-	-	-	-	-	3,183,513
Forward sale of foreign exchange	-	(1,792,450)	-	-	-	-	-	-	-	-	-	-	(1,792,450)
<b>Off balance sheet gap</b>		<b>6,737,085</b>	<b>614,327</b>	<b>1,192,775</b>	<b>2,105,976</b>	<b>1,351,900</b>	<b>25,214</b>	<b>55,830</b>	-	-	-	-	<b>1,391,063</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>3,188,519</b>	<b>(5,939,853)</b>	<b>37,182</b>	<b>(5,369,574)</b>	<b>242,546</b>	<b>652,778</b>	<b>366,272</b>	<b>154,118</b>	<b>258,977</b>	-	<b>(1,572,712)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>3,188,519</b>	<b>(2,751,334)</b>	<b>(2,714,152)</b>	<b>(8,083,726)</b>	<b>(7,841,180)</b>	<b>(7,188,402)</b>	<b>(6,822,130)</b>	<b>(6,668,012)</b>	<b>(6,409,035)</b>	-	<b>(7,981,747)</b>
2008													
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)													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
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
<b>Liabilities</b>													
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
<b>On-balance sheet gap</b>		<b>1,215,023</b>	<b>(2,455,460)</b>	<b>(861,868)</b>	<b>2,138,510</b>	<b>429,950</b>	<b>481,044</b>	<b>390,656</b>	<b>735,787</b>	<b>303,652</b>	<b>340,185</b>	-	<b>(287,433)</b>
<b>Off balance sheet financial instruments</b>													
Commitment to extend credits	-	6,034,214	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	-	-
Forward purchase of foreign exchange	-	737,466	-	-	-	-	-	-	-	-	-	-	737,466
Forward sale of foreign exchange	-	(343,196)	-	-	-	-	-	-	-	-	-	-	(343,196)
<b>Off balance sheet gap</b>		<b>6,428,484</b>	<b>1,127,322</b>	<b>1,163,507</b>	<b>2,088,679</b>	<b>1,493,890</b>	<b>156,177</b>	<b>4,639</b>	-	-	-	-	<b>394,270</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>(3,582,782)</b>	<b>(2,025,375)</b>	<b>49,831</b>	<b>(1,063,940)</b>	<b>324,867</b>	<b>386,017</b>	<b>735,787</b>	<b>303,652</b>	<b>340,185</b>	-	<b>(681,703)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(3,582,782)</b>	<b>(5,608,157)</b>	<b>(5,558,326)</b>	<b>(6,622,266)</b>	<b>(6,297,399)</b>	<b>(5,911,382)</b>	<b>(5,175,595)</b>	<b>(4,871,943)</b>	<b>(4,531,758)</b>	-	<b>(5,213,461)</b>

41.1 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

**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.

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

**42.2** 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 saving deposits are repayable on demand, however Assets and Liability Committee (ALCO) 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.

	2009									
	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 '000)										
<b>Assets</b>										
Cash and balances with treasury banks	1,577,093	1,013,642	158,415	113,274	92,029	47,974	75,879	57,276	18,604	-
Balances with other banks	97,691	-	97,691	-	-	-	-	-	-	-
Lendings to financial institutions	838,438	813,438	25,000	-	-	-	-	-	-	-
Investments	4,763,388	39,677	495,659	2,436,713	64,009	239,710	614,763	419,309	29,816	423,732
Advances	19,219,928	10,013,400	3,567,254	2,768,648	354,016	232,053	571,607	641,309	812,665	258,976
Operating fixed assets	1,138,909	222	-	-	21,978	95,308	20,384	439,523	561,494	-
Deferred tax assets	1,813,620	-	779	775	-	2,269	16,018	1,793,779	-	-
Other assets	1,420,439	23,786	967,012	50,101	341,320	38,220	-	-	-	-
	<b>30,869,506</b>	<b>11,904,165</b>	<b>5,311,810</b>	<b>5,369,511</b>	<b>873,352</b>	<b>655,534</b>	<b>1,298,651</b>	<b>3,351,196</b>	<b>1,422,579</b>	<b>682,708</b>
<b>Liabilities</b>										
Bills payable	265,875	-	265,875	-	-	-	-	-	-	-
Borrowings	943,114	29,860	887,089	26,165	-	-	-	-	-	-
Deposits and other accounts	26,173,680	3,665,807	7,984,525	4,180,330	6,167,896	993,157	1,662,629	1,147,263	372,073	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,004,777	198,958	312,420	94,710	218,168	178,019	2,481	21	-	-
	<b>28,387,446</b>	<b>3,894,625</b>	<b>9,449,909</b>	<b>4,301,205</b>	<b>6,386,064</b>	<b>1,171,176</b>	<b>1,665,110</b>	<b>1,147,284</b>	<b>372,073</b>	<b>-</b>
<b>Net assets</b>	<b>2,482,060</b>	<b>8,009,540</b>	<b>(4,138,099)</b>	<b>1,068,306</b>	<b>(5,512,712)</b>	<b>(515,642)</b>	<b>(366,459)</b>	<b>2,203,912</b>	<b>1,050,506</b>	<b>682,708</b>
Share capital	5,001,466	-	-	-	-	-	-	-	-	-
Reserves	587,581	-	-	-	-	-	-	-	-	-
Accumulated loss	(3,035,039)	-	-	-	-	-	-	-	-	-
	<b>2,554,008</b>	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	(71,948)	-	-	-	-	-	-	-	-	-
	<b>2,482,060</b>	-	-	-	-	-	-	-	-	-

	2008									
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees '000)										
<b>Assets</b>										
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
	<b>28,967,027</b>	<b>6,039,921</b>	<b>4,948,940</b>	<b>5,932,379</b>	<b>4,192,730</b>	<b>995,775</b>	<b>798,258</b>	<b>2,845,611</b>	<b>1,587,271</b>	<b>1,626,142</b>
<b>Liabilities</b>										
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	-	-
	<b>25,310,083</b>	<b>7,729,900</b>	<b>5,836,893</b>	<b>3,859,480</b>	<b>4,312,761</b>	<b>1,057,158</b>	<b>1,276,691</b>	<b>897,011</b>	<b>340,189</b>	<b>-</b>
<b>Net assets</b>	<b>3,656,944</b>	<b>(1,689,979)</b>	<b>(887,953)</b>	<b>2,072,899</b>	<b>(120,031)</b>	<b>(61,383)</b>	<b>(478,433)</b>	<b>1,948,600</b>	<b>1,247,082</b>	<b>1,626,142</b>
Share capital	5,001,466	-	-	-	-	-	-	-	-	-
Reserves	580,031	-	-	-	-	-	-	-	-	-
Accumulated loss	(1,331,930)	-	-	-	-	-	-	-	-	-
	<b>4,249,567</b>	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	(592,623)	-	-	-	-	-	-	-	-	-
	<b>3,656,944</b>	-	-	-	-	-	-	-	-	-

**43. OPERATIONAL RISK**

In line with the Basel-II framework, we define operational risk 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 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 March 20, 2010 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 OR  
ANY OTHER FINANCIAL RELIEF OF Rs.500,000/-  
OR ABOVE PROVIDED**

**Annexure-1**

**DURING THE YEAR ENDED DECEMBER 31, 2009**

(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, 2009				Principal Written Off	Interest / Markup Written Off	Other Financial Relief	Total
				Principal	Interest / Markup	Others	Total				
1	AL NOOR BUILDERS HOUSE 19/15-4, PIR ABUL KHAIR ROAD, QUETTA	ABDUL MAJEED 54400-0397374-7	ABDUL AHAD	1,232,398	182,582	-	1,414,980	1,215,958	182,582	-	1,398,540
2	BALUCH BROS. STONE SUPPLIERS CHAK NO. 80, NEAR POST OFFICE, SARGODHA	MUSSARAT JAVED KHAN 232-93-465941	MUHAMMAD RAZA KHAN	1,630,883	548,034	-	2,178,917	1,598,343	548,034	-	2,146,377
3	BHATTI TRANSPORT 142, GENERAL BUS STAND, SARGODHA	MUHAMMAD MUNIR BHATTI 232-65-291242	MALIK ATTA MUHAMMAD BHATTI	1,563,458	487,426	-	2,050,884	1,553,913	487,426	-	2,041,339
4	BILAL LABORATORY AND DIAGNOSTIC HOUSE NO. 405 C, STREET 27, G-6/1-2 ISLAMABAD	SYED AIZAZ KARIM 61101-1780541-7	MUHAMMAD NASIR KARIM	639,021	55,619	-	694,640	630,913	55,619	-	686,532
5	CITY WIDE SUPPLIERS	MUZAFFAR ALI KHAN		2,067,496	-	-	2,067,496	2,067,496	-	-	2,067,496
6	COMMERCIAL KNITTERS (PRIVATE) LIMITED 20. FRUIT MARKET, ALLAMA IQBAL TOWN, MULTAN ROAD, LAHORE	IMRAN PERVAIZ 271-73-327480	MOHAMMAD PERVAIZ	575,924	71,426	-	647,350	546,464	71,426	-	617,890
7	EURO EXPORTS 121 B. S.M.C.H.S., KARACHI	MUHAMMAD JUNAID DHADUK 517-85-038649	MUHAMMAD HANIF DHADUK	8,014,160	-	-	8,014,160	8,014,160	-	-	8,014,160
8	EURO TANNERIES (PRIVATE) LIMITED PLOT NO. 40, SECTOR 24, KORANGI INDUSTRIAL AREA, KARACHI	MRS. GHAZALA AKHTAR 42301-6335657-2	AKHTAR AFTAB	1,135,676	211,914	-	1,347,590	1,066,216	211,914	-	1,278,130
9	HAMZA TRANSPORTATION COMPANY 2ND FLOOR, 2/A, BLOCK-III VICTORIA PARK, THE MALL, LAHORE	MUHAMMAD YOUSAF 35202-7227823-1	MUHAMMAD MIRAD	2,141,188	296,848	-	2,438,036	2,141,188	296,848	-	2,438,036
10	HAPPO (PRIVATE) LTD 278-PECO ROAD, PECO ROAD, KOT LAKHPAT, LAHORE	MR. MUBASHIR ALI 270-86-108140	MR. MUZAFFAR ALI	1,440,410	297,390	-	1,737,800	1,440,160	297,390	-	1,737,550
11	KNIT FAST PLOT NO 188, SECTOR NO. 24, KORANGI INDUSTRIAL AREA, KARACHI	MS. SHABANA MEMON 449-90-242820	MR. MUHAMMAD JUMON MEMON	2,724,322	397,218	-	3,121,540	2,724,322	397,218	-	3,121,540
12	M. N. S. INTERNATIONAL 292, SHADMAN COLONY, LAHORE	NASREEN SHEIKH 272-64-583406	NABEEL SHEIKH	1,084,481	325,962	-	1,410,443	1,084,481	325,962	-	1,410,443
13	MEDIATORS PLASTICS (PRIVATE) LIMITED 408, PROGRESSIVE SQUARE SECTOR 17, KORANGI INDUSTRIAL AREA, KARACHI	ASIF USMAN 501-94-619447	ABUBAKR USMAN EBRAHIM	2,936,740	325,980	-	3,262,720	2,935,735	325,980	-	3,261,715
14	MEDISURE PHARMA INTERNATIONAL HOUSE NO. 99/1, 7th COMMERCIAL STREET, PHASE IV, DHA, KARACHI	KAISER WAHEED 42301-1167498-1	MOHAMMED ANWAR	569,954	7,411	-	577,365	569,954	7,411	-	577,365

**STATEMENT SHOWING WRITE OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF Rs.500,000/- OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009**

**Annexure-1**

(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, 2009				Principal Written Off	Interest / Markup Written Off	Other Financial Relief	Total
				Principal	Interest / Markup	Others	Total				
15	MULTI PACK 500-A, PEOPLES COLONY NO. INEAR GOVT. HIGH SCHOOL, FAISALABAD	SAJID REHMAN 33100-0862925-7	ABDUL REHMAN	3,040,881	702,369	-	3,743,250	3,040,611	702,369	-	3,742,980
16	NAZIM POLYSACK (PRIVATE) LIMITED 15-KM, SHEIKHUPURA, FAISALABAD ROAD, DIST. SHEIKHUPURA	ADIL MAHMOOD 517-61-025771	MR. MAHMOOD SADIQ	1,750,868	370,297	-	2,121,165	1,750,868	370,297	-	2,121,165
17	REHAN TRANSPORT SERVICES FLAT NO-10, ALLAH DAD PLAZA, G-8, MARKAZ, ISLAMABAD	GUL REHAN 61101-1928911-5	MIR AJAB KHAN	1,394,769	106,991	-	1,501,760	1,394,769	106,991	-	1,501,760
18	SADIQ HUSSAIN (PRIVATE) LIMITED FIRST FLOOR STAR PLAZA I-J PRINCIPAL ROAD, ISLAMABAD	MOHAMMAD SADIQ HUSSAIN 416-94-145683	KHALID HUSSAIN	1,250,135	172,265	-	1,422,400	1,250,135	172,265	-	1,422,400
19	SUB WAY INTERNATIONAL LA 4C, 1/18 & 1/19, BLOCK NO. 22, FEDERAL-B-AREA, KARACHI	M SALAHUDDIN MALLICK 42101-4401939-7	M SHAHBUDDIN MALLICK	1,983,255	168,320	-	2,151,575	1,978,947	168,320	-	2,147,267
20	TAJ TEXTILE MILLS LIMITED 31 & C 1, GHALIB ROAD, GULBERG III, LAHORE	ALAMGIR ELAHI 270-88-158235	EHSAN ELAHI	7,500,000	495,353	-	7,995,353	7,500,000	495,353	-	7,995,353
21	UNION INDUSTRIES (PRIVATE) LIMITED B-46, ESTATE AVENUE, SITE, KARACHI	JAVAID HABIB 42301-1176752-3	ABDUL HABIB AHMED	6,200,496	1,583,217	-	7,783,713	6,145,257	1,583,217	-	7,728,474
	<b>TOTAL</b>			<b>50,876,515</b>	<b>6,806,622</b>	<b>-</b>	<b>57,683,137</b>	<b>50,649,890</b>	<b>6,806,622</b>	<b>-</b>	<b>57,456,512</b>

## PATTERN OF SHAREHOLDING

### AS AT DECEMBER 31, 2009

Number of Shareholders	Shareholding		Total	
	From	To		
458	1	-	100	20,807
1416	101	-	500	429,278
568	501	-	1,000	491,736
959	1,001	-	5,000	2,728,082
304	5,001	-	10,000	2,413,084
89	10,001	-	15,000	1,106,340
67	15,001	-	20,000	1,202,865
42	20,001	-	25,000	966,466
24	25,001	-	30,000	672,323
19	30,001	-	35,000	630,105
25	35,001	-	40,000	955,795
12	40,001	-	45,000	517,395
25	45,001	-	50,000	1,224,937
7	50,001	-	55,000	368,119
12	55,001	-	60,000	692,012
5	60,001	-	65,000	315,810
7	65,001	-	70,000	469,147
4	70,001	-	75,000	296,000
7	75,001	-	80,000	549,814
3	80,001	-	85,000	251,413
5	85,001	-	90,000	444,222
4	90,001	-	95,000	371,753
12	95,001	-	100,000	1,200,000
3	100,001	-	105,000	303,802
3	105,001	-	110,000	323,437
2	110,001	-	115,000	226,873
4	115,001	-	120,000	480,000
2	125,001	-	130,000	252,640
3	135,001	-	140,000	412,520
5	145,001	-	150,000	749,900
2	155,001	-	160,000	318,320
1	165,001	-	170,000	168,550
1	170,001	-	175,000	175,000
1	190,001	-	195,000	192,708
2	195,001	-	200,000	400,000
2	220,001	-	225,000	443,000
1	240,001	-	245,000	244,233
3	245,001	-	250,000	750,000
3	250,001	-	255,000	756,800
1	290,001	-	295,000	294,074
1	300,001	-	305,000	302,500
1	310,001	-	315,000	310,027
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	355,001	-	360,000	355,500
2	365,001	-	370,000	733,000
1	465,001	-	470,000	468,800
1	470,001	-	475,000	475,000
1	495,001	-	500,000	500,000
1	770,001	-	775,000	775,000
1	795,001	-	800,000	800,000
1	805,001	-	810,000	808,864
1	815,001	-	820,000	818,400

## PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2009

Number of Shareholders	Shareholding		Total
	From	To	
1	900,001	- 905,000	900,500
1	1,130,001	- 1,135,000	1,130,400
1	1,170,001	- 1,175,000	1,173,806
1	1,195,001	- 1,200,000	1,200,000
1	1,425,001	- 1,430,000	1,427,931
1	1,540,001	- 1,545,000	1,543,199
1	1,870,001	- 1,875,000	1,873,634
1	1,900,001	- 1,905,000	1,903,381
1	2,235,001	- 2,240,000	2,238,199
1	2,445,001	- 2,450,000	2,450,000
1	6,230,001	- 6,235,000	6,234,052
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
<b>4149</b>			<b>500,146,627</b>

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	5	29,239,588	5.85
Associated Companies, undertakings and related parties	4	181,934,876	36.39
NIT and ICP	3	34,044,630	6.81
Banks, DFIs, & NBFCs:			
a. Local	9	2,659,516	0.53
b. Foreign - DEG Deutsche Investition, Germany	1	124,536,510	24.90
Insurance Companies	1	50,000	0.01
Modarabas and Mutual Funds	2	22,998	0.00
Shareholders holding 10% or more voting interest in the Company *	-	-	-
General Public:			
a. Local (Individuals)	4,032	114,630,895	22.91
b. Foreign	1	58,611	0.01
Others:			
a. Joint Stock Companies	85	12,340,289	2.46
b. Others	6	628,714	0.13
<b>TOTAL</b>	<b>4,149</b>	<b>500,146,627</b>	<b>100.00</b>

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



## PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2009

### INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
<b>Associated Companies, undertakings and related parties</b>			
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
<b>NIT and ICP</b>			
National Investment Trust Limited			
- National Bank of Pakistan, Trustee Deptt.	1	16,766,336	3.35
- NBP Trustee-NI(U) T (LOC) Fund	1	17,270,710	3.46
Investment Corporation of Pakistan	1	7,584	-
<b>Directors, CEO and their spouse and minor children</b>			
Mr. Yusuf H. Shirazi	1	2,238,199	0.45
Mr. Saquib H. Shirazi	1	26,842,127	5.37
Mr. Frahim Ali Khan	1	2	-
Mr. Sanaullah Qureshi	1	159,160	0.03
Mr. Tariq Amin	1	100	-
<b>Executives</b>	3	431,000	0.08
<b>Public Sector Companies and Corporations</b>	-	-	-
<b>Banks, DFI's, NBFC's Insurance Companies, Modarabas and Mutual Funds</b>			
Local	12	2,732,514	0.54
Foreign - DEG Deutsche Investition, Germany	1	124,536,510	24.90
<b>Shareholders holding 10% or more voting interest in the company *</b>	-	-	-
<b>Individuals</b>	4,029	114,199,895	22.83
<b>Others</b>	92	13,027,614	2.60
	<b>4,149</b>	<b>500,146,627</b>	<b>100.00</b>

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



**Consolidated Financial Statements**  
For the Year Ended December 31, 2009

## DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors present report on the consolidated financial statements of the 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, 2009.

