

**mybank** Ltd.  
Bank of today & tomorrow



Annual Report 2008





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**mybank** Ltd.  
I. J. Chundrigar Road Branch





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## Vision Statement

To be the best *Customer Service* Bank in the country with highest Economic *Value Added* (EVA) through engaged and motivated *People*.

## Core Values

Integrity | Customer Focus | Team Work | Innovation



Board of Directors

- Mr. Iqbal Alimohamed  
Chairman
- Mr. Sohail Muzaffar  
Vice Chairman
- Mr. Muhammad Rafiq Tumbi \*  
Director
- Mr. Muhammad Iqbal Ebrahim  
Director
- Mr. Afzal Ghani  
Director
- Mr. Danish Iqbal  
Director
- Mr. Muhammad Bilal Sheikh  
President & Chief Executive  
Officer / Director

Company Secretary  
(Officiating)

Ms. Bershama Shabbir

Management\*

- Mr. Muhammad Bilal Sheikh  
President & Chief Executive Officer
- Ms. Mona Sultan, FCMA, CFA,  
EVP - CFO
- Mr. Faisal Shaikha  
E.V.P - Head of Investment &  
Treasury Division (Front Office)
- Mr. Akhtar Ali Khan  
E.V.P - Head of Credit Sanction &  
Monitoring Division
- Mr. Anis Iqbal  
E.V.P - Head of Information  
Technology Division
- Mr. Syed Nazir Hussain  
S.V.P - Head of Operations Division
- Mr. Tariq Idrees  
S.V.P - Head of Credit  
Administration Division
- Mr. Kh. Tajammul Hussain  
S.V.P - Head of HRDD
- Mr. Akhtar Aleem Syed  
S.V.P - Head of Legal Affairs  
Division / SAM Division
- Mr. Baber Saeed Khan  
S.V.P - Head of  
International & Forex Division
- Mr. Shaukat Ali Larik  
S.V.P - Head of Compliance Division
- Mr. Imran Ahmed  
S.V.P - Head of Risk Management Division
- Mr. Syed Qurban Ali  
S.V.P - Head of Audit & Inspection Division
- Lt. Col. (R) Shahzad Begg  
VP - Head of Administration Division
- Mr. Mian Junnaid Sajjad  
A.V.P - Head of Consumer Banking Division

## Management at Regions

Mr. Mamnoon Ahmed Alvi  
S.E.V.P & General Manager  
Punjab and Northern Regions

Mr. Khawaja Ghalib  
E.V.P & Regional  
General Manager (South)

## Management at Zones/Areas

Mr. Mushtaq Riaz Mirza  
E.V.P - RGM, (Lahore Zone)

Mr. M. Parvez Sheikh  
E.V.P & Zonal Chief (Gujranwala Zone)

Mr. Shaukat Javaid Anjum  
S.V.P & Zonal Chief (NWFP)

Ms. Javeria Zafar  
S.V.P & Zonal Chief (Islamabad Zone)

Mr. Munir Ahmed Khan  
SVP & Area Manager (Quetta)

Mr. Abdul Rauf  
V.P & Area Manager (Hyderabad)

## Audit Committee

Mr. Afzal Ghani  
Chairman

Mr. Iqbal Alimohamed  
Member

Mr. Sohail Muzaffar  
Member

Mr. Danish Iqbal  
Member

Ms. Bershama Shabbir  
Secretary

## Auditors

Messrs M. Yousuf Adil Saleem & Co.  
Chartered Accountants

### SHARES REGISTRAR

M/s Noble Computer Services (Pvt) Ltd.  
2nd Floor Sohni Center,  
BS 5 & 6, Main Karimabad Block-4,  
Federal B Area, Karachi.  
Tel: (92-21) 6801880-2 (3 Lines)  
Fax: (92-21) 6801129  
E-mail: ncsl@noble-computers.com  
website:www.noble-computers.com

\* Appointment of Director is subject to the approval of the State Bank of Pakistan







mybank Ltd.

