



SONERI BANK LIMITED

Annual Report 2008

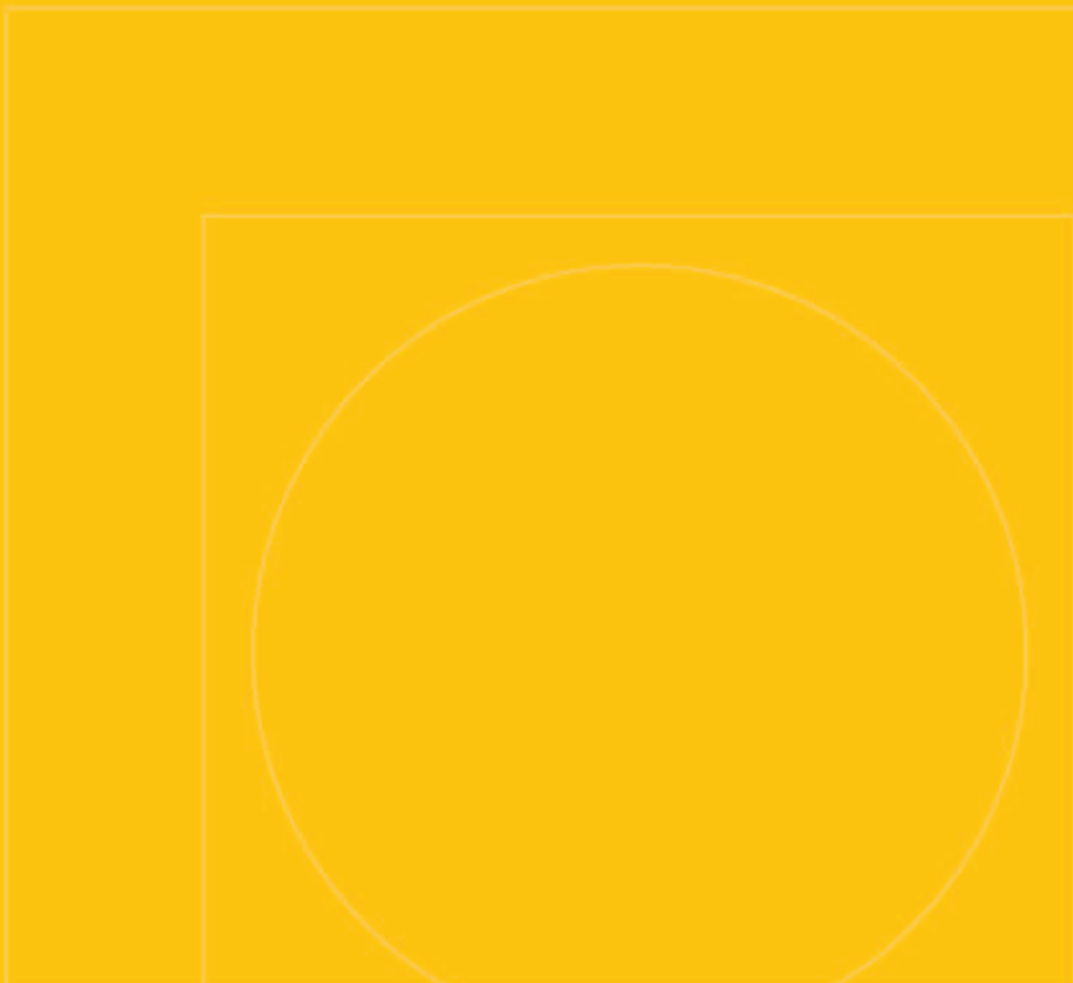




# Soneri Bank

ANNUAL REPORT

20 08



*We have more time for you*



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## CORPORATE INFORMATION

### Board Of Directors

Chairman

Mr. Alauddin Feerasta

Chief Executive Officer

Mr. Safarali K. Lakhani

### Directors

Mr. Nooruddin Feerasta  
Mr. Inam Elahi  
Mr. S. Ali Zafar  
Mr. Abdul Hayee  
Mr. Shahid Anwar (NIT Nominee)  
Mr. Manzoor Ahmed (NIT Nominee)

### Audit Committee

Mr. Nooruddin Feerasta (Chairman)  
Mr. S. Ali Zafar (Member)  
Mr. Shahid Anwar (Member)  
Mr. Abdul Hayee (Member/Secretary)

### Company Secretary

Mr. Abdul Hayee

### REGISTERED OFFICE

RUPALI HOUSE 241-242, UPPER MALL SCHEME,  
ANAND ROAD, LAHORE - 54000



### Auditors

A.F. Ferguson & Co.  
Chartered Accountants

### Legal Advisor

Manan Associates, Advocates

### REGISTRAR AND SHARE TRANSFER AGENT

THK ASSOCIATES (PRIVATE) LTD.,  
GROUND FLOOR,  
STATE LIFE BUILDING NO.3,  
DR. ZIAUDDIN AHMED ROAD  
KARACHI-75530

UAN: (021) 111-000-322

FAX: (021) 565 5595



# Chairman's Review

We are pleased to present the seventeenth Annual Report and Audited Accounts of your bank for the year ended 31 December 2008.

The global economy remained in turmoil during the year 2008. The Stock Exchanges plunged by 50 to 70 percent and the prices of commodities which had sky rocketed also reduced by 50 to 60 percent.

Pakistan's economy also suffered severe jolts due to global slow down coupled with inflationary pressures, high cost of imports and abnormal increase in the price of utilities. The GDP growth reduced to 5.8% from 7% which is projected to reduce further during the current year.

The difficulties faced by trade and industry further multiplied due to the deteriorating law and order situation and acute shortages of gas and electricity. The State Bank of Pakistan, in the meantime, increased the policy discount rate from 13% to 15% on 12 November 2008 to check inflation.

During the period, the banking industry has faced liquidity problem and increased defaults due to factors stated above and a general erosion of confidence in the market. The crash of Stock Exchanges added to the woes of the financial sector.

We are pleased to report that due to prudence in liquidity management your bank has remained a net lender in the market during the period. It has also maintained a comfortable level of Advance to Deposit Ratio.

During the year, your bank managed to maintain growth of over 22% in Import / Export Business and a stable increase in Deposits and Advances. Profitability has declined mainly due to aggressive provisioning against difficult / classified assets which is expected to result in easing the pressure on profitability during the current year.

The Bank is operating with 117 branches and has plans to add a number of new branches in the year 2009.

Soneri Bank has completed implementation of new Core Banking Software in all the branches with major emphasis on increasing the efficiency of business processes using

centralized architecture. VISA Debit Card has become popular with the customers due to its acceptance locally and globally.

At present our ATM and VISA Debit Cards have touched a total number of 150,000. The bank has established a network of 102 onsite and 15 offsite ATMs, enabling customers of our bank and other banks to bank 24 hours a day.

The bank during the year 2008 launched Utility Bills Payment System through the ATM net work. The bank also provides facilities to the card holders with 24 hours Funds Transfer through the ATM. The Mini Statement facility to print real time information of transactions through ATMs is also available.

The Call Centre which was started during the year 2006 is now facilitating a large number of customers 24 hours a day 7 days a week. The 24 hours telephone banking facility is functioning for our customers with real time Balance Enquiry, Instant Statement of Account and ATM / Debit Card related activities. The bank has plans to add more delivery channels and applications to the existing ones. The SWIFT online communication and messaging services for International Banking are available at all the branches dealing in Foreign Exchange business.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained bank's credit rating at "AA-" for the long term and "A1+" for the short term and "A+" for the Term Finance Certificates reflecting bank's well maintained risk profile with preserved sound asset quality.

We take this opportunity to thank the Ministry of Finance and State Bank of Pakistan for their continued support and guidance. We are also grateful to our valued customers for their continued patronage. The executives and staff members also deserve appreciation for their hard work and dedication.

**ALAUDDIN FEERASTA**

*Chairman*

*Lahore: 26 February 2009*

# Directors' Report to Shareholders

Your Directors feel pleasure in presenting the seventeenth Annual Report of the Bank together with Audited Accounts and Auditors' Report thereon for the year ended 31 December 2008. The Bank's financial results are as follows:

**(Rupees in '000)**

PROFIT FOR THE YEAR BEFORE TAXATION □		953,233
PROVISION FOR TAXATION □	-CURRENT □	697,000 □
	-PRIOR YEARS □	(437) □
	-DEFERRED □	(444,371) □
□□□□		252,192 □
PROFIT FOR THE YEAR AFTER TAXATION □		701,041
UN-APPROPRIATED PROFIT BROUGHT FORWARD □		238,775
TRANSFER FROM SURPLUS ON REVALUATION OF FIXED ASSETS – NET OF TAX □		35,042
PROFIT AVAILABLE FOR APPROPRIATION □		974,858
EARNINGS PER SHARE - BASIC / DILUTED □		(RUPEES) □
		1.70 □

## FINANCIAL STATEMENTS

The financial statements of the Bank have been audited and approved without qualification by the auditors of the Bank, M/s. A.F. Ferguson & Co., Chartered Accountants.

No material changes and commitments affecting the financial position of your Bank have occurred between the end of the financial year to which these financial statements relate and the date of the Directors' Report.

Further, in terms of SBP BSD circular No.04 dated: 13 February 2009 and SECP SRO No.150(1)/2009 dated: 13 February 2009, the bank has opted to classify impairment loss below equity in respect of listed equity investments held under 'Available for Sale' category. The loss has been recognised on the basis of market price prevailing on the balance sheet date.

Had the impairment loss been taken to Profit and Loss Account, the profit after taxation for the current year would have been lower by Rs.323.643 million.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

**(i) In compliance with the Code of Corporate Governance, the Board of Directors states that:**

- The financial statements present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity. □
- Proper books of account of the Bank have been maintained.
- Accounting policies as stated in the notes to the financial statements have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. □
- International Accounting Standards, as applicable to banks in Pakistan, and as stated in note 3 to the financial statements, have been followed in the preparation of the financial statements. □
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. □
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.



**(ii) Board meetings**

Six Board meetings were held during the last financial year. Attendance by each director is as follows:

Name of Director	Meetings attended
Mr. Alauddin Feerasta	5
Mr. Safarali K. Lakhani (President/ Chief Executive Officer)	6
Mr. Noor Feerasta (Retired on 28 March 2008)	Nil
Mr. Nooruddin Feerasta	5
Mr. Abdul Hayee	6
Mr. Inam Elahi	6
Mr. Syed Ali Zafar	4
Mr. Manzoor Ahmed	3
Mr. Shahid Anwar	5

Leave of absence was granted to directors who could not attend some of the meetings.

**(iii) Summarised operating and financial data for the last six years**

	Year ended 31 December					
	2008	2007	2006	2005	2004	2003
	(Rupees in ' 000)					
Investments – net	14,053,177	19,181,562	16,724,253	16,390,624	13,982,828	11,912,517
Advances – net	47,575,364	40,154,449	35,412,248	32,052,544	24,375,905	17,348,525
Deposits and other accounts	61,634,491	60,150,128	53,000,647	47,605,508	37,383,756	27,868,418
Profit before taxation	953,233	1,476,685	1,448,901	1,400,032	1,046,566	813,512
Profit after taxation	701,041	1,000,334	985,298	920,233	648,380	438,712
Net assets	7,113,047	6,610,479	5,611,903	4,389,659	3,043,308	2,603,846
Earnings per share						
– Basic / Diluted (Rs.)	1.70	2.43	2.39	3.08	3.92	3.45

**(iv) Statement of investments of provident and gratuity funds**

The Bank operates approved funded provident and gratuity fund schemes covering all its permanent employees. The investment balances are as follows:

	31 December 2008 (Un-audited)	31 December 2007 (Audited)
	(Rupees in ' 000)	
Amount of investments of Provident Fund	152,077	121,874
Amount of investments of Gratuity Fund	85,528	39,270

**(v) Future outlook**

During the year 2009 the Bank has plans to expand its network of branches with focus on small and medium size business to enhance its market share for better results.

(vi) The information regarding trading in the shares of the Bank by its Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary appears on page 70.

## **RISK MANAGEMENT FRAMEWORK**

The bank had initiated a comprehensive risk management program for managing credit, market, liquidity and operational risk in 2005. The main objective of the risk management program is to create a proactive risk management environment within the bank. The risk management framework comprises of Board of Directors, Risk Management Committee [RMC], ALCO, Risk Management Division [RMD] Credit Risk Management Department [CRMD], Operational Risk Management Department [ORMD], Senior Management and Line Managers.

The Board of Directors establishes the strategic risk philosophy and policies of the bank based on recommendations of RMC.

The Risk Management Committee of the Board of Directors is responsible for overall management and supervision of Credit, Market, Liquidity and Operational Risk and is supported by ALCO and RMD.

ALCO is senior management committee, constituted by personnel from all departments of the bank and is broadly responsible for monitoring of credit, market and liquidity risks in line with the risk strategies and policies approved by the Board of Directors, funding and capital adequacy requirements.

Risk Management Division (RMD) is responsible for development of policies and procedures for risk management under the supervision of RMC. RMD helps management in understanding and effectively managing risk as well as to develop various risk assessment tools, procedures and risk reports for the information of senior management, RMC and Board of Directors. RMD manages credit, market, liquidity and operational risk through CRMD, Middle Office and ORMD.

The Board of Directors had approved the risk management strategies and policies for credit, market, liquidity and operational risk, developed by the senior management. In continuation with its risk management plan, the bank has completed the Gap Analysis & Impact Analysis projects with the assistance of Basel II consultant. During the current year bank has implemented The Standardised Approach (TSA) of Basel II and Internal Rating System for Borrowers. The bank is now looking forward to implement the Advanced Approaches of Basel II and development of Internal Capital Adequacy Assessment Process (ICAAP) on a gradual basis in 2009 and onwards. The process of implementation of our new banking software has also been substantially completed. The completion of these two projects will substantially help the bank in achieving Basel II compliant status as well as improving the risk management environment within the bank.

## **AUDITORS**

The existing auditors, M/s. A.F. Ferguson & Co., Chartered Accountants have completed their assignment for the year 2008 and will retire at the conclusion of 17<sup>th</sup> Annual General Meeting. Under the provisions of the Code of Corporate Governance banking companies are required to change their auditors after every five years. Accordingly, the Board has recommended the appointment of M/s. KPMG Taseer Hadi & Co. Chartered Accountants, as auditors for the year 2009.

## **BOARD OF DIRECTORS**

Since last election held on 29 March 2008, there has been no change in composition of the Board of Directors.

## **PATTERN OF SHARE HOLDING**

A statement showing the pattern of share holding in the Bank as at 31 December 2008 appears on page 68.

## **STAFF**

The Board would like to record its appreciation for loyalty, devotion and hardwork of the officers and staff of the Bank at all levels.

## **ALAUDDIN FEERASTA**

*Chairman*

Lahore: 26 February 2009

Soneri Bank Limited  
Year ended: 31 December 2008

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37, Chapter XIII and section 36 of Chapter XI of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Code 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 on its Board of Directors. At present the Board includes seven non-executive directors including one independent director.
2.  The directors have confirmed that none of them is serving as a director in more than ten listed companies, including our Bank.
3.  All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC. No director in the Board is a member of any stock exchanges in Pakistan and hence the question of declaring any of our directors' as a defaulter by any stock exchange does not arise.
4.  No casual vacancies occurred in the Board during the year 2008. The present Board of Directors of the Bank was elected on 29 March 2008 in the Annual General Meeting of the shareholders.
5.  The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Bank.
6.  The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. Materiality level has also been set by the Board.
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 has been taken by the Board.
8.  All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9.  The directors are aware about their fiduciary responsibilities and most of them have attended formal orientation courses.
10.  The appointment of Chief Financial Officer and Company Secretary were made before the implementation of Code of Corporate Governance. However, their next appointment, if any, including their remuneration and terms and conditions of employment, after its determination by the Chief Executive Officer (CEO), will be referred to the Board of Directors for their approval. However, during the year the appointment of Head of Internal Audit, including his remuneration and terms and conditions of employment, was approved by the Audit Committee of the Board, after its determination by the Chief Executive Officer of the Bank.

11.  The directors' report for this year has been prepared in compliance with the requirements of the Code and  fully describes the salient matters required to be disclosed.
12.  The financial statements of the Bank were duly endorsed by the Chief Executive Officer and 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. It comprises four members and all the four members are non-executive  directors including chairman of the committee.
16.  The meetings of the audit committee were held 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 framed by the Board and  the audit committee operates within the defined terms of reference.
17.  The Board has set-up an effective internal audit department.
18.  The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality  control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the  firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in  compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the  Institute of Chartered Accountants of Pakistan.
19.  The statutory auditors or the persons associated with them have not been appointed to provide other services except  in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines  in this regard.
20.  We confirm that all other material principles contained in the Code have been complied with.

**SAFAR ALI K. LAKHANI**

*President / Chief Executive Officer*

Lahore: 26 February 2009

Soneri Bank Limited  
Year ended: 31 December 2008

The Board of Directors acknowledge their responsibilities for ensuring that an adequate and effective internal control system covering all aspects of our banking operations is in existence and vigorously followed by senior management.

Based on our review of the internal control system through various reports from internal audit department and statutory auditors as well as various policies, procedures and other matters presented for our review and approval, from time to time, we observed that adequate internal controls have been implemented, monitored and controlled.

**ALAUDDIN FEERASTA**  
*Chairman*

Lahore: 26 February 2009

# Statement of Internal Controls

Soneri Bank Limited  
Year ended: 31 December 2008

The State Bank of Pakistan had issued Guidelines on Internal Controls in May 2004. Although, the bank's existing internal control framework provides essential support that is needed for the safe and sound banking operations, the bank had initiated a review of its existing internal control system through a consultant firm who have completed the review and have developed the Risk Control Matrix in line with the requirements of the State Bank of Pakistan's guidelines and international best practices. The Control Risk Matrix developed by the consultant are in process of being tested.

The existing internal controls encompass policies and procedures relating to all processes, products and activities of bank's operations. The internal control policies and procedures are being regularly reviewed by an independent internal audit department reporting directly to the Audit Committee of the Board of Directors.

While the Board of Directors provide necessary insight by approving internal control strategies and policies, the senior management of the bank is responsible for:

- ◆ implementing these strategies and policies;
- ◆ developing processes that identify, measure, monitor and control risks incurred by the bank; maintaining an □ organizational structure that clearly assigns responsibility, authority and reporting relationships;
- ◆ ensuring that delegated responsibilities are effectively carried out;
- ◆ setting appropriate internal control policies; and monitoring the adequacy and effectiveness of the internal □ control system.

The review and improvement of internal controls is an ongoing process. To strengthen further the internal control framework, once the testing process of the Risk Control Matrix developed by the consultant is completed, the same would be implemented during 2009.

During the year under review, the exceptions reported by the State Bank of Pakistan in its inspection report as well as exceptions pointed out by the Internal Audit Department were reviewed and necessary internal controls are being further strengthened.

Based on the above, the management believes that the existing internal controls are operating efficiently and effectively and provide reasonable assurance that business, operational, financial, compliance and other inherent risks are effectively managed, which will lead to achievement of bank's corporate objectives and improvement of shareholder's value. □

**SAFAR ALI K. LAKHANI**  
*President/Chief Executive Officer*

Lahore: 26 February 2009

**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH 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 prepared by the Board of Directors of Soneri Bank Limited to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Chartered Accountants  
Karachi: March 02, 2009

## Auditors' Report To The Members

A.F.Ferguson & Co  
Chartered Accountants  
State Life Building No. 1-C  
I. I.Chundgar Road, P.O.Box 4716  
Karachi-74000, Pakistan  
Telephone: (021) 2426682-6 / 2426711-5  
Facsimile: (021) 2415007 / 2427938

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

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2008 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Chartered Accountants  
Karachi : March 02, 2009



# Balance Sheet

AS AT 31 DECEMBER 2008

Soneri Bank Limited

	Note	2008 (Rupees in ' 000)	2007 (Rupees in ' 000)
<b>ASSETS</b> □□□			
Cash and balances with treasury banks □	6 □	5,646,755 □	5,861,205
Balances with other banks □	7 □	3,908,859 □	4,349,673
Lendings to financial and other institutions □	8 □	3,990,269 □	3,175,009
Investments - net □	9 □	14,053,177 □	19,181,562
Advances - net □	10 □	47,575,364 □	40,154,449
Fixed assets □	11 □	3,126,857 □	2,150,955
Deferred tax assets - net □	12 □	125,843 □	-
Other assets - net □	13 □	2,550,130 □	1,981,207 □□
		80,977,254 □	76,854,060
<b>LIABILITIES</b> □□□			
Bills payable □	15 □	1,254,496 □	1,640,514
Borrowings □	16 □	8,441,454 □	5,865,471
Deposits and other accounts □	17 □	61,634,491 □	60,150,128
Sub-ordinated loans □	18 □	1,198,320 □	1,198,800
Liabilities against assets subject to finance lease □	□	- □	-
Deferred tax liabilities - net □	12 □	- □	425,398
Other liabilities □	19 □	1,335,446 □	963,270 □□
		73,864,207 □	70,243,581
<b>NET ASSETS</b> □□		<u>7,113,047 □</u>	<u>6,610,479</u>
<b>REPRESENTED BY</b> □□□			
Share capital □	20 □	4,114,222 □	4,114,222
Reserves □□		2,016,877 □	1,876,669
Unappropriated profit □□		834,650 □	238,775 □□
		6,965,749 □	6,229,666
Surplus on revaluation of assets - net of tax □	21 □	147,298 □	380,813 □□
		<u>7,113,047 □</u>	<u>6,610,479</u>
<b>CONTINGENCIES AND COMMITMENTS</b> □	22 □□□□□		

As more fully explained in note 9.6, the investments in equity securities classified as available for sale have been valued at prices quoted on the Karachi Stock Exchange as of 31 December 2008 and the resulting deficit arising therefrom has been disclosed under the head "Surplus / deficit on revaluation of assets" on the balance sheet. Had the Bank followed the requirements of international accounting standards an amount of Rs. 497.913 million would have been recognised as impairment loss in the profit and loss account. This would have resulted in a decrease in the above deficit (net of tax) by Rs. 323.643 million with a corresponding decrease of Rs 323.643 million in the profit after taxation for the year and the earnings per share for the year would have been lower by Rs. 0.79. □

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

ALAUDDIN FEERASTA  
CHAIRMAN

SAFAR ALI K. LAKHANI  
PRESIDENT AND  
CHIEF EXECUTIVE

NOORUDDIN FEERASTA  
DIRECTOR

INAM ELAHI  
DIRECTOR

# Profit And Loss Account

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 (Rupees in ' 000)	2007
Mark-up / return / interest earned	23	7,822,941	6,271,636
Mark-up / return / interest expensed	24	4,878,347	4,334,355
Net mark-up / return / interest income		2,944,594	1,937,281
Provision against non-performing loans and advances - net	10.3	1,240,746	234,815
Provision for diminution in the value of investments	9.3	25,000	-
Bad debts written off directly	10.5	196	-
Net mark-up / return / interest income after provisions		1,265,942	234,815
		1,678,652	1,702,466
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		358,685	288,205
Dividend income		268,016	32,613
Income from dealing in foreign currencies		279,284	184,181
(Loss) / gain on sale of securities - net	25	(238)	299,570
Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'		-	-
Other income	26	320,459	263,095
Total non-markup / interest income		1,226,206	1,067,664
		2,904,858	2,770,130
<b>Non mark-up / interest expenses</b>			
Administrative expenses	27	1,673,590	1,278,974
Provision against other assets	13.3	134,311	5,871
Provision against off-balance sheet obligations		100,000	-
Other charges	28	43,724	8,600
Total non-markup / interest expenses		1,951,625	1,293,445
		953,233	1,476,685
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		953,233	1,476,685
Taxation - Current	29	697,000	403,000
- Prior years	29	(437)	(9,684)
- Deferred	29	(444,371)	83,035
		252,192	476,351
<b>Profit after taxation</b>		701,041	1,000,334
Unappropriated profit brought forward		238,775	400,853
Transfer from surplus on revaluation of fixed assets - net of tax		35,042	35,042
<b>Profit available for appropriation</b>		974,858	1,436,229
<b>Basic and diluted earnings per share (Rupees)</b>	30	1.70	2.43

As more fully explained in note 9.6, the investments in equity securities classified as available for sale have been valued at prices quoted on the Karachi Stock Exchange as of 31 December 2008 and the resulting deficit arising therefrom has been disclosed under the head "Surplus / deficit on revaluation of assets" on the balance sheet. Had the Bank followed the requirements of international accounting standards an amount of Rs. 497.913 million would have been recognised as impairment loss in the profit and loss account. This would have resulted in a decrease in the above deficit (net of tax) by Rs. 323.643 million with a corresponding decrease of Rs 323.643 million in the profit after taxation for the year and the earnings per share for the year would have been lower by Rs. 0.79.