### Financials

The consolidated financials of your Bank for the year ended December 31, 2009 under review are summarized as follows:

	2009	2008
	Rs. In '000	Rs. In '000
<b>Operating loss before provision and taxation</b>	<b>(1,869,222)</b>	(1,291,614)
Provisions	(912,815)	(353,543)
<b>Loss before taxation</b>	<b>(2,782,037)</b>	(1,645,157)
Reversal of provision for taxation	(1,027,030)	(573,950)
<b>Loss after taxation</b>	<b>(1,755,007)</b>	(1,071,207)
Accumulated profit / (loss) brought forward	(1,366,254)	(295,047)
	<b>(3,121,261)</b>	(1,366,254)
<b>Appropriations:</b>		
Transfer to statutory reserve	-	-
<b>Accumulated loss carried forward</b>	<b>(3,121,261)</b>	(1,366,254)
<b>Loss per share - Basic and diluted (Rupees)</b>	<b>(3.51)</b>	(2.14)

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2009 is annexed with the financial statements of Atlas Bank Limited.

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



**Yusuf H. Shirazi**  
Chairman

Karachi: March 20, 2010

## 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 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for five 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.

Except for as stated in following paragraph 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.

The management has not carried out an impairment test as of the balance sheet date in respect of the carrying value of goodwill (note 13.3) amounting to Rs.377.42 million as required by International Accounting Standard 36 "Impairment of Assets" and consequently, the impairment, if any, in respect of the said goodwill remains indeterminate.

Except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matter stated in the preceding paragraph, in our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009 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.

Without qualifying our opinion, we draw attention to note 1.5 to the financial statements which fully explains matters regarding Bank's capital deficiency and its future plans including the proposed merger with two other commercial banks. Further, the SBP has granted the Bank extension in time up to 31 March 2010 or proposed merger, whichever occurs earlier, to meet the requisite capital requirements. These factors indicate a material dependency of future operations of the Bank on successful completion of the merger process or the implementation of the alternative plan of the management as referred to in the said note.



**ERNST & YOUNG FORD RHODES SIDAT HYDER**

Chartered Accountants

Audit Engagement Partner: Arslan Khalid

Karachi: March 20, 2010

## CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2009

	Note	2009 ------(Rupees '000)-----	2008
<b>ASSETS</b>			
Cash and balances with treasury banks	6	1,577,143	1,617,828
Balances with other banks	7	163,350	116,223
Lendings to financial institutions	8	868,438	114,000
Investments	9	4,368,573	2,608,069
Advances	10	19,220,644	20,450,661
Operating fixed assets	11	1,336,386	1,430,367
Deferred tax assets	12	1,825,884	1,017,189
Other assets	13	1,547,287	1,869,792
		<b>30,907,705</b>	29,224,129
<b>LIABILITIES</b>			
Bills payable	14	265,875	255,742
Borrowings	15	1,013,114	5,510,101
Deposits and other accounts	16	26,172,718	18,643,846
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	1,060,160	1,192,677
		<b>28,511,867</b>	25,602,366
<b>NET ASSETS</b>		<b>2,395,838</b>	3,621,763
<b>REPRESENTED BY</b>			
Share capital	18	5,001,466	5,001,466
Reserves		587,581	580,031
Accumulated loss		(3,121,261)	(1,366,254)
		<b>2,467,786</b>	4,215,243
Deficit on revaluation of assets - net of tax	19	(71,948)	(593,480)
		<b>2,395,838</b>	3,621,763
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

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


**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 ------(Rupees '000)-----	2008
Mark-up / return / interest earned	22	3,383,223	2,963,750
Mark-up / return / interest expensed	23	3,205,040	2,449,906
Net mark-up / interest income		178,183	513,844
Provision against non-performing loans and advances	10.4	524,685	358,244
Provision / (reversal of provision) for diminution in the value of investments	9.3	388,130	(4,701)
Bad debts written off directly		-	-
		912,815	353,543
Net mark-up / interest (loss) / income after provisions		(734,632)	160,301
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		95,348	155,414
Dividend income		32,723	50,852
(Loss) / income from dealing in foreign currencies		(79,327)	8,829
Gain on sale / redemption of securities	24	2,371	115,436
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		127	(591)
Other income	25	64,364	86,444
Total non mark-up / interest income		115,606	416,384
		(619,026)	576,685
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	26	1,962,684	1,988,169
Other provisions / write offs	26.2	178,128	226,625
Other charges	27	22,199	7,048
Total non mark-up / interest expenses		2,163,011	2,221,842
		(2,782,037)	(1,645,157)
Extraordinary / unusual items		-	-
<b>LOSS BEFORE TAXATION</b>		<b>(2,782,037)</b>	<b>(1,645,157)</b>
Taxation - Current		22,703	16,401
- Prior years		817	260
- Deferred		(1,050,550)	(590,611)
	28	(1,027,030)	(573,950)
<b>LOSS AFTER TAXATION</b>		<b>(1,755,007)</b>	<b>(1,071,207)</b>
<b>Loss per share - Basic and diluted (Rupees)</b>	29	<b>(3.51)</b>	<b>(2.14)</b>


The reconciliation of accumulated loss is reflected in the statement of changes in equity.

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 ------(Rupees '000)-----	2008
<b>Loss for the year</b>		<b>(1,755,007)</b>	(1,071,207)
<b>Other comprehensive income / (loss)</b>			
Reversal of provision against rescheduled / restructured advances	5.1 (ii)	7,550	-
<b>Total comprehensive income / (loss) for the year</b>		<b>(1,747,457)</b>	(1,071,207)

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

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 ------(Rupees '000)-----	2008 -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(2,782,037)	(1,645,157)
Less: Dividend income		(32,723)	(50,852)
		(2,814,760)	(1,696,009)
<b>Adjustment:</b>			
Depreciation	26	134,395	99,831
Amortisation	26	14,671	9,366
Provision against non-performing advances	10.4	524,685	358,244
Other provisions / write offs	26.2	178,128	226,625
Provision / (reversal of provision) for diminution in the value of investments	9.3	388,130	(4,701)
Loss / (gain) on disposal of fixed assets	11.5	7,266	(1,188)
		1,247,275	688,177
		(1,567,485)	(1,007,832)
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		(779,438)	4,313,824
Held-for-trading securities		2,342	138,519
Advances		720,205	(11,603,453)
Other assets (excluding advance taxation)		182,480	1,549,721
		125,589	(5,601,389)
<b>Increase in operating liabilities</b>			
Bills payable		10,133	(33,165)
Borrowings		(4,496,987)	4,016,242
Deposits		7,528,872	3,323,006
Other liabilities		(132,517)	(1,897,850)
		2,909,501	5,408,233
		1,467,605	(1,200,988)
Income tax paid		(38,001)	(24,831)
<b>Net cash flow from operating activities</b>		<b>1,429,604</b>	<b>(1,225,819)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in available-for-sale securities		(1,387,589)	1,645,839
Net investment in held-to-maturity securities		-	108,329
Dividend received		32,544	50,019
Investments in operating fixed assets		(122,621)	(659,175)
Sale proceeds of operating fixed assets	11.5	54,504	83,622
<b>Net cash flow from investing activities</b>		<b>(1,423,162)</b>	<b>1,228,634</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		-	-
<b>Increase in cash and cash equivalents</b>		<b>6,442</b>	<b>2,815</b>
Cash and cash equivalents at beginning of the year		1,734,051	1,731,236
<b>Cash and cash equivalents at end of the year</b>	30	<b>1,740,493</b>	<b>1,734,051</b>

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




## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2009

	Issued, subscribed and paid-up share capital	Capital Reserves			Accumulated loss	Total
		Share premium	Statutory reserve	Others [Note 5.1 (ii)]		
----- (Rupees '000) -----						
<b>Balance as at January 1, 2008</b>	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)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	-	(1,071,207)	(1,071,207)
<b>Balance as at December 31, 2008</b>	5,001,466	577,537	2,494	-	(1,366,254)	4,215,243
Loss after taxation for the year ended December 31, 2009	-	-	-	-	(1,755,007)	(1,755,007)
Other comprehensive income	-	-	-	7,550	-	7,550
Total comprehensive income / (loss) for the year	-	-	-	7,550	(1,755,007)	(1,747,457)
<b>Balance as at December 31, 2009</b>	<b>5,001,466</b>	<b>577,537</b>	<b>2,494</b>	<b>7,550</b>	<b>(3,121,261)</b>	<b>2,467,786</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

### 1. STATUS AND NATURE OF BUSINESS

- 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 objective 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 Bank operates with 40 branches (2008: 40) in Pakistan.
- 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. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement (MCR) for banks upto Rs.10 billion to be achieved in a phased manner by December 31, 2013. The MCR (free of losses) and Capital Adequacy Ratio (CAR) as of December 31, 2009 is Rs.6 billion and 10% respectively. The paid up capital of the Group as of December 31, 2009 amounts to Rs.5 billion and the Group has reserves and accumulated loss of Rs.587.58 million and Rs.3,121.26 million respectively as of said date while CAR stands at 6.76%. Keeping in view the said regulatory requirements, the Bank had earlier initiated a process for merger with KASB Bank Limited followed by Silk Bank Limited (formerly Saudi Pak Commercial Bank Limited). The said proposed mergers did not materialize.

During the year, the sponsors of the Bank have entered into an agreement with Suroor Investments Limited (SIL) to divest their 58.31% shareholding in the Bank. SIL, a company incorporated in Mauritius, has plans to acquire and undertake a merger of three commercial banks in Pakistan (including the Bank) which would result in transfer of assets, liabilities and operations of the Bank to the proposed merged entity. Additionally, the management of the Bank has prepared an alternative plan and future projections duly approved by the Board of Directors which include injection of additional equity, in case the proposed merger does not materialize. Based on the above, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

Further, the SBP vide their letter No. BSD/BAI-3/608/006/2010 dated January 6, 2010 has extended the timeline for meeting the MCR of Rs.6 billion and CAR of 10% for the Bank till March 31, 2010 or proposed merger, whichever is earlier.

### 2. BASIS OF PRESENTATION AND CONSOLIDATION

- 2.1** These financial statements have been prepared in conformity with the format of financial statements prescribed by the 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 company 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 and Banking Companies Ordinance, 1962 or if it is decided by the Securities and Exchange Commission of Pakistan (SECP) and SBP. Where the requirements of the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 or directives issued by the SECP and 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 requirements of various circulars issued by the SBP.

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention, except that certain investments and derivatives are carried at fair value as stated in note 5.5 and 5.8 below.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 Changes in accounting policies**

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended December 31, 2008, except for the following:

- i) The Group has adopted International Accounting Standard 1 "Presentation of Financial Statements (Revised)" (IAS 1) which became effective for accounting years beginning on or after January 1, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line item in the statement of changes in equity. In addition, the standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has adopted two statement approach and accordingly has presented separate statements of profit and loss account and comprehensive income. However, in accordance with requirements of the SBP directive, the Group continues to treat the surplus / deficit on revaluation of available-for-sale investments as described in note 5.5 below and the same is not taken to the statements of comprehensive income and changes in equity.
- ii) During the year, the SBP has issued interim instructions whereby banks have been allowed to upgrade loan classification and reverse provisions held against non-performing advances upon restructuring / rescheduling of such advances. The instructions are applicable only to such non-performing advances that are overdue by less than one year at the time of restructuring / rescheduling. The instructions further require that the aforesaid reversal of provision shall be taken to equity as capital reserve and subsequently credited to the profit and loss account upon declassification of subject loans as per the conditions laid out in the said instructions.

The above instructions have resulted in a change in accounting policy regarding reversal of provision against non-performing advances which are now accounted for prospectively, in certain cases, based on the above instructions. Previously, all reversals of provisions against non-performing advances were taken to the profit and loss account. The impact of change in accounting policy is disclosed in note 10.3.2.

##### **5.2 Cash and cash equivalents**

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

##### **5.3 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 recognized 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 recognized 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.

#### **5.4 Financial instruments - recognition and derecognition**

Financial assets and financial liabilities are initially recognized on the trade date i.e. at the time when the Group becomes a party to the contractual provisions of the instrument. These include regular way purchases or sales of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risks and rewards of ownership 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 assets and liabilities is recognized in the profit and loss account of the current period.

#### **5.5 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, until the investment is disposed off or determined to be impaired in which case the cumulative surplus / deficit is transferred to the profit and loss account.

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

#### **5.6 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. The provisions made / reversed during the year are charged / credited to the profit and loss account other than as stated in note 5.1(ii) to the financial statements. Advances are written off when there are no realistic prospects of recovery.

##### **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 recognized 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.

#### **5.7 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 legal liability for the right to set off and the Group's financial position is either the assets and liabilities or the liabilities and assets, whichever is the larger. The assets and liabilities are stated at the date of the balance sheet.

## 5.8 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.

## 5.9 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.

## 5.10 Operating fixed assets and depreciation

### Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include major 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 assets 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.

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

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 less accumulated impairment losses, if any.

## 5.11 Non banking assets acquired in satisfaction of claims

Non banking assets acquired in satisfaction of claims are initially measured at the settlement value assigned for the purpose of extinguishment of borrowers' liabilities. Subsequent to initial recognition the assets are

carried at the end of the reporting period. Any loss arising from the impairment of investments is recognized in the profit and loss account for the reporting period. Any loss arising from the impairment of investments is recognized in the profit and loss account for the reporting period. Any loss arising from the impairment of investments is recognized in the profit and loss account for the reporting period.

## 5.12 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 recognized 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 recognized 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 recognized as an adjustment to surplus / deficit arising on revaluation.

## 5.13 Provisions for liabilities

Provisions are recognized 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.

## 5.14 Staff benefits

### Defined benefit plan

The Bank operates an approved funded gratuity scheme for its permanent and full time employees in the management cadre. The subsidiary company operates an approved gratuity scheme for its management employees. The liability recognized 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 (in case of the Bank), 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 and the subsidiary company operate approved funded contributory provident funds for all their permanent employees to which equal monthly contributions are made both by the Bank / subsidiary company and the employees at the rate of 11% per annum of basic salary. The Bank / subsidiary company has no further payment obligations once the contributions have been paid. The contributions made by the Bank / subsidiary company are recognized 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.

## 5.15 Provision for guarantee claims and other off-balance sheet obligations

The Bank, in the ordinary course of business, issues letters of credit, acceptances, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognized in the profit and loss account under "fee, commission and brokerage income" over the period of contracts. The Bank's liability under such contracts is measured at the best estimate of the amount expected to settle any financial obligation arising under such contracts.

### 5.16 Revenue recognition

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

Income on net investment in finance lease is recognized 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 recognized 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 recognized when earned.

Dividend income from investments is recognized 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 recognized in income.

### 5.17 Foreign currencies translation

The financial statements are presented in Pak Rupees which is the Group's functional and presentation currency. 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.