Annual Report 2008





## SERVING CUSTOMERS ACROSS PAKISTAN

A dedicated, resourceful, dynamic and capable team of professionals is ever-ready to provide for the changing and growing needs of our customers.







## Serving Customers

We exceed your expectations by utilizing cutting edge technology to give a wide range of flexible options through Online Banking, GPRS Enabled Banking, 24 Hours e-Banking and much more.









## NOTICE OF 17th ANNUAL GENERAL MEETING

Notice is hereby given that the Seventeenth Annual General Meeting of Mybank Limited will be held on Friday, March 27, 2009 at 10:30 a.m. at its Registered Office situated at Regal Chowk, Jinnah Road, Quetta to transact the following business:

1. To confirm the minutes of the Annual General Meeting of the Bank held on March 28, 2008.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2008 together with the Directors' and Auditor's Reports thereon.
3. To appoint external auditors of the Bank for the year ending December 31, 2009 and to fix their remuneration. One of the shareholders has proposed the name of M/s. Hyder Bhimji & Co., Chartered Accountants in place of retiring Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, who has completed five years as external auditors of the Bank.
4. To approve the payment of expenses for traveling (including boarding & lodging) of directors of the bank for the Board of Directors' meetings held outside Karachi.
5. To consider any other business of the Bank with the permission of the Chair.

By Order of the Board

Company Secretary

Place : Karachi

Date : February 28, 2009



**Notes:**

1. Share Transfer Books of the Bank will remain closed from March 21, 2009 to March 27, 2009 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend the meeting and vote for him/her. A Proxy must be a member of the Bank. Proxy forms in order to be effective must be received by the Bank at the Registered Office not later than 48 hours before the time of the meeting.
3. CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan to attend the Annual General Meeting.

**A. For Attending the Meeting**

- (i) In case of individuals, the account holder or sub-account holder (Physical or CDC), shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original valid passport at the time of attending the Meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

**B. For Appointing Proxies:**

- (i) In case of individuals, the account holder or sub-account holder (Physical or CDC), shall submit the proxy form as per the above requirement.
  - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
  - (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - (iv) The proxy shall produce his original CNIC or original valid passport at the time of the meeting.
  - (v) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
  - (vi) Proxy forms in order to be effective must be received by the Bank at the Registered Office not later than 48 hours before the time of the meeting.
- 4: Members are requested to promptly notify the change of address, if any, and also for the consideration of folio numbers, if any member holds more than one folio, to the Registrar.







## Directors' Report

The Board of Directors is pleased to present the 17th Annual Report of Mybank Limited (hereinafter called the Bank) for the year ended December 31, 2008.

### Performance Review

2008 was one of the most difficult years for Mybank and for the financial sector of Pakistan. Major macro issues were the crash of stock market and its closure on floor price for over few months, rising interest rate scenario, higher inflation, IMF support program for Pakistan, weaker industry condition and subsequently customers' capability to service the debt. Mybank was not an exception and had to ride fairly hard with all of its case specific shortcomings including major exposure on mid to small sized Corporate and SMEs, less than 5 years of real age (the bank's sponsorship changed hands in March 2004) and depleting customers' business situation due to macro economic crises.

On the positive side, the bank opened up 20 branches during the period under review. Strengthened its systems including technology advancements, service standards and revamped the Risk Management division among other initiatives. All of this has immense role in current scenario and significant value addition going forward.

The following are the summarized comparative financial indicators.

	2008	2007
	Rupees in '000	
Profit before taxation and provision / write off against non-performing loans	822,845	876,189
Less: Provision / write off against non-performing loans	1,173,272	651,101
Provision for diminution in the value of investments	410,398	-
(Loss) /Profit before taxation	(760,825)	225,088
Less: Taxation	(410,532)	(115,231)
(Loss) /Profit after taxation	(350,293)	340,319
Add: Profit brought forward	496,827	586,905
Add: Transfer from surplus on revaluation of fixed assets	79,609	23,382
Profit available for appropriation	226,143	950,606
Earnings per share - Rupees	(0.79)	0.84

The Bank's management prudently and conservatively classified and provided certain advances on subjective basis as non-performing against which the Bank is using all efforts to safeguard its stakeholders' interest and confident that it shall be able to revive and reverse this negative impact in the year 2009 and 2010.