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

ALAUDDIN FEERASTA  
CHAIRMAN

SAFAR ALI K. LAKHANI  
PRESIDENT AND  
CHIEF EXECUTIVE

NOORUDDIN FEERASTA  
DIRECTOR

INAM ELAHI  
DIRECTOR

# Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

Soneri Bank Limited

Note	2008 (Rupees in ' 000)	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> □□□□		
Profit before taxation □□	953,233 □	1,476,685
Less: Dividend income □□	268,016 □	32,613 □□
	685,217 □	1,444,072
<b>Adjustments:</b> □□□□		
Depreciation □□	238,960 □	197,020 □
Amortisation of intangible assets □□	8,271 □	-
Operating fixed assets written off directly □□	28 □	-
Provision for diminution in the value of investments □□	25,000 □	-
Provision against non-performing loans and advances □□	1,240,746 □	234,815 □
Provision against other assets □□	134,311 □	5,871 □
Provision against off-balance sheet obligations □□	100,000 □	-
Gain on sale of fixed assets □□	(9,486) □	(4,846) □
Bad debts written off directly □□	196 □	-
	1,738,026 □	432,860 □□
	2,423,243 □	1,876,932
<b>(Increase) / decrease in operating assets</b> □□□□		
Lendings to financial and other institutions □□	(815,260) □	18,396 □
Advances □□	(8,661,857) □	(4,977,016) □
Others assets (excluding advance taxation) □□	(808,695) □	(413,965) □□
	(10,285,812) □	(5,372,585)
<b>Increase / (decrease) in operating liabilities</b> □□□□		
Bills payable □□	(386,018) □	682,938 □
Borrowings □□	2,575,983 □	(3,050,966) □
Deposits and other accounts □□	1,484,363 □	7,149,481 □
Other liabilities (excluding current taxation) □□	272,176 □	312,487 □□
	3,946,504 □	5,093,940 □□
	(3,916,065) □	1,598,287
Income tax paid □□	(584,083) □	(705,474)
Net cash (used in) / generated from operating activities □□	(4,500,148) □	892,813
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b> □□□□		
Net investments in available for sale securities □□	2,175,135 □	(2,661,145)
Net investments in held to maturity securities □□	2,077,049 □	205,743
Dividend income □□	260,997 □	32,886
Investments in operating fixed assets □□	(681,733) □	(421,111)
Sale proceeds of property and equipment disposed-off □□	13,916 □	7,867
Net cash inflow from / (outflow on) investing activities □□	3,845,364 □	(2,835,760)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b> □□□□		
Payments of sub-ordinated loans □□	(480) □	(480)
Net cash outflow on financing activities □□	(480) □	(480)
<b>Decrease in cash and cash equivalents</b> □□	(655,264) □	(1,943,427)
Cash and cash equivalents at beginning of the year □□	10,210,878 □	12,154,305
<b>Cash and cash equivalents at end of the year</b> □	31 □ 9,555,614 □	10,210,878 □□□

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

ALAUDDIN FEERASTA  
CHAIRMAN

SAFAR ALI K. LAKHANI  
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NOORUDDIN FEERASTA  
DIRECTOR

INAM ELAHI  
DIRECTOR

# Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

Share Capital	Capital reserves			General reserve	Unappropriated profit (b)	Total	
	Reserve for issue of bonus shares	Share premium	Statutory reserve (a)				
----- (Rupees in '000) -----							
Balance as at 31 December 2006	3,116,835	-	1,405	1,068,987	606,210	400,853	5,194,290
Transfer to reserve for issue of bonus shares declared subsequent to year end	-	311,684	-	-	-	(311,684)	-
Issue of bonus shares	311,684	(311,684)	-	-	-	-	-
Profit after taxation for the year ended 31 December 2007	-	-	-	-	-	1,000,334	1,000,334
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	35,042	35,042
Transfer to reserve for issue of interim bonus shares	-	685,703	-	-	-	(685,703)	-
Issue of interim bonus shares	685,703	(685,703)	-	-	-	-	-
Transfer to statutory reserve	-	-	-	200,067	-	(200,067)	-
Balance as at 31 December 2007	4,114,222	-	1,405	1,269,054	606,210	238,775	6,229,666
Profit after taxation for the year ended 31 December 2008	-	-	-	-	-	701,041	701,041
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	35,042	35,042
Transfer to statutory reserve	-	-	-	140,208	-	(140,208)	-
Balance as at 31 December 2008	4,114,222	-	1,405	1,409,262	606,210	834,650	6,965,749

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

(b) As more fully explained in notes 9.6 and 10.4 of these financial statements, balances of Rs 323.643 million and Rs 65.938 million as at 31 December 2008 representing unrecognised impairment loss on equity instruments and additional profit arising from availing FSV benefit for determining provisioning requirement respectively are not available for the purposes of distribution of dividend to shareholders.

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

ALAUDDIN FEERASTA  
CHAIRMAN

SAFAR ALI K. LAKHANI  
PRESIDENT AND  
CHIEF EXECUTIVE

NOORUDDIN FEERASTA  
DIRECTOR

INAM ELAHI  
DIRECTOR

**1 □ STATUS AND NATURE OF BUSINESS □□□□□□□□□□**

Soneri Bank Limited was incorporated in Pakistan on 28 September 1991 as a public limited company under the Companies Ordinance, 1984 with registered office situated at Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates 117 branches including four Islamic banking branches (2007: 89 branches including four Islamic banking branches) in Pakistan. □□□□□

- 1.1 □** In accordance with BSD Circular No. 19 dated 5 September 2008, the minimum paid up capital requirement (net of losses) of the Bank at 31 December 2008 is Rs 5 billion. The paid up capital of the Bank at 31 December 2008 amounts to Rs 4.114 billion. This shortfall is being met through the proposed issue of bonus shares to be approved by the shareholders in the forthcoming Annual General Meeting as disclosed in note 43 of these financial statements. □□□□□

**2 □ BASIS OF PRESENTATION □□□□□□□□□□**

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible 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. □□□□□□□□□□

The financial results of the Islamic Banking branches of the Bank have been consolidated in these financial statements for reporting purposes, after eliminating material intra branch transactions / balances. The financial results of the Islamic Banking branches are disclosed in Annexure II to these financial statements. □□□□□□□□□□

**3 □ STATEMENT OF COMPLIANCE □□□□□□□□□□**

- 3.1 □** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail. □□□□□

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

**4 □ BASIS OF MEASUREMENT □□□□□□□□□□**

**4.1 □ Accounting convention □□□□□□□□□□**

These financial statements have been prepared under the historical cost convention, except that certain fixed assets are stated at revalued amounts, certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value and staff retirement benefits are carried at present value. □□□□□□□□□□

**4.2 □ Critical accounting estimates and judgements □□□□□□□□□□**

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

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4 and 10.3)
- iii) income taxes (notes 5.9 and 29)
- iv) accounting for defined benefit plan (notes 5.11 and 33)

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash and balances with treasury banks and balances with other banks in current and deposit accounts.

### 5.2 Lendings to / borrowings from financial and other institutions

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

#### (a) Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings. The differential in sale and repurchase value is accrued over the period of the contract and recorded as an expense.

#### (b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings to financial and other institutions. The difference between the contracted sales price and resale price is recognised as mark-up income on time proportion basis over the period of the contract.

#### (c) Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the profit and loss account over the period of borrowings.

### 5.3 Investments

The Bank classifies its investments as follows:

#### (a) Held for trading

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

#### (b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

#### (c) Available for sale

These are investments, other than those in subsidiaries and associates, if any, that do not fall under the held for trading or held to maturity categories.

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

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Bank commits to purchase or sell the investment. □□□□□

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

In accordance with the BSD Circular No.14 dated 24 September 2004 issued by SBP, investments classified as 'held to maturity' are carried at amortised cost. □□□□□

Unquoted equity securities excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in subsidiaries and associates (which qualify for accounting under International Accounting Standard - 28) are carried at cost. □□□

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

Profit / loss on sale of investments is credited / charged to the profit and loss account currently. □□□

#### 5.4 □ Advances □□□□□

Advances are stated at cost less specific and general provisions. Specific provision for non-performing advances is determined on the basis of Prudential Regulations and the other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer financing portfolio is maintained as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written off when there is no realistic prospect of recovery. □□□□□□□□□

#### 5.5 □ Fixed assets and depreciation □□□□□

##### Owned □□□□□

Property and equipment, other than freehold land and capital work-in-progress are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Freehold land and capital work-in-progress are stated at cost less impairment losses (if any). □□□□□

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to the financial statements after taking into account residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. □□□□□□□□□

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

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

Depreciation on additions is charged from the month the assets are available for use while in the case of assets disposed off, it is charged up to the month of disposal. □□□□□□□□□

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. □□□□□

Gains and losses on sale of fixed assets are charged / credited to the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

### **Leased (under finance lease)**

Assets held under finance lease, if any, are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

### **Leased (Ijarah)**

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised in income on accrual basis as and when the rental becomes due.

### **5.6 Operating leases**

Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

### **5.7 Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised on the basis of the estimated useful life over which economic benefits are expected to flow to the Bank. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

### **5.8 Impairment**

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

### **5.9 Taxation**

#### **Current**

Provision for current taxation is based on the taxable income at the current rates of taxation after taking into account available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

#### **Deferred**

Deferred tax is recognised using the balance sheet liability method on all major temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is



no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

#### 5.10 Provisions

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

#### 5.11 Staff retirement benefits

##### Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Annual contributions are made to the scheme in accordance with the actuarial recommendations. The actuarial valuation is carried out using the projected unit credit method. The cumulative unrecognised actuarial gains and losses at each valuation date are amortised over the average remaining working lives of the employees in excess of the higher of the following corridor limits at the end of the last reporting year:

- (i) 10% of the present value of the defined benefit obligation; and
- (ii) 10% of the fair value of the plan assets

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

##### Defined contribution plan

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is five years.

#### 5.12 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability in respect of unavailed leaves earned upto the date of balance sheet.

#### 5.13 Borrowings / deposits and their cost

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

#### 5.14 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognised on a time proportion basis using the effective yield on the instrument.
- Mark-up / return on classified advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by the State Bank of Pakistan, except where in the opinion of the management, it would not be prudent to do so.
- Fee, commission and brokerage income is recognised on accrual basis.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

## 5.15 Foreign currencies

### (a) Foreign currency transactions

Foreign currency transactions are translated into rupees at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities in the foreign currencies are expressed in rupee terms at the exchange rates ruling on the balance sheet date. Outstanding forward foreign exchange contracts and foreign bills purchased excluding swap contracts are valued at the rates applicable to the respective maturities. Exchange gains and losses are included in income.

### (b) Functional and presentation currency

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

### (c) Translation gains and losses

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

### (d) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at the contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of the transaction.

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

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

## 5.17 Acceptances

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

## 5.18 Financial instruments

### 5.18.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial and other institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposit accounts and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### 5.18.2 Derivative financial instruments

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

### 5.18.3 Off-setting

Financial assets and financial liabilities are off-set 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 on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

**5.19 Segment Reporting**

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the Bank are currently based in Pakistan, therefore, geographical segment is not relevant.

**Business segments****a) Corporate finance**

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

**b) Trading and sales**

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

**c) Retail banking**

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

**d) Commercial banking**

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

**5.20 Dividend and appropriation to reserves**

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

**5.21 Basic and diluted earnings per share**

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2008.

6	CASH AND BALANCES WITH TREASURY BANKS	Note	2008 (Rupees in ' 000)	2007
	In hand			
	Local currency	6.1	1,354,312	1,145,416
	Foreign currencies		445,368	320,153
	In transit			
	Local currency		26,005	8,425
	Foreign currencies		26,605	5,991
	With State Bank of Pakistan in			
	Local currency current account	6.2	2,750,803	3,921,377
	Foreign currency current account	6.3 & 6.4	209,287	176,509
	Foreign currency deposit account against foreign currency deposits mobilised	6.4	633,566	165,663
	With National Bank of Pakistan in			
	Local currency current account		200,809	117,671
			<u>5,646,755</u>	<u>5,861,205</u>

6.1 This includes National Prize Bonds of Rs. 3.352 million (2007: Rs. 12.514 million).

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

6.3 This represents foreign currency current account maintained with SBP as per their requirements.

6.4 This represents foreign currency cash reserve maintained with SBP at an amount equivalent to at least 20% of the Bank's foreign currency deposits mobilised under FE-25 scheme. The foreign currency cash reserve comprises of an amount equivalent to at least 5% of the Bank's foreign currency deposits mobilised under FE-25 scheme which is kept in a non-remunerative account. The balance reserve amount is maintained in a remunerative account on which the Bank is entitled to earn a return which is declared by SBP on a monthly basis. During the current year, this deposit account was remunerated at rates ranging from 0.90% per annum to 3.60% per annum (2007: 4.24% per annum to 4.32% per annum).

7	BALANCES WITH OTHER BANKS	Note	2008 (Rupees in ' 000)	2007
	In Pakistan			
	In current accounts		782,421	1,139,420
	In deposit accounts	7.1	80,000	2,000,000
	Outside Pakistan			
	In current accounts	7.2	3,046,438	1,210,253
			<u>3,908,859</u>	<u>4,349,673</u>

7.1 These deposits carry mark-up at rates ranging from 11.00% to 11.35% per annum (2007: 10.00% to 10.75% per annum) and have a maturity period of upto three months.

7.2 This includes Rs. 433.696 million (2007: Rs. 515.665 million) held in Automated Investment Plans. This balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

8	LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS	Note	2008 (Rupees in ' 000)	2007
	Call money lendings	8.2	3,200,000	1,500,000
	Repurchase agreement lendings	8.3	690,269	1,675,009
	Others - Letters of Placement (LOP)	8.4	100,000	-
			<u>3,990,269</u>	<u>3,175,009</u>
8.1	Particulars of lendings			
	In local currency		3,990,269	3,175,009
	In foreign currencies		-	-
			<u>3,990,269</u>	<u>3,175,009</u>

8.2□ These represent lendings to various commercial banks in the inter bank money market. They carry mark-up at rates □ ranging from 15.75% to 16.00% per annum (2007: 9.75% to 10.25% per annum) and have a maturity period of upto □ three months from the date of lending. □□□□

8.3□ **Securities held as collateral against lendings to financial and other institutions**□□

	2008			2007		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	689,257	-	689,257	-	-	-
Ordinary Shares	1,012	-	1,012	1,675,009	-	1,675,009
	690,269	-	690,269	1,675,009	-	1,675,009

8.3.1□ The above lendings carry mark-up rates ranging from 14.90% per annum to 67.41% per annum (2007: 11.18% to □ 11.20% per annum) and have a maturity period of upto one month. □□□□□□

8.4□ This represents placement with First Microfinance Bank Limited. This placement carries mark-up at 14.25% per □ annum (2007: NIL) and has a maturity period of upto one month from the date of lending. □□□

9□ **INVESTMENTS**□□□□

9.1□ **Investments by types**

	Note	2008			2007		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----							
<b>Available for sale securities</b>							
Market Treasury Bills		7,029,831	-	7,029,831	8,032,694	-	8,032,694
Pakistan Investment Bonds		2,203,260	-	2,203,260	2,228,287	-	2,228,287
Fully paid-up ordinary shares	9.6	533,337	-	533,337	223,963	-	223,963
Units of mutual funds	9.6	1,583,330	-	1,583,330	3,046,524	-	3,046,524
Fully paid up preference shares		45,421	-	45,421	45,421	-	45,421
Shares received against settlement of CFS lendings	9.7	6,575	-	6,575	-	-	-
		11,401,754	-	11,401,754	13,576,889	-	13,576,889
<b>Held to maturity securities</b>							
Pakistan Investment Bonds		1,736,025	-	1,736,025	2,208,382	-	2,208,382
Certificates of Investments		225,000	-	225,000	2,175,000	-	2,175,000
Term Finance Certificates and bonds		1,649,067	-	1,649,067	1,303,759	-	1,303,759
		3,610,092	-	3,610,092	5,687,141	-	5,687,141
Investments at cost		15,011,846	-	15,011,846	19,264,030	-	19,264,030
Less: Provision for diminution in the value of investments	9.3	(30,700)	-	(30,700)	(5,700)	-	(5,700)
Investments (net of provision)		14,981,146	-	14,981,146	19,258,330	-	19,258,330
Surplus / (deficit) on revaluation of available for sale securities	21.2	(927,969)	-	(927,969)	(76,768)	-	(76,768)
Total investments		14,053,177	-	14,053,177	19,181,562	-	19,181,562

## 9.2 Investments by segments

Note 2008 2007  
(Rupees in ' 000)

### Federal Government Securities

- Market Treasury Bills		7,029,831	8,032,694
- Pakistan Investment Bonds	9.5	3,939,285	4,436,669
		10,969,116	12,469,363

### Fully paid up ordinary shares of Rs. 10 each

#### Listed companies

- Fauji Fertilizer Company Limited [170,368 (2007: 195,638)]	9.6	18,852	17,771
- Pakistan Oilfields Limited [208,800 (2007: NIL)]		45,399	-
- Pakistan State Oil Company Limited [25,000 (2007: NIL)]		2,844	-
- Engro Chemical Pakistan Limited [200,000 (2007: 50,000)]		63,857	14,077
- Oil & Gas Development Company Limited [400,000 (2007: 100,000)]		40,390	12,702
- Askari Bank Limited [675,688 (2007: 325,510)]		45,620	27,976
- Pakistan Telecommunication Company Limited [NIL (2007: 60,000)]		-	4,062
- Al Ghazi Tractors Limited [30,000 (2007: 30,000)]		7,065	7,065
- Thal Limited [133,000 (2007: 130,000)]		18,911	25,878
- Agriauto Industries Limited [66,120 (2007: 55,100)]		4,800	4,800
- United Bank Limited [70,000 (2007: 35,000)]		9,809	6,918
- Habib Bank Limited [NIL (2007: 25,000)]		-	6,805
- Arif Habib Limited [13,812 (2007: 1,050)]		3,030	105
- Allied Bank Limited [NIL (2007: 10,000)]		-	1,403
- National Bank of Pakistan [270,000 (2007: 118,700)]		36,051	30,445
- Indus Motor Company Limited [NIL (2007: 25,700)]		-	8,117
- Pakistan Petroleum Limited [715,000 (2007: 25,000)]		157,227	6,463
- The Bank of Punjab [62,500 (2007: 25,000)]		5,026	2,608
- Arif Habib Securities Limited [93,750 (2007: 25,000)]		13,495	4,493
- D.G. Khan Cement Company Limited [NIL (2007: 58,000)]		-	6,432
- Fauji Fertilizer Bin Qasim Limited [140,000 (2007: NIL)]		5,184	-
- Nishat Mills Limited [65,000 (2007: NIL)]		7,785	-
- JS Bank Limited [500,000 (2007: NIL)]		11,457	-
- PICIC Insurance Limited [69,158 (2007: NIL)]		692	-
- International Industries Limited [13,465 (2007: 10,201)]		856	856
- Artistic Denim Mills Limited [100,000 (2007: 100,000)]		4,287	4,287

#### Un-listed companies

- Khushhali Bank Limited [2,500,000 shares of Rs 10 each (2007: 25 shares of Rs. 1,000,000 each)] (President: Mr. M. Ghalib Nishtar)	9.8	25,000	25,000
- Pakistan Export Finance Guarantee Agency Limited [569,958 (2007: 569,958)] (Chief Executive: Mr. S. M. Zaeem)	9.12	5,700	5,700
		533,337	223,963

### Fully paid up preference shares of Rs. 10 each

#### Listed companies

- Shakarganj Mills Limited [4,542,067 (2007: 4,542,067)]		45,421	45,421
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### Term Finance Certificates, Debentures, Bonds and Participation Term Certificates

#### Listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified

- Faysal Bank Limited [6,000 (2007: 6,000)]		29,988	30,000
- Pak Arab Fertilizer Limited [5,000 (2007: NIL)]		21,996	-
- Trust Leasing Limited [3,000 (2007: 3,000)]		3,000	6,000
- Bank Al-Habib Limited - I [5,000 (2007: 5,000)]		24,960	24,970
- Bank Al-Habib Limited - II [8,000 (2007: 3,000)]		38,227	14,997
- United Bank Limited 1st issue [8,000 (2007: 8,000)]		39,939	39,954
- United Bank Limited 2nd issue [7,000 (2007: 7,000)]		34,995	34,997
- United Bank Limited 3rd issue [9,716 (2007: 9,716)]		48,541	48,561
- United Bank Limited 4th issue [5,000 (2007: NIL)]		21,746	-

Balance carried forward

263,392 199,479

	Note	2008 (Rupees in ' 000)	2007
<i>Balance brought forward</i>		263,392	199,479
- Askari Bank Limited 1st Issue[5,000 (2007: 5,000)]		24,965	24,975
- Askari Bank Limited 2nd Issue[12,961 (2007: 12,961)]		64,727	64,753
- Jahangir Siddiqui & Company Limited 4th issue [4,000 (2007: 4,000)]		19,984	19,992
- Naimat Basal Oil & Gas Securitization Company Limited [NIL (2007:10,000)]		-	25,149
- Bank Al-Falah Limited [3,000 (2007: 3,000)]		14,983	14,988
- Azgard Nine Limited [10,000 (2007: 10,000)]		45,783	49,960
- Standard Chartered Bank Pakistan Limited [5,000 (2007: 5,000)]		24,975	24,985
- IGI Investment Bank Limited [3,000 (2007: 3,000)]		11,246	14,994
- Gharibwal Cement Limited [8,000 (2007: 8,000)]		39,992	40,000
- Pakistan Mobile Communication (Private) Limited [5,000 (2007: 5,000)]		24,975	24,985
- Worldcall Communication Limited [4,227 (2007: 4,227)]		21,118	21,127
- Allied Bank Limited 1st Issue[11,000 (2007: 6,000)]		52,708	29,988
- Allied Bank Limited 2nd Issue[8,000 (2007: NIL)]	9.9	40,000	-
- Engro Chemical Pakistan Limited[10,000 (2007: NIL)]		44,982	-
- Escort Investment Bank Limited [2,000 (2007: 2,000)]		9,994	9,998
- JS-ABAMCO Financial Receivables Securitization Limited [5,000 (2007: 5,000)]		22,908	24,995
<b>Un-listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified</b>			
- Kohinoor Textile Mills Limited [NIL (2007: 5 certificates of Rs. 5,000,000 each)]		-	3,125
- Crescent Leasing Corporation Limited [NIL (2007:6,000)]		-	3,000
- Three Star Cement (Private) Limited [NIL (2007: 40,000)]		-	200,000
- Orix Leasing Pakistan Limited [1,500 (2007: 10,000)]		150,000	50,000
- Avari Hotel Limited [12,667 (2007: 12,667)]	9.10	63,333	63,333
- Al Abbas Sugar Mills Limited [6,000 (2007: 6,000)]		29,988	30,000
- Grays Leasing Limited [NIL (2007: 3,000)]		-	1,875
- Crescent Steel & Allied Products Limited [8,000 (2007: 8,000)]		5,000	15,000
- Dewan Farooque Spinning Mills Limited [5,000 (2007: 5,000)]		6,250	12,500
- Jahangir Siddiqui & Company Limited 2nd issue [4 certificates of Rs. 5,000,000 (2007: 4)]		19,964	19,972
- Tandlianwala Sugar Mills Limited [5,000 (2007: 5,000)]		12,500	17,500
- Pakistan Mobile Communication (Private) Limited [10,000 (2007: 10,000)]		10,000	30,000
- JDW Sugar Mills Limited [16,600 (2007: NIL)]		83,000	-
- Dewan Cement Limited - Series 'A' (Profit bearing)		-	11,961
- Dewan Cement Limited - Series 'B' (Non-Profit bearing)		-	5,125
<b>Sukuk Bonds of Rs. 5,000 each</b>			
Century Papers & Board Mills Limited [10,000 (2007: 10,000)]		50,000	50,000
New Allied Electronics Industries (Private) Limited [20,000 (2007: 20,000)]		100,000	100,000
Eden Housing Limited [10,000 (2007: NIL)]		50,000	-
House Building Finance Corporation Limited "A"[10,000 (2007: Nil)]		50,000	-
House Building Finance Corporation Limited "B"[3,000 (2007: Nil)]		12,300	-
Haq Bahu Sugar Mills (Private) Limited [4,000 (2007: Nil)]	9.10	20,000	-
Sui Southern Gas Company Limited [20,000 (2007: Nil)]		100,000	-
Shahmurad Sugar Mills Limited [25 (2007: Nil)]		25,000	25,000
Pak Elektron Limited [10,000 (2007: 10,000)]		50,000	50,000
Ijarah Sukuk [10,000 (2007: Nil)]		60,000	-
WAPDA bonds [5,000 (2007: 5,000 )]		25,000	25,000
		1,649,067	1,303,759
<b>Others - Units of Mutual Funds</b>	9.6		
<b>Open ended</b>			
- National Investment (Unit) Trust [6,202,601 (2007: 276,572)] (Managed by National Investment Trust Limited)		315,969	15,969
- Meezan Islamic Fund [NIL (2007: 52,096)] (Managed by Al Meezan Investment Management Limited)		-	2,067
<i>Balance carried forward</i>		315,969	18,036