### 5.18 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.

### 5.19 Fiduciary assets

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

### 5.20 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.

### 5.21 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:

	<b>Note</b>
Classification of investments and provision for diminution in value of investments	5.5 & 9.1
Goodwill impairment assessment	5.9
Useful lives of assets and methods of depreciation / amortisation	5.10, 11.2, 11.3 & 11.4
Deferred taxation	5.12 & 12
Provision against non-performing advances / lendings to financial institutions / other assets	5.3, 5.6, 8, 10.3 & 13.5
Provision for staff benefits	5.14 & 32



**5.22 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

Standard, interpretation or amendment	Effective date (accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 27 - Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IAS 32 - Financial Instruments: Presentation - Classification of Right Issues (Amendment)	February 01, 2010
IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 - Business Combinations (Revised)	July 01, 2009
IFRIC 14 - IAS 19 – The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 17 - Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group expects that the adoption of the above interpretations, amendments and revisions of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

	Note	2009 ------(Rupees '000)-----	2008
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
- local currency		290,066	407,769
- foreign currency		100,644	100,174
		<b>390,710</b>	<b>507,943</b>
With SBP in			
- local currency current account	6.1	702,602	937,815
- foreign currency current account		4,246	2,381
- foreign currency deposit account - special cash reserve	6.2	300,073	104,091
- cash reserve	6.3	100,024	34,364
		<b>1,106,945</b>	<b>1,078,651</b>
With National Bank of Pakistan in			
- local currency current account		79,488	31,234
		<b>1,577,143</b>	<b>1,617,828</b>

**6.1** This represents statutory cash reserves maintained with the SBP.

**6.2** 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.

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



	Note	2009 ------(Rupees '000)-----	2008				
<b>7. BALANCES WITH OTHER BANKS</b>							
In Pakistan							
- on current accounts		1,161	14,603				
- on deposit accounts		65,609	64,662				
Outside Pakistan							
- on current accounts		96,580	36,958				
		<u>163,350</u>	<u>116,223</u>				
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>							
Repurchase agreement lendings (Reverse Repos)	8.2	813,438	-				
Letter of placement		50,000	114,000				
Treasury deposit receipts	8.3	30,000	-				
		<u>893,438</u>	<u>114,000</u>				
Less: Provision held against letter of placement	8.4	(25,000)	-				
		<u>868,438</u>	<u>114,000</u>				
<b>8.1 Particulars of lending</b>							
In local currency		893,438	114,000				
In foreign currency		-	-				
		<u>893,438</u>	<u>114,000</u>				
<b>8.2 Securities held as collateral against lendings to financial institutions (Reverse Repos)</b>							
		<b>2009</b>	<b>2008</b>				
		Held by Bank    Further given as collateral    Total	Held by Bank    Further given as collateral    Total				
		------(Rupees '000)-----					
	Note						
Market Treasury Bills	8.2.1	813,438	-	813,438	-	-	-
		<u>813,438</u>	<u>-</u>	<u>813,438</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>8.2.1</b>		Market Treasury Bills have been purchased under resale agreements at rates ranging from 12.25% to 12.40% (2008: nil) with maturities in January 2010. The market value of Market Treasury Bills as of December 31, 2009 amounts to Rs.813.45 million (2008: nil).					
<b>8.3</b>		This represents treasury deposit receipt with a financial institution at rate of 11% per annum (2008: nil) with maturity in September 2010. A bank guarantee in favour of Karachi Stock Exchange (Guarantee) Limited is secured against the treasury deposit receipt.					
			<b>2009</b>	<b>2008</b>			
			------(Rupees '000)-----				
<b>8.4 Particulars of provision held against letter of placement</b>							
Opening balance			-	-			
Charge for the year			25,000	-			
Closing balance			<u>25,000</u>	<u>-</u>			

## 9. INVESTMENTS

Note	2009			2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees '000)						
<b>9.1</b>	<b>INVESTMENTS BY TYPES</b>					
	<b>Held-for-trading securities</b>					
Listed Companies (ordinary shares) 9.2.3	-	-	-	5,060	-	5,060
Mutual Funds (units / certificates) 9.2.7	2,000	-	2,000	-	-	-
	<b>Available-for-sale securities</b>					
Listed Companies (ordinary shares) 9.2.3	695,000	-	695,000	701,238	-	701,238
Mutual Funds (units / certificates) 9.2.7	614,517	-	614,517	314,517	-	314,517
Term Finance Certificates 9.2.5 & 9.2.6	611,004	-	611,004	543,847	100,000	643,847
Pakistan Investment Bonds 9.2.1	983,820	-	983,820	257,832	747,432	1,005,264
Market Treasury Bills 9.2.2	1,934,680	-	1,934,680	-	786,566	786,566
Unlisted Companies (ordinary shares) 9.2.4	31,000	-	31,000	31,000	-	31,000
	<b>4,870,021</b>	<b>-</b>	<b>4,870,021</b>	<b>1,848,434</b>	<b>1,633,998</b>	<b>3,482,432</b>
<b>Total Investments at cost</b>	<b>4,872,021</b>	<b>-</b>	<b>4,872,021</b>	<b>1,853,494</b>	<b>1,633,998</b>	<b>3,487,492</b>
Less: Provision for diminution in value of investments 9.3	(390,493)	-	(390,493)	(2,363)	-	(2,363)
	<b>4,481,528</b>	<b>-</b>	<b>4,481,528</b>	<b>1,851,131</b>	<b>1,633,998</b>	<b>3,485,129</b>
<b>Investments (net of provisions)</b>						
Surplus / (deficit) on revaluation of held-for-trading securities 9.2.8	127	-	127	(591)	-	(591)
Deficit on revaluation of available-for-sale securities 19	(113,082)	-	(113,082)	(696,624)	(179,845)	(876,469)
<b>Total investments at market value *</b>	<b>4,368,573</b>	<b>-</b>	<b>4,368,573</b>	<b>1,153,916</b>	<b>1,454,153</b>	<b>2,608,069</b>

Note	2009	2008
	----- (Rupees '000) -----	
<b>9.2</b>	<b>INVESTMENTS BY SEGMENTS</b>	
	<b>Federal Government Securities</b>	
- Pakistan Investment Bonds 9.2.1	983,820	1,005,264
- Market Treasury Bills 9.2.2	1,934,680	786,566
	<b>2,918,500</b>	<b>1,791,830</b>
	<b>Fully Paid-up Ordinary Shares</b>	
- Listed Companies (ordinary shares) 9.2.3	695,000	706,298
- Unlisted Companies (ordinary shares) 9.2.4	30,000	30,000
Atlas Asset Management Limited (related party) 9.2.4	1,000	1,000
Arabian Sea Country Club 9.2.4		
	<b>31,000</b>	<b>31,000</b>
	<b>Term Finance Certificates</b>	
- Listed 9.2.5	471,216	529,816
- Unlisted 9.2.6	139,788	114,031
	<b>611,004</b>	<b>643,847</b>
	<b>Other Investments</b>	
- Mutual Funds (units / certificates) 9.2.7	616,517	314,517
	<b>4,872,021</b>	<b>3,487,492</b>
<b>Total investments at cost</b>	<b>4,872,021</b>	<b>3,487,492</b>
Less: Provision for diminution in value of investments 9.3	(390,493)	(2,363)
	<b>4,481,528</b>	<b>3,485,129</b>
<b>Investments (net of provisions)</b>		
Surplus / (deficit) on revaluation of held-for-trading securities 9.2.8	127	(591)
Deficit on revaluation of available-for-sale securities 19	(113,082)	(876,469)
<b>Total investments at market value*</b>	<b>4,368,573</b>	<b>2,608,069</b>

9.2.1 These securities are for a period of ten years (2008: ten years). The effective yield on these bonds ranges from 6.22% to 9.58% (2008: 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 six months to one year (2008: one year). The effective yield of these bills ranges from 11.85% to 13.23% (2008: 9.98% to 10.04%) per annum with maturities from March 2010 to April 2010.

\* Unlisted investments are carried at cost less provision for diminution in value of investment, if any.

### 9.2.3 Details of investments in Listed Companies

	Rating*		No. of shares/ certificates		Paid-up value		Market value		Cost	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
------(Rupees '000)-----										
<b>Held-for-trading securities</b>	-	-	-	-	-	-	-	4,469	-	5,060
<b>Available-for-sale securities</b>										
<b>Fully paid up ordinary shares of Rs.10/- each (unless stated otherwise)</b>										
Adamjee Insurance Company Limited	AA	AA	58,630	53,328	586	533	7,211	5,431	14,405	14,408
Al Abbas Cement Company Limited	-	N/A	-	87	-	1	-	-	-	-
Allied Bank Limited	-	AA	-	85	-	1	-	3	-	3
Arif Habib Bank Limited	-	A	-	963	-	10	-	5	-	3
Arif Habib Limited	-	N/A	-	95	-	1	-	8	-	7
Arif Habib Securities Limited	N/A	A+	156,250	158,334	1,563	1,583	7,681	6,660	22,013	22,107
Askari Bank Limited	AA	AA	168,750	138,219	1,687	1,382	4,564	2,014	9,579	9,631
Attock Petroleum Limited	-	N/A	-	46	300	-	4,148	7	3,323	7
Attock Refinery Limited	AA	AA	30,000	31,000	-	310	-	1,853	-	3,387
Azgard Nine Limited	-	A+	-	80	-	1	-	1	-	1
Bank Alfalah Limited	-	AA	-	2,182	-	22	-	37	-	40
Bank Al-Habib Limited	-	AA	-	295	-	3	-	7	-	7
Bank Islami Pakistan Limited	-	A-	-	1,733	-	17	-	13	-	9
BOC Pakistan Limited	-	N/A	-	6	-	-	-	1	-	1
Bosicor Pakistan Limited	-	N/A	-	4,290	-	43	-	20	-	14
Callmate Telips Limited	-	N/A	-	-	-	-	-	-	-	-
Crescent Steel Industries Limited	A+	A+	110,000	110,192	1,100	1,102	2,861	1,876	8,787	8,790
D.G. Khan Cement Company Limited	N/A	N/A	60,000	101,995	600	1,020	1,954	2,170	2,164	3,151
D.S. Industries Limited	-	N/A	-	162	-	2	-	2	-	2
Dawood Equities Limited	-	N/A	-	6	-	-	-	-	-	-
Dawood Lawrencepur Limited	-	N/A	-	12	-	-	-	1	-	1
Dewan Cement Limited	-	BB	-	300	-	3	-	1	-	1
Dewan Salman Fibre Limited	-	N/A	-	17,663	-	177	-	25	-	16
Dost Steels Limited	-	N/A	-	428	-	4	-	3	-	3
EFU General Insurance Limited	-	AA	-	99	-	1	-	13	-	12
Engro Chemicals Pakistan Limited	AA	AA	330,155	253,747	3,301	2,537	60,401	24,477	73,121	70,261
Eye Television Network Limited	A	N/A	49,000	49,000	490	490	1,426	1,678	3,227	3,227
Fauji Cement Company Limited	-	N/A	-	4,127	-	41	-	19	-	14
Fauji Fertilizer Bin Qasim Limited	-	N/A	-	10,966	-	110	-	141	-	140
Fauji Fertilizer Company Limited	N/A	N/A	281,875	205,286	2,819	2,053	28,881	12,057	25,493	25,509
Faysal Bank Limited	-	AA	-	189	-	2	-	2	-	3
Habib Bank Limited	-	AA+	-	129	-	1	-	10	-	10
Hira Textile Mills Limited	N/A	N/A	293,047	293,047	2,930	2,930	1,108	662	3,663	3,663
Honda Atlas Cars Limited	-	N/A	-	900	-	9	-	10	-	12
Hub Power Company Limited	-	N/A	-	1,072	-	11	-	15	-	13
ICI Pakistan Limited	-	N/A	-	119	-	1	-	8	-	9
Indus Motor Company Limited	-	N/A	-	15	-	-	-	2	-	2
Jahangir Siddiqui & Company Limited	AA+	AA+	189,078	190,799	1,891	1,908	5,672	9,975	34,965	35,062
Javed Omer Vohra & Company Limited	-	BB+	-	1,907	-	19	-	17	-	22
JS Bank Limited	-	A-	-	2,389	-	24	-	14	-	8
JS Investments Limited	-	AA-	-	265	-	3	-	11	-	11
JS Value Fund Limited	-	N/A	-	171	-	2	-	1	-	-
Kot Addu Power Company Limited	-	N/A	-	20	-	-	-	1	-	-
Lucky Cement Limited	N/A	N/A	200,000	202,280	2,000	2,023	13,220	6,325	24,568	24,645
Maple Leaf Cement Company Limited	-	BBB+	-	1,802	-	18	-	7	-	5
Maple Leaf Cement Company Limited (Pref.Shares)	SD	BBB+	30,000	30,000	300	300	143	227	225	225
Meezan Bank Limited	-	A+	-	9	-	-	-	-	-	-
MCB Bank Limited	AA+	AA+	148,500	135,202	1,485	1,352	32,596	17,009	55,201	55,228
Murree Brewery Company Limited	N/A	N/A	26,620	24,200	266	242	2,047	2,542	3,601	3,601
National Bank of Pakistan	AAA	AAA	201,000	185,572	2,010	1,856	14,924	9,338	33,835	34,812
National Refinery Limited	AAA	AAA	25,000	25,099	250	251	4,413	2,388	9,193	9,203
Netsol Technologies Company Limited	-	N/A	-	11,736	-	117	-	297	-	318
NIB Bank Limited	-	AA-	-	47,086	-	471	-	220	-	136
Nishat Chunian Limited	N/A	N/A	110,000	110,211	1,100	1,102	2,321	1,066	4,508	4,510
Nishat Mills Limited	A+	A+	412,500	276,485	4,125	2,765	28,722	6,249	34,501	31,097
Oil & Gas Development Company Limited	AAA	AAA	480,400	525,671	4,804	5,257	53,036	26,278	59,150	61,581
Pace Pakistan Limited	-	N/A	-	6,189	-	62	-	53	-	66
Packages Limited	-	AA	-	9,214	-	92	-	748	-	758
Pak Elektron Limited	-	A	-	397	-	4	-	9	-	10
Pak Suzuki Motor Company Limited	N/A	N/A	25,000	25,000	250	250	2,235	1,990	8,671	8,671
Pakistan Cement Company Limited	-	N/A	-	920	-	9	-	3	-	2
Pakistan Int'l Container Terminal Limited	A	A-	60,000	50,100	600	501	6,000	2,274	6,256	6,260
Pakistan Oilfields Limited	N/A	N/A	210,000	221,693	2,100	2,217	48,405	22,721	66,339	67,627
Pakistan Petroleum Limited	N/A	N/A	326,040	289,307	3,260	2,893	61,664	29,110	61,672	63,575
Pakistan Premier Fund	-	N/A	-	170	-	2	-	-	-	-
Pakistan PTA Limited	-	N/A	-	1,982	-	20	-	3	-	2
Pakistan Refinery Limited	N/A	N/A	25,000	25,218	250	252	2,988	2,481	6,880	6,899
Pakistan Reinsurance Company Limited	-	N/A	-	-	-	-	-	6	-	7
Pakistan State Oil Company Limited	AA+	AAA	100,000	109,348	1,000	1,093	30,000	15,810	46,207	47,659
Pakistan Telecommunications Company Limited	N/A	N/A	250,000	254,484	2,500	2,545	4,390	4,299	11,012	11,094
Pervez Ahmed Securities Limited	-	N/A	-	6,269	-	63	-	23	-	42
PICIC Growth Fund	-	N/A	-	356	-	4	-	2	-	2
Pioneer Cement Company Limited	-	BBB	-	232	-	2	-	6	-	5
Saudi Pak Commercial Bank Limited	-	A-	-	1,882	-	19	-	9	-	10
Searle Pakistan Limited	-	BBB	-	31	-	-	-	2	-	2
Shakarganj Sugar Limited	D	BBB+	60,000	60,000	600	600	480	435	2,314	2,314
Sitara Peroxide Limited	-	N/A	-	859	-	9	-	16	-	14
SME Leasing Limited	A-	A-	902,350	902,350	9,024	9,024	9,475	13,535	9,926	9,926
Soneri Bank Limited	AA-	AA-	256,200	210,191	2,562	2,102	2,844	2,312	10,807	10,809
Sui Northern Gas Pipeline Limited	-	AA	-	463	-	5	-	10	-	8
Sui Southern Gas Company Limited	-	AA-	-	2,288	-	23	-	24	-	27
Telecard Limited	-	BBB	-	2,542	-	25	-	5	-	3
Thal Limited	N/A	N/A	42,000	35,000	420	350	3,556	2,863	6,367	6,367
The Bank of Punjab	AA-	AA-	200,000	245,777	2,000	2,916	3,870	3,244	11,898	12,587
TRG Pakistan Limited	-	BBB+	-	6,098	-	61	-	11	-	8
Tristar Power Limited	-	N/A	-	33	-	-	-	4	-	4
United Bank Limited	AA+	AA+	152,350	148,731	1,524	1,487	8,859	5,490	21,129	21,535
WorldCall Telecom Limited	-	A+	-	6,052	-	61	-	18	-	17
					59,697	58,802	462,095	248,713	695,000	701,238
<b>Total investments in listed companies</b>							462,095	253,182	695,000	706,298

\* 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	Net Asset value per		Cost	
		Holding %	Share* (Rupees)	2009	2008
<b>Related party</b>					
Atlas Asset Management Limited Chief Executive Officer: Mr. M. Habib-ur-Rahman 3,000,000 ordinary shares of Rs.10/- each (2008: 3,000,000 ordinary shares of Rs.10/- each)	9.2.4.1	12	8.99	<b>30,000</b>	30,000
<b>Others</b>					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi 100,000 ordinary shares of Rs.10/- each (2008: 100,000 ordinary shares of Rs.10/- each)		1.29	8.25	<b>1,000</b>	1,000
				<b>31,000</b>	<b>31,000</b>

**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.

\* Net asset value per share is based on the audited financial statements for the year ended June 30, 2009 in case of Atlas Asset Management Limited and Arabian Sea Country Club.

**9.2.5 Details of investments in Term Finance Certificates - Listed \*\***

	No. of certificates		Rating *		Market Value		Cost	
	2009	2008	2009	2008	2009	2008	2009	2008
Allied Bank Limited	<b>3,000</b>	3,000	AA-	AA-	<b>14,514</b>	16,355	<b>14,982</b>	14,988
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	<b>3,000</b>	3,000	A	A	<b>4,952</b>	10,200	<b>5,100</b>	10,200
Askari Commercial Bank Limited - 2nd issue (unsecured)	<b>6,990</b>	6,990	AA-	AA-	<b>33,538</b>	34,908	<b>34,894</b>	34,908
Azgard Nine Limited	<b>2,000</b>	2,000	AA-	AA-	<b>7,466</b>	10,089	<b>7,489</b>	9,157
Bank Alfalah Limited - 2nd issue (unsecured)	<b>8,079</b>	8,079	AA-	AA-	<b>39,423</b>	40,333	<b>40,317</b>	40,333
Bank Alfalah Limited - 3rd issue (unsecured)	<b>2,000</b>	2,000	AA-	AA-	<b>9,625</b>	9,988	<b>9,985</b>	9,988
Bank Al-Habib Limited - 1st issue (unsecured)	<b>3,480</b>	3,480	AA	AA-	<b>15,942</b>	17,372	<b>17,365</b>	17,372
Bank Al-Habib Limited - 2nd issue (unsecured)	<b>7,000</b>	7,000	AA	AA-	<b>34,965</b>	35,462	<b>34,965</b>	34,979
Al Zamin Leasing Corporation Limited (Formerly Crescent Leasing Corporation Limited) - 2nd issue	<b>2,000</b>	2,000	A-	A+	<b>10,000</b>	10,235	<b>10,000</b>	10,000
Escorts Investment Bank Limited	<b>5,000</b>	5,000	A+	A+	<b>20,637</b>	24,985	<b>20,817</b>	24,985
IGI Investment Bank Limited	<b>6,000</b>	6,000	A+	A+	<b>14,897</b>	22,491	<b>14,994</b>	22,491
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	<b>5,000</b>	5,000	AA+	AA+	<b>12,480</b>	24,960	<b>12,480</b>	24,960
Jahangir Siddiqui & Company Limited - 4th issue	<b>5,000</b>	5,000	AA+	AA+	<b>25,574</b>	24,980	<b>24,970</b>	24,980
NIB Bank Limited (unsecured)	<b>5,400</b>	5,400	A+	A+	<b>24,765</b>	26,995	<b>26,984</b>	26,995
Pakistan Mobile Communication (Private) Limited	<b>2,000</b>	2,000	AA-	AA-	<b>10,014</b>	9,990	<b>9,986</b>	9,990
Searle Pakistan Limited	<b>2,000</b>	2,000	BBB+	A-	<b>3,627</b>	6,248	<b>3,749</b>	6,248
Standard Chartered Bank Limited - 2nd issue (unsecured)	<b>2,587</b>	2,587	AA	AAA	<b>8,858</b>	12,268	<b>9,044</b>	12,268
Standard Chartered Bank Limited - 3rd issue (unsecured)	<b>10,000</b>	10,000	AA	AAA	<b>49,930</b>	55,045	<b>49,930</b>	49,950
Telecard Limited	<b>11,530</b>	11,530	BBB	BBB	<b>23,577</b>	31,527	<b>26,271</b>	33,362
Trust Investment Bank Limited - 2nd issue - 1st tranche	-	5,128	-	A	-	5,128	-	5,128
Trust Investment Bank Limited - 2nd issue - 2nd tranche	<b>6,807</b>	6,807	BBB	A	<b>9,786</b>	13,614	<b>10,210</b>	13,614
Trust Investment Bank Limited - 3rd issue	<b>3,877</b>	3,877	BBB	AA-	<b>17,346</b>	19,385	<b>19,377</b>	19,385
United Bank Limited (unsecured)	<b>11,000</b>	11,000	AA	AA	<b>48,712</b>	53,378	<b>54,894</b>	54,916
World Call Telecom Limited	<b>3,727</b>	3,727	A	AA-	<b>12,145</b>	18,619	<b>12,413</b>	18,619
<b>Total investments in Term Finance Certificates - Listed</b>					<b>452,773</b>	<b>534,555</b>	<b>471,216</b>	<b>529,816</b>

\* 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.