### Credit Rating

The bank enjoys "A" (Single-A) rating for the medium to long term and "A-1" (A-one) rating for the short term with a stable outlook from the Pakistan Credit Rating Agency Limited (PACRA).

### Increase in Paid-up Capital

In compliance with the State Bank of Pakistan, Banking Supervision Department's BSD Circular No. 6 of October 28, 2005, the Board of Directors decided to increase the Paid-up capital of the Bank in its 108th meeting held on August 22, 2008 by issuing 25.00% Right Issue at Par to the existing shareholders. During the period under review, the Right Issue of the Bank has been fully subscribed and the Paid up Capital of the Bank has in turn increased to Rs. 5.304 billion.



### **The Effects of BSD Circular No. 4 of 2009**

Further to the notification of the Securities & Exchange Commission of Pakistan dated: February 13, 2009, State Bank of Pakistan has allowed the banks vide BSD Circular No. 4 of 2009 for treatment of impairment loss recognized on 31-12-2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market price of 31-12-2008 may be shown under Equity. However, the SECP notification encouraged the use of full requirements of IAS 39.

The bank voluntarily decided to take 50% of the diminution in the value of investments held as "Available for Sale" through Profit & Loss account to quoted market price of 31-12-2008. This 50% translates into Rs. 410.398 million. Had the Board of Directors and management not taken this diminution voluntarily, the Profit after Tax would have been higher by Rs. 266.759 million.

### **The Effects of BSD Circular No. 2 of 2009**

The State Bank of Pakistan vide its Circular No. 2 of 2009 allowed the banks to take the benefit of 30 percent of Forced Sale Value of the pledged stocks and mortgaged commercial and residential properties held as collateral against all NPLs for three years from the date of classification for calculating provisioning requirement with effect from 31-12-2008. Prior to the effect of the aforesaid circular and in compliance with BSD Circular No. 07, dated October 12, 2007, the bank had made additional provisions against non-performing portfolio resulting from withdrawal of FSV of Rs. 483.886 million and lowered the profit after tax by Rs. 314.526 million for the year ended December 31, 2007.

After the issuance of BSD Circular No. 2 of 2009, the bank reversed the provisioning then made by Rs.341.970 million

It may also be noted that the aforesaid circular allowed the FSV benefit only to the extent of 30% on mortgaged commercial and residential properties. It also did not allow the FSV effect of industrial properties, building or land. Had that been allowed, the profit of the bank would have been much higher as the classified and provided advances portfolio have substantial industrial properties as collateral with the bank.

### **Changes in the Composition of the Board of Directors**

During the year 2008, election of directors was held on March 28, 2008 in the 16th Annual General Meeting of bank. Seven directors were elected unopposed namely; Mr. Iqbal Alimohamed, Mr. Sohail Muzaffar, Mr. Danish Iqbal, Mr. Mohammad Iqbal Ebrahim, Mr. Muhammad Bilal Sheikh, Mr. Faisal Bengali and Mr. Mohammad Rafiq. Subsequently, the Fit and Proper test of two directors namely; Mr. Faisal Bengali and Mr. Mohammad Rafiq was not approved by the State Bank of Pakistan. In place of Mr. Faisal Bengali, Mr. Afzal Ghani was co-opted on August 22, 2008 after the approval of his Fit & Proper test by the State Bank of Pakistan.

### **Core Banking Application (Misys) Implementation**

After the implementation of Misys Core banking system in all branches of the bank, the focus was on providing better facilities and quick service to our customers using modern technology. As a result 86,048 transactions were processed through online facilities as compared to 16,323 transactions in 2007. The GPRS and internet banking was enhanced to receive the daily transactions through a free auto email account in addition to online access. The new service of real-time SMS of all transactions was introduced to its online registered customers. The bank's own call centre has been made operational to facilitate customers to have self service banking through IVR or contact the Customer service officer during non banking hours. The bank has also built its state of the art and tier 4 capable Data Centre with all the modern facilities and security controls along with real time replication of data to its DRP site, out sourced to IBM, Pakistan.