	2008 (Rupees in ' 000)	2007
<i>Balance brought forward</i>	315,969	18,036
- Atlas Stock Market Fund [NIL (2007: 3,357)] (Managed by Atlas Asset Management Limited)	-	1,437
- Faysal Balanced Growth Fund [NIL (2007: 17,393)] (Managed by Faysal Asset Management Limited)	-	1,482
- Pakistan Capital Market Fund [NIL (2007: 58,860)] (Managed by Arif Habib Investment Management Limited)	-	476
- Al-Falah GHP Value Fund [NIL(2007: 737)] (Managed by Alfalah GHP Investment Management Limited)	-	39
- Meezan Islamic Income Fund [NIL (2007: 958,627)] (Managed by Al-Meezan Investment Management Limited)	-	50,000
- United Growth and Income Fund [NIL (2007: 4,776,247)] (Managed by UBL Fund Managers Limited)	-	500,000
- HBL Income Fund [447,088 (2007: 3,972)] (Managed by HBL Asset Management Limited)	47,932	387
- First Habib Income Fund [100,000 (2007:100,000)] (Managed by Habib Asset Management Limited)	10,300	10,300
- MCB Dynamic Cash Fund [2,429,075 (2007: 4,779,859)] (Managed by MCB Asset Management Limited)	253,087	500,000
- Pakistan Income Fund [NIL (2007: 5,715,374)] (Managed by Arif Habib Investment Management Limited)	-	300,000
- UTP Income Fund [NIL (2007: 2,836,611)] (Managed by JS Investment Limited)	-	300,000
- Atlas Income Fund [190,851 (2007: 190,851)] (Managed by Atlas Asset Management Limited)	100,000	100,000
- JS Income Fund [898,811 (2007: Nil)] (Managed by JS Investment Limited)	95,058	-
- ABL Income Fund [29,488,474 (2007: Nil)] (Managed by ABL Asset Management Company Limited)	300,000	-
- Faysal Saving Growth Fund [1,468,573 (2007: Nil)] (Managed by Faysal Asset Management Limited)	150,000	-
- KASB Liquid Fund [NIL (2007: 950,932)] (Managed by KASB Funds Limited)	-	100,000
- Al Falah GHP Income Multiplier Fund [NIL (2007: 1,904,171)] (Managed by Alfalah GHP Investment Management Limited)	-	100,000
- Askari Income Fund [NIL (2007: 1,894,657)] (Managed by Askari Investment Management Limited)	-	200,000
- Faysal Income & Growth Fund [NIL (2007: 2,838,224)] (Managed by Faysal Asset Management Limited)	-	300,000
- NAFA Cash Fund [24,346,524 (2007: 47,612,702)] (Managed by National Fullerton Asset Management Limited)	255,170	500,000
- Pakistan International Element Islamic Fund [NIL (2007: 204,758)] (Managed by Arif Habib Investment Management Limited)	-	10,023
- Reliance Income Fund [213,969 (2007: 213,969)] (Managed by Noman Abid Investment Management Limited)	10,000	10,000
- Atlas Islamic Fund [20,967 (2007: 20,597)] (Managed by Atlas Asset Management Limited)	10,000	10,000
- United Money Market Fund [NIL (2007: 2,044)] (Managed by UBL Fund Managers Limited)	-	197
<b>Closed-end</b>		
- UTP Large Capital Fund [923,197 (2007: 923,197)]	9,192	9,192
- PICIC Growth Fund [40,000 (2007: NIL)]	1,073	-
- Pakistan Premier Fund Limited [25,000 (2007: NIL)]	327	-
- Pakistan Strategic Allocation Fund [2,520,000 (2007: 2,495,500)]	25,173	24,955
- PICIC Investment Fund [4,000 (2007: NIL)]	49	-
	1,583,330	3,046,524



	Note	2008 (Rupees in ' 000)	2007
<b>Shares received against settlement of CFS lendings</b> (□)			
<b>(Ordinary shares of Rs 10/- each)</b> (□)	9.7 (□)		
- Adamjee Insurance Company Limited [6,037 (2007: NIL)] (□)		660 (□)	- (□)
- Attock Refinery Limited [19,676 (2007: NIL)] (□)		1,266 (□)	- (□)
- D. G. Khan Cement Company Limited [144,301 (2007: NIL)] (□)		3,293 (□)	- (□)
- Others (□)		1,356 (□)	- (□)
		6,575 (□)	- (□)
<b>Certificates of Investment</b> (□)		225,000 (□)	2,175,000 (□)
<b>Investments at cost</b> (□)		15,011,846 (□)	19,264,030 (□)
Less: Provision for diminution in the value of investment (□)	9.3 (□)	(30,700) (□)	(5,700) (□)
<b>Investments (net of provision)</b> (□)		14,981,146 (□)	19,258,330 (□)
(Deficit) / surplus on revaluation of available for sale securities (□)	21.2 (□)	(927,969) (□)	(76,768) (□)
<b>Total investments</b> (□)		14,053,177 (□)	19,181,562 (□)
<b>9.3 (□) Particulars of provision for diminution in value of investments</b> (□)			
Opening balance (□)		5,700 (□)	5,700 (□)
Charge for the year (□)		25,000 (□)	- (□)
Closing balance (□)		30,700 (□)	5,700 (□)
<b>9.3.1 (□) Particulars of provision for diminution in value of investments by type and segment</b> (□)			
<b>Available for sale securities</b> (□)			
<b>Unlisted companies</b> (□)			
- Fully paid up ordinary shares of Rs. 10 each (□)			
- Pakistan Export Finance Guarantee Agency Limited (□)		5,700 (□)	5,700 (□)
<b>Held to maturity securities</b> (□)			
<b>Sukuk Bonds of Rs. 5,000/- each</b> (□)		25,000 (□)	- (□)
		30,700 (□)	5,700 (□)

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

9.5 (□) This includes securities having book value of Rs. 30.700 million (2007: Rs. 30.700 million) pledged with the State Bank of Pakistan and the National Bank of Pakistan as security to facilitate T. T. discounting facility to the branches of the Bank. (□)

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

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

International Accounting Standards require an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A significant or prolonged decline in the fair value of an investment in an equity security below its cost is objective evidence of such impairment. When a decline in the fair value of an investment in equity securities classified as available for sale has been recognized directly in equity and there is objective evidence that the investment is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognised in the profit and loss account even though the investment has not been derecognised. Based on scrip wise analysis of the deficit arising on revaluation of quoted shares, closed-end mutual funds and open-end mutual funds. Management has determined an amount of Rs. 497.913 million should have been charged to the profit and loss account as impairment loss in accordance with the requirements of international accounting standards. However, the State Bank of Pakistan vide its BSD Circular No. 4 dated 13 February 2009 has given an option to banking companies to either follow the requirements of International Accounting Standards and charge the impairment loss to the profit and loss account or to show this impairment loss under equity as per the following allowed alternative treatment: □□□□□

- The impairment loss, if any, recognized as on 31 December 2008 due to valuation of listed equity investments □□□ held as “available for sale” to quoted market prices of 31 December 2008 may be shown under the caption □□□ “Surplus / Deficit on revaluation of assets” on the balance sheet; □□□□□
- The amount taken to “Surplus / Deficit on revaluation of assets” as specified above, including any adjustment/effect □□□ for price movements during the quarter of calendar year 2009 shall be taken to Profit and loss account on □□□ quarterly basis during the calendar year ending on 31 December 2009; and □□□□□
- The amount taken to “Surplus / Deficit on revaluation of assets” as specified above shall be treated as a charge □□□ to profit and loss account for the purposes of distribution of dividend. □□□□□

The Bank has opted not to charge the impairment loss in the profit and loss account but to show it under the caption “Surplus / Deficit on revaluation of assets” on the balance sheet at 31 December 2008. Had the Bank followed the requirements of international accounting standards for the treatment of impairment on available for sale equity investments, the resultant impairment loss would have had the following impact on the financial statements of the Bank: □□□□□□

( Rupees in '000 ) □□

Recognition of impairment loss in the profit and loss account □□□	497,913 □
Decrease in the deficit on revaluation of available for sale investments - net of tax □□	323,643 □
Decrease in profit after taxation for the year □□□	323,643 □
Decrease in the earnings per share ( Rupees ) □□□	0.79 □□□□□

9.7 □ During December 2008, the bank has entered into a Voluntary Continuous Funding System Mark-II Square Up Program (the Program) with National Clearing Company of Pakistan Limited for squaring up of its outstanding exposure in CFS. The need for this program developed due to the large number of suspension of members in December 2008 following eight days of continuous market lower locks in the underlying CFS shares posing great difficulty in squaring up and the likelihood of systemic risk emanating therein. The aim of this program is to ensure the full repayment of financier funds and prevent mass scale broker defaults enabling a vast majority of them to return from suspension. □□□□□

Under the terms of the Program, CFS shares and their associated margins in the form of exposure shares (i.e those shares which were deposited as collateral against the specific shares financed in the CFS market by the relevant financee broker) were sold to the financiers at a discount of 12.5% and 15% respectively to their closing prices prevailing as at 24 December 2008. The financiers opting into the program have purchased shares of an amount equal to the 30% of the total value they had financed in the CFS market at the aforementioned price. The remaining 70% that they had financed in the CFS market along with the mark-up accrued thereon was to be settled in cash and has been reflected under the 'Other Assets' at 31 December 2008. □□□□

Consequent to the announcement of the Program, the bank has purchased shares of an amount equal to approximately 30% of the total value that they had financed in the CFS market which have been classified in the investments. The remaining 70% CFS balance along with the entire mark-up accrued thereon has been received subsequent to the period ended 31 December 2008.

- 9.8□ This includes the Bank's initial subscription towards the paid-up capital of Khushhali Bank Limited. Under the scheme of transfer of assets and liabilities of the Khushhali Bank to Khushhali Bank Limited, as approved by the State Bank of Pakistan, vide sanction order dated 18 March 2008 and by the shareholders in their Second Extra Ordinary General Meeting held on 17 December 2007, the Khushhali Bank Limited has been granted license to operate under the Micro Finance Institution Ordinance, 2001. Further, as required under SBP BPRD Circular No. 4 dated 22 May 2008 the shares owned by the Bank have been deposited in a blocked account with the Central Depository Company of Pakistan Limited. □□□
- 9.9□ This represents payment made by the Bank towards its participation in Pre-initial public offering (Pre-IPO). The initial public offering (IPO) was completed by 31 December 2008. However the TFC's were not issued by that date. □
- 9.10□ These represent payments made by the Bank for subscription of privately placed unlisted certificates / bonds. The certificates / bonds against these subscriptions were not issued by 31 December 2008. □□□
- 9.11□ Market Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds are eligible for discounting with the State Bank of Pakistan. □□□□□
- 9.12□ This investment can only be sold to an existing investor. □□□□
- 9.13□ Significant particulars relating to government securities, term finance certificates and certificates of investment are as follows:

Name of investment	Maturity	Principal payments	Coupon rate (%)	Coupon payments
Market Treasury Bills	February 2009 to April 2009	On maturity	9.90 to 13.81	At maturity
Pakistan Investment Bonds	April 2009 to January 2024	On maturity	7.00 to 14.00	Semi-annually
Term Finance Certificates	January 2009 to February 2018	Semi-annually/ quarterly/monthly	8.45 to 19.50	Semi-annually
Certificates of Investment	January 2009 to March 2009	On maturity	17.75 to 19.00	At maturity

#### 9.14 Quality of available for sale securities

Securities (at market value)	2008		2007	
	Amount	Rating	Amount	Rating
(Rupees in '000)				
<b>Federal Government Securities</b>				
- Market Treasury Bills	7,010,951	N / A	8,016,690	N / A
- Pakistan Investment Bonds	1,836,295	N / A	2,162,307	N / A
<b>Fully paid up ordinary shares of Rs. 10 each</b>				
<b>Listed companies</b>				
- Fauji Fertilizer Company Limited	10,006	N / A	23,200	N / A
- Pakistan Oilfields Limited	21,400	N / A	-	N / A
- Pakistan State Oil Company Limited	3,615	AAA(L), A1+(S)	-	N / A
- Engro Chemical Pakistan Limited	19,292	AA(L), A1+ (S)	13,288	AA(L), A1+ (S)
- Oil & Gas Development Company Limited	19,996	AAA(L), A1+(S)	11,945	N / A
- Askari Bank Limited	9,845	AA(L), A1+(S)	32,470	AA+(L), A1+(S)
- Pakistan Telecommunication Company Limited	-	N / A	2,523	N / A
- Al Ghazi Tractors Limited	6,555	N / A	8,263	N / A
- Thal Limited	10,881	N / A	36,972	N / A
- Agriauto Industries Limited	2,041	N / A	5,965	N / A
- United Bank Limited	2,584	AA+(L), A1+ (S)	6,052	AA+(L), A1+ (S)
- Habib Bank Limited	-	AA+(L), A1+ (S)	5,998	AA+(L), A1+ (S)
- Arif Habib Limited	1,180	N / A	276	A-(L), A2 (S)
- Allied Bank Limited	-	AA(L), A1+(S)	1,302	AA(L), A1+ (S)
- National Bank of Pakistan	13,586	AAA(L), A1+(S)	27,556	AAA(L), A1+ (S)
- Indus Motor Company Limited	-	N / A	8,203	N / A
- Pakistan Petroleum Limited	71,943	N / A	6,126	N / A
- The Bank of Punjab	825	AA-(L), A1+(S)	2,445	AA(L), A1+ (S)
- Arif Habib Securities Limited	3,943	AA(L), A1(S)	4,330	N / A
- D.G. Khan Cement Company Limited	-	N / A	5,493	N / A
- Fauji Fertilizer Bin Qasim Limited	1,806	N / A	-	N / A
- Nishat Mills Limited	1,469	A+(L), A1 (S)	-	N / A
- JS Bank Limited	2,870	A(L), A1 (S)	-	N / A
- PICIC Insurance Limited	829	BBB+ (L)	-	N / A
- International Industries Limited	619	N / A	1,439	N / A
- Artistic Denim Mills Limited	3,200	N / A	6,550	N / A
<b>Un-listed companies - at cost</b>				
- Khushhali Bank Limited	25,000	A-(L), A-1(S)	25,000	N / A
- Pakistan Export Finance Guarantee Agency Limited	5,700	N / A	5,700	N / A
<b>Shares received against settlement of CFS lendings</b>				
- Adamjee Insurance Company Limited	615	N/A	-	N / A
- Attock Refinery Limited	1,178	AA(L), A1+(S)	-	N / A
- D. G. Khan Cement Company Limited	3,069	N/A	-	N / A
- Others	1,323	N/A	-	N / A
<i>Balance carried forward</i>	9,092,616		10,420,093	

	2008		2007	
	Amount	Rating	Amount	Rating
----- (Rupees in '000) -----				
Balance brought forward	9,092,616		10,420,093	
<b>Fully paid up preference shares of Rs. 10 each</b>				
<b>Listed companies</b>				
- Shakarganj Mills Limited	46,329	BBB+(L), A2(S)	27,252	N / A
<b>Units of Mutual Funds</b>				
<b>Open-ended</b>				
- National Investment (Unit) Trust	144,831	5-Star	17,258	4-Star
- Meezan Islamic Fund	-	5-Star	3,281	5-Star
- Atlas Stock Market Fund	-	4-Star	2,020	5-Star
- Faysal Balanced Growth Fund	-	N / A	1,887	N / A
- Pakistan Capital Market Fund	-	5-Star	719	3-Star
- Al-Falah GHP Value Fund	-	5-Star	39	5-Star
- Meezan Islamic Income Fund	-	A(F)	50,050	N / A
- United Growth and Income Fund	-	A(F)	500,504	N / A
- HBL Income Fund	42,491	N / A	415	N / A
- First Habib Income Fund	9,707	N / A	10,477	N / A
- MCB Dynamic Cash Fund	239,728	N / A	500,489	N / A
- Pakistan Income Fund	-	5-Star	300,286	4-Star
- UTP Income Fund	-	N / A	300,291	5-Star
- Atlas Income Fund	91,160	4-Star(L), 5-Star(S)	100,105	5-Star
- JS Income Fund	90,654	5-Star	-	N / A
- ABL Income Fund	307,167	A(F)	-	N / A
- Faysal Saving Growth Fund	152,115	A(F)	-	N / A
- KASB Liquid Fund	-	5-Star	100,105	N / A
- Al-Falah GHP Income Multiplier Fund	-	N / A	100,140	N / A
- Askari Income Fund	-	5-Star	200,701	N / A
- Faysal Income & Growth Fund	-	A+(F)	300,142	A+(f)
- NAFA Cash Fund	233,471	A(F)	500,486	N / A
- Pakistan International Element Islamic Fund	-	3-Star	10,995	N / A
- Reliance Income Fund	9,926	N / A	11,210	N / A
- Atlas Islamic Fund	5,438	N / A	10,775	N / A
- United Money Market Fund	-	A+(F)	214	4-Star
<b>Closed-end</b>				
- UTP Large Capital Fund	2,123	4-Star	7,478	4-Star
- PICIC Growth Fund	224	N/A	-	N / A
- Pakistan Premier Fund Limited	51	5-Star (L),4-Star (S)	-	N / A
- Pakistan Strategic Allocation Fund	5,746	4-Star	22,709	5-Star
- PICIC Investment Fund	8	N/A	-	3-Star
<b>Total</b>	<u>10,473,785</u>		<u>13,500,121</u>	

L represents Long Term Rating

S represents Short Term Rating

N/A represents Not Available

Note 2008 2007  
(Rupees in ' 000)

<b>10</b>	<b>ADVANCES</b>		
	Loans, cash credits, running finances, etc.		
	In Pakistan	45,197,476	37,218,507
	Outside Pakistan	-	-
		<u>45,197,476</u>	<u>37,218,507</u>
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan	826,376	298,483
	Payable outside Pakistan	3,441,110	3,288,234
		<u>4,267,486</u>	<u>3,586,717</u>
	Advances - gross	49,464,962	40,805,224
	Provision for non-performing advances	(1,889,598)	(650,775)
	Advances - net of provision	<u>47,575,364</u>	<u>40,154,449</u>
<b>10.1</b>	<b>Particulars of advances (Gross)</b>		
<b>10.1.1</b>	In local currency	45,363,639	34,691,909
	In foreign currencies	4,101,323	6,113,315
		<u>49,464,962</u>	<u>40,805,224</u>
<b>10.1.2</b>	Short Term ( for upto one year)	41,780,636	32,764,623
	Long Term ( for over one year)	7,684,326	8,040,601
		<u>49,464,962</u>	<u>40,805,224</u>

10.2  Advances include Rs. 3,190.077 million (2007: Rs. 1,277.490 million) which have been placed under non- performing status as detailed below:-

Category of Classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
OAEM*	2,103	-	2,103	-	-	-	-	-	-
Substandard	691,694	-	691,694	117,954	-	117,954	117,954	-	117,954
Doubtful	1,166,242	-	1,166,242	425,607	-	425,607	425,607	-	425,607
Loss	1,330,038	-	1,330,038	1,326,037	-	1,326,037	1,326,037	-	1,326,037
	<u>3,190,077</u>	<u>-</u>	<u>3,190,077</u>	<u>1,869,598</u>	<u>-</u>	<u>1,869,598</u>	<u>1,869,598</u>	<u>-</u>	<u>1,869,598</u>
	2007								
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
OAEM*	781	-	781	-	-	-	-	-	-
Substandard	679,550	-	679,550	171,570	-	171,570	171,570	-	171,570
Doubtful	274,999	-	274,999	137,499	-	137,499	137,499	-	137,499
Loss	322,160	-	322,160	322,160	-	322,160	322,160	-	322,160
	<u>1,277,490</u>	<u>-</u>	<u>1,277,490</u>	<u>631,229</u>	<u>-</u>	<u>631,229</u>	<u>631,229</u>	<u>-</u>	<u>631,229</u>

\* The Other Assets Especially Mentioned category pertains to agricultural finance only.

### 10.3 Particulars of provision against non-performing loans and advances

Note	2008				2007			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
Opening balance	631,229	19,546	-	650,775	346,565	19,546	50,000	416,111
Charge for the year	1,659,642	454	-	1,660,096	292,132	-	-	292,132
Reversals	(419,350)	-	-	(419,350)	(57,317)	-	-	(57,317)
	1,240,292	454	-	1,240,746	234,815	-	-	234,815
Amount written off	10.5	(1,923)	-	(1,923)	(151)	-	-	(151)
Transfer	-	-	-	-	50,000	-	(50,000)	-
Closing balance	<u>1,869,598</u>	<u>20,000</u>	<u>-</u>	<u>1,889,598</u>	<u>631,229</u>	<u>19,546</u>	<u>-</u>	<u>650,775</u>

10.3.1  Provision against consumer financing represents provision maintained at an amount equal to 1.5% of the fully  secured performing portfolio and 5% of the unsecured performing portfolio as required under the Prudential  Regulations issued by the State Bank of Pakistan.

### 10.3.2 Particulars of provision against non-performing loans and advances

	2008				2007			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
In local currency	1,869,598	20,000	-	1,889,598	631,229	19,546	-	650,775
In foreign currencies	-	-	-	-	-	-	-	-
	<u>1,869,598</u>	<u>20,000</u>	<u>-</u>	<u>1,889,598</u>	<u>631,229</u>	<u>19,546</u>	<u>-</u>	<u>650,775</u>

### 10.4 Amendments in Prudential Regulations in respect of provisioning against non-performing loans

During the year the State Bank of Pakistan (SBP) has introduced certain amendments in the Prudential Regulations  in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD  Circular No. 2 dated 27 January 2009. Under the revised guidelines issued by SBP, banks have been allowed to  avail the benefit of 30% of forced sales value of pledged stocks and mortgaged commercial and residential  properties held as collateral against all non-performing loans for 3 years from the date of classification for  calculating provisioning requirement with effect from 31 December 2008. However, as per the circular

the additional impact on profitability arising from availing the benefit of forced sales value against pledged stocks and mortgaged residential and commercial properties would not be available for payment of cash or stock dividend. Under the previous guidelines issued by SBP which were effective from 31 December 2007, banks were not allowed to avail the benefit of discounted forced sales value of mortgaged assets held as collateral against all non-performing loans (except for housing finance) for calculating provisioning requirement.

Had the provision against non-performing loans and advances been determined in accordance with the previously laid down requirements of SBP, the specific provision against non-performing loans would have been higher and consequently profit before taxation and advances (net of provisions) as at 31 December 2008 would have been lower by approximately Rs. 101.442 million. The additional profit arising from availing the FSV benefit - net of tax at 31 December 2008 which is not available for either cash or stock dividend to shareholders amounted to approximately Rs. 65.938 million.

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

	Note	2008 (Rupees in ' 000)	2007
<b>10.5 Particulars of write offs:</b>			
<b>10.5.1</b> Against provisions	10.3	1,923	151
Directly charged to profit and loss account		196	-
		<u>2,119</u>	<u>151</u>
<b>10.5.2</b> Write offs of Rs. 500,000 and above	10.6	1,923	-
Write offs of below Rs. 500,000		196	151
		<u>2,119</u>	<u>151</u>
<b>10.6 Details of loan write offs 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 five hundred thousand rupees or above allowed to a person(s) during the year ended 31 December 2008 is given at Annexure - I. However, this write off does not affect the Bank's right to recover the debts from these customers.

	2008 (Rupees in ' 000)	2007
<b>10.7 Particulars of loans and advances to directors, associated companies, etc.</b>		
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons*		
Balance at beginning of the year	145,176	115,233
Loans granted during the year	77,064	71,903
Repayments	(40,356)	(41,960)
Balance at end of the year	<u>181,884</u>	<u>145,176</u>

\* Represents loans given by the Bank to their executives and other employees as per the terms of their employment.

	Note	2008 (Rupees in ' 000)	2007
<b>11 FIXED ASSETS</b>			
Capital work-in-progress	11.1	184,004	184,256
Property and equipment	11.2	2,921,940	1,949,595
Intangible assets	11.3	20,913	17,104
		<u>3,126,857</u>	<u>2,150,955</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		127,934	69,638
Advances to suppliers and contractors		25,550	10,632
Advance against purchase of premises		27,775	99,634
Consultant's fee and other charges		2,745	4,352
		<u>184,004</u>	<u>184,256</u>

11.2 Property and equipment

	2008											
	COST / REVALUATION						ACCUMULATED DEPRECIATION					
	At 1 January 2008	Additions/ (deletions)	Reversal due to revaluation	Revaluation surplus	Transfers in / transfer out	At 31 December 2008	At 1 January 2008	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	At 31 December 2008	Book value at 31 December 2008	Rate of depreciation
	(Rupees in '000)											%
Freehold land	23,667	64,611	-	(2,191)	-	86,087	-	-	-	-	86,087	-
Leasehold land and buildings on leasehold land	1,562,169	177,567	(279,191)	548,049	-	2,008,594	191,376	87,815	(279,191)	-	2,008,594	5
Leasehold improvements	170,452	76,343	-	-	-	246,795	31,708	15,879	-	47,587	199,208	5
Furniture and fixtures	91,415	29,158 (1,097)	-	-	-	119,476	43,938	7,510 (320)	-	51,128	68,348	10-20
Electrical, office and computer equipment	650,505	211,848 (27,573)	-	-	-	834,780	349,187	100,402 (24,938)	-	424,651	410,129	10-20
Vehicles	128,020	41,837 (10,878)	-	-	-	158,979	60,424	24,259 (9,832)	-	74,851	84,128	20
<b>Assets held under Ijarah</b>												
Motor Vehicles	-	10,363	-	-	-	10,363	-	194	-	194	10,169	Over the Ijarah period
Plant and Machinery	-	58,178	-	-	-	58,178	-	2,901	-	2,901	55,277	
<b>2008</b>	<b>2,626,228</b>	<b>669,905 (39,548)</b>	<b>(279,191)</b>	<b>545,858</b>	<b>-</b>	<b>3,523,252</b>	<b>676,633</b>	<b>238,960 (35,090)</b>	<b>(279,191)</b>	<b>601,312</b>	<b>2,921,940</b>	
	2007											
	COST / REVALUATION						ACCUMULATED DEPRECIATION					
	At 1 January 2007	Additions/ (deletions)	Reversal due to revaluation	Revaluation surplus	Transfers in / transfer out	At 31 December 2007	At 1 January 2007	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	At 31 December 2007	Book value at 31 December 2007	Rate of depreciation
	(Rupees in '000)											%
Freehold land	-	-	-	-	23,667	23,667	-	-	-	-	23,667	-
Leasehold land and buildings on leasehold land	1,556,598	29,238	-	-	(23,667)	1,562,169	104,123	87,253	-	191,376	1,370,793	5
Leasehold improvements	126,592	43,860	-	-	-	170,452	30,242	1,466	-	31,708	138,744	5
Furniture and fixtures	70,606	20,830 (21)	-	-	-	91,415	38,546	5,395 (3)	-	43,938	47,477	10-20
Electrical, office and computer equipment	489,006	165,209 (3,710)	-	-	-	650,505	268,891	83,432 (3,136)	-	349,187	301,318	10-20
Vehicles	108,081	31,640 (11,701)	-	-	-	128,020	50,222	19,456 (9,254)	-	60,424	67,596	20
<b>Assets held under Ijarah</b>												
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Machinery	-	-	-	-	-	-	-	-	-	-	-	-
<b>2007</b>	<b>2,350,883</b>	<b>290,777 (15,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,626,228</b>	<b>492,024</b>	<b>197,002 (12,393)</b>	<b>-</b>	<b>676,633</b>	<b>1,949,595</b>	

11.2.1 The cost of fully depreciated property and equipment still in use amounted to Rs. 266.742 million (2007: Rs. 205.060 million).