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

<b>Particulars</b>	<b>Rate</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Allied Bank Limited	1.90% above 6 months KIBOR.	Semi-annually	Eight years from December 6, 2006.
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% par 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 Limited -2nd Issue (unsecured)	1.50% above 6 months KIBOR.	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Limited	2.40% over simple average of 6 months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited - 2nd issue (unsecured)	1.50% over simple average of 6 months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (unsecured)	1.50% above 6 months KIBOR.	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 1st issue (unsecured)	1.50% above 6 months KIBOR (Floor of 3.5% par annum cap of 10% par annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Limited - 2nd issue (unsecured)	1.95% above 6 months KIBOR.	Semi-annually	Eight years from February 7, 2007.
Al Zamin Leasing Corporation Limited (Formerly Crescent Leasing Corp. Limited) - 2nd issue	2.75% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% par annum as floor and 15.75% par 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 Limited	2.50% above 6 months KIBOR (Floor of 8% par annum & Cap of 17% par annum 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 Limited	2.25% over 6 months KIBOR.	Semi-annually	Five years from July 28, 2006.
Jahangir Siddiqui & Co. Limited - 2nd issue (unsecured)	8.29% par 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. Limited - 4th issue	2.5% above 6 months KIBOR.	Semi-annually	Five and a half year from November 21, 2006.
NIB Bank Limited (unsecured)	1.15% above 6 months KIBOR.	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Limited	2.85% over 6 months KIBOR.	Semi-annually	Five years from May 31, 2006.
Searle Pakistan Limited	2.50% above 6 months KIBOR.	Semi-annually	Five years from March 09, 2006.
Standard Chartered Bank Limited - 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% par annum as floor and 10.75% par annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Standard Chartered Bank Limited - 3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.
Telecard Limited	3.75% over simple average of 6 months KIBOR (ask side).	Semi-annually	Eight and half years from May 27, 2005.
Trust Investment Bank Limited - 2nd issue - 2nd tranche	2% over 6 months KIBOR.	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 Investment Bank Limited - 3rd issue	1.85% above 6 months KIBOR.	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 Limited (unsecured)	8.45% par annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Limited	2.75% above 6 months KIBOR.	Semi-annually	Five years from November 28, 2006.

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

	No. of certificates		Rating **		Cost	
	2009	2008	2009	2008	2009	2008
					---- (Rupees '000) ----	
Avari Hotels Limited	5,000	5,000	A-	A-	25,000	12,667
Bunnys Limited	10,000	-	N/A	-	50,000	-
Gharibwal Cement Limited	5,000	5,000	N/A	BBB	24,985	24,995
Grays Leasing Limited	2,000	2,000	N/A	BBB	5,000	8,000
Kashf Foundation	5,000	5,000	A-	A	10,714	25,000
New Khan Transport Company (Private) Limited	10	10	N/A	N/A	5,339	5,453
Orix Leasing Pakistan Limited	100	100	AA	AA	10,000	10,000
Pakistan International Airlines Corporation Limited	-	4,000	-	N/A	-	14,166
Security Leasing Corporation Limited	2,000	2,000	BBB-	BBB	3,750	6,250
Trakker (Private) Limited	100	100	A	A	5,000	7,500
<b>Total investments in Term Finance Certificates - Un-listed</b>					<b>139,788</b>	<b>114,031</b>

\* Secured and have face value of Rs.5,000/- each unless specified otherwise, except for New Khan Transport Company (Private) Limited (Rs.1 million each), Orix Leasing Pakistan Limited (Rs.100,000/- each) and Trakker (Private) Limited (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** Term finance certificates having cost of Rs.30.32 million (2008: Rs.5.45 million) have been placed under non-performing status.

**9.2.6.2 Other particulars of unlisted term finance certificates are as follows:**

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Limited Chief Executive Officer: Mr. Byram D. Avari	3.25% over 6 months KIBOR.	Semi-annually	Seven years from November 1, 2007.
Bunnys Limited Chief Executive Officer: Ch. Haroon Shafiq	2.5% over 6 months KIBOR.	Semi-annually	Five years from November 30, 2008.
Gharibwal Cement Limited Chief Executive Officer: Mr. Tousif Paracha	3% above 6 months KIBOR.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Limited Chief Executive Officer: Mr. Abdul Rashid Mir	2.50% over 6 months KIBOR.	Monthly	10% to be paid after allotment and balance in 36 equal monthly installments.
Kashf Foundation Chief Executive Officer: Mr. Roshan A. Zafar	2.45% over 3 months KIBOR.	Semi-annually	Three years from November 5, 2007.
New Khan Transport Company (Private) Limited Chief Executive Officer: Mr. Mohammad Ashraf	3% over 6 months KIBOR with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Limited Chief Executive Officer: Mr. Humayun Murad	1.40% over 6 months KIBOR.	Semi-annually	Five years from July 30, 2007.
Security Leasing Corporation Limited Chief Executive Officer: Mr. Mohd. Khalid Ali	2.40% over 6 months KIBOR.	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Limited Chief Executive Officer: Mr. Ali Jamil	3.5% over 6 months KIBOR.	Semi-annually	Four years from September 15, 2007.

### 9.2.7 Details of Investments in mutual funds Held-for-trading securities

	No. of units / certificates		Rating *		Market value / net asset value		Cost	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees '000) -----								
<b>Open end</b>								
Crosby Phoenix Fund	19,839	-	N/A	-	2,127	-	2,000	-
					2,127	-	2,000	-
----- (Rupees '000) -----								
	No. of units / certificates		Rating *		Market value / net asset value		Cost	
	2009	2008	2009	2008	2009	2008	2009	2008
----- (Rupees '000) -----								

### Available-for-sale securities

<b>Open end</b>								
Atlas Income Fund (a related party)	508,536	-	5-star	-	262,490	-	250,000	-
Atlas Stock Market Fund (a related party)	71,893	71,893	4-star	4-star	33,233	16,952	40,000	40,000
Faysal Saving Growth Fund	518,957	-	N/A	-	53,406	-	50,000	-
National Investment Trust	3,436,404	3,427,812	5-star	N/A	103,951	77,777	200,000	200,000
JS Fund of Funds	149,818	149,818	4-star	5-star	14,777	11,045	12,235	12,235
<b>Closed end</b>								
First Dawood Mutual Fund	1,161,500	1,161,500	4-star	4-star	1,975	2,509	8,080	8,080
Pakistan Strategic Allocation Fund	2,566,500	2,566,500	4-star	4-star	11,293	5,852	27,215	27,215
PICIC Energy Fund	412,500	412,500	N/A	N/A	1,955	945	4,125	4,125
PICIC Growth Fund	245,000	245,000	N/A	N/A	3,499	1,369	8,490	8,490
UTP-Large Capital Fund	1,796,500	1,796,500	5-star	4-star	8,264	4,132	14,372	14,372
<b>Total Investments in Mutual Funds</b>					<b>494,843</b>	<b>120,581</b>	<b>614,517</b>	<b>314,517</b>

\* 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	2009 ----- (Rupees '000) -----	2008 ----- (Rupees '000) -----
<b>9.2.8 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading</b>			
Mutual fund		127	-
Listed companies (ordinary shares)		-	(591)
		127	(591)
<b>9.3 Particulars of provision for diminution in the value of investments</b>			
Opening balance		2,363	7,766
Charge for the year	9.3.1	388,130	1,363
Reversals during the year		-	(6,064)
		388,130	(4,701)
Write-off against provision		-	(702)
		390,493	2,363
<b>9.3.1</b> The impairment loss resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 amounted to Rs.648.02 million. In accordance with the requirement of BSD Circular No. 4 dated February 13, 2009, of the SBP, the said impairment loss after adjustments for the effect of price movements during the current year has been charged to the profit and loss account. Accordingly, the impairment charge for the year ended December 31, 2009 works out to be Rs.374.70 million which is included in the provision for diminution in value of investments as shown above.			
<b>9.3.2 Particulars of provision in respect of Type and Segment</b>			
<b>Available-for-sale securities</b>			
Term finance certificates - unlisted		11,586	1,363
Listed shares		236,585	-
Mutual funds		138,112	-
Unlisted shares		4,210	1,000
		390,493	2,363



	Note	2009 ------(Rupees '000)-----	2008
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		<b>19,642,214</b>	19,584,980
Outside Pakistan		-	-
		<b>19,642,214</b>	19,584,980
Net investment in finance lease			
In Pakistan		<b>686,610</b>	1,532,854
Outside Pakistan		-	-
	10.2	<b>686,610</b>	1,532,854
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		<b>98,489</b>	21,301
Payable outside Pakistan		<b>15,329</b>	39,367
		<b>113,818</b>	60,668
Financing in respect of Continuous Funding System (CFS)		-	36,226
Advances - gross		<b>20,442,642</b>	21,214,728
Provision for non-performing advances			
- specific	10.3	<b>(1,220,436)</b>	(759,245)
- general (against consumer financing)		<b>(1,562)</b>	(4,822)
	10.4	<b>(1,221,998)</b>	(764,067)
Advances - net of provision		<b>19,220,644</b>	20,450,661
<b>10.1 Particulars of advances (Gross)</b>			
<b>10.1.1 In local currency</b>			
In local currency		<b>20,427,313</b>	21,175,361
In foreign currency		<b>15,329</b>	39,367
		<b>20,442,642</b>	21,214,728
<b>10.1.2 Short term (for upto one year)</b>			
Short term (for upto one year)		<b>17,637,545</b>	17,766,572
Long term (for over one year)		<b>2,805,097</b>	3,448,156
		<b>20,442,642</b>	21,214,728

**10.2 Net investment in finance lease**

	2009				2008			
	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	296,897	209,832	-	506,729	474,002	763,445	-	1,237,447
Residual value	204,521	37,755	-	242,276	319,237	136,707	-	455,944
Minimum lease payments	501,418	247,587	-	749,005	793,239	900,152	-	1,693,391
Financial charges for future period	(26,658)	(35,737)	-	(62,395)	(51,873)	(108,664)	-	(160,537)
Present value of minimum lease payments	<b>474,760</b>	<b>211,850</b>	-	<b>686,610</b>	741,366	791,488	-	1,532,854

**10.2.1** 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.2,807.16 million (2008: Rs.1,467.94 million) which have been placed under non-performing status as detailed below:

	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000)								
<b>Category of classification</b>									
Other Assets Especially	-	-	-	-	-	-	-	-	-
Mentioned	-	-	-	-	-	-	-	-	-
Substandard	736,785	-	736,785	131,684	-	131,684	131,684	-	131,684
Doubtful	667,303	-	667,303	178,182	-	178,182	178,182	-	178,182
Loss	1,403,073	-	1,403,073	910,570	-	910,570	910,570	-	910,570
	<b>2,807,161</b>	<b>-</b>	<b>2,807,161</b>	<b>1,220,436</b>	<b>-</b>	<b>1,220,436</b>	<b>1,220,436</b>	<b>-</b>	<b>1,220,436</b>

	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees '000)								
<b>Category of classification</b>									
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
	<b>1,467,940</b>	<b>-</b>	<b>1,467,940</b>	<b>759,245</b>	<b>-</b>	<b>759,245</b>	<b>759,245</b>	<b>-</b>	<b>759,245</b>

**10.3.1** During the year, SBP vide its Circular No.10 of 2009 dated October 20, 2009, has amended the Prudential Regulations in respect of provisioning requirement for non-performing advances. In accordance with the revised regulations, Banks may consider 40 percent of the forced sale value of pledged stock and mortgaged residential, commercial and industrial properties held as collateral against non-performing advances for the purposes of computing the provisioning requirement in relation thereto. Previously, such benefit was allowed only to the extent of 30 percent of the forced sale value of pledged stock and mortgaged residential and commercial properties. This change in provisioning regulation has resulted in decrease in aggregate provisioning against non-performing advances of Rs.210.27 million and a consequent decrease in loss after tax for the year of Rs.136.68 million.

**10.3.2** As explained in note 5.1(ii) to the financial statements during the year the Bank has rescheduled / restructured loans and advances amounting to Rs.138.81 million, which resulted in upgradation of advances amounting to Rs.17.74 million for loss to doubtful category, Rs.75.89 million for doubtful to substandard category and Rs.45.18 million for substandard to regular category and reversal of provision amounting to Rs.7.55 million to the capital reserve.

#### 10.4 Particulars of provision against non-performing advances

Note	2009						2008		
	Specific	General	Total	Specific	General	Total			
	(Rupees '000)								
Opening balance	759,245	4,822	764,067	474,861	5,656	480,517			
Charge for the year	713,220	-	713,220	460,368	-	460,368			
Reversals	(185,275)	(3,260)	(188,535)	(101,290)	(834)	(102,124)			
	527,945	(3,260)	524,685	359,078	(834)	358,244			
Transferred to:									
- Other assets	(7,323)	-	(7,323)	(7,293)	-	(7,293)			
- Capital reserve	(7,550)	-	(7,550)	-	-	-			
	(14,873)	-	(14,873)	(7,293)	-	(7,293)			
	513,072	(3,260)	509,812	351,785	(834)	350,951			
Amount written off	(51,881)	-	(51,881)	(67,401)	-	(67,401)			
Closing balance	1,220,436	1,562	1,221,998	759,245	4,822	764,067			

#### 10.4.1 Particulars of provision against non-performing advances

In local currency	1,220,436	1,562	1,221,998	759,245	4,822	764,067
In foreign currency	-	-	-	-	-	-
	<b>1,220,436</b>	<b>1,562</b>	<b>1,221,998</b>	<b>759,245</b>	<b>4,822</b>	<b>764,067</b>

	Note	2009 ------(Rupees '000)-----	2008
<b>10.5 Particulars of write offs</b>			
<b>10.5.1</b> Against provisions		<b>51,881</b>	67,401
Directly charged to profit and loss account		-	-
		<b>51,881</b>	67,401
<b>10.5.2</b> Write offs of Rs.500,000/- and above		<b>50,650</b>	40,678
Write offs of below Rs.500,000/-		<b>1,231</b>	26,723
		<b>51,881</b>	67,401
<b>10.6 Details of loan write off of Rs.500,000 and above</b>			
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, 2009 is given in Annexure-1.			
<b>10.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.</b>			
Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		<b>535,552</b>	114,987
Loans granted during the year		<b>62,186</b>	452,012
Repayments		<b>(167,693)</b>	(31,447)
Balance at end of year		<b>430,045</b>	535,552
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		<b>574,841</b>	222,174
Loans granted during the year		<b>340,149</b>	467,707
Repayments		<b>(665,920)</b>	(115,040)
Balance at end of year		<b>249,070</b>	574,841
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		<b>112,973</b>	119,434
Net change during the year in respect of running finances		<b>(112,973)</b>	(6,461)
Balance at end of year		-	112,973
		<b>679,115</b>	1,223,366
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	<b>118,252</b>	324,030
Property and equipment - own use	11.2	<b>992,938</b>	863,516
Property and equipment - operating lease	11.3	<b>47</b>	27,754
Intangible assets	11.4	<b>225,149</b>	215,067
		<b>1,336,386</b>	1,430,367
<b>11.1 Capital work-in-progress</b>			
Civil works		<b>2,658</b>	1,773
Equipment		<b>1,429</b>	25,040
Advances to suppliers and contractors		<b>142,020</b>	319,306
Less: Provision against advances to suppliers	11.1.1	<b>146,107</b> <b>(27,855)</b>	346,119 (22,089)
		<b>118,252</b>	324,030
<b>11.1.1 Provision against advances to suppliers</b>			
Opening balance		<b>22,089</b>	-
Charge for the year	26.2	<b>5,766</b>	22,089
Reversals		-	-
Amount written off		-	-
		<b>27,855</b>	22,089