### **Risk Management**

Risk Management Division has been revamped during 2008 reporting to the President & C.E.O. The Board's Risk Management Committee oversees the function and overall enterprise risk management framework.







Enterprise risk management model mainly incorporates credit, market and operational risk among other components whereas liquidity risk management is the direct responsibility of ALCO. Head of the Risk Management Division is a member of ALCO. This division is also responsible for implementation of Basel-II accord in the bank.

Bank has made sufficient success in implementation of Basel-II accord during the year and all reporting deadlines for capital adequacy ratio have been complied with. Bank has also designed and developed a comprehensive system for Internal Credit Risk Rating which has been implemented and credit ratings of the borrowers have been reported to the State Bank of Pakistan under the guidelines.

Pricing decisions have been systematically correlated with the level of risk being taken maintaining trade-off between risk and return. In this regard, all advances have been linked with KIBOR.

RMD is in process of developing an in-house set-up in order to comply with the requirements of SBP (communicated vide BSD Circular No. 17 of 2008 dated August 12, 2008) to submit a report on the adequacy of the capital. Process will be designed to assess the present risks and available controls highlighting the key risk indicators. On the basis of this exercise, not only the assessment of the capital will be complied with but also an overall improvement in the system will be resulted.

### **Future Outlook**

The board is committed to strengthen the capital base of the bank and exploring opportunities to increase the size of the bank, in terms of shareholders' equity, either by inducting new shareholders through Rights issue, through sale of some or all of the existing outstanding shares with major shareholders or by capitalizing on a merger opportunity. It will not only increase the shock absorbing capacity of the bank but also elevate its standing among the peer group. The bank had prudently classified certain advances, both on objective and subjective basis. The objectivity includes the classification and provisioning required under the Prudential Regulations issued by the State Bank of Pakistan and the subjective view is the prudent approach where there is a probability that the advances may not be recoverable going forward. However, the Board of Directors and the management are confident to reverse this provisioning effect going forward in 2009-2010.

Nevertheless, this is the new era in Mybank's history and the Board's vision is to revamp the organization by bringing more resources and expertise to grow the capital base and to provide the desired expertise at the Board and management level.

### **Internal Controls**

The Board of Directors endorses the management's evaluation and representation on the internal control system and environment prevailing in the Bank during the year. The internal control environment is being further strengthened to manage and mitigate rather than eliminate risk of failure to achieve objectives, and by its nature can only provide reasonable not absolute assurance against material misstatement or loss. The management has made representations relating to internal control and risk assessment framework to meet the requirements of the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2004, BSD Circular letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

### **Audit Committee**

An Independent Audit Committee of the Board is functioning effectively in compliance with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan comprising non- executive directors of the Board. The committee functions under written terms of reference incorporated in its charter as approved by the Board. The role of the committee is to assist the Board in fulfilling responsibilities.

### **Corporate & Financial Reporting Framework (Code of Corporate Governance)**

The Board extends full support and commitment towards the implementation of the highest standards of Corporate Governance. The Bank is in compliance of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan and other instructions issued by the State Bank of Pakistan on the code from time to time. It has also followed the principles set out in the Listing Regulations of the Stock Exchange in letter and spirit. A prescribed statement by the Management along with the Auditors' review report thereon forms part of this Annual Report.



**Statements under Clause XIX of the Code of Corporate Governance**

- a) The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in the preparation of financial statements without any material departure.

However, the State Bank of Pakistan has specifically deferred the implementation of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, till further instructions. Accordingly the requirements of those standards have not been followed in the preparation of these financial statements.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts about the Bank continuing as a going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges of Pakistan.
- h) Summarized key operating and financial data of the last six years in tabulated in this Annual Report.
- i) The details of Board Meetings held and attended by the directors' forms part of this Annual Report.
- j) The prescribed pattern of shareholding is given as part of the Annual Report along with the disclosure requirement of clause (xix) sub clause (j) of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan.
- k) The book value of the investments made by the Employee's Provident Fund is Rs.52.934 million as per audited financial statement for the year ended December 31, 2006.
- l) All taxes have been paid and nothing is outstanding, except as disclosed in these financial statements.