11.2.2 During the year the freehold land and leasehold land / buildings on leasehold land were revalued by M/s Harvester Services (Pvt.) Limited (Valuation and Engineering Consultants). The revaluation was carried out on the basis of their professional assessment of present market values of the above mentioned categories of assets and resulted in a net surplus of Rs. 545.858 million which has been incorporated in the books of the Bank on 31 December 2008. The previous and first revaluation was carried out during the year 2005 and the resultant net surplus amounting to Rs. 774.949 million was incorporated in the books of the Bank on 30 November 2005.

Had there been no revaluation the carrying amount of revalued assets at 31 December 2008 would have been Rs. 940.099 million (2007: Rs. 731.825 million).

11.2.3 The Islamic Banking branches of the Bank have entered into ijarah transactions with customers during the year. The significant ijarah transactions have been entered in respect of vehicles.

The ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

Rupees in '000

Not later than one year	19,328
Later than one year but not later than five years	49,213
Later than five years	-
	<u>68,541</u>

11.2.4 Disposals / deletions of property and equipment with original cost or book value in excess of rupees one million or two hundred fifty thousand respectively (whichever is less):

Particulars	Cost	Book value	Sale price / insurance proceeds	Mode of settlement / disposal	Particulars of buyers / insurance companies
----- (Rupees in '000) -----					
<b>Furniture and fixtures</b>	665	584	585	Insurance claim	Adamjee Insurance Company Limited
----- do -----	190	28	-	Written-off	
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	242	165	169	Negotiation	Various
	<u>1,097</u>	<u>777</u>	<u>754</u>		
<b>Electrical office and computer equipment</b>	7,523	6	406	Negotiation	Hascombe, Karachi
----- do -----	2,185	1	325	Negotiation	R.A. Electronic Group Head Office, Suit # 216 Mashriq Centre
----- do -----	2,305	610	615	Negotiation	S.M. Jaffar & Company Jaffar House # 17, Timber Road Kimari, Karachi
----- do -----	3,510	1	400	Negotiation	MJB Engineering Works Office # 26, 11-G Market North Karachi
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	12,050	2,017	4,201	Negotiation	Various
	<u>27,573</u>	<u>2,635</u>	<u>5,947</u>		
<b>Motor vehicles</b>	555	296	500	Insurance claim	New Jubilee Insurance Company Ltd.
----- do -----	1,413	-	1,286	Tender	Mr. Mohammad Dawood Khan Village Gupis, Tehsil Puniial District Ghizar
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	8,910	750	5,429	Various	Various
	<u>10,878</u>	<u>1,046</u>	<u>7,215</u>		
	<u>39,548</u>	<u>4,458</u>	<u>13,916</u>		

### 11.3 Intangible assets

	----- 2008 -----									
	Cost				Accumulated Amortisation			Net book value at 31 December 2008	Annual rate of amortisation %	
At 1 January 2008	Additions/ (deletions)	Other adjustments	At 31 December 2008	At 1 January 2008	Charge for the year/ (amortisation on deletion)	Other adjustments	At 31 December 2008			
----- (Rupees in '000) -----										
Software	17,104	12,080	-	29,184	-	8,271	-	8,271	20,913	33.33
----- 2007 -----										
	Cost				Accumulated Amortisation			Net book value at 31 December 2007	Annual rate of amortisation %	
At 1 January 2007	Additions/ (deletions)	Other adjustments	At 31 December 2007	At 1 January 2007	Charge for the year/ (amortisation on deletion)	Other adjustments	At 31 December 2007			
----- (Rupees in '000) -----										
Software	-	17,104	-	17,104	-	-	-	-	17,104	33.33

11.4 The additions mainly represent acquisition of a networking program amounting to Rs. 9 million for support of the new software Sonaware.net.



12 □ DEFERRED TAX ASSETS - NET □□□□	Note	2008 (Rupees in ' 000)	2007 (Rupees in ' 000)
<b>Deferred debits arising in respect of □□□□</b>			
Provision for diminution in the value of investments □		10,745 □	1,995 □
Provision against non-performing advances □		434,261 □	- □
Provision against off balance sheet obligation □		35,000 □	- □
Deficit on revaluation of securities □	21.2 □	324,789 □	26,868 □□□
		<u>804,795 □</u>	<u>28,863 □</u>
<b>Deferred credits arising due to □□□□</b>			
Accelerated tax depreciation □		274,848 □	222,339 □
Surplus on revaluation of fixed assets □	21.1 □	404,104 □	231,922 □□□
		<u>678,952 □</u>	<u>(454,261) □</u>
<b>Deferred tax asset / (liability) □</b>		<u>125,843 □</u>	<u>(425,398) □</u>
<b>13 □ OTHER ASSETS □□□□</b>			
Income / mark-up accrued in local currency □		1,661,273 □	953,140 □
Income / mark-up accrued in foreign currency □		4,180 □	17,330 □
Advances, deposits, advance rent and other prepayments □		261,301 □	265,076 □
Unrealised gain on forward foreign exchange contracts □		291,805 □	104,758 □
Receivable against Voluntary Continuous Funding System □□□□			
Mark-II square up Program □	9.7 □	17,466 □	- □
Suspense account □	13.3.1 □	109,477 □	297,323 □
Advance taxation (provisions less payments) □		145,328 □	257,808 □
Stationery and stamps in hand □		54,784 □	38,834 □
Due from the State Bank of Pakistan □		95,660 □	31,898 □
Membership Card of Islamabad Stock □□□□			
Exchange (Guarantee) Limited □	13.1 □	11,100 □	11,100 □
Amount due in respect of payment made for acquisition of □			
premises at Faisalabad □	13.2 □	4,881 □	4,881 □
Others □		36,658 □	8,531 □□□
		<u>2,693,913 □</u>	<u>1,990,679 □</u>
Less: Provision held against other assets □	13.3 □	(143,783) □	(9,472) □
Other assets (net of provision) □		<u>2,550,130 □</u>	<u>1,981,207 □</u>

13.1 □ During the current year, the Bank was elected member of the Islamabad Stock Exchange (Guarantee) Limited. The Bank applied for permission to establish a subsidiary company for carrying out brokerage transactions during the year 2008. The application of the Bank was not accepted by the State Bank of Pakistan. The management intends to reapply for the permission during 2009 and is confident that permission will be granted. □□

13.2 □ This represents amount due in respect of a property purchased by the Bank for branch premises at Faisalabad in 2005. The transaction could not be executed due to dispute in the title of the seller. The Bank accordingly had initiated proceedings through National Accountability Bureau (NAB) for recovery of the amount paid by it to the seller. The seller under Voluntary Return (VR) had initially agreed to settle the amount in three installments and an amount of Rs. 12.012 million was received during the year 2007 in settlement of the two installments. The third installment is over due from the seller. Consequently, NAB has cancelled the VR and is in the process of initiating legal proceedings against the seller. The management, however, remains confident about the recovery of the outstanding balance. □

13.3 □ Provision against other assets □□□□		2008 (Rupees in ' 000)	2007 (Rupees in ' 000)
Opening balance □		9,472 □	3,601 □
Charge for the year □	13.3.1 □	140,182 □	5,871 □
Reversal □		(5,871) □	- □
Closing balance □		<u>143,783 □</u>	<u>9,472 □</u>

13.3.1 □ This includes provision of Rs 101.649 million (2007: Nil) in respect of fraud and forgery claims relating to cash embezzlement by certain employees of the Bank. In addition, provision against advances (note 10.3) made during the year also includes an amount of Rs 30.620 million (2007: Rs Nil) in respect of advances to certain customers alleged to have been involved with such employees. The Bank has initiated legal proceedings against these employees and has also taken necessary steps to further strengthen the internal control system. □□

**14 □ CONTINGENT ASSETS □**

There were no contingent assets as at the balance sheet date.

	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>15</b>	<b>BILLS PAYABLE</b>	
	In Pakistan	1,254,496
	Outside Pakistan	-
		1,254,496
<b>16</b>	<b>BORROWINGS</b>	
	In Pakistan	6,048,530
	Outside Pakistan	2,392,924
		8,441,454
<b>16.1</b>	<b>Particulars of borrowings with respect to currencies</b>	
	In local currency	6,048,530
	In foreign currencies	2,392,924
		8,441,454
<b>16.2</b>	<b>Details of borrowings secured / unsecured</b>	
	<b>Secured</b>	
	Borrowings from the State Bank of Pakistan	
	Under Export Re-finance Scheme	16.2.1 5,138,047
	Long Term Financing facility for plant & machinery	66,875
	Long Term Finance - export oriented projects	16.2.2 843,608
	Repurchase agreement borrowings	-
		6,048,530
	<b>Unsecured</b>	
	Call borrowings	-
	Overdrawn nostro accounts	2,392,924
		2,392,924
		8,441,454

**16.2.1** The Bank has entered into agreement for financing with the State Bank of Pakistan (SBP) for extending Export Finance to customers. Borrowings under the Export Re-finance Scheme of the State Bank of Pakistan (SBP) carry interest at rates ranging from 5.00% to 6.50% per annum (2007 : 6.50% to 7.50% per annum). These are secured against demand promissory notes.

**16.2.2** These borrowings have been obtained from SBP for providing financing facilities to customers for import of machinery, plant, equipment and accessories thereof (not manufactured locally) by export oriented units.

	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>17</b>	<b>DEPOSITS AND OTHER ACCOUNTS</b>	
	<b>Customers</b>	
	Remunerative	
	Fixed deposits	26,276,181
	Savings deposits	22,703,260
	Non-Remunerative	
	Current accounts	11,181,272
	Call deposits	131,130
	Margin deposits	818,956
	Special exporter account	-
	Others	198,246
		61,309,045
	<b>Financial Institutions</b>	
	Remunerative	
	Savings deposits	325,168
	Fixed deposits	-
	Non-remunerative current deposits	278
		325,446
		61,634,491
		58,255,466
		1,675,959
		278
		1,894,662
		60,150,128

	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>17.1 Particulars of deposits</b>		
In local currency	57,621,877	57,062,849
In foreign currencies	4,012,614	3,087,279
	<u>61,634,491</u>	<u>60,150,128</u>
<b>18 SUB-ORDINATED LOANS - UNSECURED (NON-PARTICIPATORY)</b>		
Listed Term Finance Certificates	<u>1,198,320</u>	<u>1,198,800</u>
<b>18.1</b> Liability against Term Finance Certificates is stated at nominal amount. The liability is subordinated as to payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Rate of mark-up on the liability is based on the floating rate of six months KIBOR prevailing immediately preceding the date before the start of each six month period for the profit due at the end of the semi-annual period plus 1.60% (subject to no floor and cap) per annum payable semi-annually.		

The major redemption will commence from 78th month of the issue in the following manner:-

Month	Redemption
- November 2011	25% of the issue amount
- May 2012	25% of the issue amount
- November 2012	25% of the issue amount
- May 2013	25% of the issue amount

	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>19 OTHER LIABILITIES</b>		
Mark-up / return / interest payable in local currency	794,282	577,809
Mark-up / return / interest payable in foreign currencies	182,793	1,068
Unearned commission and income on bills discounted	25,696	19,155
Accrued expenses	35,340	47,109
Branch adjustment account	35,379	238,329
Provision for employees' compensated absences	71,424	55,583
Provision against off-balance sheet obligations	100,000	-
Others	90,532	24,217
	<u>1,335,446</u>	<u>963,270</u>

**20 SHARE CAPITAL**

**20.1 Authorised capital**

	2008 (Number of shares)	2007 (Number of shares)		2008	2007
<u>1,000,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs. 10/- each		<u>10,000,000</u>	<u>5,000,000</u>

**20.2 Issued, subscribed and paid-up capital**

	2008			2007			2008	2007
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total		
	----- (Number of shares) -----						(Rupees in '000)	
Opening balance	86,738,533	324,683,678	411,422,211	86,738,533	224,944,961	311,683,494	4,114,222	3,116,835
Shares issued during the year	-	-	-	-	99,738,717	99,738,717	-	997,387
Closing balance	<u>86,738,533</u>	<u>324,683,678</u>	<u>411,422,211</u>	<u>86,738,533</u>	<u>324,683,678</u>	<u>411,422,211</u>	<u>4,114,222</u>	<u>4,114,222</u>

**20.3** Major shareholders as at 31 December 2008 are as follows:

Name of shareholder	Number of shares held	Percentage of shareholding
National Investment (Unit) Trust	96,544,991	23.47%
Trustees - Alauddin Feerasta Trust	84,938,948	20.65%
Trustees - Feerasta Senior Trust	83,044,744	20.18%
Trustees - Alnu Trust	41,529,489	10.09%
	<u>306,058,172</u>	<u>74.39%</u>

21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note	2008 (Rupees in '000)	2007
Surplus / (deficit) on revaluation (net of tax) of:			
- fixed assets	21.1	750,478	430,713
- securities	21.2	(603,180)	(49,900)
		<u>147,298</u>	<u>380,813</u>
<b>21.1 Surplus on revaluation of fixed assets - net of tax</b>			
Surplus on revaluation of fixed assets as at 01 January		662,635	716,546
Surplus arising on revaluation of fixed assets during the year		545,858	-
Transferred to unappropriated profit in respect of incremental depreciation charge on related assets - net of deferred tax		(35,042)	(35,042)
Related deferred tax liability		(18,869)	(18,869)
		<u>(53,911)</u>	<u>(53,911)</u>
Surplus on revaluation of fixed assets as at 31 December		1,154,582	662,635
Less: Related deferred tax liability	12	(404,104)	(231,922)
		<u>750,478</u>	<u>430,713</u>
<b>21.2 (Deficit) / surplus on revaluation of available for sale securities</b>			
Federal Government Securities		(385,846)	(81,984)
Quoted shares / closed end mutual funds		(321,295)	(4,997)
Others - open ended mutual funds		(220,828)	10,213
		<u>(927,969)</u>	<u>(76,768)</u>
Related deferred tax asset	12	324,789	26,868
		<u>(603,180)</u>	<u>(49,900)</u>
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
<b>22.1 Direct credit substitutes</b>			
Financial guarantees issued favouring:			
- Government		46,055	34,010
- Others		79,753	162,513
		<u>125,808</u>	<u>196,523</u>
<b>22.2 Transaction-related contingent liabilities</b>			
Guarantees issued favouring:			
- Government		2,761,630	1,843,387
- Financial institutions		73,292	76,465
- Others		1,546,577	1,065,370
		<u>4,381,499</u>	<u>2,985,222</u>
<b>22.3 Trade-related contingent liabilities</b>			
Letters of credit		9,085,086	15,144,751
Acceptances		3,296,707	4,358,818

	2008 (Rupees in '000)	2007 (Rupees in '000)
<b>22.4 Commitments in respect of forward lendings</b>		
Commitments to extend credit	400,000	500,000
In addition, the bank has other commitments to extend credit that represent revocable commitments and will not attract any significant penalty or expense in case the facility is withdrawn unilaterally.		
<b>22.5 Commitments in respect of forward exchange contracts</b>	<b>2008</b>	<b>2007</b>
	<b>(Rupees in '000)</b>	<b>(Rupees in '000)</b>
Purchase		
- From other banks	1,851,850	3,970,511
- From customers	5,059,871	6,368,119
	6,911,721	10,338,630
Sale		
- To banks	5,896,217	10,364,183
- To customers	7,115	362,720
	5,903,332	10,726,903
The maturities of the above contracts are spread over a period of one year.		
<b>22.6</b>	Claims against the bank not acknowledged as debts amounted to Rs 28 million at 31 December 2008.	
<b>23 MARK-UP / RETURN / INTEREST EARNED</b>	<b>2008</b>	<b>2007</b>
	<b>(Rupees in '000)</b>	<b>(Rupees in '000)</b>
On loans and advances to customers	5,804,278	3,976,314
On investments:		
- Available for sale securities	861,637	931,256
- Held to maturity securities	456,587	517,947
On deposits with financial institutions / the State Bank of Pakistan	178,913	435,366
On securities purchased under resale agreements	253,296	235,949
On call lendings	262,257	174,804
On placements with financial institutions	5,973	-
	7,822,941	6,271,636
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>		
Deposits	4,367,385	3,819,242
Securities sold under repurchase agreements	63,623	35,436
Call borrowings	1,793	15,191
Sub -ordinated loans	150,351	142,848
Borrowings from the State Bank of Pakistan under export re-finance scheme and Export Oriented Projects	295,195	321,638
	4,878,347	4,334,355
<b>25 (LOSS) / GAIN ON SALE OF SECURITIES</b>		
Ordinary shares - Listed companies	34,828	100,110
Other securities - Mutual funds' units	(35,066)	199,460
	(238)	299,570
<b>26 OTHER INCOME</b>		
Net profit on sale of property and equipment	9,486	4,846
Rent on lockers	5,804	5,572
Recovery of expenses from customers	49,281	58,985
Service charges	147,762	109,532
Rebate on bank charges on nostro accounts - net	44,307	43,228
Income on Ijarah	10,497	-
Miscellaneous	53,322	40,932
	320,459	263,095

27 ADMINISTRATIVE EXPENSES	Note	2008 (Rupees in '000)	2007
Salaries, allowances, etc.		541,705	423,781
Charge for employees' compensated absences		26,285	24,318
Charge for defined benefit plan	33.7	19,843	16,225
Contribution to defined contribution plan	34	15,670	12,417
Non-executive directors' fees, allowances and other expenses		370	275
Rent, taxes, insurance, electricity, etc.		199,056	138,270
Legal and professional charges		24,524	14,299
Communications		73,516	63,493
Repairs and maintenance		29,622	19,552
Stationery and printing		36,444	30,194
Advertisement and publicity		31,509	36,132
Donations	27.1	1,830	250
Auditors' remuneration	27.2	1,706	1,373
Depreciation	11.2	238,960	197,002
Amortisation	11.3	8,271	-
Brokerage and commission		9,875	9,513
Automation expenses		107,602	78,801
Entertainment		33,878	24,266
Fees and subscription		19,220	21,269
Motor vehicles running expenses		43,445	30,357
Remittance charges		23,234	25,621
Service charges		73,513	47,884
Training expenses		11,729	12,832
Traveling expenses		27,644	18,028
Others		74,139	32,822
		1,673,590	1,278,974

**27.1** This represents donation given to Aga Khan University and Pakistan Centre for Philanthropy in which none of the Bank's directors or executives or their spouses had any interest.

27.2 Auditors' remuneration	Note	2008 (Rupees in '000)	2007
Audit fee		800	700
Fee for audit of provident and gratuity funds		51	39
Special certifications		245	180
Fee for half yearly review of financial statements		150	150
Out-of-pocket expenses		460	304
		1,706	1,373

28 OTHER CHARGES	Note	2008	2007
Penalties imposed by the State Bank of Pakistan			
- on account of annual inspection		3,067	6,273
- on account of misreporting, non-compliance etc.		629	184
Operating fixed assets written-off		28	18
Workers' Welfare Fund	28.1	40,000	-
Zakat paid		-	2,125
		43,724	8,600

**28.1** The provision for Workers' Welfare Fund (WWF) has been made consequent to the amendment made in Finance Act 2008. Consequent to this amendment, this levy has now become applicable to the Bank.

**29 TAXATION**

	<b>2008</b>	<b>2007</b>
	<b>(Rupees in '000)</b>	
<b>For the year</b>		
Current	697,000	403,000
Deferred	(444,371)	17,396
	<u>252,629</u>	<u>420,396</u>
<b>For prior years</b>		
Current	(437)	(9,684)
Deferred	-	65,639
	<u>(437)</u>	<u>55,955</u>
	<u>252,192</u>	<u>476,351</u>

**29.1 Relationship between tax expense and accounting profit**

Profit before taxation	953,233	1,476,685
Tax at the applicable tax rate of 35% (2007: 35%)	333,632	516,840
Income chargeable to tax at reduced rates	(67,004)	-
Income exempt from tax	-	(104,850)
Deferred tax charge / (credit) in respect of allowances relating to prior years	-	5,576
Reversal of deferred tax asset recognised in prior years	-	65,639
Tax effect due to prior year charge - current	(437)	(9,684)
Tax effect on permanent differences	1,294	2,260
Others	(15,293)	570
	<u>252,192</u>	<u>476,351</u>

**30 BASIC / DILUTED EARNINGS PER SHARE**

Profit for the year after taxation	701,041	1,000,334
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**(Number of shares)**

Weighted average number of ordinary shares	411,422,211	411,422,211
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**(Rupees)**

Basic and diluted earnings per share	1.70	2.43
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**Note**

	<b>2008</b>	<b>2007</b>
	<b>(Rupees in '000)</b>	

**31 CASH AND CASH EQUIVALENTS**

Cash and balances with treasury banks	6	5,646,755	5,861,205
Balances with other banks	7	3,908,859	4,349,673
		<u>9,555,614</u>	<u>10,210,878</u>

**Note**

	<b>2008</b>	<b>2007</b>
	<b>(Numbers of employees)</b>	

**32 STAFF STRENGTH**

Permanent	1,587	1,340
Temporary / on contractual basis etc.	133	137
<b>Bank's own staff strength at the end of the year</b>	<u>1,720</u>	<u>1,477</u>
Outsourced	121	104
<b>Total staff strength at the end of the year</b>	<u>1,841</u>	<u>1,581</u>

### 33 DEFINED BENEFIT PLAN

#### 33.1 General description

As mentioned in note 5.11, the Bank operates a funded gratuity scheme for all its permanent employees. The benefits under the gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service, in lump sum. The benefit is equal to one month's last drawn salary for each year of eligible service or part thereof, subject to a minimum of five years of service.

#### 33.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at 31 December 2008 using the "Projected Unit Credit Actuarial Cost Method". The information provided in notes 33.2 to 33.11 has been obtained from the actuarial valuation carried out as at 31 December 2008. The main assumptions used for actuarial valuation were as follows:

	2008	2007
- Discount rate	14%	10%
- Expected rate of increase in salaries	14%	10%
- Expected rate of return on investments	14%	10%
- Withdrawal rate before normal retirement age	"moderate"	"moderate"

2008  
2007  
(Rupees in '000)

#### 33.3 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligations	151,788	121,257
Fair value of plan assets	(114,894)	(87,656)
Net actuarial gains or losses not recognised	(36,894)	(33,601)
	-	-

The gratuity plan assets include a deposit maintained by the scheme with the Bank amounting to Rs. 28.884 million (2007: Rs. 52.331 million)

#### Gratuity Fund

2008  
2007  
(Rupees in '000)

#### 33.4 Movement in defined benefit obligation

Obligation at the beginning of the year	121,256	85,375
Current service cost	14,801	12,212
Interest cost	12,590	9,584
Benefits paid by the fund	(5,518)	(4,023)
Actuarial (gain)/ loss on obligation	8,659	18,108
Obligation at the end of the year	151,788	121,256

#### 33.5 Movement in fair value of plan assets

Fair value at the beginning of the year	87,656	67,609
Expected return on plan assets	9,337	6,341
Contribution by the Bank	19,843	16,225
Benefits paid by the fund	(5,518)	(4,023)
Actuarial gain/ (loss) on plan assets	3,576	1,504
Fair value at the end of the year	114,894	87,656



	Note	2008	2007
(Rupees in '000)			
<b>33.6 Movement in payable to defined benefit plan</b>			
Opening balance		-	-
Charge for the year	33.7	19,843	16,225
Bank's contribution to the fund made during the year		(19,843)	(16,225)
Closing balance		-	-
<b>33.7 Charge for defined benefit plan</b>			
Current service cost		14,801	12,212
Interest cost		12,590	9,584
Expected return on plan assets		(9,337)	(6,340)
Amortisation of (gain) / loss		1,789	769
	27	19,843	16,225
<b>33.8 Actual return on plan assets</b>		12,224	8,115

**33.9 Five year data on surplus / deficit of the plan and experience adjustments**

	Gratuity Fund				
	2008	2007	2006	2005	2004
(Rupees in '000)					
Present value of defined benefit obligation	151,788	121,257	85,375	66,359	53,054
Fair value of plan assets	114,894	87,656	67,609	61,796	50,864
Surplus / (Deficit)	(36,894)	(33,601)	(17,766)	(4,563)	(2,190)
Experience adjustments on plan liabilities [loss / (gain)]	8,659	18,108	13,971	5,958	6,125
Experience adjustments on plan assets [loss / (gain)]	(3,576)	(1,504)	(2,849)	(3,584)	(3,881)

**33.10 Components of plan assets as a percentage of total plan assets**

	2008		2007	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Government securities	19,509	16.98%	19,018	21.70%
Units of mutual funds	7,537	6.56%	16,901	19.28%
Others (including bank balances)	87,848	76.46%	51,737	59.02%
	114,894	100.00%	87,656	100.00%

As per the actuarial recommendations the expected return on plan assets was taken as 14% per annum. The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy.