**11.2 Property and equipment - own use**

	2009							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Rate of Depreciation
	As at January 1, 2009	Additions/Transfer*/(Deletions)/(Written off)**	As at December 31, 2009	As at January 1, 2009	Charge for the year / (Deletions) / (Written off)**	As at December 31, 2009	As at December 31, 2009	
----- (Rupees '000) ----- (%)								
Leasehold Premises	-	61,325 51,800*	113,125	-	1,081	1,081	112,044	2-5
Leasehold improvements	351,283	86,287 (6,069) (989)**	430,512	26,483	39,393 (621) (274)**	64,981	365,531	10
Furniture, fixtures and equipment	372,718	74,544 (1,865)	445,397	32,451	40,411 (301)	72,561	372,836	10-15
Vehicles	114,995	3,463 (44,265)	74,193	29,582	14,712 (13,757)	30,537	43,656	20
Computer and allied equipment	172,255	23,476 (578)	195,153	59,219	37,163 (100)	96,282	98,871	30
<b>December 31, 2009</b>	<b>1,011,251</b>	<b>249,095</b> <b>51,800*</b> <b>(52,777)</b> <b>(989)**</b>	<b>1,258,380</b>	<b>147,735</b>	<b>132,760</b> <b>(14,779)</b> <b>(274)**</b>	<b>265,442</b>	<b>992,938</b>	

	2008							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Rate of Depreciation
	As at January 1, 2008	Additions/Transfer*/(Deletions)/(Written off)*	As at December 31, 2008	As at January 1, 2008	Charge for the year / (Deletions) / (Written off)*	As at December 31, 2008	As at December 31, 2008	
----- (Rupees '000) ----- (%)								
Leasehold improvements	91,480	259,872 (69)*	351,283	10,377	16,119 (13)*	26,483	324,800	10
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
Computer and allied equipment	92,364	84,879 (4,988)*	172,255	32,786	29,942 (3,509)*	59,219	113,036	30
<b>December 31, 2008</b>	<b>477,869</b>	<b>650,151</b> <b>(101,550)</b> <b>(15,219)*</b>	<b>1,011,251</b>	<b>78,111</b>	<b>96,726</b> <b>(19,117)</b> <b>(7,985)*</b>	<b>147,735</b>	<b>863,516</b>	

**11.2.1** Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.10.55 million (2008: Rs.13.47 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**

	2009							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	Rate of Depreciation
	As at January 1, 2009	(Deletions)	As at December 31, 2009	As at January 1, 2009	Charge for the year / (Deletions)	As at December 31, 2009	As at December 31, 2009	
(Rupees '000)								(%)
Equipment	35,667	(35,667)	-	7,980	1,615 (9,595)	-	-	10
Computer and allied equipment	158	-	158	91	20	111	47	30
<b>December 31, 2009</b>	<b>35,825</b>	<b>(35,667)</b>	<b>158</b>	<b>8,071</b>	<b>1,635 (9,595)</b>	<b>111</b>	<b>47</b>	

	2008							
	COST			ACCUMULATED DEPRECIATION			BOOK VALUE	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	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
<b>December 31, 2008</b>	<b>35,825</b>	<b>-</b>	<b>35,825</b>	<b>4,966</b>	<b>3,105</b>	<b>8,071</b>	<b>27,754</b>	

**11.4 Intangible assets**

	2009							
	COST			ACCUMULATED AMORTISATION			BOOK VALUE	Rate of Amortisation
	As at January 1, 2009	Additions / (Transfer)	As at December 31, 2009	As at January 1, 2009	Charge for the year	As at December 31, 2009	As at December 31, 2009	
(Rupees '000)								(%)
Computer software	73,113	59,953	133,066	34,941	14,626	49,567	83,499	30
Cards (Note 11.4.1)	110,000	-	110,000	-	-	-	110,000	-
Website cost	150	-	150	55	45	100	50	30
Tenancy rights (Note 11.4.2)	66,800	33,200 (68,400)	31,600	-	-	-	31,600	-
<b>December 31, 2009</b>	<b>250,063</b>	<b>93,153 (68,400)</b>	<b>274,816</b>	<b>34,996</b>	<b>14,671</b>	<b>49,667</b>	<b>225,149</b>	

	2008							
	COST			ACCUMULATED AMORTISATION			BOOK VALUE	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	As at December 31, 2008	
(Rupees '000)								(%)
Computer software	45,696	27,417	73,113	25,615	9,326	34,941	38,172	30
Cards	110,000	-	110,000	-	-	-	110,000	-
Website cost	150	-	150	15	40	55	95	30
Tenancy rights	66,800	-	66,800	-	-	-	66,800	-
<b>December 31, 2008</b>	<b>222,646</b>	<b>27,417</b>	<b>250,063</b>	<b>25,630</b>	<b>9,366</b>	<b>34,996</b>	<b>215,067</b>	

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

**11.4.2** These represent tenancy rights in respect of rooms in Karachi, Lahore and Islamabad Stock exchanges. These 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:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of purchaser
	----- (Rupees '000) -----						
Vehicles	820	135	685	500	(185)	Auction	Arfim Zafar - House # 304 Heven, Centre, 5 B -19 Block K North Nazimabad, Karachi
	519	195	324	607	283	-----do-----	Azhar Shahzad - CA 195/12 Saidpur Road Pindora Satallite Town, Rawalpindi
	951	276	675	937	262	-----do-----	Tahir Gul - House # A75, Block 18, Gulshan-e-Iqbal, Karachi
	951	276	675	937	262	-----do-----	-----do-----
	943	238	705	941	236	-----do-----	Riaz Ahmed - House # A-216, Block 3, Gulshan-e-Iqbal, Karachi
	475	220	255	452	197	-----do-----	Tanveer Kafeel - House C-37, Usmania Colony, Jageraabad, Karachi
	896	238	658	658	-	Bank Policy	Shariq Mubeen - Employee
	507	92	415	415	-	-----do-----	Atif Zahoor - Ex-employee
	830	316	514	514	-	-----do-----	Abbas Khan - Ex-employee
	497	125	372	372	-	-----do-----	Adeel Shaikh - Ex-employee
	921	244	677	677	-	-----do-----	Imran Bashir - Employee
	1,403	390	1,013	1,013	-	-----do-----	Shabbir Baxamosa - Ex-employee
	914	254	660	660	-	-----do-----	Umer Waheed - Employee
	930	282	648	648	-	-----do-----	Muhammad Azam - Ex-employee
	830	325	505	505	-	-----do-----	Farrukh Shujat - Ex-employee
	479	145	334	334	-	-----do-----	Sulaiman Ul Haq - Employee
	479	145	334	334	-	-----do-----	Mohammad Shahbaz - Employee
	497	104	393	393	-	-----do-----	Muhammad Ahmed Hashmi - Ex-employee
	920	244	676	676	-	-----do-----	Dawood Mohammad Vaid - Ex-employee
	497	105	392	392	-	-----do-----	Murarji Mandhan - Ex-employee
	497	125	372	372	-	-----do-----	Hamid Iqbal - Ex-employee
	660	292	368	368	-	-----do-----	Muhammad Haris - Ex-employee
	660	233	427	427	-	-----do-----	Ijaz Ahmed - Ex-employee
	882	294	588	588	-	-----do-----	Aurangzaib Mohsin - Ex-employee
	495	124	371	371	-	-----do-----	Nadeem Shafi Butt - Employee
	687	161	526	526	-	-----do-----	Kamran Hayee - Employee
	694	184	510	510	-	-----do-----	Qaiser Aftab - Ex-employee
	694	202	492	492	-	-----do-----	Zahir Ali Quettawala - Ex-employee
	920	279	641	641	-	-----do-----	Farjad Jafri - Ex-employee
	694	193	501	501	-	-----do-----	Faheem Qureshi - Ex-employee
	677	188	489	489	-	-----do-----	Wasim Alam - Employee
	921	269	652	652	-	-----do-----	Fawad Hamid - Employee
	867	297	570	570	-	-----do-----	Shakeel Sarwar - Employee
	479	157	322	322	-	-----do-----	Zahid Zulfiqar - Ex-employee
	497	176	321	321	-	-----do-----	Mohammad Ijaz - Ex-employee
	694	229	465	465	-	-----do-----	Ruqaya M.Rizvi - Employee
	923	347	576	576	-	-----do-----	Omar Kazmi - Ex-employee
	920	327	593	593	-	-----do-----	Aamir Ahmadani - Employee
	867	308	559	559	-	-----do-----	Arshad Abbas Soomro - Ex-employee
	497	171	326	326	-	-----do-----	Adeel Abdul Rehman - Ex-employee
	918	389	529	529	-	-----do-----	Yousuf Ali - Ex-employee
	689	209	480	480	-	-----do-----	Aqeel Mirza - Ex-employee
	668	186	482	482	-	-----do-----	Mr. Usman Ali Qureshi - Ex-employee
	497	119	378	475	97	Insurance claim	Altas Insurance Limited - related party
	497	138	359	485	126	-----do-----	-----do-----
	497	160	337	485	148	-----do-----	-----do-----
	474	195	279	474	195	-----do-----	-----do-----
	497	188	309	485	176	-----do-----	-----do-----
	497	159	338	480	142	-----do-----	-----do-----
	889	347	542	688	146	-----do-----	-----do-----
	519	137	382	535	153	-----do-----	-----do-----
	569	125	444	550	106	-----do-----	-----do-----
	1,303	666	637	625	(12)	Transfer	Atlas Honda Limited - related party
	2,846	933	1,913	1,878	(35)	Transfer	-----do-----
	802	79	723	711	(12)	Transfer	Atlas Engineering Limited - related party
Leasehold Improvements	3,983	132	3,851	178	(3,673)	Auction	M/S Prime Management Services
	2,054	482	1,572	229	(1,343)	Auction	Various
Furniture and Fixture	860	199	661	115	(546)	Auction	Various
Electrical Equipment	377	12	365	275	(90)	Auction	M/S Prime Management Services
Computer Equipment	575	98	477	-	(477)	Auction	-----do-----
Electrical Equipment (operating lease)	35,667	9,595	26,072	20,000	(6,072)	Lease agreement	Atlas Honda Limited - related party
	85,162	23,453	61,709	51,793	(9,916)		

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

Vehicles	2,619	822	1,797	2,423	626
Furniture, fixtures and equipment	628	90	538	279	(259)
Leasehold improvements	32	7	25	9	(16)
Computer Equipment	3	2	1	-	(1)
	<b>88,444</b>	<b>24,374</b>	<b>64,070</b>	<b>54,504</b>	<b>(9,566)</b>



	Note	2009 ------(Rupees '000)-----	2008
<b>12. DEFERRED TAX ASSETS - net</b>			
<b>Deferred tax debits arising in respect of:</b>			
- Employee benefits		1,279	1,767
- Deficit on revaluation of investments		41,134	283,442
- Provision against advances		229,066	3,040
- Provision against lendings to financial institutions		8,750	-
- Provision against investments		136,673	-
- Net investment in finance lease		5,249	-
- Tax losses		1,558,573	892,828
		<b>1,980,724</b>	<b>1,181,077</b>
<b>Deferred tax credit arising due to:</b>			
- Operating fixed assets		(154,840)	(121,351)
- Net investment in finance lease		-	(42,537)
		<b>(154,840)</b>	<b>(163,888)</b>
		<b>1,825,884</b>	<b>1,017,189</b>
<b>13. OTHER ASSETS</b>			
Income / Mark-up accrued in local currency		543,627	634,816
Advances, deposits and other prepayments	13.1	198,449	231,352
Advance taxation (payments less provisions)		117,274	102,793
Non banking assets acquired in satisfaction of claims	13.2	187,574	-
Branch adjustment account		3,842	12,974
Stationery and stamps on hand		1,908	2,832
Goodwill	13.3	377,421	377,421
Receivable against sale of securities		-	13,003
Due from clients in respect of securities transactions	13.4	206,971	535,841
Deposit with stock exchanges		-	550
Brokerage commission receivable		1,665	1,379
Receivable from stock exchanges		-	8,426
Branch claims		125,580	-
Other charges recoverable from lessees		6,394	12,467
Unrealized gain on derivative instruments		-	6,404
Others		7,297	13,371
		<b>1,778,002</b>	<b>1,953,629</b>
Less: Provision held against other assets	13.5	(230,715)	(83,837)
Other assets (net of provision)		<b>1,547,287</b>	<b>1,869,792</b>
<b>13.1 Advances for</b>			
- purchase of land	13.1.1	32,000	32,000
- office rent		102,044	130,876
- others		27,418	32,301
Security deposits		27,336	25,242
Prepayments		9,651	10,933
		<b>198,449</b>	<b>231,352</b>

**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 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. The Judgment Debtors failed to deposit the amount as directed by court and sale of property stand confirmed.

**13.2** During the year the Bank has settled loan balance amounting to Rs.187.57 million against property having market value of Rs.254.70 million. As per the policy of the Bank the property acquired in satisfaction of claims is recognized at settlement amount of Rs.187.57 million.

	Note	2009 ------(Rupees '000)-----	2008
<b>13.3 Goodwill</b>			
Cost		516,498	516,498
Less: Accumulated impairment		(139,077)	(139,077)
Book value at the end of the year		<u>377,421</u>	<u>377,421</u>
<b>13.4 Due from clients in respect of securities transactions</b>			
<b>Considered good</b>			
Due from clients in respect of securities transactions - secured 13.4.1		110,063	465,602
<b>Considered doubtful</b>			
Due from clients in respect of securities transactions - unsecured 13.4.1		96,908	70,239
		<u>206,971</u>	<u>535,841</u>
Considered doubtful		96,908	70,239
Less: Provision for doubtful debts		(96,908)	(70,239)
		<u>-</u>	<u>-</u>
<b>13.4.1</b>	Includes an aggregate balance of Rs.78.62 million (2008: Rs. 101.85 million) in respect of customers who have not settled their dues towards the Group in respect of securities transactions. The Group holds securities with market value of Rs.9.19 million (2008: Rs. 39.52 million) against these balances. The management has made a provision of Rs.68.97 million (2008: Rs. 51.79 million) after considering the subsequent recovery against these balances.		
	In addition, the Group has entered into settlement agreements with certain clients in respect of overdue balances amounted to Rs.113.98 million (2008: Rs.305 million). Under such agreements the clients have agreed to settle the balances over a period of one to three years and have provided collaterals in the nature of equitable mortgage over properties and a personal guarantee. However, as a matter of prudence the management has made a provision of Rs.27.94 million (2008: Rs.18.45 million) against such balances after considering the value of collateral against such balances.		
<b>13.5 Provision held against other assets</b>			
Opening balance		83,837	18,417
Charge for the year		154,516	58,127
Reversals		(7,154)	-
Transferred from provision against non-performing advances		7,323	7,293
Write off against provision		(7,807)	-
		<u>230,715</u>	<u>83,837</u>
<b>14. BILLS PAYABLE</b>			
In Pakistan		265,875	255,742
Outside Pakistan		-	-
		<u>265,875</u>	<u>255,742</u>
<b>15. BORROWINGS</b>			
In Pakistan		1,013,114	5,504,605
Outside Pakistan		-	5,496
		<u>1,013,114</u>	<u>5,510,101</u>
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		1,013,114	5,504,605
In foreign currencies		-	5,496
		<u>1,013,114</u>	<u>5,510,101</u>

	Note	2009 ------(Rupees '000)-----	2008
<b>15.2 Details of borrowings</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	<b>918,114</b>	379,301
Financing facility from State Bank of Pakistan		-	2,650,000
Borrowings from Banks		-	186,676
Repurchase agreement borrowings		-	1,438,628
		<b>918,114</b>	4,654,605
<b>Unsecured</b>			
Call borrowings	15.2.2	<b>25,000</b>	850,000
Overdrawn nostro accounts		-	5,496
Loan from a related party	15.2.3	<b>70,000</b>	-
		<b>1,013,114</b>	5,510,101

**15.2.1** These represent borrowings from SBP under export refinance scheme at the rate ranging from 6.50% to 7% (2008: 6.50%) per annum having maturities upto June 2010.

**15.2.2** This represents borrowing at the rate of 12.40% (2008: 18% to 19.50%) per annum having maturity in January 2010.

**15.2.3** These represent a utilized portion of loan facility of Rs.100 million obtained from a commercial bank against pledge of marketable securities provided by the Shirazi Investments (Private) Limited (a related party). The loan is repayable in June 2011, carries mark-up at three months KIBOR plus 1.75% per annum and is payable on quarterly basis.

## 16. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	<b>15,300,490</b>	9,522,909
Savings deposits	<b>6,103,867</b>	4,258,497
Current accounts – Non-remunerative	<b>2,267,946</b>	2,476,985
Margin and other accounts – Non-remunerative	<b>74,546</b>	84,575
	<b>23,746,849</b>	16,342,966

### Financial Institutions

Remunerative deposits	<b>2,418,516</b>	2,292,161
Non-remunerative deposits	<b>7,353</b>	8,719
	<b>2,425,869</b>	2,300,880
	<b>26,172,718</b>	18,643,846

### 16.1 Particulars of deposits

In local currency	<b>24,190,126</b>	17,939,427
In foreign currencies	<b>1,982,592</b>	704,419
	<b>26,172,718</b>	18,643,846

## 17. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	<b>584,681</b>	409,128
Mark-up / return / interest payable in foreign currency	<b>17,242</b>	8,784
Accrued expenses	<b>34,145</b>	57,695
Payable to Bank of Ceylon, Colombo	<b>20,163</b>	20,611
Retention money	<b>2,839</b>	17,530
Payable to staff gratuity fund	<b>13,933</b>	9,895
Security deposits against leases	<b>234,357</b>	442,859
Provision for employee compensated absences	<b>51,641</b>	63,755
Payable to stock exchanges	<b>4,063</b>	-
Payable to brokerage house clients	<b>41,556</b>	84,435
Payable to creditors	<b>18,666</b>	22,930
Payments from clients / lessees received on account	<b>12,442</b>	35,563
Unrealized loss on derivative instruments	<b>12,030</b>	-
Others	<b>12,402</b>	19,492
	<b>1,060,160</b>	1,192,677



		2009	2008
		------(Rupees '000)-----	
<b>18.</b>	<b>SHARE CAPITAL</b>		
<b>18.1</b>	<b>Authorised capital</b>		
		<u>2009</u>	<u>2008</u>
		<b>Number of shares</b>	
		<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>
<b>18.2</b>	<b>Issued, subscribed and paid-up capital</b>		
		<b>Ordinary shares of Rs.10/- each</b>	
		<u>341,254,985</u>	<u>341,254,985</u>
	Fully paid in cash	<u>158,891,642</u>	<u>158,891,642</u>
	Issued for consideration other than cash	<u>500,146,627</u>	<u>500,146,627</u>
		<u>3,412,550</u>	<u>3,412,550</u>
		<u>1,588,916</u>	<u>1,588,916</u>
		<u>5,001,466</u>	<u>5,001,466</u>
<b>18.2.1</b>	Shares held by associates and related parties are disclosed in pattern of share holding		
<b>19.</b>	<b>DEFICIT ON REVALUATION OF ASSETS - net of tax</b>		
	<b>Available-for-sale securities</b>		
	Government securities	(116,757)	(234,748)
	Listed companies (ordinary shares)	3,680	(452,524)
	Mutual funds (units / certificates)	18,438	(193,936)
	Term Finance Certificates	(18,443)	4,739
		(113,082)	(876,469)
	Related deferred taxation	41,134	282,989
		(71,948)	(593,480)
<b>20.</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
<b>20.1</b>	<b>Direct credit substitutes</b>		
	Includes general guarantees of indebtedness in favour of:		
	i) Government	22,282	18,480
	ii) Banking companies and other financial institutions	-	11,548
	iii) Others	33,092	99,151
		55,374	129,179
<b>20.2</b>	<b>Transaction-related contingent liabilities</b>		
	Includes performance bonds, bid bonds, shipping guarantees favouring:		
	i) Government	398,059	409,384
	ii) Banking companies and other financial institutions	11,040	92,440
	iii) Others	192,686	125,267
		601,785	627,091
<b>20.3</b>	<b>Trade related contingent liabilities</b>		
	Letter of credit	576,446	1,156,373
<b>20.4</b>	<b>Other contingencies</b>		
	- taxation matters have been disclosed in note 28		
<b>20.5</b>	<b>Commitment in respect of forward lending</b>		
	- commitment to extend credits	5,346,022	6,034,214
	- financing in respect of continuous funding system	-	12,361
<b>20.6</b>	<b>Commitment in respect of forward exchange contracts</b>		
	- purchase	3,183,513	737,466
	- sale	1,792,450	343,196
<b>20.7</b>	<b>Commitment for the acquisition of operating fixed assets</b>	61,077	79,400

## 21. DERIVATIVE INSTRUMENTS

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 and Foreign Exchange Swaps.

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

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.

A foreign exchange swap is used by the Group if it has a need to exchange one currency for another currency on one day and then re-exchange those currencies at a later date. Exchange rates and forward margins are determined in the inter bank market and fluctuate according to supply and demand.

Accounting policy in respect of derivative financial instrument is disclosed in note 5.8.

	Note	2009 ------(Rupees '000)-----	2008
<b>22. MARK-UP / RETURN / INTEREST EARNED</b>			
On loans and advances to:			
Customers		2,887,085	2,384,159
Financial institutions		29,124	23,480
On investments in:			
Available-for-sale securities		320,240	239,563
Held-to-maturity securities		-	89,060
On deposits with financial institutions		9,138	102,569
On securities purchased under resale agreements		137,636	124,919
		<b>3,383,223</b>	<b>2,963,750</b>
<b>23. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		3,023,963	1,895,877
Securities sold under repurchase agreements		28,759	142,050
Long term borrowings		14,473	42,827
Other short term borrowings		137,845	369,152
		<b>3,205,040</b>	<b>2,449,906</b>
<b>24. GAIN ON SALE / REDEMPTION OF SECURITIES</b>			
Listed companies (ordinary shares)		2,371	70,224
Mutual funds (units / certificates)		-	45,212
		<b>2,371</b>	<b>115,436</b>
<b>25. OTHER INCOME</b>			
Net profit on sale of fixed assets		-	1,188
Recovery against written off advances		9,010	10,623
Gain on sale of stock exchange rooms		2,300	-
Others	25.1	53,054	74,633
		<b>64,364</b>	<b>86,444</b>

**25.1** Includes income from various general banking and brokerage services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers, ATM switch fee, ATM card replacement charges, late payment charges, penalty on overdue installments etc.

	Note	2009 ------(Rupees '000)-----	2008
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		<b>901,170</b>	1,061,956
Charge for defined benefit plan	32.1.4	<b>12,645</b>	8,307
Contribution to defined contribution plan		<b>39,481</b>	34,339
Non executive directors' fees		<b>260</b>	290
Rent, taxes, insurance, electricity, etc.		<b>263,244</b>	249,922
Legal and professional charges		<b>53,326</b>	49,497
Communications		<b>82,166</b>	107,768
Repairs and maintenance		<b>127,844</b>	103,235
Stationery and printing		<b>24,274</b>	34,958
Advertisement and publicity		<b>21,963</b>	80,441
Auditors' remuneration	26.1	<b>2,608</b>	7,455
Depreciation	11.2 & 11.3	<b>134,395</b>	99,831
Amortisation of intangible assets	11.4	<b>14,671</b>	9,366
Brokerage and commission		<b>212,826</b>	20,328
Traveling and motor car expenses		<b>27,690</b>	61,319
Entertainment		<b>9,466</b>	15,361
Fee and subscription		<b>5,509</b>	22,302
Security services		<b>20,556</b>	15,097
Operating fixed assets written off		<b>715</b>	-
Others		<b>7,875</b>	6,397
		<b>1,962,684</b>	1,988,169
<b>26.1 Auditors' remuneration</b>			
Audit fee		<b>1,250</b>	1,400
Review of half yearly financial statements		<b>275</b>	275
Special audit, certifications and other advisory services		<b>349</b>	4,749
Tax services		<b>399</b>	135
Out-of-pocket expenses		<b>335</b>	896
		<b>2,608</b>	7,455
<b>26.2 Other provisions / write offs</b>			
Investments written off		-	98
Fixed assets written off		-	7,234
Provision (net of reversal) against			
- letter of placement		<b>25,000</b>	-
- other assets		<b>147,362</b>	58,127
- advances to suppliers	11.1.1	<b>5,766</b>	22,089
Impairment of goodwill	13.3	-	139,077
		<b>178,128</b>	226,625
<b>27. OTHER CHARGES</b>			
Net loss on sale of fixed assets	11.5	<b>9,566</b>	-
Penalties imposed by State Bank of Pakistan		<b>12,633</b>	7,048
		<b>22,199</b>	7,048
<b>28. TAXATION</b>			
Current	28.1	<b>22,703</b>	16,401
Prior year		<b>817</b>	260
Deferred		<b>(1,050,550)</b>	(590,611)
		<b>(1,027,030)</b>	(573,950)

**28.1** The charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001 (The Ordinance). Accordingly, reconciliation of tax expense with the accounting loss is not presented.

**28.2** In respect of the assessment years 1997-1998 to 2002-2003 and tax year 2003, the taxation authorities apportioned / allocated administrative and financial expenses against exempt income for the said years. The Bank preferred an appeal against the said action of the authorities before the Commissioner Inland Revenue (Appeals) [CIR (A)] who decided the issue in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which through a Larger Bench disapproved the formula for apportionment of expenses between exempt capital gain and other taxable income and set aside the assessment with the direction to the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The Bank contends that the jurisdiction of Larger Bench was limited only to answer a legal question related to apportionment of administrative expenses and that it could not include the financial charges as well, while deciding the matter.

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.

- 28.3** For tax assessment in respect of tax years 2003 to 2005 and 2008 various disallowances have been made by assessing officer including provision against non-performing advances, leasing losses, allocation of expenses against exempt income and amortisation of intangible and deferred cost. In relation to tax year 2003 the Bank filed an appeal before ITAT, in respect of disallowances of provision for non-performing advances, who confirmed the order of CIR(A) against which the Bank has filed tax references before Sindh High Court. In respect of tax years 2004, 2005 and 2008 the Bank has filed appeals before CIR(A) in respect of aforesaid issues. The above matters may result in reduction of claimed tax losses with an aggregate tax impact of Rs.286.22 million. The management of the Bank is confident about the favourable outcome of the appeals and hence, no adjustment with regard to the above matters has been made in these financial statements.
- 28.4** For the tax year 2006 and 2007, the taxation authorities have initiated proceedings under section 122(5A) of the Ordinance, however, such proceedings are yet to culminate.
- 28.5** In respect of the subsidiary company, the tax authorities initiated proceedings under section 122(5A) of the Ordinance for the tax year 2008 and 2009 and has passed amended assessment order, in which certain disallowances were made having a tax impact of Rs.3.65 million. The subsidiary company has filed an appeal before the CIR(A) against the amended order, which is pending adjudication. The management expects a favourable outcome of the appeal, hence no provision in this regard has been made in these financial statements.

		2009	2008
		------(Rupees '000)-----	
<b>29.</b>	<b>BASIC AND DILUTED LOSS PER SHARE</b>		
	Loss after taxation for the year	<u>(1,755,007)</u>	<u>(1,071,207)</u>
		<b>Number of shares in thousand</b>	
	Weighted average number of ordinary shares in issue	<u>500,146</u>	<u>500,146</u>
		----- Rupees -----	
	Loss per share - Basic and diluted	<u>(3.51)</u>	<u>(2.14)</u>
		<b>2009</b>	<b>2008</b>
		------(Rupees '000)-----	
<b>30.</b>	<b>CASH AND CASH EQUIVALENTS</b>		
	Cash and balances with treasury banks	<u>1,577,143</u>	<u>1,617,828</u>
	Balances with other banks	<u>163,350</u>	<u>116,223</u>
		<u>1,740,493</u>	<u>1,734,051</u>
<b>31.</b>	<b>STAFF STRENGTH</b>	-----Number of staff-----	
	Permanent	<u>761</u>	<u>930</u>
	Temporary / on contractual basis	<u>6</u>	<u>15</u>
	Bank's own staff at the end of the year	<u>767</u>	<u>945</u>
	Outsourced	<u>371</u>	<u>609</u>
	Total staff strength	<u>1,138</u>	<u>1,554</u>
<b>32.</b>	<b>DEFINED BENEFIT AND CONTRIBUTION PLANS</b>		
	<b>32.1 Defined benefit plan</b>		

The Bank operates an approved funded gratuity scheme for all its permanent and full time employees in the management cadre who have completed the minimum qualifying period of ten years. The subsidiary company operates an approved gratuity scheme for its management employees. 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, 2009. Following are the significant assumptions used in the actuarial valuation:

	2009	2008
Discount rate - percent (per annum)	12.75	15.00
Expected rate of return on plan assets - percent (per annum)	12.75	15.00
Long term rate of salary increase - percent (per annum)	11.75	14.00

**32.1.2 Reconciliation of payable to defined benefit plan**

	2009	2008
	------(Rupees '000)-----	
Present value of defined benefit obligation	34,632	33,165
Fair value of plan assets	(21,152)	(12,476)
Unrecognised actuarial loss	(3,868)	(10,794)
Payable to related party in respect of employees transferred	4,321	-
	<u>13,933</u>	<u>9,895</u>

**32.1.3 Movement in payable to defined benefit plan**

Opening balance	9,895	3,060
Charge for the year	12,645	8,307
Contribution to fund made during the year	(8,607)	(1,472)
Closing balance	<u>13,933</u>	<u>9,895</u>

**32.1.4 Charge for defined benefit plan**

Current service cost	9,750	6,649
Interest cost	5,281	3,005
Expected return on plan assets	(2,776)	(1,744)
Actuarial loss recognized	390	397
Charge for the year	<u>12,645</u>	<u>8,307</u>

**32.1.5 Actual return on plan assets**

	<u>2,186</u>	<u>163</u>
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**32.1.6 Movement in present value of defined benefit obligation**

Defined benefit obligation as at beginning of the year	33,165	20,545
Service cost	9,750	6,649
Interest cost	5,281	3,005
Actuarial (gain) / loss on obligation	(7,110)	3,307
Payable to related party in respect of employees transferred	(4,379)	-
Benefits paid during the year	(2,075)	(341)
Defined benefit obligation as at end of the year	<u>34,632</u>	<u>33,165</u>

**32.1.7 Movement in fair value of plan assets**

Fair value of plan assets as at beginning of the year	12,476	17,554
Expected return on plan assets	2,776	1,432
Actuarial loss on plan assets	(574)	(1,429)
Contribution to fund made during the year	8,607	1,472
Transferred to related party in respect of employees transferred	(58)	(6,212)
Benefits paid during the year	(2,075)	(341)
Fair value of plan assets as at end of the year	<u>21,152</u>	<u>12,476</u>

**32.1.8 Annual Actuarial losses**

Experience (gain) / loss on obligation	(7,110)	3,307
Experience loss on plan asset	574	1,429
Total actuarial (gain) / loss during the year	<u>(6,536)</u>	<u>4,736</u>

**32.1.9 Categories of plan assets as a percentage of fair value of total plan assets**

Fixed income	23%	25%
Cash	16%	38%
Term Deposit Receipt	0%	8%
Mutual Funds	61%	29%
Total	<u>100%</u>	<u>100%</u>



	2009	2008	2007	2006
	(Rupees '000)			
<b>32.1.10 Historical information</b>				
Present value of defined benefit obligation	34,632	33,165	6,326	21,743
Fair value of plan assets	(21,152)	(12,476)	(17,554)	(14,994)
Deficit / (surplus)	13,480	20,689	(11,228)	6,749

### 32.2 Defined contribution plan

The general description of defined contribution plans is included in note 5.14 to the financial statements.

### 33. COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees '000)					
Managerial remuneration	16,241	16,241	-	-	203,666	218,002
Retirement benefits	1,553	1,553	-	-	21,761	20,089
Rent and house maintenance	6,353	6,353	-	-	1,054	23,541
Utilities	1,412	1,412	-	-	1,054	5,231
Medical	-	-	-	-	371	746
General / special allowance	-	-	-	-	169,373	120,168
Conveyance	-	-	-	-	65,226	40,305
Others	-	-	-	-	4,442	13,418
	25,559	25,559	-	-	466,947	441,500
Number of persons	1	1	-	-	181	217

**33.1** 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.

**33.2** Fee paid to non-executive directors amounts to Rs.0.23 million (2008: Rs.0.22 million) during the year.

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 34.1 On-balance sheet financial instruments

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
	(Rupees '000)			
<b>Assets</b>				
Cash and balances with treasury banks	1,577,143	1,577,143	1,617,828	1,617,828
Balances with other banks	163,350	163,350	116,223	116,223
Lendings to financial institutions	868,438	868,438	114,000	114,000
Investments	4,368,573	4,368,573	2,608,069	2,608,069
Advances	19,220,644	19,220,644	20,450,661	20,450,661
Other assets	722,737	722,737	1,178,777	1,178,777
	26,920,885	26,920,885	26,085,558	26,085,558
<b>Liabilities</b>				
Bills payable	265,875	265,875	255,742	255,742
Borrowings	1,013,114	1,013,114	5,510,101	5,510,101
Deposits and other accounts	26,172,718	26,172,718	18,643,846	18,643,846
Other liabilities	1,016,955	1,016,955	695,508	695,508
	28,468,662	28,468,662	25,105,197	25,105,197

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 Group. Fair value of Government securities is determined using PKRV rates.

The provision for impairment of advances has been calculated in accordance with the Group's accounting policy as stated in note 5.6 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.

	2009		2008	
	Book Value	Fair Value	Book Value	Fair Value
----- (Rupees '000) -----				
<b>34.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	<b>3,183,513</b>	<b>3,176,258</b>	737,466	740,143
Forward sale of foreign exchange	<b>1,792,450</b>	<b>1,797,650</b>	343,196	341,045
Forward lending	<b>5,346,022</b>	<b>5,346,022</b>	6,034,214	6,034,214

### 35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Others
----- (Rupees '000) -----								
<b>December 31, 2009</b>								
Total income	-	196,147	2,229,298	1,003,064	2,718	1,029	66,573	-
Total expenses	-	615,486	3,901,111	1,647,133	-	-	117,136	-
Net (loss) / income before tax	-	(419,339)	(1,671,813)	(644,069)	2,718	1,029	(50,563)	-
Segment assets	-	2,419,722	6,421,606	21,559,236	-	-	435,141	-
Segment non - performing loans	-	-	27,464	2,779,697	-	-	-	-
Segment provision required	-	-	19,069	1,201,367	-	-	-	-
Segment liabilities	-	57,247	24,745,226	3,584,011	-	-	125,383	-
Segment return on assets (ROA) (%)	-	-13.72%	-7.76%	-2.60%	-	-	-15.78%	-
Segment cost of funds (%)	-	5.70%	12.41%	11.65%	-	-	14.35%	-
<b>December 31, 2008</b>								
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%	-

**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:

	2009 ------(Rupees '000)-----	2008 ------(Rupees '000)-----
<b>Key management personnel</b>		
<b>Advances</b>		
As at January 01	89,692	48,926
Disbursements	38,618	50,026
Repayments	(33,472)	(9,260)
As at December 31	94,838	89,692
<b>Deposits</b>		
As at January 01	32,180	20,645
Receipts	478,075	1,408,620
Withdrawals	(492,459)	(1,397,085)
As at December 31	17,796	32,180
Mark-up / return / interest earned	5,542	3,397
Mark-up / return / interest expensed	1,379	2,041
Brokerage income	2	521
<b>Employee benefit plans</b>		
Contribution to Atlas Bank Limited - Employees Gratuity Fund	7,019	1,472
Contribution to Atlas Bank Limited - Employees Provident Fund	37,456	31,641
<b>Entities having directors in common with the Group</b>		
<b>Advances</b>		
As at January 01	541,769	206,330
Disbursements	340,149	387,299
Repayments	(665,920)	(51,860)
As at December 31	215,998	541,769
Running Finance	-	98
Facilities in respect of non-funded exposure	20,698	316,842
<b>Borrowings</b>		
As at January 01	-	100,000
Drawdown	-	-
Repayments	-	(100,000)
As at December 31	-	-
<b>Deposits</b>		
As at January 01	1,491,614	2,394,577
Receipts	14,546,681	38,319,932
Withdrawals	(15,129,706)	(39,222,895)
As at December 31	908,589	1,491,614
Mark-up / return / interest earned	48,861	72,135
Mark-up / return / interest expensed	98,661	132,791
Financial charges paid on borrowings	-	9,809
Rent paid	10,800	10,800
Sharing of rent expenses	2,170	2,238
Insurance premium paid	14,378	17,605
Insurance claim received	6,075	8,728
Printing and stationery expense	332	427
Purchase / repair of photocopier, PABX etc.	4,241	11,821
Purchase of motor vehicles	60	11,763
Sale of motor vehicles	3,079	-
Operating lease rental income	6,336	11,585
Brokerage income	3,410	7,539
Purchase of mutual fund units	250,000	-
Redemption of mutual fund units	-	255,605
Fees received on distribution of open end units	730	1,297



### 37. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

**37.1** The primary objective of the Group's capital management is to ensure that the Group 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. The Bank in line with the 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 SBP through its BSD Circular No.7 dated April 15, 2009 requires the MCR for Banks to be raised to Rs.10 billion by the year ending December 31, 2013. The increase in capital is to be achieved in a phased manner and requires Rs.6 billion paid up capital (free of losses) by the end of the financial year 2009.