**33.11** The expected gratuity expense for the next year commencing 01 January 2009 works out to Rs. 28.110 million.

**34 DEFINED CONTRIBUTION PLAN**

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is five years. The contribution made by the Bank and its employees during the year amounted to Rs. 15.670 million each (2007: Rs. 12.417 million each). The number of employees as at 31 December 2008 eligible under the scheme were 1075 (2007: 1068 employees)

### 35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		*Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)					
Fees	-	-	370	275	-	-
Managerial remuneration	14,566	13,241	-	-	48,333	32,827
Charge for defined benefit plan	1,214	1,103	-	-	3,695	2,016
Contribution to defined contribution plan	1,334	1,213	-	-	3,276	2,089
Rent and house maintenance	6,704	6,109	-	-	19,333	12,911
Utilities	148	150	-	-	4,833	3,283
Medical	-	-	-	-	2,852	1,525
Bonus, leave encashment and others	3,641	4,062	-	-	12,662	20,464
	<u>27,607</u>	<u>25,878</u>	<u>370</u>	<u>275</u>	<u>94,984</u>	<u>75,115</u>
Number of persons	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>57</u>	<u>38</u>

\*Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year.

The Bank also provides free use of the Bank's maintained cars to the chief executive and executives.

The aggregate amount charged to income for fee to directors and remuneration to other key management personnel were Rs. 0.370 million and Rs. 122.591 million (2007: Rs. 0.275 million and Rs. 100.993 million) respectively.

### 36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	2008		2007	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)			
36.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	<u>6,911,721</u>	<u>7,306,271</u>	<u>10,338,630</u>	<u>10,571,716</u>
Forward sale of foreign exchange	<u>5,903,332</u>	<u>6,006,077</u>	<u>10,726,903</u>	<u>10,855,230</u>

**37** SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate	Trading &	Retail	Commercial	Total
	Finance	Sales	Banking	Banking	
	(Rupees in '000)				
<b>31 December 2008</b>					
Total income	209,171	722,079	1,290,636	6,827,261	9,049,147
Total expenses	160,365	211,537	1,075,589	6,648,423	8,095,914
Net income	48,806	510,542	215,047	178,838	953,233
Segment assets (Gross)	1,880,194	4,366,848	4,610,902	72,183,391	83,041,335
Segment non performing loans	-	-	431,772	2,758,305	3,190,077
Segment provision required *	-	-	372,540	1,691,541	2,064,081
Segment liabilities	2,013,981	4,677,577	4,938,996	62,233,653	73,864,207
Segment return on net assets (ROA) (%)	(36)	(164)	(31)	2	13
Segment cost of funds (%)	6	2	16	7	7
<b>31 December 2007</b>					
Total income	111,044	481,983	953,731	5,792,542	7,339,300
Total expenses	88,793	144,458	854,226	4,775,138	5,862,615
Net income	22,251	337,525	99,505	1,017,404	1,476,685
Segment assets (Gross)	1,486,674	3,417,664	3,670,597	68,945,072	77,520,007
Segment non performing loans	-	-	243,914	1,033,576	1,277,490
Segment provision required *	-	-	154,185	511,762	665,947
Segment liabilities	1,790,234	4,115,509	4,420,088	59,917,750	70,243,581
Segment return on net assets (ROA) (%)	(7)	(48)	(11)	12	22
Segment cost of funds (%)	4	2	14	6	6

\*The provision against each segment represents provision held against advances, investments and other assets.

37.1 The above analysis includes allocation of items as per the approved mapping policy of the Bank.

**38** TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

**39** RELATED PARTY TRANSACTIONS

The related parties of the Bank comprise related group companies, directors and their close family members, staff retirement funds and key management personnel (including their associates).

Usual transactions with related parties other than executives include deposits, advances, acceptances and provision of other banking services. Transactions with executives are undertaken at terms in accordance with employment agreements and services rules and includes provision of advances on terms softer than those offered to the customers of the Bank. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with the actuarial valuation / terms of the benefit plan as disclosed in notes 33 and 34. Remuneration to the key management personnel is disclosed in note 35 to these financial statements.

The details of transactions with related parties during the year are as follows:

	Key management personnel				Other related parties					
	Bank's Chief Executive /		Directors & their close family		Related group companies		Major Shareholders		Staff Retirement Funds	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Rupees in ' 000)									
<b>Deposits</b>										
At 1 January	10,258	7,732	227,041	226,780	529,042	409,074	238,846	157,011	111,392	26,841
Received during the year	220,655	154,497	501,275	253,493	15,013,574	13,913,380	322,260	198,509	128,409	144,896
Transfers /										
Reclassification	-	(1,534)	-	17,175	-	261	-	-	-	-
Withdrawn during the year	(216,887)	(150,437)	(502,704)	(270,407)	(15,257,475)	(13,793,673)	(256,721)	(116,674)	(151,788)	(60,345)
At 31 December	14,026	10,258	225,612	227,041	285,141	529,042	304,385	238,846	88,013	111,392
Profit / interest expense on deposits	289	537	25,119	13,133	36,109	44,253	19,242	17,292	11,893	5,923

## Particulars of loans and advances to directors, associated companies, etc.

Debts due by key management personnel of the Bank or any of them either severally or jointly with any other persons:

Advances	2008	2007
	(Rupees in '000)	
Balance at beginning of the year	24,981	11,866
Loans granted during the year	19,763	22,560
Repayments	(16,410)	(9,445)
Balance at end of the year	<u>28,334</u>	<u>24,981</u>

These loans were given to key management personnel as per the terms of their employment. Mark-up on these advances amounts to Rs. 1.412 million (2007: Rs. 1.300 million)

## 40 CAPITAL ADEQUACY

### 40.1 Capital Management

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

#### Goals of managing capital

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

- To be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Bank against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

#### Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 19 dated 5 September 2008 requires the minimum paid up capital (net of losses) for Banks to be raised to Rs. 23 billion by the year ending 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital (net of losses) of the Bank for the year ended 31 December 2008 stood at Rs. 4,114.222 million. This shortfall is being met through the proposed bonus issue as disclosed in note 43 of these financial statements. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9 percent of the risk weighted exposure of the Bank as at 31 December 2008. The bank's CAR as at 31 December 2008 was approximately 12.66 percent of its risk weighted exposure.

#### Bank's regulatory capital analysed into two tiers

Tier 1 capital, includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiaries engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25 percent of risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50 percent of the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated 25 November 2008. The adequacy of the capital is tested with reference to the risk weighted assets of the Bank.

The required capital adequacy ratio (presently 9 percent of the risk weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk weighted exposures comprise the credit risk and market risk.

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

**40.2 Capital adequacy ratio**

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy using Basel II standardised approach is presented below. Comparative information for 2007 is given in note 40.6 which has been prepared based on Basel I requirements which were then applicable.

		<b>2008</b>
		<b>(Rupees in '000)</b>
<b>Regulatory capital base</b>		
<b>Tier I capital</b>		
Share capital		4,114,222
Share premium		1,405
Reserves		2,015,472
Unappropriated / unremitted profits (Net of Losses)		834,650
Minority in the equity of the subsidiaries		-
Innovative and other capital instruments (if any)		-
Less: Goodwill, investment in commercial entities (50%) etc.		(20,913)
Impairment on equity securities - net of tax not charged to profit and loss account (as disclosed in note 9.6 of these financial statements)		(323,643)
Calculation difference (expected losses vs eligible provisions)		-
<b>Total Tier I Capital</b>		<b>6,621,193</b>
<b>Tier II Capital</b>		
Subordinated Debt (upto 50% of total Tier 1 Capital)		958,656
General provisions subject to 1.25% of total risk weighted assets		20,000
Revaluation reserve (upto 45%)		326,037
Less: Calculation difference (expected losses vs eligible provisions)		-
Investment in commercial entities (50%)		-
<b>Total Tier II capital</b>		<b>1,304,693</b>
<b>Eligible Tier III capital</b>		<b>-</b>
<b>Total regulatory capital</b>	(a)	<b>7,925,886</b>
<b>Risk-weighted exposures</b>		

		<b>2008</b>	
		<b>Capital Requirement</b>	<b>Risk adjusted value</b>
		..... (Rupees in '000) .....	
<b>Credit risk</b>			
<b>Portfolios subject to standardised approach (Simple Approach)</b>			
<b>On-Balance Sheet Items:</b>			
Sovereign and Central Banks		-	-
Public Sector Entities (PSEs)		5,092	63,650
Banks and Securities Firms		193,022	2,412,793
Corporates Portfolio	40.3	3,278,168	40,977,102
Retail Non Mortgages	40.3	195,927	2,449,083
Mortgages – Residential		8,561	107,007
Securitized Assets		-	-
Listed equities and regulatory capital issued by banks		54,686	683,578
Unlisted equity investments		3,000	37,500
Fixed Assets		248,476	3,105,944
Other Assets		87,444	1,093,048
Past Due Exposures		128,512	1,606,400
<b>Off balance sheet items:</b>			
<b>Non-Market Related:-</b>			
Direct credit substitutes	40.4	1,873	23,411
Performance-related contingencies	40.4	102,090	1,276,128
Trade-related contingencies	40.4	146,310	1,828,877
Lending of securities or posting of securities as collateral		-	-
Other commitments		-	-
Other commitments with certain drawdown		32,000	400,000

**Risk-weighted exposures**

2008

	Capital Requirement	Risk adjusted value
	(Rupees in '000)	

**Market related:-**

Outstanding interest rate contracts		-	-
Outstanding foreign exchange contracts	40.5	43,090	538,622

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate

Sovereign

Retail

Securitisation etc.

N/A

**Equity Exposure Risk in the Banking Book**Equity portfolio subject to market-based approaches

Under simple risk weight method

Under internal models approach

N/A

Equity portfolio subject to PD / LGD

N/A

**Market Risk**Capital Requirement for portfolios subject to Standardised Approach

Interest rate risk

Equity position risk

Foreign exchange risk

Position in options

4,870

-

12,681

-

60,875

-

158,513

-

Capital Requirement for portfolios subject toInternal Models Approach

Interest rate risk

Foreign exchange risk etc.

N/A

**Operational Risk**Capital Requirement for operational risks

464,303

5,803,788

Total

(b)

5,010,105

62,626,319

**Capital Adequacy Ratio**

Total eligible regulatory capital held

(a)

7,925,886

Total Risk Weighted Assets

(b)

62,626,319

Capital Adequacy Ratio

(a / b)

12.66%

**40.3** Cash margin and government securities amounting to Rs. 1,226.332 million have been deducted from gross advances using simple approach to credit risk mitigation under Basel II. Advances are not net off with general provision amounting to Rs. 20 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

**40.4** Cash margin and government securities amounting to Rs. 1,233.296 million have been deducted from off-balance sheet items.

**40.5** Contracts having original maturities of 14 days or less have been excluded.

**40.6 Capital adequacy ratio**

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

		<b>2007</b>	
		<b>(Rupees in '000)</b>	
<b>Regulatory Capital Base</b>			
<b>Tier I Capital</b>			
Shareholders' capital		4,114,222	
Reserves		1,876,669	
Unappropriated profits (net of losses)		238,775	
		6,229,666	
Less: Adjustments		(104,112)	
<b>Total Tier I Capital</b>		<b>6,125,554</b>	
<b>Tier II Capital</b>			
Subordinated debt (upto 50% of total Tier I Capital)		1,198,800	
General provision subject to 1.25% of total risk weighted assets		19,546	
Revaluation reserve (upto 50%)		229,029	
<b>Total Tier II Capital</b>		<b>1,447,375</b>	
<b>Eligible Tier III Capital</b>			
		-	
<b>Total Regulatory Capital</b>	(a)	<b>7,572,929</b>	
<b>Risk-Weighted Exposures</b>			
		<b>2007</b>	
	<b>Note</b>	<b>Book Value</b>	<b>Risk Adjusted value</b>
		<b>(Rupees in '000)</b>	
<b>Credit Risk</b>			
Balance sheet items:-			
Cash and other liquid assets		10,210,878	893,469
Money at call		3,175,009	1,975,009
Investments		19,181,562	6,016,353
Loans and advances	40.7	39,181,924	35,392,895
Fixed assets		1,966,699	1,966,699
Other assets		2,165,463	1,829,979
		<b>75,881,535</b>	<b>48,074,404</b>
Off-balance sheet items:-			
Loan repayment guarantees	40.8	4,388,795	4,342,030
Purchase and resale agreements		-	-
Performance bonds etc.	40.8	2,491,336	1,232,267
Revolving underwriting commitments		-	-
Stand by letters of credit	40.8	14,937,365	7,468,683
Outstanding foreign exchange contracts			
- Purchase	40.9	10,067,952	158,514
- Sale	40.9	9,673,384	43,243
		<b>41,558,832</b>	<b>13,244,737</b>
Credit risk-weighted exposures			<b>61,319,141</b>
<b>Market Risk</b>			
General market risk			234,450
Specific market risk			-
Market risk-weighted exposures			234,450
<b>Total Risk-Weighted exposures</b>	(b)		<b>61,553,591</b>
<b>Capital Adequacy Ratio [(a) / (b) x 100]</b>			<b>12.30</b>

**40.7** These are stated gross of general reserve amounting to Rs. 19.546 million. This reserve has been added to supplementary capital. Further, the amount of Cash Margins, Deposits and Government Securities deducted is Rs. 992.071 million.

**40.8** Amount of Cash Margins and Government Securities deducted is Rs. 867.818 million.

**40.9** Contracts having original maturities of 14 days or less have been excluded.

**41 RISK MANAGEMENT**

Risk is defined as a potential or actual event that may result in damage or loss to the bank, and includes adverse impact of, not taking opportunities or not capitalizing on corporate strengths, prevention, hindrance or failure to achieve corporate objectives, incurrence of additional costs or loss of money or assets.

Risk-taking is an integral part of the financial services business, where an appropriate balance between the level of risk and the level of return desired needs to be defined and established. [ ] [ ] [ ] [ ]

The risk management is a fundamental part of bank's activity and an essential component of its planning process. [ ] The Bank's risk management framework encompasses the culture, processes and structure that are directed towards [ ] the effective management of potential opportunities and threats to the Bank. The prime objective of Bank's risk [ ] management strategy is to abandon the traditional approach of 'managing risk by silos' and to put in place integrated [ ] risk and economic capital management capabilities that will enable the bank to achieve a single view of risks across [ ] its various business operations and to gain strategic advantage from its risk management capabilities. [ ] [ ] [ ] [ ]

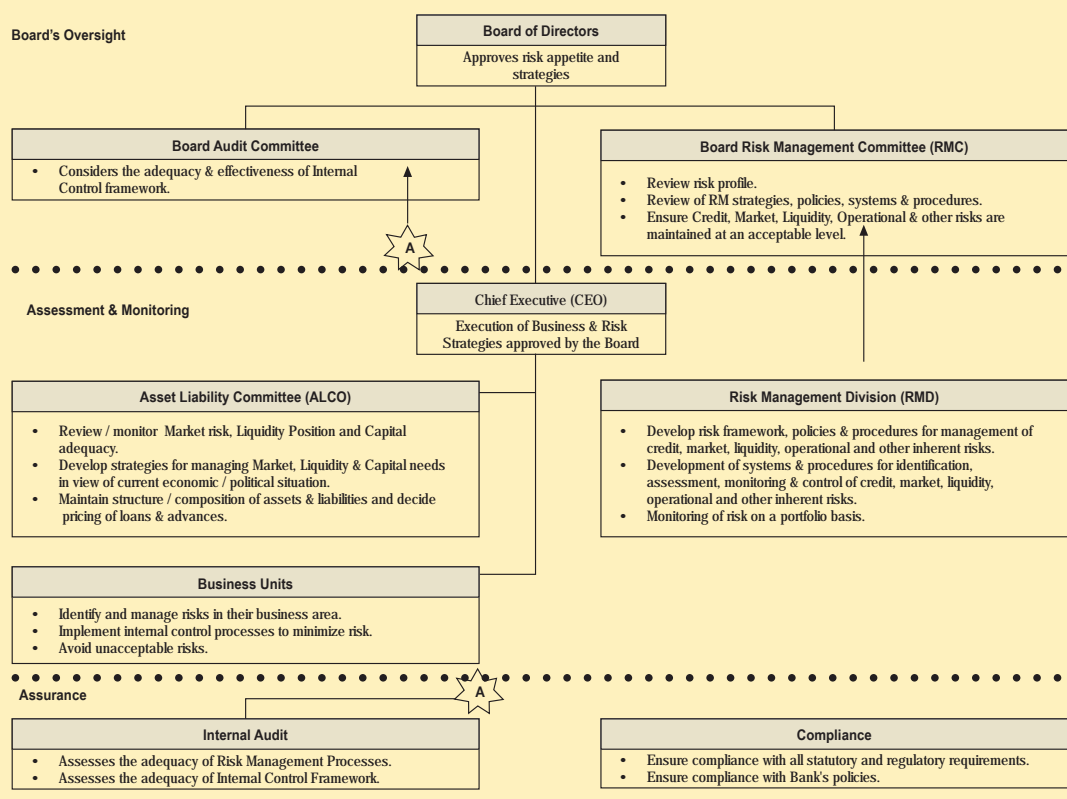
The Bank's risk appetite sets out the level of risk the Bank is willing to take in pursuit of its business objectives. This [ ] is expressed as Bank's appetite for earning volatility across all business from credit, market, liquidity and operational [ ] risk. It is calibrated against our broad financial targets, including income and impairment targets, dividend coverage [ ] and capital levels. [ ] [ ] [ ] [ ] [ ] [ ] [ ]

The Bank's risk policy covers the main risk types inherent in Bank's activity, assigning responsibility for the [ ] management of specific risks, setting out a system of review and monitoring, and a governance process of reviewing [ ] risk across the Bank. Specific risk methodologies are in process of development that will enable the Bank to measure, [ ] aggregate and report risk for internal and regulatory purposes, for example our Internal Ratings System that has been [ ] implemented in the review period will be used for assessing internal estimates of default probabilities, credit grading, [ ] pricing, portfolio management, economic capital allocation and capital adequacy processes. [ ] [ ] [ ] [ ]

Responsibility for risk management resides at all levels within the Bank. Every business manager is accountable for [ ] managing risk in their business area; they must understand and control the key risks inherent in the business undertaken. [ ] Consumer Finance & SME business unit also employs risk managers to provide an independent control function and [ ] to support the development of a strong risk management capability. [ ] [ ] [ ] [ ]

The Board approves Risk Appetite and the Board Risk Committee monitors the Bank's risk profile against this agreed [ ] appetite. [ ] [ ] [ ] [ ] [ ] [ ] [ ]

Business Heads are responsible for the identification and management of risk in their businesses whereas, the Risk [ ] Management Division is responsible for ensuring effective risk management and control. Internal Audit is responsible [ ] for the independent review of risk management and the control environment.





**41.1 Credit Risk**

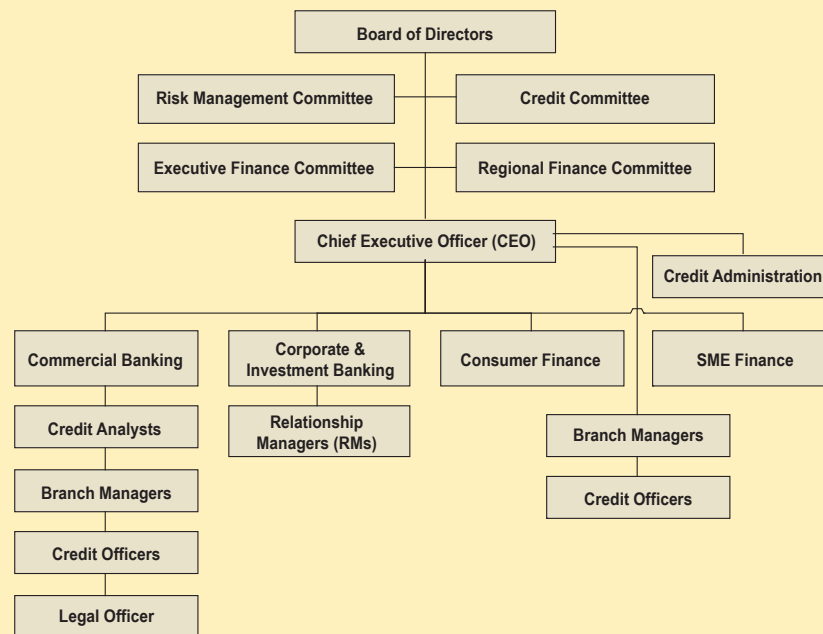
Credit Risk is a risk arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform is impaired resulting in financial loss to the Bank. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The principal source of credit risk arises from the lending and investing activities of the Bank.

**Credit Risk Management Objectives and Organization**

The granting of credit is the core banking activity and a major source of Bank's income and as its most significant risk, the Bank has dedicated considerable resources to controlling it.

The main objective of the credit risk management process is to facilitate assessment of level of credit risk in lending and investing activities on an individual and portfolio basis as well as to implement a uniform credit standard across the Bank, to ascertain the overall risk of credit portfolio and to implement an effective framework that enables a proactive approach to identifying potential risks.

The Bank has a well structured organisation for managing credit risk, which is supported by sound assessment, monitoring, recovery and control procedures.



**Credit Approval Authorities and Credit standards**

The Board of Directors has delegated lending powers to approval authorities constituted on both the Bank wide and regional basis, which have been further delegated to Controller of Branches and Unit Heads levels.

A well organised system of checks and balances has been in place for the extension of credit based on Bank's Credit Manual, Credit Risk Management Policy and the Prudential Regulations of the State Bank of Pakistan, which provides a standard base for:

- Setting maximum exposure limits for a single obligor and a single group of related obligors,
- Defining maximum exposure limit to an industrial sector in terms of portfolio concentration,
- Risk rating of all corporate, commercial, consumer and other categories of obligors,
- A general framework for the origination, documentation & maintenance of credit; and
- Standards for early problem recognition, classification, provisioning of problem loans and their remedial action.

Details of all credit exposures approved, changes in the classification, provisions and write-offs during the quarters are reported to Board of Directors on a quarterly basis.

## Credit Risk Portfolio Management

Besides managing its credit risk exposures by ensuring that Bank's obligors comply with the minimum requirements for extension of credit, the Bank regularly monitors credit risk on a portfolio basis, ensuring that there is no undue concentration of risks to a group of customers or to a particular industry segment or tenor bucket. Risk limits for single obligor or group, counterparties, industrial sectors have been set up and deviations from the established limits are reported to Executive Finance Committee.

## Credit Risk Rating

The Board of Directors has approved the Internal Credit Risk Rating Policy for the corporate, retail and consumer finance customers, establishing a rating mechanism for identifying and measuring the credit risk against each obligor / transaction. The mechanism considers factors such as management, financial health and macro / micro economic factors and the facility structuring / collateral support.

The Internal Credit Risk Rating System which has been implemented in the Bank assign risk grades to credit portfolio in nine categories whereas three grades have been assigned to classified loans. Separate scorecards have been developed for rating corporate, retail and consumer finance customers. Business units assign rating to every obligor as an integral part of credit approval process. The system has started playing a significant role in the decision making, monitoring and capital adequacy processes relating to credit risk management.

## Credit Risk Mitigation

A sound credit risk mitigation framework is in place in the Bank, the principles for credit risk mitigation have been integrated in Bank's credit manual and credit risk management policy, risk limits for counterparties, obligors and group of obligors and industrial segments, early warning signals, credit administration, collateral and remedial management procedures.

### (a) Credit Risk Policy

The credit policy approved by the Board of directors sets out the strategic limits for granting of credits, target markets, pricing and acceptable collaterals. Whereas the credit manual and credit risk management policy provides tools for securing credit through credit evaluation and credit documentation standards.

### (b) Counter Party / Country Limits

In addition to the single obligor limits specified in the prudential Regulations of the State Bank of Pakistan, Counter party limits for the financial institutions / DFI are in place. These limits have been assigned on the basis of latest credit ratings of the financial institution / DFI. In order to restrict cross border exposures to country / foreign banks, credit limits approved by the Board of Directors are being used to mitigate undue exposure to an individual bank or country. Limit exception reports are used to monitor exposures to counter parties and countries on a daily basis.

### (c) Collateral

Most of the credit facilities extended by the Bank are backed by appropriate collaterals therefore collateral acts as a mitigant for exposure which may be realised in case of default by the borrower. Similarly lending to financial institutions, DFIs are backed by securities viz., Treasury Bills and Pakistan Investment Bonds. Clean facilities are provided only to the extent permissible under the Prudential Regulations of the State Bank of Pakistan. Credit manual of the Bank contains internal controls standards for the management of collaterals obtained against credit facilities.

### (d) Early Warning Mechanism

An effective early warning system has been implemented which enables the business units / credit managers / credit administration personnel to identify / report, problem loans on a prompt basis. Reports are received from business units on regular basis, which are escalated to Credit Authorities for taking necessary action by seeking additional securities and exercise other measures to stop further deterioration.

### (e) Remedial Management and Allowances for Impairment

The Credit manual of the Bank establishes standard for identification and classification of credit facilities, restructuring as well as related provisioning requirements and write-off policy. It defines clear responsibilities pertaining to all processes that are required to be followed, in order to have an effective remedial management setup in place.

Credits that have become uncollectible are required to be referred to Legal Department, which initiates recovery proceedings against the borrowers, under the Financial Institutions (Recovery of Finances) Ordinance 2001.

41.1.1 Segmental information

41.1.1.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	866,714	1.75%	1,975,663	3.21%	196,440	1.16%
Textile	17,229,849	34.83%	1,541,861	2.50%	4,086,842	24.20%
Chemical and Pharmaceuticals	1,504,201	3.04%	513,486	0.83%	974,427	5.77%
Cement	634,982	1.28%	162,133	0.26%	541,991	3.21%
Sugar	869,513	1.76%	42,705	0.07%	168,893	1.00%
Footwear and Leather garments	696,929	1.41%	218,580	0.35%	185,312	1.10%
Automobile and transportation equipment	1,597,224	3.23%	1,450,085	2.35%	1,392,476	8.24%
Electronics and electrical appliances	2,509,488	5.07%	365,412	0.59%	996,779	5.90%
Construction	1,169,303	2.36%	1,648,661	2.67%	278,327	1.65%
Power (electricity), Gas, Water, Sanitary	421,017	0.85%	273,273	0.44%	489,862	2.90%
Wholesale and Retail Trade	797,913	1.61%	1,749,897	2.84%	6,685	0.04%
Exports / Imports	2,691,910	5.44%	836,445	1.36%	-	0.00%
Financial	672,904	1.36%	9,004,210	14.61%	7,126	0.04%
Insurance	10,012	0.02%	281,519	0.46%	132,796	0.79%
Individuals	2,333,269	4.72%	19,093,029	30.98%	34,321	0.20%
Others*	15,459,734	31.27%	22,477,532	36.48%	7,396,823	43.80%
	49,464,962	100.00%	61,634,491	100.00%	16,889,100	100.00%

Segments by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,150,317	2.82%	1,592,062	2.65%	456,153	2.01%
Textile	13,359,004	32.73%	1,565,339	2.60%	6,855,624	30.22%
Chemical and Pharmaceuticals	1,531,749	3.75%	464,894	0.77%	1,234,089	5.44%
Cement	1,112,823	2.73%	37,475	0.06%	14,008	0.06%
Sugar	579,347	1.42%	47,382	0.08%	11,102	0.05%
Footwear and Leather garments	1,128,312	2.77%	190,486	0.32%	292,768	1.29%
Automobile and transportation equipment	553,311	1.36%	1,176,779	1.96%	800,505	3.53%
Electronics and electrical appliances	779,321	1.91%	377,868	0.63%	1,467,275	6.47%
Construction	790,245	1.94%	1,526,168	2.54%	19,050	0.08%
Power (electricity), Gas, Water, Sanitary	95,428	0.23%	330,151	0.55%	126,642	0.56%
Wholesale and Retail Trade	609,295	1.49%	2,012,726	3.35%	78,927	0.35%
Exports / Imports	2,222,799	5.45%	546,887	0.91%	7,219	0.03%
Transport, Storage and Communication	253,460	0.62%	2,776,077	4.62%	1,128,693	4.98%
Financial	492,038	1.21%	5,839,325	9.71%	16,793	0.07%
Insurance	1,737	0.00%	191,271	0.32%	-	0.00%
Individuals	2,198,204	5.39%	18,973,561	31.52%	446,881	1.97%
Others*	13,947,834	34.18%	22,501,677	37.41%	9,729,585	42.89%
	40,805,224	100.00%	60,150,128	100.00%	22,685,314	100.00%

\* All other business classes are less than ten percent of the total exposure.

41.1.1.2 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	-	0.00%	8,403,828	13.63%	654,265	3.87%
Private	49,464,962	100.00%	53,230,663	86.37%	16,234,835	96.13%
	49,464,962	100.00%	61,634,491	100.00%	16,889,100	100.00%

	2007					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	-	0.00%	13,068,225	21.73%	76,765	0.34%
Private	40,805,224	100.00%	47,081,903	78.27%	22,608,549	99.66%
	40,805,224	100.00%	60,150,128	100.00%	22,685,314	100.00%

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

	2008		2007	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
(Rupees in '000)				
Agriculture, Forestry, Hunting and Fishing	8,106	2,998	836	55
Mining and Quarrying	-	-	-	-
Textile	1,804,432	1,141,610	704,163	255,004
Chemical and Pharmaceuticals	-	-	1,000	500
Cement	-	-	-	-
Sugar	57,267	26,050	15,644	15,644
Footwear and Leather garments	17,461	9,212	1,984	1,984
Automobile and transportation equipment	160,290	36,444	-	-
Electronics and electrical appliances	378,926	51,052	10,306	10,306
Construction	-	-	-	-
Power (electricity), Gas, Water, Sanitary	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Exports / Imports	-	-	-	-
Transport, Storage and Communication	-	-	-	-
Financial	10,000	10,000	-	-
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	20,813	16,053	14,561	11,711
Others	732,782	576,179	528,996	336,025
	<b>3,190,077</b>	<b>1,869,598</b>	<b>1,277,490</b>	<b>631,229</b>

**41.1.1.4 Details of non-performing advances and specific provision by sector**

	2008		2007	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
(Rupees in '000)				
Public / Government	-	-	-	-
Private	3,190,077	1,869,598	1,277,490	631,229
	<b>3,190,077</b>	<b>1,869,598</b>	<b>1,277,490</b>	<b>631,229</b>

**41.1.1.5 Geographical segment analysis**

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
(Rupees in '000)				
Pakistan	953,233	80,977,254	7,113,047	30,104,153
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<b>953,233</b>	<b>80,977,254</b>	<b>7,113,047</b>	<b>30,104,153</b>
	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
(Rupees in '000)				
Pakistan	1,476,685	76,854,060	6,610,479	44,250,847
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<b>1,476,685</b>	<b>76,854,060</b>	<b>6,610,479</b>	<b>44,250,847</b>

**41.2 Credit Risk – General Disclosures, Basel II Specific**

The Bank has adopted Standardised Approach, under Basel II. According to the regulatory statement submitted under the Standardised Approach, the portfolio has been divided into claims fully secured by residential property, claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 92% of the total exposure, 1% represents claims fully secured by residential property and the remaining 7% exposure pertains to claims categorized as retail portfolio.

**41.3 Credit Risk: Standardised Approach**

Currently the Bank does not have any policy whereby customers have to be rated by a rating agency. Therefore, the Bank uses unsolicited / solicited ratings of JCR-VIS, PACRA and other foreign agencies wherever applicable.

Following are the types of exposure for which each agency is used:

Exposure	JCR-VIS	PACRA	Fitch & Moody's
Corporate	✓	✓	-
Banks	✓	✓	✓
Sovereigns	-	-	-
SME's	-	-	-
Securitisations	-	-	-

Most of the bank's asset base is short or medium term. Therefore, the Bank uses the entity's rating to assess the risk of our exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardised approach, amount of Bank's / DFI's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-6	42,993,937	982,652	42,011,285
Banks (local)	1-2	5,103,476	-	5,103,476
Banks (foreign)	1-5	6,487,548	-	6,487,548
Sovereigns, central banks, etc.		14,308,886	-	14,308,886
Unrated		12,082,497	243,680	11,838,817
<b>Total</b>		<b>80,976,344</b>	<b>1,226,332</b>	<b>79,750,012</b>

\* CRM= Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits / government securities

The Bank has adopted simple approach to credit risk mitigation under Basel II and therefore have not applied any haircuts to the collateral. Moreover our eligible collateral only includes cash / liquid securities.

**41.4 Market Risk**

**41.4.1** Market risk is the risk that the Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. In the absence of trading book, the Bank is only exposed to interest rate risk in the banking book.

The main objective of the Bank's market risk management is to minimise market risk in the banking book and to facilitate business growth within a controlled and transparent risk management framework.

Market risk in banking book arise from investment in fixed income securities, equities and dealing in foreign exchange transactions.

Market risk is being monitored by Asset and Liability Committee (ALCO), comprising of CEO, CFO and senior executives. The committee performs following functions in relation to market risk;

- Regular periodic review of market risk, based on economic review reports, interest sensitive gap reports and simulated income reports etc.
- Keeps an eye on the structure / composition of Bank's assets and liabilities and decide upon product pricing for deposits and advances.
- Develop future business strategy in view of the latest trends in interest rate in the market, economic conditions and local regulatory requirements.
- Review and recommend to the Board of Directors, new opportunities for generating revenues.

The market risk is assessed at the transaction level by the Treasury & Finance Divisions, whereas, the monitoring of market risk are being performed by middle office. The middle office performs risk review function of day-to-day activities associated with FX and MM deals with banks / counter parties and prepares economic review reports, interest sensitive gap reports, cost and yield analysis, variance and other analytical reports, which are presented for decision making in ALCO.

#### 41.4.2 Foreign Exchange Risk

Foreign Exchange Risk is the probability of loss resulting from adverse movement in exchange rates. Exchange position arising from trading activities are monitored through foreign exchange limits on aggregate and individual currency basis. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions. Overall exchange position risk is maintained in accordance with the regulatory requirements prescribed by the State Bank of Pakistan.

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	72,510,486	67,275,876	(1,008,390)	4,226,220
United States dollar	6,846,066	5,096,784	477,021	2,226,303
Great Britain pound	513,740	769,130	343,452	88,062
Japanese yen	2,018	24	-	1,994
Euro	705,000	715,091	210,604	200,513
Other currencies	399,944	7,302	(22,687)	369,955
	80,977,254	73,864,207	-	7,113,047

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	71,990,601	65,762,276	388,273	6,616,598
United States dollar	4,193,490	3,411,983	(779,345)	2,162
Great Britain pound	320,245	482,837	163,628	1,036
Japanese yen	4,469	2,777	-	1,692
Euro	340,318	583,708	227,444	(15,946)
Other currencies	4,937	-	-	4,937
	76,854,060	70,243,581	-	6,610,479

**41.4.3 Equity Position Risk**

The Bank is not exposed to any risk arising from taking long or short positions in equities and other instruments that exhibit market behavior similar to equities as the Bank does not maintain any trading books.

**41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities**

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

		2008										
Effective yield/ interest rate %	Total	Exposed to yield/ interest rate risk									Non-interest bearing financial instruments	
		Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
<b>Assets</b>												
Cash and balances with treasury banks												
0.90%	5,646,755	633,566	-	-	-	-	-	-	-	-	-	5,013,189
Balances with other banks												
11.26%	3,908,859	80,000	-	-	-	-	-	-	-	-	-	3,828,859
Lendings to financial and other institutions												
15.68%	3,990,269	1,290,269	2,700,000	-	-	-	-	-	-	-	-	-
Investments												
11.46%	14,053,177	494,580	7,187,911	1,303,666	46,337	17	820,724	1,989,997	364,230	271,203	1,574,512	-
Advances												
15.04%	47,575,364	1,372,904	10,574,063	35,628,397	-	-	-	-	-	-	-	-
Other assets												
0.00%	1,788,623	-	-	-	-	-	-	-	-	-	-	1,788,623
	76,963,047	3,871,319	20,461,974	36,932,063	46,337	17	820,724	1,989,997	364,230	271,203	12,205,183	-
<b>Liabilities</b>												
Bills payable												
0.00%	1,254,496	-	-	-	-	-	-	-	-	-	-	1,254,496
Borrowings												
6.30%	8,441,454	4,537,569	600,478	-	-	-	-	910,483	-	-	-	2,392,924
Deposits and other accounts												
8.12%	61,634,491	3,698,601	4,569,865	14,759,895	26,276,248	-	-	-	-	-	-	12,329,882
Sub-ordinated loans												
16.84%	1,198,320	-	-	1,198,320	-	-	-	-	-	-	-	-
Other liabilities												
0.00%	1,110,027	-	-	-	-	-	-	-	-	-	-	1,110,027
	73,638,788	8,236,170	5,170,343	15,958,215	26,276,248	-	-	910,483	-	-	-	17,087,329
<b>On-balance sheet gap</b>												
	3,324,259	(4,364,851)	15,291,631	20,973,848	(26,229,911)	17	820,724	1,079,514	364,230	271,203	(4,882,146)	-
<b>Non financial net assets</b>												
	3,788,788											
<b>Total net assets</b>												
	7,113,047											
<b>Off-balance sheet financial instruments</b>												
Forward purchase of foreign exchange												
	6,911,721	2,667,191	2,750,656	1,286,009	207,865	-	-	-	-	-	-	-
Forward sale of foreign exchange												
	(5,903,332)	(2,424,097)	(2,007,085)	(1,472,150)	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>												
	1,008,389	243,094	743,571	(186,141)	207,865	-	-	-	-	-	-	-
<b>Total Yield/Interest Risk Sensitivity Gap</b>												
	(4,121,757)	16,035,202	20,787,707	(26,022,046)	-	17	820,724	1,079,514	364,230	271,203	(4,882,146)	-
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>												
	(4,121,757)	11,913,445	32,701,152	6,679,106	6,679,123	7,499,847	8,579,361	8,943,591	9,214,794	4,332,648	-	-

2007

Effective yield/ interest rate %	Total	Exposed to yield/ interest rate 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		
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks												
4.24%	5,861,205	165,663	-	-	-	-	-	-	-	-	-	5,695,542
Balances with other banks												
10.47%	3,908,859	199,335	1,800,000	-	-	-	-	-	-	-	-	1,909,524
Lending to financial and other institutions												
10.67%	3,175,009	2,875,009	300,000	-	-	-	-	-	-	-	-	-
Investments												
11.84%	19,181,562	2,289,545	3,090,932	5,151,768	388,127	312,796	148,570	2,099,264	2,140,150	272,238	3,288,172	-
Advances												
13.10%	40,154,449	1,397,537	7,583,549	31,173,363	-	-	-	-	-	-	-	-
Other assets												
0.00%	1,427,793	-	-	-	-	-	-	-	-	-	-	1,427,793
	73,708,877	6,927,089	12,774,481	36,325,131	388,127	312,796	148,570	2,099,264	2,140,150	272,238	12,321,031	-
<b>Liabilities</b>												
Bills payable												
0.00%	1,640,514	-	-	-	-	-	-	-	-	-	-	1,640,514
Borrowings												
7.21%	5,865,471	3,944,987	-	-	-	-	-	950,720	-	-	-	969,764
Deposits and other accounts												
6.32%	60,150,128	3,313,092	5,484,152	14,601,231	25,604,567	-	-	-	-	-	-	11,147,086
Sub-ordinated loans												
11.56%	1,198,800	-	-	1,198,800	-	-	-	-	-	-	-	-
Other liabilities												
0.00%	598,268	-	-	-	-	-	-	-	-	-	-	598,268
	69,453,181	7,258,079	5,484,152	15,800,031	25,604,567	-	-	950,720	-	-	-	14,355,632
<b>On-balance sheet gap</b>												
	4,255,696	(330,990)	7,290,329	20,525,100	(25,216,440)	312,796	148,570	1,148,544	2,140,150	272,238	(2,034,601)	-
<b>Non financial net assets</b>												
	2,354,783											
<b>Total net assets</b>												
	6,610,479											
<b>Off-balance sheet financial instruments</b>												
Forward purchase of foreign exchange												
	10,338,630	3,440,834	3,502,324	2,223,274	808,205	363,993	-	-	-	-	-	-
Forward sale of foreign exchange												
	(10,726,903)	(5,399,582)	(4,317,941)	(585,084)	(424,296)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>												
	(388,273)	(1,958,748)	(815,617)	1,638,190	383,909	363,993	-	-	-	-	-	-
<b>Total Yield / Interest Risk Sensitivity Gap</b>												
	(2,289,738)	6,474,712	22,163,290	(24,832,531)	676,789	148,570	1,148,544	2,140,150	272,238	(2,034,601)	-	-
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>												
	(2,289,738)	4,184,974	26,348,264	1,515,733	2,192,522	2,341,092	3,489,636	5,629,786	5,902,024	3,867,423	-	-

(a) The effective interest rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument.

(b) The effective interest rate has been computed by excluding non-performing advances.

(c) The effective interest rate has been computed by excluding non-remunerative deposits.

#### 41.5 Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfill commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

Day to day funding, is managed by Treasury Division through net cash flow from payment systems, fresh deposit mobilised by branches, maturing money market deposits etc., if required, Treasury arranges funds by borrowing from money market.

The Bank maintains a portfolio of highly marketable assets viz., Treasury Bills and Pakistan Investment Bonds that can be sold or funded on a secured basis as protection against any unforeseen interruption to cash flow. This is further supported by investments in short term securities viz., Certificate of Investments etc.,. In line with its liquidity risk management policy, the Bank maintains a cushion over and above the minimum statutory requirements of SBP, for maintaining liquidity reserves, to ensure continuity of cash flows.



Sources of liquidity are regularly reviewed / monitored by Asset and Liability Committee (ALCO) on regular periodic basis. ALCO reviews the current economic situation, liquidity gap reports, and asset / liability mix and approve strategy for managing appropriate liquidity. The Liquidity Risk Management Policy contains elaborate contingency plans for actions to be taken in case of a short term or permanent liquidity crises.

**41.5.1 MATURITIES OF ASSETS AND LIABILITIES - Based on working prepared by the Asset and Liability Management Committee (ALCO) of the Bank**

Total	2008									
	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>Assets</b>										
Cash and balances with treasury banks	5,646,755	5,646,755	-	-	-	-	-	-	-	-
Balances with other banks	3,908,859	3,908,859	-	-	-	-	-	-	-	-
Lending to financial & other institutions	3,990,269	1,290,269	2,700,000	-	-	-	-	-	-	-
Investments - net	14,053,177	1,737,482	6,617,864	698,301	91,163	191,149	1,127,773	2,703,144	615,098	271,203
Advances - net	47,575,364	1,372,904	10,574,063	6,072,410	21,871,661	743,063	1,471,072	4,167,553	1,053,801	248,837
Operating fixed assets	3,126,857	147	31	1,795	193,013	43,044	81,299	505,665	316,962	1,984,901
Deferred Tax Assets	125,843	-	-	-	125,843	-	-	-	-	-
Other assets - net	2,550,130	2,533,373	-	-	11,100	-	-	-	5,657	-
<b>Total</b>	<b>80,977,254</b>	<b>16,489,789</b>	<b>19,891,958</b>	<b>6,772,506</b>	<b>22,292,780</b>	<b>977,256</b>	<b>2,680,144</b>	<b>7,376,362</b>	<b>1,991,518</b>	<b>2,504,941</b>
<b>Liabilities</b>										
Bills payable	1,254,496	1,254,496	-	-	-	-	-	-	-	-
Borrowings	8,441,454	6,930,493	600,478	-	-	-	-	910,483	-	-
Deposits and other accounts	61,634,491	16,028,483	4,569,865	14,759,895	8,377,013	878,884	4,080,074	8,239,907	4,700,370	-
Sub-ordinated loans	1,198,320	-	-	240	240	480	299,520	897,840	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,335,446	1,237,934	-	-	97,512	-	-	-	-	-
<b>Total</b>	<b>73,864,207</b>	<b>25,451,406</b>	<b>5,170,343</b>	<b>14,760,135</b>	<b>8,474,765</b>	<b>879,364</b>	<b>4,379,594</b>	<b>10,048,230</b>	<b>4,700,370</b>	<b>-</b>
<b>Net assets</b>	<b>7,113,047</b>	<b>(8,961,617)</b>	<b>14,721,615</b>	<b>(7,987,629)</b>	<b>13,818,015</b>	<b>97,892</b>	<b>(1,699,450)</b>	<b>(2,671,868)</b>	<b>(2,708,852)</b>	<b>2,504,941</b>
Share capital	4,114,222									
Reserves	2,016,877									
Unappropriated profit	834,650									
Surplus on revaluation of assets	147,298									
<b>Total</b>	<b>7,113,047</b>									

Total	2007									
	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>Assets</b>										
Cash and balances with treasury banks	5,861,205	5,861,205	-	-	-	-	-	-	-	-
Balances with other banks	4,349,673	2,549,673	1,800,000	-	-	-	-	-	-	-
Lending to financial & other institutions	3,175,009	2,875,009	300,000	-	-	-	-	-	-	-
Investments - net	19,181,562	5,577,717	3,090,932	5,151,768	388,127	312,796	148,570	2,099,264	2,140,150	272,238
Advances - net	40,154,449	1,397,537	7,583,549	9,933,482	13,199,280	1,048,771	1,229,997	3,916,524	1,687,631	157,678
Operating fixed assets	2,150,955	17,200	514	2,058	189,904	28,575	52,721	313,374	243,765	1,302,844
Deferred Tax Assets	-	-	-	-	-	-	-	-	-	-
Other assets - net	1,981,207	1,961,684	-	-	11,100	-	-	-	8,423	-
<b>Total</b>	<b>76,854,060</b>	<b>20,240,025</b>	<b>12,774,995</b>	<b>15,087,308</b>	<b>13,788,411</b>	<b>1,390,142</b>	<b>1,431,288</b>	<b>6,329,162</b>	<b>4,079,969</b>	<b>1,732,760</b>
<b>Liabilities</b>										
Bills payable	1,640,514	1,640,514	-	-	-	-	-	-	-	-
Borrowings	5,865,471	4,914,751	-	-	-	-	-	950,720	-	-
Deposits and other accounts	60,150,128	14,460,178	5,484,152	14,601,231	6,909,496	1,567,685	4,294,720	6,948,754	5,849,004	34,908
Sub-ordinated loans	1,198,800	-	-	240	240	480	480	898,020	299,340	-
Deferred tax liabilities - net	425,398	-	-	-	425,398	-	-	-	-	-
Other liabilities	963,270	888,368	-	14,194	55,583	-	-	2,562	2,563	-
<b>Total</b>	<b>70,243,581</b>	<b>21,903,811</b>	<b>5,484,152</b>	<b>14,615,665</b>	<b>7,390,717</b>	<b>1,568,165</b>	<b>4,295,200</b>	<b>8,800,056</b>	<b>6,150,907</b>	<b>34,908</b>
<b>Net assets</b>	<b>6,610,479</b>	<b>(1,663,786)</b>	<b>7,290,843</b>	<b>471,643</b>	<b>6,397,694</b>	<b>(178,023)</b>	<b>(2,863,912)</b>	<b>(2,470,894)</b>	<b>(2,070,938)</b>	<b>1,697,852</b>
Share capital	4,114,222									
Reserves	1,876,669									
Unappropriated profit	238,775									
Surplus on revaluation of assets	380,813									
<b>Total</b>	<b>6,610,479</b>									

Saving deposits do not have any contractual maturity therefore, saving deposits have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

#### 41.5.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the bank

Total	2008									
	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>Assets</b>										
Cash and balances with treasury banks	5,646,755	5,646,755	-	-	-	-	-	-	-	
Balances with other banks	3,908,859	3,908,859	-	-	-	-	-	-	-	
Lending to financial & other institutions	3,990,269	1,290,269	2,700,000	-	-	-	-	-	-	
Investments - net	14,053,177	1,737,482	6,617,864	698,301	91,163	191,149	1,127,773	2,703,144	615,098	
Advances - net	47,575,364	1,372,904	10,574,063	6,072,410	21,871,661	743,063	1,471,072	4,167,553	1,053,801	
Operating fixed assets	3,126,857	147	31	1,795	193,013	43,044	81,299	505,665	316,962	
Deferred tax assets - net	125,843	-	-	-	125,843	-	-	-	-	
Other assets - net	2,550,130	2,533,373	-	-	11,100	-	-	-	5,657	
<b>Total</b>	<b>80,977,254</b>	<b>16,489,789</b>	<b>19,891,958</b>	<b>6,772,506</b>	<b>22,292,780</b>	<b>977,256</b>	<b>2,680,144</b>	<b>7,376,362</b>	<b>1,991,518</b>	<b>2,504,941</b>
<b>Liabilities</b>										
Bills payable	1,254,496	1,254,496	-	-	-	-	-	-	-	
Borrowings	7,840,976	6,930,493	-	-	-	-	-	910,483	-	
Deposits and other accounts	61,634,491	37,264,967	4,058,966	7,414,549	4,208,145	572,201	2,656,350	5,364,628	94,685	
Sub-ordinated loans	1,198,320	-	-	240	240	480	299,520	897,840	-	
Other liabilities	1,335,446	1,237,934	-	-	97,512	-	-	-	-	
<b>Total</b>	<b>73,263,729</b>	<b>46,687,890</b>	<b>4,058,966</b>	<b>7,414,789</b>	<b>4,305,897</b>	<b>572,681</b>	<b>2,955,870</b>	<b>7,172,951</b>	<b>94,685</b>	<b>-</b>
<b>Net assets</b>	<b>7,713,525</b>	<b>(30,198,101)</b>	<b>15,832,992</b>	<b>(642,283)</b>	<b>17,986,883</b>	<b>404,575</b>	<b>(275,726)</b>	<b>203,411</b>	<b>1,896,833</b>	<b>2,504,941</b>
Share capital	4,114,222									
Reserves	2,016,877									
Unappropriated profit	834,650									
Surplus on revaluation of assets	147,298									
<b>Total</b>	<b>7,113,047</b>									

Total	2007									
	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>Assets</b>										
Cash and balances with treasury banks	5,861,205	5,861,205	-	-	-	-	-	-	-	
Balances with other banks	4,349,673	2,549,673	1,800,000	-	-	-	-	-	-	
Lending to financial & other institutions	3,175,009	2,875,009	300,000	-	-	-	-	-	-	
Investments - net	19,181,562	5,577,717	3,090,932	5,151,768	388,127	312,796	148,570	2,099,264	2,140,150	
Advances - net	40,154,449	1,397,537	7,583,549	9,933,482	13,199,280	1,048,771	1,229,997	3,916,524	1,687,631	
Operating fixed assets	2,150,955	17,200	514	2,058	189,904	28,575	52,721	313,374	243,765	
Other assets - net	1,981,207	1,961,684	-	-	11,100	-	-	-	8,423	
<b>Total</b>	<b>76,854,060</b>	<b>20,240,025</b>	<b>12,774,995</b>	<b>15,087,308</b>	<b>13,788,411</b>	<b>1,390,142</b>	<b>1,431,288</b>	<b>6,329,162</b>	<b>4,079,969</b>	<b>1,732,760</b>
<b>Liabilities</b>										
Bills payable	1,640,514	1,640,514	-	-	-	-	-	-	-	
Borrowings	5,865,471	4,914,751	-	-	-	-	-	950,720	-	
Deposits and other accounts	60,150,128	41,198,798	4,691,438	4,816,909	2,279,425	862,137	2,361,849	3,821,416	117,455	
Sub-ordinated loans	1,198,800	-	-	240	240	480	480	898,020	299,340	
Deferred tax liabilities - net	963,270	888,368	-	14,194	55,583	-	-	2,562	2,563	
Other liabilities	425,398	-	-	-	425,398	-	-	-	-	
<b>Total</b>	<b>70,243,581</b>	<b>48,642,431</b>	<b>4,691,438</b>	<b>4,831,343</b>	<b>2,760,646</b>	<b>862,617</b>	<b>2,362,329</b>	<b>5,672,718</b>	<b>419,358</b>	<b>701</b>
<b>Net assets</b>	<b>6,610,479</b>	<b>(28,402,406)</b>	<b>8,083,557</b>	<b>10,255,965</b>	<b>11,027,765</b>	<b>527,525</b>	<b>(931,041)</b>	<b>656,444</b>	<b>3,660,611</b>	<b>1,732,059</b>
Share capital	4,114,222									
Reserves	1,876,669									
Unappropriated profit	238,775									
Surplus on revaluation of assets	380,813									
<b>Total</b>	<b>6,610,479</b>									

The above mentioned maturity profile has been prepared in accordance with IAS 30: Disclosures in the financial statements of Banks and similar financial institutions based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The management believes that the maturity profile disclosed in note 41.5.1 that includes maturities of saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Bank.