In addition, the Bank is also required to maintain a minimum CAR of 10% of the risk weighted exposure of the Bank.

The status of Group's compliance with MCR and CAR ratios requirement is explained in note 1.5 to the financial statements.

2009                      2008  
------(Rupees '000)-----

#### 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	(3,121,261)	(1,366,254)
Less: Deduction for goodwill and intangible	(714,769)	(601,169)
Deficit on revaluation of available-for-sale investments	(113,082)	(641,721)
Total Tier I Capital	1,632,385	2,972,353

##### Tier II Capital

General Provisions subject to 1.25% of total risk weighted assets	1,562	4,822
Total Tier II Capital	1,562	4,822

##### Eligible Tier III Capital

	-	-
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##### Total Regulatory Capital Base

	1,633,947	2,977,175
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**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	
	2009	2008	2009	2008
	----- (Rupees '000) -----			
<b>Credit Risk</b>				
<u>Portfolios subject to standardized approach</u>				
Claim on				
Corporate portfolio	1,120,465	1,178,684	11,204,653	13,096,491
Retail portfolio	421,692	444,495	4,216,920	4,938,833
Banks	18,688	18,581	186,882	206,453
Residential property	17,713	18,599	177,130	206,656
Past due loans	201,148	67,114	2,011,481	745,706
Investment in fixed asset	99,904	113,257	999,038	1,258,416
All other assets	259,747	164,233	2,597,467	1,824,808
Off balance sheet - non market related	43,207	46,368	432,073	515,202
Off balance sheet - market related	17,365	15	173,647	163
Equity exposure risk held in the banking book	99,712	40,787	997,122	453,184
	2,299,641	2,092,133	22,996,413	23,245,912



	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
----- (Rupees '000) -----				
<b>Market Risk</b>				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk - general	-	-	-	-
Interest rate risk - specific	-	-	-	-
Equity position risk - general	213	402	2,127	4,469
Equity position risk - specific	213	402	2,127	4,469
Foreign exchange risk	6,167	-	61,674	-
	<b>6,593</b>	804	<b>65,928</b>	8,938
<b>Operational Risk</b>				
Capital requirement for operational risks				
	<b>109,218</b>	70,127	<b>1,092,180</b>	779,184
<b>Total</b>	<b>2,415,452</b>	2,163,064	<b>24,154,521</b>	24,034,034
<b>Capital Adequacy Ratio</b>				
Total eligible regulatory capital held (a)	<b>1,633,947</b>	2,977,175		
Total Risk Weighted Assets (b)	<b>24,154,521</b>	24,034,034		
Capital Adequacy Ratio - percent (a)/(b)	<b>6.76%</b>	12.39%		

### 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 the Group, it involves identification, measurement, monitoring and controlling risks.

Risk management framework of the bank includes:

- Defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- 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 Compliance & Risk Management Committee, Credit Committee and Asset and Liability Committee (ALCO) that supervises overall risk management at the Bank;
- Management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- 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**

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Automobile	1,045,651	5.12%	64,529	0.25%	349,038	3.00%
Banaspati & Allied Industries	101,848	0.50%	-	-	625	0.01%
Carpet	229,620	1.12%	1,888	0.01%	51,271	0.44%
Cement	30,279	0.15%	78	-	18,209	0.16%
Chemical & Pharma	1,694,654	8.29%	113,833	0.43%	543,614	4.68%
Construction	1,334,196	6.53%	496,570	1.90%	677,362	5.83%
Consumer	676,932	3.31%	7,370,515	28.16%	71,043	0.61%
Dairy & Poultry	35,478	0.17%	343	-	24,075	0.21%
Education	320,761	1.57%	533,169	2.04%	264,905	2.28%
Electric & Electrical Goods	622,798	3.05%	4,649	0.02%	388,677	3.35%
Energy Oil & Gas	405,212	1.98%	1,694,578	6.47%	19,763	0.17%
Financial Institutions	154,429	0.75%	2,425,867	9.27%	4,975,963	42.83%
Food, Tobacco & Beverages	2,859,313	13.99%	103,049	0.39%	445,514	3.83%
Glass & Ceramics	221,901	1.08%	106	-	13,362	0.11%
Health Care	497,168	2.43%	19,470	0.07%	185,116	1.59%
Hotels	452,087	2.21%	4,240	0.02%	130,309	1.12%
Leather & Footwear	36,238	0.18%	726	-	84,580	0.73%
Miscellaneous	1,141,926	5.59%	6,979,740*	26.67%	226,374	1.95%
Paper & Allied Products	55,014	0.27%	275	-	22,928	0.20%
Print Publish & Allied	828,577	4.05%	3,032	0.01%	413,039	3.56%
Services	2,790,950	13.65%	4,391,974	16.78%	1,044,360	8.99%
Steel & Engineering	211,845	1.04%	33,093	0.13%	99,355	0.86%
Sugar & Allied	527,500	2.58%	238	-	28,567	0.25%
Textile	2,964,162	14.50%	66,365	0.25%	1,282,904	11.04%
Transport & Communication	1,204,103	5.89%	31,267	0.12%	255,714	2.20%
Trust	-	-	1,833,124	7.01%	-	-
	<b>20,442,642</b>	<b>100.00%</b>	<b>26,172,718</b>	<b>100.00%</b>	<b>11,616,667</b>	<b>100.00%</b>

\* Includes public sector deposits which are not classified in any other category.

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

### 38.3 Segment by sector

	2009					
	Advances		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Public / Government	-	-	9,846,967	37.62%	-	-
Private	20,442,642	100.00%	16,325,751	62.38%	11,616,667	100.00%
	<b>20,442,642</b>	<b>100.00%</b>	<b>26,172,718</b>	<b>100.00%</b>	<b>11,616,667</b>	<b>100.00%</b>
	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '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%
	<b>21,214,728</b>	<b>100.00%</b>	<b>18,643,846</b>	<b>100.00%</b>	<b>9,119,280</b>	<b>100.00%</b>

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rs. '000		Rs. '000	
Automobile	140,854	55,847	16,557	15,809
Banaspati & Allied Industries	80,304	53,557	21,066	21,066
Carpet	69,080	24,329	92,980	23,466
Cement	287	287	-	-
Chemical & Pharma	62,043	39,458	1,224	1,224
Construction	195,318	51,031	192,567	34,936
Consumer	27,474	19,079	28,878	13,733
Education	19,642	7,640	21,128	5,283
Electric & Electrical Goods	155,256	46,265	2,716	2,716
Energy Oil & Gas	125,240	31,490	-	-
Food, Tobacco & Beverages	107,216	43,494	97,282	62,515
Glass & Ceramics	30,881	28,700	26,891	13,195
Health Care	41,167	25,902	21,206	11,162
Hotels	76,527	23,828	-	-
Leather & Footwear	-	-	1,191	1,191
Miscellaneous	264,669	119,221	107,557	90,093
Print Publish & Allied	282,195	70,459	91,284	34,598
Services	374,785	187,140	174,901	100,722
Steel & Engineering	95,602	41,804	87,264	21,618
Textile	589,114	309,919	458,471	286,772
Transport & Communication	69,507	40,986	24,777	19,146
	<b>2,807,161</b>	<b>1,220,436</b>	<b>1,467,940</b>	<b>759,245</b>

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

Public / Government	-	-	-	-
Private	2,807,161	1,220,436	1,467,940	759,245
	<b>2,807,161</b>	<b>1,220,436</b>	<b>1,467,940</b>	<b>759,245</b>

### 38.6 Credit Risk-General Disclosures Basel II Specific

The Bank has not adopted the foundation or advanced approaches and instead use standardized 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:

<u>Exposures</u>	<u>JCR-VIS</u>	<u>PACRA</u>	<u>FITCH</u>	<u>S&amp;P</u>
Corporate	✓	✓	-	-
Banks	✓	✓	✓	✓
SME's (Retail Exposures)	✓	✓	-	-
Sovereigns	N/A	N/A	N/A	N/A
Securitized	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 have been used to rate corresponding short & long term exposures, for this purpose Mapping Grid provided by SBP has been used.

#### 38.6.2 Credit Exposures subject to Standardized approach

<u>Exposures</u>	<u>2009</u>				<u>2008</u>			
	<u>Rating Category Number</u>	<u>Rating Risk Weight</u>	<u>Amount Outstanding</u>	<u>Deduction CRM</u>	<u>Net amount</u>	<u>Amount Outstanding</u>	<u>Deduction CRM</u>	<u>Net amount</u>
----- (Rupees '000) -----								
Cash and cash equivalents	-	0%	390,710	-	390,710	393,465	-	393,465
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	0%	3,520,141	-	3,520,141	2,656,416	-	2,656,416
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	0%	404,343	-	404,343	140,836	-	140,836
Claims on Banks	1	20%	296,160	-	296,160	327,691	-	327,691
Claims on Banks	2,3	50%	92,942	-	92,942	235,305	-	235,305
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	20%	96,580	-	96,580	36,958	-	36,958
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	-	20%	960,063	650,750	309,313	79,353	-	79,353
Claims on Corporates (excluding equity exposures)	1	20%	766,551	-	766,551	90,298	-	90,298
Claims on Corporates (excluding equity exposures)	2	50%	516,715	-	516,715	212,237	-	212,237
Claims on Corporates (excluding equity exposures)	3,4	100%	165,287	-	165,287	146,635	-	146,635
Claims categorized as retail portfolio	-	75%	5,634,322	11,762	5,622,560	6,585,111	-	6,585,111
Claims fully secured by residential property (Residential Mortgage Finance)	-	35%	506,086	-	506,086	590,445	-	590,445
Past due loans where specific provisions are less than 20% of the outstanding amount of the past due claim	-	150%	797,041	-	797,041	-	-	-
Past due loans where specific provisions are no less than 20% of the outstanding amount of the past due claim	-	100%	732,878	-	732,878	672,120	-	672,120
Past due loans where specific provisions are more than 50% of the outstanding amount of the past due claim	-	50%	166,084	-	166,084	147,172	-	147,172
Listed equity investments (other than that deducted from capital) held in banking book	-	100%	956,937	-	956,937	291,518	-	291,518
Unlisted equity investments (other than that deducted from capital) held in banking book	-	150%	26,790	-	26,790	107,777	-	107,777
Investments in premises, plant and equipment and all other fixed assets	-	100%	998,991	-	998,991	1,222,682	-	1,222,682
Claims on all fixed assets under operating lease	-	100%	47	-	47	35,734	-	35,734
All other assets	-	100%	2,597,467	-	2,597,467	1,824,808	-	1,824,808
Unrated	Unrated	100%	10,702,692	74,994	10,627,698	12,826,754	1,076	12,825,678
<b>TOTAL</b>			<b>30,328,827</b>	<b>737,506</b>	<b>29,591,321</b>	<b>28,623,315</b>	<b>1,076</b>	<b>28,622,239</b>

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 Defence 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**

	<b>2009</b>			
	<b>Loss before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Contingencies and commitments</b>
	----- Rupees '000 -----			
Pakistan	(2,782,037)	30,907,705	2,395,838	11,616,667
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(2,782,037)</u>	<u>30,907,705</u>	<u>2,395,838</u>	<u>11,616,667</u>
	<b>2008</b>			
	<b>Loss before taxation</b>	<b>Total assets employed</b>	<b>Net assets employed</b>	<b>Contingencies and commitments</b>
	----- 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	-	-	-	-
	<u>(1,645,157)</u>	<u>29,224,129</u>	<u>3,621,763</u>	<u>9,119,280</u>

**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 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 denominated 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.

2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees '000			
Pakistan rupee	30,271,436	26,511,946	(1,302,324)	2,457,166
United States dollar	546,992	1,732,478	1,131,919	(53,567)
Great Britain pound	40,548	184,469	135,814	(8,107)
Japanese yen	340	-	-	340
Euro	48,389	82,974	34,591	6
	<b>30,907,705</b>	<b>28,511,867</b>	<b>-</b>	<b>2,395,838</b>

2008				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees '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
	<b>29,224,129</b>	<b>25,602,366</b>	<b>-</b>	<b>3,621,763</b>

#### 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 the objective to be in the SBP 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 behaviour 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 CAR. 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 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. At 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 remains at an acceptable level. 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:

		2009										
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 '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	-	1,577,143	304,319	-	-	-	-	-	-	-	-	1,272,824
Balances with other banks	0.04%	163,350	65,609	-	-	-	-	-	-	-	-	97,741
Lendings to financial institutions	11.79%	868,438	813,438	25,000	-	30,000	-	-	-	-	-	-
Investments	7.70%	4,368,573	140,049	620,547	1,708,806	10	116,452	493,283	303,571	-	-	985,855
Advances	14.52%	19,220,644	12,418,481	2,813,214	2,614,231	309,956	184,989	360,367	64,451	154,118	258,977	41,860
Other assets	-	722,737	22,908	13,000	13,000	15,374	-	-	-	-	-	658,455
		26,920,885	13,764,804	3,471,761	4,336,037	355,340	301,441	853,650	368,022	154,118	258,977	3,056,735
<b>Liabilities</b>												
Bills payable	-	265,875	-	-	-	-	-	-	-	-	-	265,875
Borrowings	11.55%	1,013,114	29,860	887,089	26,165	-	70,000	-	-	-	-	-
Deposits and other accounts	13.07%	26,172,718	9,842,619	7,318,750	2,153,714	4,327,317	33,681	145,042	1,750	-	-	2,349,845
Other liabilities	-	1,016,955	-	-	-	-	-	-	-	-	-	1,016,955
		28,468,662	9,872,479	8,205,839	2,179,879	4,327,317	103,681	145,042	1,750	-	-	3,632,675
<b>On-balance sheet gap</b>		<b>(1,547,777)</b>	<b>3,892,325</b>	<b>(4,734,078)</b>	<b>2,156,158</b>	<b>(3,971,977)</b>	<b>197,760</b>	<b>708,608</b>	<b>366,272</b>	<b>154,118</b>	<b>258,977</b>	<b>(575,940)</b>
<b>Off balance sheet financial instruments</b>												
Commitment to extend credits		5,346,022	614,327	1,192,775	2,105,976	1,351,900	25,214	55,830	-	-	-	-
Forward purchase of foreign exchange		3,183,513	-	-	-	-	-	-	-	-	-	3,183,513
Forward sale of foreign exchange		(1,792,450)	-	-	-	-	-	-	-	-	-	(1,792,450)
<b>Off balance sheet gap</b>		<b>6,737,085</b>	<b>614,327</b>	<b>1,192,775</b>	<b>2,105,976</b>	<b>1,351,900</b>	<b>25,214</b>	<b>55,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,391,063</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>3,277,998</b>	<b>(5,926,853)</b>	<b>50,182</b>	<b>(5,323,877)</b>	<b>172,546</b>	<b>652,778</b>	<b>366,272</b>	<b>154,118</b>	<b>258,977</b>	<b>(1,967,003)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>3,277,998</b>	<b>(2,648,855)</b>	<b>(2,598,673)</b>	<b>(7,922,550)</b>	<b>(7,750,004)</b>	<b>(7,097,226)</b>	<b>(6,730,954)</b>	<b>(6,576,836)</b>	<b>(6,317,859)</b>	<b>(8,284,862)</b>

		2008										
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 '000)												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
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
<b>Liabilities</b>												
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
<b>On-balance sheet gap</b>		<b>980,361</b>	<b>(2,330,244)</b>	<b>(861,868)</b>	<b>2,138,510</b>	<b>430,195</b>	<b>381,044</b>	<b>390,656</b>	<b>735,787</b>	<b>303,652</b>	<b>340,185</b>	<b>(547,556)</b>
<b>Off balance sheet financial instruments</b>												
Commitment to extend credits		6,034,214	1,127,322	1,163,507	2,088,679	1,493,890	156,177	4,639	-	-	-	-
Forward purchase of foreign exchange		737,466	-	-	-	-	-	-	-	-	-	737,466
Forward sale of foreign exchange		(343,196)	-	-	-	-	-	-	-	-	-	(343,196)
<b>Off balance sheet gap</b>		<b>6,428,484</b>	<b>1,127,322</b>	<b>1,163,507</b>	<b>2,088,679</b>	<b>1,493,890</b>	<b>156,177</b>	<b>4,639</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394,270</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<b>(3,457,566)</b>	<b>(2,025,375)</b>	<b>49,831</b>	<b>(1,063,695)</b>	<b>224,867</b>	<b>386,017</b>	<b>735,787</b>	<b>303,652</b>	<b>340,185</b>	<b>(941,826)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(3,457,566)</b>	<b>(5,482,941)</b>	<b>(5,433,110)</b>	<b>(6,496,805)</b>	<b>(6,271,938)</b>	<b>(5,885,921)</b>	<b>(5,150,134)</b>	<b>(4,846,482)</b>	<b>(4,506,297)</b>	<b>(5,448,123)</b>

41.1 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

**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.

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

**42.2** 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 Group's deposit retention history. Current and saving deposits are repayable on demand, however Asset and Liability Committee (ALCO) 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.