**41.6 Operational Risk**

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in Bank's operations and are typical of any financial institution. Major sources of operational risk include: weaknesses in operational processes, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff as well as social and environmental impacts.

The Bank's operational risk management framework aims to understand and report the operational risks being taken, capture and report operational errors made and to understand and minimise the frequency and impact, on a cost benefit basis, of operational risk events.

At present the Bank's Operational Risk Framework is built around the "Three Lines of Defense" concept in which business / support units (1st Line of defense) will have the primary responsibility for managing specific risk exposures on a day-to-day basis. Business / support units have access to information, including that of risk, and should always be mindful of the risk elements inherent in their business activities.

On a corporate level, the task of setting an overall Operational Risk Management Framework encompassing measurement, monitoring and controlling tools, methodologies, setting the risk appetite, as well as facilitating identification of risk is undertaken by the Operational Risk Management Department (2nd Line of defense).

The Internal Audit Division (3rd Line of defense), in addition to their role as an independent reviewer, provides assurance regarding the adequacy and effectiveness of the ORM Framework and process.

Going forward, the Bank is committed to the advanced management of operational risks. In particular, it has plans to implement improved management and measurement approaches for operational risk to strengthen control, improve customer service and minimise operating losses. The Bank is presently in process of developing methodologies for Key Risk Indicators (KRI), Risk & Control Self Assessment (RCSA) and Operational Loss Database.

In order to ensure continuity of banking services to its customers, Bank is pursuing a Business Continuity Plan (BCP) which provides a standard for the assessment and managing risk to Bank's operations from both the internal and external sources. In addition to this, the Bank is also pursuing a Disaster Recovery Plan (DRP) for Information Technology, which seeks to build necessary safety around IT related activities and acts as a deterrent against system related contingencies.

**42 DATE OF AUTHORISATION**

These financial statements were authorised for issue on 26 February 2009 by the Board of Directors of the Bank.

**43 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on 26 February 2009 have announced a bonus issue of 22 % which will be approved by the shareholders in the forthcoming Annual General Meeting. The financial statements for the year ended 31 December 2008 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending 31 December 2009.

**44 GENERAL****44.1 Amendments to published standards and new interpretations effective in 2008**

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

There are other interpretations that were mandatory for accounting periods beginning on or before 01 January 2008 but were considered not to be relevant or did not have any significant effect on the Bank's operations.

#### 44.2 Early adoption of a standard

During 2007, the Securities and Exchange Commission of Pakistan notified that Islamic Financial Accounting Standard  (IFAS 2) "Ijarah" issued by the Institute of Chartered Accountants of Pakistan which shall be followed while accounting  for ijarah transactions as defined by IFAS 2 for financial statements covering periods beginning on or after 01 July  2007. Subsequently, in accordance with IBD Circular No. 1 dated 27 January 2009 the State Bank of Pakistan has  allowed the implementation of this Standard with the effect from 01 January 2009. The Bank has early adopted IFAS  2 and has applied the accounting principles stated therein in the preparation of these financial statements. The  disclosures required under IFAS 2 are set out in note 11 of these financial statements. The related accounting policy  is disclosed in note 5.5.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory  for the Bank's accounting periods beginning on or after 01 January 2009:

IAS 1 (Revised), 'Presentation of financial statements' (effective from 01 January 2009), was issued in September  2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes  in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately  from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance  statement, but entities can choose whether to present one performance statement (the statement of comprehensive  income) or two statements (the income statement and statement of comprehensive income). Where entities restate  or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning  of the comparative period in addition to the current requirement to present balance sheets at the end of the current  period and comparative period. All banking companies in Pakistan are required to prepare their annual financial  statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms  of Annual Financial Statements' effective from the accounting year ended 31 December 2006. Accordingly, the  management believes that the adoption of this standard will not at present affect the presentation of the financial  statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from 01 January 2009) requires an entity to capitalise borrowing  costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial  period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those  borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense  is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'.  The amendments will have impact on the Bank's financial statements to the extent of borrowing costs, if any, directly  attributable to the acquisition of or construction of qualifying assets.

IAS 19 (Amendment), 'Employee benefits' (effective from 01 January 2009).

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

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

IAS 36 (Amendment), 'Impairment of assets' (effective from 01 January 2009). As per the new requirements, where  fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for  value-in-use calculation should be made. This amendment is not expected to have a significant effect on the Bank's  financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from 01 January 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the Bank's financial statements.

IFRS 8 'Operating segments', (effective from 01 January 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated 17 February 2006, 'Revised Forms of Annual Financial Statements' effective from the accounting year ended 31 December 2006. Accordingly, the management believes that the adoption of this standard will not at present affect the presentation of the financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after 01 January 2009 but are considered not to be relevant or to have any significant effect on the Bank's operations and are therefore not detailed in these financial statements.

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

ALAUDDIN FEERASTA  
CHAIRMAN

SAFAR ALI K. LAKHANI  
PRESIDENT AND  
CHIEF EXECUTIVE

NOORUDDIN FEERASTA  
DIRECTOR

INAM ELAHI  
DIRECTOR

Statement Showing Written-off Loans Or Any Other  
**FINANCIAL RELIEF**  
 OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED  
 DURING THE YEAR ENDED 31 DECEMBER 2008

**Annexure - I**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with NIC No.)	Father's / Husband's name	Outstanding Liabilities at beginning of year				Principal written-off	Interest/Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
	M/s Globe Textile Mills Ltd HX-2, Scheme No. 4, Landhi Industrial Area, Landhi, Karachi-75120	Mr. Haji Ahmed NIC No.516-33-04962 MR. Arif Habib NIC No.516-88-144313	Mr. Haji Habib Mr. Haji Habib	15.100	1.535	-	16.635	1.923	-	1.535	3.458
	M/s Broadway Carpets Street No.1 39-Nicholson Road Lahore.	Mr. Abdul Majeed NIC No.281-91-027532 Mr. Ghulam Haider NIC No.281-88-027536 Mrs. Hamidan Begum NIC No.281-58-027528	Mr. Barkat Ali Mr. Abdul Hameed w/o Mian Barkat Ali	0.674	0.674	-	1.348	-	-	0.674	0.674
<b>TOTAL:</b>				<b>15.774</b>	<b>2.209</b>	<b>0.000</b>	<b>17.983</b>	<b>1.923</b>	<b>0.000</b>	<b>2.209</b>	<b>4.132</b>

**ISLAMIC BANKING BUSINESS**

Annexure - II

The Bank is operating four Islamic banking branches at the end of current year as compared to four Islamic banking branches at the end of prior year.

	2008	2007
	(Rupees in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	101,530	96,401
Balances with and due from financial institutions	80,000	-
Investments	85,000	25,000
Financing and receivables		
-Murahaba	449,596	341,752
-Ijara	208,687	245,685
-Musharaka	-	-
-Diminishing musharaka	-	-
-Salam	257,764	232,252
-Other islamic modes	1,995	-
Operating fixed assets	102,713	30,739
Other assets	49,710	119,649
<b>Total Assets</b>	<b>1,336,995</b>	<b>1,091,478</b>
<b>LIABILITIES</b>		
Bills payable	17,574	13,031
Due to financial institutions	41,618	-
Deposits and other accounts		
- Current accounts	188,317	128,672
- Saving accounts	596,960	286,195
- Term deposits	266,473	42,443
- Others	56,902	59,244
- Deposits from financial institutions -Remunerative	-	-
- Deposits from financial institutions-Non-remunerative	-	-
Due to Head Office		
Other liabilities	20,435	478,244
<b>Total Liabilities</b>	<b>1,188,279</b>	<b>1,007,829</b>
<b>NET ASSETS</b>	<b>148,716</b>	<b>83,649</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	125,000	75,000
Reserves	-	-
Unappropriated profit	23,716	8,649
	148,716	83,649
Surplus / (Deficit) on revaluation of assets	-	-
	<b>148,716</b>	<b>83,649</b>
<b>Remuneration to Shariah Advisor</b>	<b>982</b>	<b>787</b>
<b>CHARITY FUND</b>		
Opening balance	72	30
Addition during the year	28	42
Payment / utilization during the year	-	-
Closing balance	100	72

# Notice of Annual General Meeting

Notice is hereby given that **Seventeenth Annual General Meeting** of Soneri Bank Limited will be held at Hotel Avari, Lahore on Monday, 30 March 2009 at 10.00 a.m to transact the following business:

## Ordinary Business

- 1)  To confirm the minutes of last Annual General Meeting held on 29 March 2008.
- 2)  To receive, consider and adopt Annual Audited Accounts together with the Directors' and Auditors' Reports thereon  for the year ended 31 December 2008.
- 3)  To approve the Bonus Shares @ 22% i.e, 22 shares for every 100 shares held of Rs. 10/- each.
- 4)  To appoint Auditors of the Bank and to fix their remuneration.
- 5)  To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

## BY ORDER OF THE BOARD

**Abdul Hayee**

**Director / Company Secretary**

Lahore: 26 February 2009

## NOTES

1.  Share Transfer Books of the Bank will be closed from 26 March 2009 to 06 April 2009 (both days inclusive).  For determining the entitlement of bonus shares, the members whose names appear in the register of members at the  close of business on 25 March 2009, will qualify for the bonus shares.
2.  These bonus shares shall rank pari passu in all respect with the existing shares of the Bank.
3.  A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and  vote. Proxies, in order to be effective, must be received at the registered office of the Bank not less than 48 hours  before the time of holding the meeting. Proxy form shall be witnessed by two persons whose names, addresses and  Computerized National Identity Card (CNIC) numbers shall be mentioned on the form. Proxy form is enclosed  herewith.
4.  The CDC account/sub account holders shall have to produce their original Computerized National Identity Card  (CNIC) or original passport at the time of attending the meeting for identification purpose, alongwith participant's  I.D Number and their Account No. in CDS.

In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the  nominee together with the original proxy form duly filled in must be received at the registered office of the Company  not less than 48 hours before the time of holding the meeting. The nominees shall produce their original CNIC  or original passport at the time of attending the meeting for identification purpose.

5.  Shareholders are requested to notify any change in their addresses immediately.



**Pattern of Holding of the Shares held by the Shareholders** Soneri Bank Limited

AS AT 31 DECEMBER 2008 (SECTION 236)

No. of Shareholders	Shareholding			Total Shares Held
	From		To	
1271	1	-	100	56,333
2208	101	-	500	731,910
1485	501	-	1,000	1,143,414
2482	1,001	-	5,000	5,992,314
2063	5,001	-	10,000	12,711,318
212	10,001	-	15,000	2,607,302
70	15,001	-	20,000	1,223,818
58	20,001	-	25,000	1,313,272
51	25,001	-	30,000	1,433,371
21	30,001	-	35,000	675,869
20	35,001	-	40,000	746,943
15	40,001	-	45,000	627,082
19	45,001	-	50,000	913,965
9	50,001	-	55,000	480,010
13	55,001	-	60,000	757,246
4	60,001	-	65,000	246,283
10	65,001	-	70,000	676,163
4	70,001	-	75,000	296,100
4	75,001	-	80,000	310,781
3	80,001	-	85,000	246,856
4	85,001	-	90,000	355,842
4	90,001	-	95,000	366,054
7	95,001	-	100,000	692,051
4	100,001	-	105,000	408,260
1	110,001	-	115,000	115,000
3	115,001	-	120,000	356,084
3	120,001	-	125,000	367,192
3	125,001	-	130,000	386,700
3	130,001	-	135,000	396,000
2	135,001	-	140,000	275,540
4	140,001	-	145,000	570,048
2	155,001	-	160,000	317,080
1	160,001	-	165,000	160,721
1	165,001	-	170,000	169,920
3	170,001	-	175,000	518,642
3	175,001	-	180,000	536,600
1	180,001	-	185,000	183,972
1	190,001	-	195,000	194,430
4	195,001	-	200,000	798,121
2	200,001	-	205,000	401,822
3	205,001	-	210,000	625,920
3	235,001	-	240,000	717,506
1	245,001	-	250,000	248,477
1	295,001	-	300,000	300,000
1	335,001	-	340,000	335,200
1	345,001	-	350,000	346,768
1	355,001	-	360,000	360,000
3	400,001	-	405,000	1,210,269

1□	415,001□	-□	420,000□	415,092□
2□	420,001□	-□	425,000□	846,182□
1□	470,001□	-□	475,000□	474,768□
1□	520,001□	-□	525,000□	520,300□
1□	585,001□	-□	590,000□	589,000□
1□	680,001□	-□	685,000□	681,651□
1□	780,001□	-□	785,000□	781,390□
1□	790,001□	-□	795,000□	792,000□
1□	840,001□	-□	845,000□	842,240□
1□	920,001□	-□	925,000□	922,130□
1□	1,010,001□	-□	1,015,000□	1,011,114□
1□	1,145,001□	-□	1,150,000□	1,149,372□
1□	2,015,001□	-□	2,020,000□	2,019,089□
1□	2,800,001□	-□	2,805,000□	2,802,600□
1□	3,530,001□	-□	3,535,000□	3,534,660□
1□	8,080,001□	-□	8,085,000□	8,083,634□
1□	15,440,001□	-□	15,445,000□	15,442,464□
1□	17,460,001□	-□	17,465,000□	17,463,327□
1□	17,530,001□	-□	17,535,000□	17,530,920□
1□	26,085,001□	-□	26,090,000□	26,087,025□
1□	32,095,001□	-□	32,100,000□	32,097,149□
1□	35,975,001□	-□	35,980,000□	35,977,308□
1□	47,065,001□	-□	47,070,000□	47,067,436□
1□	47,235,001□	-□	47,240,000□	47,236,762□
1□	49,305,001□	-□	49,310,000□	49,308,229□
1□	52,840,001□	-□	52,845,000□	52,841,799□

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**10119□**

**Total□**

**411,422,210**

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Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouses and Minor Children			
<b>DIRECTORS</b>			
Mr. Alauddin Feerasta	1	2,017	0.0005
Mr. Nooruddin Feerasta	1	2,622	0.0006
Mr. Inam Elahi	1	400	0.0001
Syed Ali Zafar	1	400	0.0001
Mr. Abdul Hayee	1	6,829	0.0017
<b>CHIEF EXECUTIVE OFFICER</b>			
Mr. Safar Ali K. Lakhani (jointly held with spouse)	1	842,240	0.2047
<b>DIRECTORS' SPOUSES AND MINOR CHILDREN</b>			
Mrs. Aziza A. Feerasta w/o Mr. Alauddin Feerasta	1	2,017	0.0005
Mr. Ahmed A. Feerasta s/o Mr. Alauddin Feerasta	1	2,017	0.0005
Mrs. Amyna N. Feerasta w/o Mr. Nooruddin Feerasta	1	2,622	0.0006
	<b>9</b>	<b>861,164</b>	<b>0.2093</b>
Associated companies / undertakings and related parties			
Trustees Alauddin Feerasta Trust	2	84,938,948	20.6452
Trustees Feerasta Senior Trust	2	83,044,744	20.1848
Trustees Alnu Trust	2	41,529,489	10.0941
Executives	6	126,383	0.0307
NIT and ICP	6	96,688,544	23.5011
Banks, Development Financial Institutions and Non Banking Financial Institutions	32	6,241,097	1.5170
Insurance Companies	13	9,103,398	2.2127
Modarabas and Mutual Funds	25	237,620	0.0578
Joint Stock Companies	129	1,682,676	0.4090
Foreign Companies	17	19,657,375	4.7779
<b>General Public:</b>			
a) Local	8,575	60,120,074	14.6127
b) Foreign	1,256	5,811,827	1.4126
<b>Others</b>	45	1,378,871	0.3351
<b>Total:</b>	<b>10,119</b>	<b>411,422,210</b>	<b>100.00</b>

**Shareholders Holding 10% and above!**

Trustees Alauddin Feerasta Trust	84,938,948	20.6452
Trustees Feerasta Senior Trust	83,044,744	20.1848
Trustees Alnu Trust	41,529,489	10.0941
NIT and ICP	96,688,544	23.5011

**Trading in Shares by Directors, CEO, CFO and Company Secretary during the year 2008**

Name	Designation	Transaction	No. of Shares
Mr. Safar Ali Lakhani	CEO	Acquired	205,300

UAN: 111-567-890

Call Center: 0800-00500

Website: www.soneribank.com

**HEAD OFFICE**

87, Shahrah-e-Quaid-e-Azam,  
P.O. Box 49, Lahore.  
Tel. No. 6368141-48, Fax: 6368138  
Swift: SONEPK KALHR, E-mail: main.lahore@soneribank.com,

**CENTRAL OFFICE**

5th Floor, Al-Rahim Tower,  
I.I. Chundrigar Road, P.O. Box 5856, Karachi  
Tel: 2439562-67, 2444401-04, Fax: 2439561 / 2446661  
Swift: SONEPKKAXXX, E-mail: info@soneribank.com

**CENTRAL REGION**

**Main Branch Lahore**

Tel. No. 6368141-48 & 111-567-890

**Defence Branch, Lahore**

Tel. No. 5897181-83 & 5730760-61

**Gulberg Branch, Lahore**

Tel. No. 5713445-48

**Circular Road Branch, Lahore**

Tel. No. 7670486 & 7670489

**Model Town Branch, Lahore**

Tel. No. 5889311-12

**Akbar Chowk Branch, Lahore**

Tel. No. 5177800-02 & 5221410

**Cavalry Ground Branch, Lahore**

Tel. No. 6653728-29

**Qartaba Chowk Branch, Lahore**

Tel. No. 7211991-3

**Allama Iqbal Town Br., Lahore**

Tel. No. 5437613-5

**Baghbanpura Branch, Lahore**

Tel. No. 6832811-13

**Thokar Niaz Baig Branch, Lahore**

Tel. No. 5313651-53

**Ghazi Chowk Branch, Lahore**

Tel. No. 5188505-07

**Islamic Banking New Garden  
Town Branch, Lahore**

Tel. No. 5940611-3

**DHA Phase III Branch, Lahore**

Tel. No. 5734083-5

**Chungi Amer Sadhu Branch, Lahore**

Tel. No. 5808611-3

**Johar Town Branch, Lahore**

Tel. No. 5204191-3

**Wahdat Road Branch, Lahore**

Tel. No. 7578211-3

**Gunpat Road Branch, Lahore**

Tel. No. 7361607-09

**Airport Road Branch, Lahore**

Tel. No. 5700115-7

**Ravi Road Branch, Lahore**

Tel. No. 7725356-57

**Shahdara Chowk Branch, Lahore**

Tel. No. 7941741-43

**Manga Mandi Branch, Lahore**

Tel. No. 5383517

**Badian Road Branch, Lahore**

Tel. No. 5749741-42

**Mughalpura Branch, Lahore**

**Gujranwala Branch**

Tel. No. 3843560-62

**Main Branch, Faisalabad**

Tel. No. 2639873, 2639877-78, 2649555  
& UAN 111-567-890

**Peoples Colony Branch, Faisalabad**

Tel. No. 8555715-16

**Small Industrial Estate Branch, Sialkot**

Tel. No. 3242607-9 & UAN 111-567-890

**Sheikhupura Branch**

Tel. No. 3613570, 3813133 &  
UAN 111-567-890

**Wazirabad Branch**

Tel. No. 6603703-04 & UAN 111-567-890

**Main Branch, Multan**

Tel. No. 4512884, 4519927, 4511022  
& UAN 111-567-890

**Shah Rukn-e-Alam Branch, Multan**

Tel. No. 6784052 & 4

**Bosan Road Branch, Multan**

**Sahiwal Branch**

Tel. No. 4467742-43

**Lodhran Branch**

Tel. No. 364766 & 364767

**Rahim Yar Khan Branch**

Tel. No. 5886042-44

**Bahawalpur Branch**

Tel. No. 2731703-04

**Okara Branch**

Tel. No. 2553012-4

**Sadiqabad Branch**

Tel. No. 5702162, 5700661 & 5701461

**Sargodha Branch**

Tel. No. 3762841-3

**Khanewal Branch**

**Burewala Branch**

**Hafizabad Branch**

**SOUTH REGION**

**Main Branch Karachi**

Tel. No. 2436990-94 & UAN 111-567-890

**Clifton Branch, Karachi**

Tel. No. 5877773-74, 5822592, 5824306

**Garden Branch, Karachi**

Tel. No. 2232877-78

**F.B. Area Branch, Karachi**

Tel. No. 6373782-83

**Korangi Ind. Area Branch, Karachi**

Tel. No. 5113898, 5113899, 5113900  
& 5113901,

**AKUH Branch, Karachi**

Tel. No. 4852252-53

**Haidery Branch, Karachi**

Tel. No. 6638617 & 6630409

**Jodia Bazar Branch, Karachi**

Tel. No. 2413627, 2414920, 7090140

**Shahrah-e-Faisal Branch, Karachi**

Tel. No. 4535553

**D.H.A. Branch, Karachi**

Tel. No. 5852209

**Gulshan-e-Iqbal Branch, Karachi**

Tel. No. 4811832

**S.I.T.E. Branch, Karachi**

Tel. No. 2568213

**Zamzama Branch, Karachi**

Tel. No. 5375836-37

**Gole Market Branch, Karachi**

Tel. No. 6618932 & 6681324, 6618919

**Gulistan-e-Jauhar Branch, Karachi**

Tel. No. 4020944-45

**M. A. Jinnah Rd. Branch, Karachi**

Tel. No. 2213972 & 2634293

**Gulbahar Branch, Karachi**

Tel. No. 6607744

**North Karachi Branch, Karachi**

Tel. No. 6920140-41, 4246806-7

**Block-7, Gulshan-e-Iqbal Br., Karachi**

Tel. No. 4815811-12

**Islamic Banking Cloth Market  
Branch, Karachi**

Tel. No. 2442995, 2442977 & 2442961

**Paria Street Kharadar Br., Karachi**

Tel. No. 2201059-60

**Suparco Branch, Karachi**

Tel. No. 4970560, 7080810

**Chandni Chowk Branch, Karachi**  
Tel. No. 4937933

**Allama Iqbal Rd. Branch, Karachi**  
Tel. No. 4387673-4

**Nishtar Road Branch, Karachi**  
Tel. No. 2239711 & 13

**Waterpump Branch, Karachi**  
Tel. No. 6312108 & 6312113

**APWA Complex Branch, Karachi**  
Tel. No. 2253143 & 2253216

**Clifton Block-2 Branch, Karachi**  
Tel. No. 5361115 & 6

**Malir Branch, Karachi**  
Tel. No. 4518730

**Bahadurabad Branch, Karachi**  
Tel. No. 4135842-43

**New Challi Branch, Karachi**  
Tel. No. 2625246 & 2625279

**Shah Faisal Colony Branch, Karachi**  
Tel. No. 4602446-7

**Zaibunissa Street Saddar Branch, Karachi**  
Tel. No. 5220026

**Liaquatabad Branch, Karachi**  
Tel. No. 4860723-26 & 4860725

**Lea Market Branch, Karachi**  
Tel. No. 2526193-94

**Korangi Township No. 3 Branch, Karachi**  
Tel. No. 6007572

**North Karachi Ind. Area Branch, Karachi**  
Tel. No. 6962855

**F.B. Industrial Area Branch, Karachi**  
Tel. No. 6829961-3

**Napier Road Branch, Karachi**  
Tel. No. 2713538-9

**Gulshan-e-Hadeed Branch, Karachi**  
Tel. No. 4710252 & 4710256

**Metroville Branch, Karachi**  
Tel. No. 6752205 & 7

**Defence Phase-II Extension Br., Karachi**  
Tel. No. 5386910 & 1

**North Karachi Township Branch, Karachi**  
Tel. No. 6968605, 6 & 7

**Main Branch, Quetta**  
Tel. No. 2821610 & 2821641 & UAN 111-567-890

**Islamic Banking Hazar  
Gunji Branch, Quetta**

**Main Branch, Hyderabad**  
Tel. No. 2781528-29 & UAN 111-567-890

**F. J. Road Branch, Hyderabad**  
Tel. No. 2728131 & 2785997, 2729233

**Latifabad Branch, Hyderabad**  
Tel. No. 3816309

**Islamic Banking Isra University  
Branch Distt. Hyderabad**  
Tel. No. 2032322, 2030161-4

**Prince Ali Road Branch, Hyderabad**  
Tel. No. 2638514,5 & 6

**Sukkur Branch**  
Tel. No. 5622382, 5622925,  
UAN 111-567-890

**Gawadar Branch**  
Tel. No. 4211702-3

**Hub Branch, Distt. Lasbela**  
Tel. No. 310225-7

**Golarchi Branch, Distt. Badin**  
Tel. No. 853193-4

**Buhara Branch, Distt. Thatta**  
Tel. No. 608301

**Jati Town Branch, Distt. Thatta**

#### NORTH REGION

**Main Branch Peshawar**  
Tel. No.: 5277914-16 & 5277394, 5277917  
& UAN 111-567-890

**Chowk Yadgar Branch, Peshawar**  
Tel. No.: 2573335-36

**Islamic Banking Khyber Bazar Br.,  
Peshawar**  
Tel. No.: 2566812-13

**Mirpur Branch, (AK)**  
Tel. No.: 44488, 44588 & 48044

**Gilgit Branch**  
Tel. No.: 53749

**Main Branch, Rawalpindi**  
Tel. No.: 5522901-03

**Chandni Chowk Br., Rawalpindi**  
Tel. No.: 4455071-2

**Main Branch, Islamabad**  
Tel. No.: 2277551, 2272460 & 2824993  
& UAN 111-567-890

**G-9 Markaz Branch, Islamabad**  
Tel. No.: 2850171-3

**Islamic Banking I-10 Markaz  
Branch, Islamabad**  
Tel. No.: 4101733

**Aliabad Branch, Hunza**  
Tel. No.: 55000

**Skardu Branch**  
Tel. No.: 50327

**Mansehra Road Branch, Abbottabad**  
Tel. No.: 385231-3 & 383075-6

**Gahkuch Branch**  
Tel. No.: 50408-10

**Gujar Khan Branch**  
Tel. No.: 3516327 & 9, 3516331

**Islamgarh Branch (AJK)**  
Tel. No.: 43981-82

**Jhelum Branch**  
Tel. No.: 625794-95

**Booni Branch, Distt. Chitral**  
Tel. No.: 470413-14

## Foreign Correspondents - 2008

Country	Name of Bank
<b>Algeria</b>	- Citibank N.A.
<b>Argentina</b>	- ABN-AMRO Bank N.V. - Banco de Galicia Y Buenos Aires
<b>Australia</b>	- ABN-AMRO Bank N.V. - Australia & New Zealand Banking Group Limited - Commonwealth Bank of Australia - HSBC Bank Australia Limited - St. George Bank Limited
<b>Austria</b>	- Bank Austria Creditanstalt AG - Erste Bank der Oesterreichischen Sparkassen AG - Raiffeisen Zentralbank Osterreich AG-RZB Austria
<b>Bahrain</b>	- Arab Banking Corporation (B.S.C.) - Arab Investment Company - Citibank N.A. - Habib Bank Limited - Standard Chartered Bank - United Bank Limited
<b>Bangladesh</b>	- Habib Bank Limited - Standard Chartered Bank
<b>Belgium</b>	- Bank J. Van Breda & Co. NV - Commerzbank AG - Dexia Bank S.A. - Fortis Bank SA/NV - Habib Bank Limited - Ing Belgium SA/NV - KBC Bank NV
<b>Bosnia- Herzegovina</b>	- HVB Bank Bosnia-Herzegovina
<b>Brazil</b>	- Banco do Brasil S.A. - Banco ABN-AMRO Real SA - Banco Fibra S.A.
<b>Bulgaria</b>	- Bulbank AD - Citibank N.A. - Commercial Bank Biochim plc
<b>Canada</b>	- ABN-AMRO Bank Canada - Canadian Imperial Bank of Commerce - Habib Canadian Bank - HSBC Bank Canada - National Bank of Canada - Royal Bank of Canada