		2009									
		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 '000) -----									
<b>Assets</b>											
Cash and balances with treasury banks	1,577,143	1,013,692	158,415	113,274	92,029	47,974	75,879	57,276	18,604	-	-
Balances with other banks	163,350	65,659	97,691	-	-	-	-	-	-	-	-
Lendings to financial institutions	868,438	813,438	25,000	-	30,000	-	-	-	-	-	-
Investments	4,368,573	41,804	495,659	2,436,713	64,009	239,710	614,763	419,309	29,816	26,790	
Advances	19,220,644	10,013,400	3,567,254	2,768,648	354,402	232,053	571,607	641,639	812,665	258,976	
Operating fixed assets	1,336,386	222	1,272	2,435	24,259	99,389	23,621	444,223	570,196	170,769	
Deferred tax assets	1,825,884	-	779	775	-	2,269	16,018	1,806,043	-	-	
Other assets	1,547,287	72,827	985,730	70,319	369,126	39,262	-	-	-	10,023	
	<b>30,907,705</b>	<b>12,021,042</b>	<b>5,331,800</b>	<b>5,392,164</b>	<b>933,825</b>	<b>660,657</b>	<b>1,301,888</b>	<b>3,368,490</b>	<b>1,431,281</b>	<b>466,558</b>	
<b>Liabilities</b>											
Bills payable	265,875	-	265,875	-	-	-	-	-	-	-	
Borrowings	1,013,114	29,860	887,089	26,165	-	70,000	-	-	-	-	
Deposits and other accounts	26,172,718	3,664,845	7,984,525	4,180,330	6,167,896	993,157	1,662,629	1,147,263	372,073	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	1,060,160	251,994	312,420	94,710	218,168	179,919	2,928	21	-	-	
	<b>28,511,867</b>	<b>3,946,699</b>	<b>9,449,909</b>	<b>4,301,205</b>	<b>6,386,064</b>	<b>1,243,076</b>	<b>1,665,557</b>	<b>1,147,284</b>	<b>372,073</b>	<b>-</b>	
<b>Net assets</b>	<b>2,395,838</b>	<b>8,074,343</b>	<b>(4,118,109)</b>	<b>1,090,959</b>	<b>(5,452,239)</b>	<b>(582,419)</b>	<b>(363,669)</b>	<b>2,221,206</b>	<b>1,059,208</b>	<b>466,558</b>	
Share capital	5,001,466	-	-	-	-	-	-	-	-	-	
Reserves	587,581	-	-	-	-	-	-	-	-	-	
Accumulated loss	(3,121,261)	-	-	-	-	-	-	-	-	-	
	<b>2,467,786</b>	-	-	-	-	-	-	-	-	-	
Deficit on revaluation of assets	(71,948)	-	-	-	-	-	-	-	-	-	
	<b>2,395,838</b>	-	-	-	-	-	-	-	-	-	
<b>2008</b>											
		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 '000) -----									
<b>Assets</b>											
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	
	<b>29,224,129</b>	<b>6,296,430</b>	<b>4,962,194</b>	<b>5,968,469</b>	<b>4,269,981</b>	<b>1,064,014</b>	<b>815,805</b>	<b>2,864,201</b>	<b>1,609,737</b>	<b>1,373,298</b>	
<b>Liabilities</b>											
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	
	<b>25,602,366</b>	<b>7,916,772</b>	<b>5,835,610</b>	<b>3,859,480</b>	<b>4,312,761</b>	<b>1,160,551</b>	<b>1,276,691</b>	<b>897,435</b>	<b>340,189</b>	<b>2,877</b>	
<b>Net assets</b>	<b>3,621,763</b>	<b>(1,620,342)</b>	<b>(873,416)</b>	<b>2,108,989</b>	<b>(42,780)</b>	<b>(96,537)</b>	<b>(460,886)</b>	<b>1,966,766</b>	<b>1,269,548</b>	<b>1,370,421</b>	
Share capital	5,001,466	-	-	-	-	-	-	-	-	-	
Reserves	580,031	-	-	-	-	-	-	-	-	-	
Accumulated loss	(1,366,254)	-	-	-	-	-	-	-	-	-	
	<b>4,215,243</b>	-	-	-	-	-	-	-	-	-	
Deficit on revaluation of assets	(593,480)	-	-	-	-	-	-	-	-	-	
	<b>3,621,763</b>	-	-	-	-	-	-	-	-	-	

**43. OPERATIONAL RISK**

In line with the Basel-II framework, we define operational risk 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 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 March 20, 2010 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 OR  
ANY OTHER FINANCIAL RELIEF OF Rs.500,000/-  
OR ABOVE PROVIDED**

**Annexure-1**

**DURING THE YEAR ENDED DECEMBER 31, 2009**

(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, 2009				Principal Written Off	Interest / Markup Written Off	Other Financial Relief	Total
				Principal	Interest / Markup	Others	Total				
1	AL NOOR BUILDERS HOUSE 19/15-4, PIR ABUL KHAIR ROAD, QUETTA	ABDUL MAJEED 54400-0397374-7	ABDUL AHAD	1,232,398	182,582	-	1,414,980	1,215,958	182,582	-	1,398,540
2	BALUCH BROS. STONE SUPPLIERS CHAK NO. 80, NEAR POST OFFICE, SARGODHA	MUSSARAT JAVED KHAN 232-93-465941	MUHAMMAD RAZA KHAN	1,630,883	548,034	-	2,178,917	1,598,343	548,034	-	2,146,377
3	BHATTI TRANSPORT 142, GENERAL BUS STAND, SARGODHA	MUHAMMAD MUNIR BHATTI 232-65-291242	MALIK ATTA MUHAMMAD BHATTI	1,563,458	487,426	-	2,050,884	1,553,913	487,426	-	2,041,339
4	BILAL LABORATORY AND DIAGNOSTIC HOUSE NO. 405 C, STREET 27, G-6/1-2 ISLAMABAD	SYED AIZAZ KARIM 61101-1780541-7	MUHAMMAD NASIR KARIM	639,021	55,619	-	694,640	630,913	55,619	-	686,532
5	CITY WIDE SUPPLIERS	MUZAFFAR ALI KHAN		2,067,496	-	-	2,067,496	2,067,496	-	-	2,067,496
6	COMMERCIAL KNITTERS (PRIVATE) LIMITED 20. FRUIT MARKET, ALLAMA IQBAL TOWN, MULTAN ROAD, LAHORE	IMRAN PERVAIZ 271-73-327480	MOHAMMAD PERVAIZ	575,924	71,426	-	647,350	546,464	71,426	-	617,890
7	EURO EXPORTS 121 B. S.M.C.H.S., KARACHI	MUHAMMAD JUNAID DHADUK 517-85-038649	MUHAMMAD HANIF DHADUK	8,014,160	-	-	8,014,160	8,014,160	-	-	8,014,160
8	EURO TANNERIES (PRIVATE) LIMITED PLOT NO. 40, SECTOR 24, KORANGI INDUSTRIAL AREA, KARACHI	MRS. GHAZALA AKHTAR 42301-6335657-2	AKHTAR AFTAB	1,135,676	211,914	-	1,347,590	1,066,216	211,914	-	1,278,130
9	HAMZA TRANSPORTATION COMPANY 2ND FLOOR, 2/A, BLOCK-III VICTORIA PARK, THE MALL, LAHORE	MUHAMMAD YOUSAF 35202-7227823-1	MUHAMMAD MIRAD	2,141,188	296,848	-	2,438,036	2,141,188	296,848	-	2,438,036
10	HAPPO (PRIVATE) LTD 278-PECO ROAD, PECO ROAD, KOT LAKHPAT, LAHORE	MR. MUBASHIR ALI 270-86-108140	MR. MUZAFFAR ALI	1,440,410	297,390	-	1,737,800	1,440,160	297,390	-	1,737,550
11	KNIT FAST PLOT NO 188, SECTOR NO. 24, KORANGI INDUSTRIAL AREA, KARACHI	MS. SHABANA MEMON 449-90-242820	MR. MUHAMMAD JUMON MEMON	2,724,322	397,218	-	3,121,540	2,724,322	397,218	-	3,121,540
12	M. N. S. INTERNATIONAL 292, SHADMAN COLONY, LAHORE	NASREEN SHEIKH 272-64-583406	NABEEL SHEIKH	1,084,481	325,962	-	1,410,443	1,084,481	325,962	-	1,410,443
13	MEDIATORS PLASTICS (PRIVATE) LIMITED 408, PROGRESSIVE SQUARE SECTOR 17, KORANGI INDUSTRIAL AREA, KARACHI	ASIF USMAN 501-94-619447	ABUBAKR USMAN EBRAHIM	2,936,740	325,980	-	3,262,720	2,935,735	325,980	-	3,261,715
14	MEDISURE PHARMA INTERNATIONAL HOUSE NO. 99/1, 7th COMMERCIAL STREET, PHASE IV, DHA, KARACHI	KAISER WAHEED 42301-1167498-1	MOHAMMED ANWAR	569,954	7,411	-	577,365	569,954	7,411	-	577,365

**STATEMENT SHOWING WRITE OFF LOANS OR  
ANY OTHER FINANCIAL RELIEF OF Rs.500,000/-  
OR ABOVE PROVIDED  
DURING THE YEAR ENDED DECEMBER 31, 2009**

**Annexure-1**

(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, 2009				Principal Written Off	Interest / Markup Written Off	Other Financial Relief	Total
				Principal	Interest / Markup	Others	Total				
15	MULTI PACK 500-A, PEOPLES COLONY NO. INEAR GOVT. HIGH SCHOOL, FAISALABAD	SAJID REHMAN 33100-0862925-7	ABDUL REHMAN	3,040,881	702,369	-	3,743,250	3,040,611	702,369	-	3,742,980
16	NAZIM POLYSACK (PRIVATE) LIMITED 15-KM, SHEIKHUPURA, FAISALABAD ROAD, DIST. SHEIKHUPURA	ADIL MAHMOOD 517-61-025771	MR. MAHMOOD SADIQ	1,750,868	370,297	-	2,121,165	1,750,868	370,297	-	2,121,165
17	REHAN TRANSPORT SERVICES FLAT NO-10, ALLAH DAD PLAZA, G-8, MARKAZ, ISLAMABAD	GUL REHAN 61101-1928911-5	MIR AJAB KHAN	1,394,769	106,991	-	1,501,760	1,394,769	106,991	-	1,501,760
18	SADIQ HUSSAIN (PRIVATE) LIMITED FIRST FLOOR STAR PLAZA I-J PRINCIPAL ROAD, ISLAMABAD	MOHAMMAD SADIQ HUSSAIN 416-94-145683	KHALID HUSSAIN	1,250,135	172,265	-	1,422,400	1,250,135	172,265	-	1,422,400
19	SUB WAY INTERNATIONAL LA 4C, 1/18 & 1/19, BLOCK NO. 22, FEDERAL-B-AREA, KARACHI	M SALAHUDDIN MALLICK 42101-4401939-7	M SHAHBUDDIN MALLICK	1,983,255	168,320	-	2,151,575	1,978,947	168,320	-	2,147,267
20	TAJ TEXTILE MILLS LIMITED 31 & C 1, GHALIB ROAD, GULBERG III, LAHORE	ALAMGIR ELAHI 270-88-158235	EHSAN ELAHI	7,500,000	495,353	-	7,995,353	7,500,000	495,353	-	7,995,353
21	UNION INDUSTRIES (PRIVATE) LIMITED B-46, ESTATE AVENUE, SITE, KARACHI	JAVAIID HABIB 42301-1176752-3	ABDUL HABIB AHMED	6,200,496	1,583,217	-	7,783,713	6,145,257	1,583,217	-	7,728,474
	<b>TOTAL</b>			<b>50,876,515</b>	<b>6,806,622</b>	<b>-</b>	<b>57,683,137</b>	<b>50,649,890</b>	<b>6,806,622</b>	<b>-</b>	<b>57,456,512</b>

## BRANCH NETWORK

S #	Exact Name	Address	PABX Nos.	Fax
01	Bahadurabad, Karachi	28-Adam Arcade, Sub Plot # B/7 & B/8, Block # 3, BMCHS	(21) 34145317, 34145321-23	(21) 34145325
02	Cloth Market, Karachi	41, Saleh Muhammad Street, Cloth Market	(21) 32461601-2, 32461605	(21) 32461608
03	DHA Phase-1, Karachi	101-C, Commercial Area 'B', Phase-1 DHA	(21) 35314066-7,	(21) 35314070
04	Hasan Square, Karachi	I/15, Hassan Square, Block 13/A, Gulshan-e-Iqbal	(21) 34818759, 34818763, 34818766	(21) 34818720
05	Hyderi, Karachi	Plot No. D-10, Block-F, North Nazimabad	(21) 36724982-85	(21) 36724987
06	I. I. Chundrigar Road, Karachi	P&O Plaza (ex-Volkart Building), I. I. Chundrigar Road	(21) 3246374,48,49, 51	(21) 32463744
07	Jodia Bazar, Karachi	Plot # 65, N.P.2, Napier Quarter	(21) 32537845-48	(21) 32537842
08	Khayaban-e-Tanzeem, Karachi	4-C, Tauheed Commercial, Khayaban-e-Tanzeem, Phase-5, DHA	(21) 35869147, 35810977, 35871640, 35869427	(21) 35869342
09	Khayaban-e-Shahbaz, Karachi	Plot No. 21-C Khayaban-e-Shahbaz, Phase VI, DHA	(21) 35344957, 63, 66	(21) 35344942
10	Korangi Industrial Area, Karachi	37/9, Sector 15, Korangi Industrial Area	(21) 35121240-43	(21) 35121251
11	KPT Interchange, Karachi	Honda Defence Buliding, 67/1, Korangi Road, KPT Interchange	(21) 35205480-81 35203156-7,9	(21) 35318840
12	Shahrah-e-Faisal, Karachi	44/A-Nice Trade Orbit, Shop 8, Block-6, PECHS	(21) 34328426-7	(21) 34386180
13	SITE, Karachi	B/53, Estate Avenue, SITE Area	(21) 32587535-37, 32554702-05	(21) 32587672
14	Zaibun Nisa Street, Karachi	B-6/16-A, Sadar Bazar Quarters	(21) 35660612, 35660615	(21) 35224761
15	Azam Cloth Market, Lahore	285-286, Punjab Block	(42) 37661686-37642390-94	(42) 37661863
16	Cantt, Lahore	Day Building 1482/A, Abdul Rehman Road	(42) 36603061-64	(42) 36603065
17	Circular Road, Lahore	1 SE, 38-R-55/D, Circular Road	(42) 37379209,10,11, 13	(42) 37379212
18	Faisal Town, Lahore	853/D, Akbar Chowk	(42) 35204101,2,3	(42) 35204104
19	Gulberg, Lahore	131/A-E-1, Gulberg-III	(42) 35871740-43, 45	(42) 35871744
20	Model Town, Lahore	14-15, Central Commercial Market	(42) 35915540-48,49	(42) 35915549
21	PASSCO House, Lahore	PASSCO House, 11, Kashmir Road, Adjacent LDA Plaza	(42) 36300670-1, 36300673-4	(42) 36310362
22	The Mall, Lahore	56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall)	(42) 36284801-4, 799	(42) 36284805
23	Z Block DHA, Lahore	323-Z, DHA, Phase-3	(42) 35693112-5	(42) 35693117
24	Blue Area, Islamabad	24-West Raza Noor Plaza, Jinnah Avenue	(51) 2871630-32	(51) 2871596
25	F-11 Markaz, Islamabad	28-Alkaram Plaza	(51) 2228027-28	(51) 2228365
26	F6 Markaz, Islamabad	2-Fateh Plaza, Block C, Super Market	(51) 2601701-3	(51) 2601710
27	Bank Road, Rawalpindi	60, Bank Road	(51) 5120778-80, 5564123	(51) 5528148
28	Gujar Khan Branch	Hammad Plaza, G.T Road	(51) 3516431-34	(51) 3516435
29	Mirpur, Azad Kashmir	Ghazi Archade, 6-B/3, Part II, Allama Iqbal Road	058610-46409-9	058610-45405
30	Kotwali Road, Faisalabad	P-12, Kotwali Road	(41) 2412151-53	(41) 2412154
31	G. T. Road, Gujranwala	B/11-S7/103, G. T. Road	(55) 3842751, 29	(55) 3842890
32	G. T. Road, Gujrat	Small Estate, G. T. Road (Next to Mybank)	(53) 3533934	(53) 3533995
33	Sadar, Hyderabad	91/3-4, Saddar, Behind Cantonment Police Station	(22) 2730054	(22) 2730046
34	Kamoki Branch	Madni Trade Centre, G.T. Road	(55) 6815175-81	(55) 6815184
35	Abdali Road, Multan	77, Abdali Tower, Moaza Taraf Ismail	(61) 4575264,5269, 5918, 4500253, 0258	(61) 4575249
36	Sadar, Peshawar	Shop # 4, Jasmine Arcade, Fakhar-e-Alam Road	(91) 5260185,6	(91) 5260917
37	M. A. Jinnah Road, Quetta	20-21, Ward No. 18, Main M. A. Jinnah Road	(81) 2842369-70, 2842372	(81) 2842374
38	Club Road, Sargodha	2-B, Civil Lines, Club Road	(48) 3741845-7, 3729197-8	(48) 3741843
39	Paris Road, Sialkot	B1,16S, 71/A/1, Paris Road	(52) 4602712-17	(52) 4598849
40	Minara Road, Sukkur	C.C No. C-550, Plot # 10-B, 10-C, Regent Colony	(71) 5626291, 334, 336	(71) 5626340

**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 \_\_\_\_\_

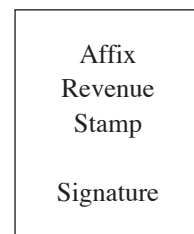
as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held at the Registered Office of the Bank at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi on Wednesday, April 14, 2010, at 11:00 a.m. and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_, 2010  
signed by the said \_\_\_\_\_ in the presence of \_\_\_\_\_

**WITNESSES**

1. Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC or \_\_\_\_\_  
Passport No. \_\_\_\_\_

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., ground 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-3,  
Dr. Ziauddin Ahmed Road, Karachi.

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## **Atlas Bank Limited**

3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi-75600  
**UAN:** (92-21) 111-333-225 **Fax:** (92-21) 35870543 **E-mail:** info@atlasbank.com.pk  
**Website:** www.atlasbank.com.pk