Country	Name of Bank
<b>China</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Agricultural Bank of China</li> <li>- Bank of Communications</li> <li>- Citibank (China) Co. Ltd.</li> <li>- CITIC Industrial Bank</li> <li>- China Construction Bank Corporation</li> <li>- Deutsche Bank</li> <li>- HSBC Bank (China) Company Ltd.</li> <li>- Jinan City Commercial Bank Co. Ltd.</li> <li>- Standard Chartered Bank (China) Limited</li> </ul>
<b>Croatia</b>	<ul style="list-style-type: none"> <li>- Splitska Banka d.d.</li> </ul>
<b>Cyprus</b>	<ul style="list-style-type: none"> <li>- Bank of Cyprus Public Company Ltd.</li> <li>- Hellenic Bank Ltd.</li> <li>- Marfin Popular Bank Public Co. Ltd.</li> </ul>
<b>Czech Republic</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Ceskoslovenska Obchodni Banka A.S.</li> <li>- HVB Bank Czech Republic A.S.</li> <li>- Komerčni Banka A.S.</li> </ul>
<b>Denmark</b>	<ul style="list-style-type: none"> <li>- ABN AMRO Bank NV</li> <li>- Danske Bank</li> <li>- Nordea Bank Denmark A.S</li> </ul>
<b>Egypt</b>	<ul style="list-style-type: none"> <li>- Banque Misr</li> <li>- Citibank N.A.</li> <li>- Mashreq Bank psc</li> <li>- National Bank of Pakistan</li> </ul>
<b>Ethiopia</b>	<ul style="list-style-type: none"> <li>- Dashen Bank SC</li> </ul>
<b>Finland</b>	<ul style="list-style-type: none"> <li>- Nordea Bank Finland PLC</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>- ABC International Bank Plc</li> <li>- Bank Saderat Iran</li> <li>- BNP-Paribas S.A.</li> <li>- Citibank N.A.</li> <li>- Credit Agricole S.A.</li> <li>- Credit Du Nord</li> <li>- Credit Industriel et Commercial (CIC)</li> <li>- Calyon</li> <li>- Habib Bank Limited</li> <li>- HSBC Bank plc</li> <li>- National Bank of Pakistan</li> <li>- Societe Generale</li> <li>- Union de Banques Arabes et Francaises - UBAF</li> </ul>

## Foreign Correspondents - 2008

Country	Name of Bank
<b>Germany</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bayerische Hypo-und Vereinsbank AG</li> <li>- Berliner Volksbank eG</li> <li>- Citibank N.A.</li> <li>- Commerzbank AG</li> <li>- DZ Bank AG Deutsche Zentral - Genossenschafts</li> <li>- Deutsche Bank AG</li> <li>- Dresdner Bank AG</li> <li>- Fortis Bank NV/SA</li> <li>- Hamburger Sparkasse</li> <li>- HSH Nordbank AG</li> <li>- HSBC Trinkaus &amp; Bukhardt KGaA</li> <li>- Landesbank Baden-Wuerttemerg</li> <li>- M. M. Warburg &amp; Co. KGaA</li> <li>- National Bank of Pakistan</li> <li>- Skandinaviska Enskilda Banken</li> <li>- Standard Chartered Bank</li> <li>- Vereins-und-Westbank AG</li> <li>- WGZ Bank Westdeutsche</li> </ul>
<b>Ghana</b>	<ul style="list-style-type: none"> <li>- Standard Chartered Bank Ghana Limited</li> </ul>
<b>Greece</b>	<ul style="list-style-type: none"> <li>- Alpha Bank AE</li> <li>- Citibank N.A.</li> <li>- Piraeus Bank S.A.</li> <li>- Royal Bank of Scotland</li> </ul>
<b>Hong Kong</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank of China (Hong Kong) Limited</li> <li>- Bank of Tokyo-Mitsubishi UFJ Ltd.</li> <li>- Citibank N.A.</li> <li>- Dah Sing Bank Ltd.</li> <li>- DBS Bank (Hong Kong) Limited</li> <li>- Deutsche Bank AG</li> <li>- Fortis Bank</li> <li>- HBZ Finance Limited</li> <li>- Habib Finance International Limited</li> <li>- The HongKong and Shanghai Banking Corporation Limited</li> <li>- Industrial and Commercial Bank of China (Asia) Ltd.</li> <li>- ING Bank NV</li> <li>- J. P. Morgan Chase Bank N.A.</li> <li>- Mashreqbank psc</li> <li>- National Bank of Pakistan</li> <li>- Rabobank Nederland</li> <li>- Standard Chartered Bank (Hong Kong) Limited</li> <li>- UBAF (HongKong) Limited</li> <li>- UniCredito Italiano Spa</li> </ul>
<b>Hungary</b>	<ul style="list-style-type: none"> <li>- CIB Bank Ltd.</li> <li>- Citibank Budapest RT</li> <li>- Raiffeisen Bank RT</li> </ul>



Country	Name of Bank
<b>India</b>	<ul style="list-style-type: none"> <li>- Central Bank of India</li> <li>- Deutsche Bank AG</li> <li>- HongKong and Shanghai Banking Corporation Limited</li> <li>- ICICI Bank Limited</li> <li>- Mashreqbank psc</li> <li>- Punjab and Sind Bank</li> <li>- Standard Chartered Bank</li> </ul>
<b>Indonesia</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank Indonesia</li> <li>- Citibank N.A.</li> <li>- HongKong and Shanghai Banking Corporation Limited</li> <li>- P.T. Bank Mandiri (Persero)</li> <li>- Standard Chartered Bank</li> </ul>
<b>Iran</b>	<ul style="list-style-type: none"> <li>- Bank Saderat Iran</li> <li>- Bank Melli Iran</li> <li>- Bank Sepah</li> <li>- Export Development Bank of Iran</li> <li>- Standard Chartered Bank</li> </ul>
<b>Ireland</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank of America NA</li> <li>- Citibank Europe plc</li> </ul>
<b>Italy</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Banca Agricola Mantovana SpA</li> <li>- Banca Antoveneta Spa</li> <li>- Banca Carige SPA</li> <li>- Banca Delle Marche SPA</li> <li>- Banca Popolare di Bergamo SpA</li> <li>- Banca Popolare di Lodi</li> <li>- Banca Popolare Commerciale E Industria SCaRL</li> <li>- Banca Popolare dell'Emilia Romagna SCaRL</li> <li>- Banca Popolare di Novara SpA</li> <li>- Banca Popolare di Vicenza SCPaRL</li> <li>- Banca Popolare di Verona e Novara Scrl</li> <li>- Banca UBAE Spa</li> <li>- Capitalia Societa Per Azioni</li> <li>- Cassa di Risparmio in Bologna S.P.A. - Carisbo SPA</li> <li>- Cassa di Risparmio di Venezia S.P.A.</li> <li>- Citibank N.A.</li> <li>- ING Bank N.V.</li> <li>- Intesia Sanpaolo S.P.A.</li> <li>- Sanpaolo Banco di Napoli SpA</li> <li>- Unicredit Banca Di Roma</li> <li>- UniCredito Italiano SpA</li> <li>- Unione de Banche Italiane SCPA</li> </ul>
<b>Japan</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank of Tokyo Mitsubishi Limited</li> <li>- Citibank Japan Limited</li> </ul>

## Foreign Correspondents - 2008

Country	Name of Bank
	<ul style="list-style-type: none"> <li>- Calyon</li> <li>- ING Bank NV</li> <li>- Lloyds TSB Bank plc</li> <li>- Mizuho Corporate Bank</li> <li>- National Bank of Pakistan</li> <li>- Resona Bank Ltd.</li> <li>- Saitama Resona Bank Ltd.</li> <li>- The Sugamo Shinkin Bank</li> <li>- Sumitomo Mitsui Banking Corporation</li> <li>- Standard Chartered Bank</li> <li>- The Tokushima Bank Limited</li> <li>- Union de Banque Arabes et Francaises - U.B.A.F.</li> </ul>
<b>Jordan</b>	<ul style="list-style-type: none"> <li>- Citibank N.A.</li> <li>- The Housing Bank for Trade &amp; Finance</li> </ul>
<b>Kenya</b>	<ul style="list-style-type: none"> <li>- Citibank N.A.</li> <li>- Habib Bank AG Zurich</li> <li>- Habib Bank Limited</li> <li>- Kenya Commercial Bank Limited</li> <li>- Standard Chartered Bank Kenya Limited</li> </ul>
<b>Korea (South)</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- The Bank of Tokyo-Mitsubishi UFJ Ltd.</li> <li>- Deutsche Bank</li> <li>- The Daegu Bank Ltd.</li> <li>- Hana Bank</li> <li>- HongKong &amp; Shanghai Banking Corporation Limited</li> <li>- Industrial Bank of Korea</li> <li>- Kookmin Bank</li> <li>- Korea Exchange Bank</li> <li>- National Bank of Pakistan</li> <li>- Shinhan Bank</li> <li>- Standard Chartered First Bank Korea Ltd.</li> <li>- Union de Banques Arabes et Francaises - UBAF</li> <li>- Woori Bank</li> </ul>
<b>Kuwait</b>	<ul style="list-style-type: none"> <li>- Alahli Bank of Kuwait KSC</li> <li>- National Bank of Kuwait</li> <li>- The Commercial Bank of Kuwait SAK</li> </ul>
<b>Kyrgyzstan</b>	<ul style="list-style-type: none"> <li>- National Bank of Pakistan</li> </ul>
<b>Lebanon</b>	<ul style="list-style-type: none"> <li>- Banque Libano Francaise</li> </ul>
<b>Luxembourg</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank (Luxembourg) SA</li> </ul>
<b>Macau</b>	<ul style="list-style-type: none"> <li>- Standard Chartered Bank</li> </ul>
<b>Malaysia</b>	<ul style="list-style-type: none"> <li>- Citibank Berhad</li> <li>- Hong Leong Bank Bhd</li> <li>- HSBC Bank Malaysia Berhad</li> <li>- Standard Chartered Bank Malaysia Berhad</li> </ul>

Country	Name of Bank
<b>Mauritius</b>	- Habib Bank Limited - The Mauritius Commercial Bank Limited
<b>Netherlands</b>	- ABN-AMRO Bank N.V. - The Bank of Tokyo-Mitsubishi UFJ (Holland) NV - Credit Europe Bank N.V. - Fortis Bank (Nederland) - F-Van Lanschot Bankiers NV - ING Bank NV - Habib Bank Limited
<b>New Zealand</b>	- Australia and New Zealand Banking Group Limited - Bank of New Zealand - Citibank N.A.
<b>Norway</b>	- DNB Nor Bank ASA - Handelsbanken SA - Nordea Bank Norge ASA - Skandinaviska Enskilda Banken
<b>Northern Ireland</b>	- Bank of Ireland
<b>Oman</b>	- Bank Muscat SAOG - Bank Sohar - Oman International Bank SAOG
<b>Panama</b>	- Banco Continental de Panama S.A.
<b>Philippines</b>	- Bank of Tokyo Mitsubishi Ltd. - Equitable PCI Bank - HongKong and Shanghai Banking Corporation Limited - Standard Chartered Bank
<b>Poland</b>	- BRE Bank SA
<b>Portugal</b>	- ABN-AMRO Bank N.V. - Banco BPI SA - Caixa Geral de Depositos SA - Fortis Bank NV/SA
<b>Qatar</b>	- HSBC Bank Middle East - Mashreq Bank psc - Standard Chartered Bank - United Bank Limited
<b>Romania</b>	- ABN-AMRO Bank (Romania) S.A. - Banca Comerciala Romana SA - UniCredit Tiriac Bank SA
<b>Russia</b>	- Citibank N.A.

## Foreign Correspondents - 2008

Country	Name of Bank
<b>Saudi Arabia</b>	<ul style="list-style-type: none"> <li>- National Commercial Bank (The)</li> <li>- Samba Financial Group</li> <li>- Saudi Hollandi Bank</li> </ul>
<b>Serbia</b>	<ul style="list-style-type: none"> <li>- Findomestic Banka AD</li> </ul>
<b>Singapore</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank Mandiri (Persero) PT</li> <li>- Bank of Tokyo Mitsubishi UFJ Ltd.</li> <li>- Citibank N.A.</li> <li>- Fortis Bank</li> <li>- Habib Bank Limited</li> <li>- HongKong &amp; Shanghai Banking Corporation Limited</li> <li>- HSBC Bank USA</li> <li>- HSH Nordbank AG</li> <li>- ING Bank NV</li> <li>- National Bank of Kuwait SAK</li> <li>- Standard Chartered Bank</li> <li>- Union de Banque Arabes et Francaises</li> </ul>
<b>Slovakia</b>	<ul style="list-style-type: none"> <li>- UniCredit Bank Slovakia A.S.</li> </ul>
<b>Slovenia</b>	<ul style="list-style-type: none"> <li>- Unicredit Banka Slovenija DD</li> <li>- Bank Austria Creditanstalt d.d. Ljubljana</li> </ul>
<b>South Africa</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- ABSA Bank</li> <li>- Citibank N.A.</li> <li>- FirstRand Bank Ltd.</li> <li>- HBZ Bank Limited</li> <li>- Habib Overseas Bank Ltd.</li> <li>- Standard Bank of South Africa Limited</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Banco Pastor</li> <li>- Banco Espanol de Credito (BANESTO)</li> <li>- Banco de Sabadell</li> <li>- Bilbao Bizkaia Kutxa</li> <li>- Caixa D'Estal Vis I Pensions de Barcelona (La Caixa)</li> <li>- Caja de Ahorros Del. Mediterraneo</li> <li>- Caja de Ahorros de Valencia, Castellon Y Alicante BANCAJA</li> <li>- Caja de Ahorros y Pensiones de Barcelona 'Ia Caixa</li> <li>- Citibank International plc</li> <li>- Deutsche Bank</li> <li>- HSBC Bank plc</li> </ul>
<b>Sri-Lanka</b>	<ul style="list-style-type: none"> <li>- Bank of Ceylon</li> <li>- Commercial Bank of Ceylon Limited</li> <li>- Habib Bank Limited</li> <li>- Hatton National Bank Limited</li> </ul>

Country	Name of Bank
	<ul style="list-style-type: none"> <li>- The HongKong &amp; Shanghai Banking Corporation Limited</li> <li>- MCB Bank Limited</li> <li>- People's Bank</li> <li>- Standard Chartered Bank</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- HSBC Bank plc</li> <li>- Nordea Bank Sweden AB</li> <li>- Skandinaviska Enskilda Banken AB</li> <li>- Svenska Handelsbanken AB</li> </ul>
<b>Switzerland</b>	<ul style="list-style-type: none"> <li>- Banque de Commerce et de Placements S.A.</li> <li>- Banque Cantonale Vaudoise</li> <li>- BNP Paribas (Suisse) SA</li> <li>- Credit Agricole (Suisse) S.A.</li> <li>- Credit Suisse</li> <li>- Dresdner Bank (Schweiz) AG</li> <li>- Habib Bank AG Zurich</li> <li>- Habibsons Bank Limited</li> <li>- HSBC Private Bank (Suisse) SA</li> <li>- Neue Aargauer Bank</li> <li>- UBS AG</li> <li>- United Bank AG (Zurich)</li> <li>- Zurcher Kantonalbank</li> </ul>
<b>Taiwan</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- The Bank of Tokyo-Mitsubishi UFJ Ltd.</li> <li>- Citibank Taiwan Limited</li> <li>- Deutsche Bank AG</li> <li>- Fortis Bank</li> <li>- HongKong &amp; Shanghai Banking Corporation Limited</li> <li>- ING Bank NV</li> <li>- Standard Chartered Bank</li> </ul>
<b>Tanzania</b>	<ul style="list-style-type: none"> <li>- Standard Chartered Bank Tanzania Ltd.</li> </ul>
<b>Thailand</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Citibank N.A.</li> <li>- HongKong and Shanghai Banking Corporation Ltd.</li> <li>- Kasikornbank Public Company Ltd</li> <li>- Standard Chartered Bank (Thai) PLC</li> <li>- The Siam Commercial Bank Public Company Limited</li> <li>- Thanachart Bank Public Company Limited</li> </ul>
<b>Turkeminstan</b>	<ul style="list-style-type: none"> <li>- National Bank of Pakistan</li> </ul>
<b>Turkey</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Akbank T.A.S.</li> <li>- Alternatifbank A.S.</li> <li>- Citibank A.S.</li> <li>- Finansbank</li> </ul>

## Foreign Correspondents - 2008

Country	Name of Bank
	<ul style="list-style-type: none"> <li>- Fortis Bank A.S.</li> <li>- Habib Bank Limited</li> <li>- HSBC Bank A.S.</li> <li>- Turkey Garanti Bankasi AS</li> <li>- Turkiye Vakiflar Bankasi TAO</li> <li>- Yapi Ve Kredi Bankasi AS</li> </ul>
<b>Tunisia</b>	<ul style="list-style-type: none"> <li>- Union Bancaire Pour Le Commerce et l'Industrie SA</li> <li>- Tunis International Bank</li> </ul>
<b>U.A.E.</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Abu Dhabi Commercial Bank</li> <li>- Citibank N.A.</li> <li>- Dubai Islamic Bank</li> <li>- Emirates Bank International PJSC</li> <li>- First Gulf Bank</li> <li>- Habib Bank AG Zurich</li> <li>- Habib Bank Limited</li> <li>- HSBC Bank Middle East</li> <li>- Mashreq Bank psc</li> <li>- Standard Chartered Bank</li> <li>- United Bank Limited</li> </ul>
<b>Ukraine</b>	<ul style="list-style-type: none"> <li>- Citibank (Ukraine)</li> <li>- JGCB HAV Bank Ukraine</li> <li>- UKREXIMBANK (State Export Import Bank of Ukraine)</li> </ul>
<b>U.K.</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Bank of America NA</li> <li>- Bank Mandiri (Europe) Limited</li> <li>- The Bank of Tokyo-Mitsubishi UFJ Ltd.</li> <li>- Citibank N.A.</li> <li>- Clydesdale Bank plc</li> <li>- Deutsche Bank</li> <li>- Habib Bank AG Zurich</li> <li>- Habib Allied International Bank plc</li> <li>- Habibsons Bank Limited</li> <li>- HSBC Bank plc</li> <li>- Lloyds TSB Bank Plc</li> <li>- MashreqBank Psc</li> <li>- National Westminster Bank</li> <li>- Raiffeisen ZentralBank Osterreich AG-RZB Austria</li> <li>- Royal Bank of Scotland plc</li> <li>- Standard Chartered Bank</li> <li>- United National Bank Ltd.</li> </ul>
<b>U.S.A.</b>	<ul style="list-style-type: none"> <li>- ABN-AMRO Bank N.V.</li> <li>- Amsouth Bank</li> <li>- Bank of America NA</li> <li>- Bank of New York</li> </ul>

Country	Name of Bank
	<ul style="list-style-type: none"> <li>- Bank of the West</li> <li>- Bank of Oklahoma N.A.</li> <li>- Branch Banking &amp; Trust Co.</li> <li>- The Bank of Tokyo-Mitsubishi UFJ Ltd.,</li> <li>- Calyon</li> <li>- Capital One N.A.</li> <li>- Citibank N.A.</li> <li>- Deutsche Bank Trust Company Americas</li> <li>- Deutsche Bank AG</li> <li>- First Tennessee Bank N.A.</li> <li>- Habib American Bank</li> <li>- Habib Bank Limited</li> <li>- HSBC Bank USA</li> <li>- Israel Discount Bank of New York</li> <li>- J. P. Morgan Chase Bank</li> <li>- KeyBank National Association</li> <li>- MashreqBank psc</li> <li>- National Bank of Pakistan</li> <li>- North Fork Bank</li> <li>- Sovereign Bank</li> <li>- Standard Chartered Bank</li> <li>- U.S. Bank N.A</li> <li>- United Bank Limited</li> <li>- Wachovia Bank NA</li> <li>- Wells Fargo Bank N.A.</li> </ul>
<b>Vietnam</b>	<ul style="list-style-type: none"> <li>- ABN AMRO Bank NV</li> <li>- Standard Chartered Bank</li> </ul>
<b>Yemen (Republic of)</b>	<ul style="list-style-type: none"> <li>- National Bank of Yemen</li> <li>- Yemen Commercial Bank</li> <li>- United Bank Limited</li> </ul>
<b>Yugoslavia</b>	<ul style="list-style-type: none"> <li>- Findomestic Banka AD</li> <li>- Unicredit Bank Srbija AD</li> </ul>





# Form of Proxy

(17th Annual General Meeting)

I/WE \_\_\_\_\_

OF \_\_\_\_\_

BEING MEMBER(S) OF SONERI BANK LIMITED, HOLDING \_\_\_\_\_

ORDINARY SHARES, HEREBY APPOINT \_\_\_\_\_

OF  \_\_\_\_\_ OR FAILING HIM / HER

\_\_\_\_\_

OF  \_\_\_\_\_ WHO IS / ARE ALSO MEMBER(S) OF SONERI BANK LIMITED AS MY / OUR PROXY IN MY / OUR ABSENCE TO ATTEND AND VOTE FOR ME / US AND ON MY / OUR BEHALF AT THE 17TH ANNUAL GENERAL MEETING OF THE BANK TO BE HELD ON 30 MARCH 2009 AND / OR ANY ADJOURNMENT THEREOF.

AS WITNESS MY / OUR HAND / SEAL THIS  \_\_\_\_\_ DAY OF  \_\_\_\_\_ 2009

SIGNED BY \_\_\_\_\_

IN THE PRESENCE OF \_\_\_\_\_

SHARE HOLDER NO.

SIGNATURE ON  
REVENUE STAMP OF  
APPROPRIATE VALUE

THE SIGNATURE SHOULD AGREE WITH  
SPECIMEN REGISTERED WITH THE COMPANY

## IMPORTANT

- This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, Soneri Bank Limited, Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore - 54000, not less than 48 hours before the time of holding the meeting.
- No person shall act as Proxy unless he himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
- If a member, appoints more than one proxy, and more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

**AFFIX  
CORRECT  
POSTAGE**

**The Company Secretary**

**Soneri Bank Limited**

**Rupali House 241-242, Upper**

**Mall Scheme, Anand Road,**

**Lahore - 54000**

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**REGISTERED OFFICE:**  
RUPALI HOUSE 241-242,  
UPPER MALL SCHEME,  
ANAND ROAD,  
LAHORE- 54000  
Tel: (92-42) 5713101-04  
Fax: (92-42) 5713095-96