The present auditors, Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, retired and completed their term of 5 years with the bank. One of the shareholders proposed the name of M/s Hyder Bhimji & Co. Chartered Accountants, who offer themselves for appointment as auditors of the bank for the year ending December 31, 2009, subject to the laws and regulations prevailing as at the date of the forthcoming Annual General Meeting.

**Acknowledgement**

We would like to express our gratitude and thanks to the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan for their professional support and guidance. Our gratitude is due to our customers for the confidence that they have expressed in the Bank. We would also like to thank our shareholders for their patronage and help, the management and the staff for their hard work and commitment.

On behalf of the Board

Place: Karachi  
Date: February 28, 2009

**Iqbal Alimohamed**  
Chairman





## Statement of Compliance with Code of Corporate Governance

The Board of Directors and management of Mybank Limited has always supported and reaffirmed its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

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

1. The Bank encourages representation of independent Non - Executive Directors and Directors representing minority interests on its Board of Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Bank.
3. All the Non - Executive Directors of the Bank are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC and are not members of any stock exchange.
4. No casual vacancy occurred during the year in the Board of Directors of the Bank.
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 and mission statement, core values, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. The Board has the following functioning Committees and their terms of reference have been approved by the Board:
  - a. Audit Committee - also ensures the independence of the internal audit function and the independence and objectivity of the external auditors.
  - b. Human Resource Management Committee - also monitors the remuneration and appointments of senior management as defined in the terms of reference as well as personnel policies and its implementation.
  - c. Credit and Risk Management Committee - also ensures compliance with the Bank's Credit Policy, Risk Management Framework and SBP Prudential Regulations.
8. All the powers of the Board have duly been exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and the Board met Seven (7) times during the year. Written notices of the Board meetings, along with agenda and working papers are circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Chairman and one of the Directors of the Board attended and completed a course on Corporate Governance comprising four (4) modules & obtained certification of "Certified Director" after passing a written test. The other directors are also attending the same course organized by the Institute of Corporate Governance of Pakistan and in process of getting certification.
11. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, as determined by the CEO.





12. The Directors' report for the year has been prepared in compliance with the Code and fully describes the salient matters required to be disclosed.
13. The information regarding change of Directors has been communicated to the Securities and Exchange Commission of Pakistan (SECP) and Stock Exchanges within the stipulated time.
14. The financial statements of the Bank were duly endorsed by the CEO and the CFO prior to presentation before the Audit Committee and the Board of Directors, for approval.
15. The Directors, CEO and Executives of the Bank do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee, comprised of four members, all of whom are Non - Executive Directors including its Chairman.
18. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
19. The Board has set-up an Internal Audit Division. The Internal Audit Division reports directly to the Audit Committee.
20. 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, and 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 Committee (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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 auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The quarterly un-audited financial statements of the Bank are circulated along with the Report of Directors. Half-yearly financial statements were subjected to limited review by the statutory auditors. Financial statements for the year ended December 31, 2008 have been audited and circulated in accordance with the clause (xxii) of the Code.
23. All material information as described in clause (xxiii) of the Code is disseminated to the Stock Exchanges and Securities and Exchange Commission of Pakistan in a timely fashion.
24. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

**Muhammad Bilal Sheikh**

President & CEO

Place: Karachi

Date: February 28, 2009





## Statement of Internal Controls

Management of Mybank Limited is responsible for establishing and maintaining a desirable system of internal control aimed at achieving the following objectives of the Bank:

- o Efficiency and effectiveness of operations.
- o Compliance with applicable laws and regulations.
- o Reliability of financial reporting.

The following statements are made by the management, to meet the requirements of the State Bank of Pakistan (SBP) Circular No. BSD 7 of 2004, Banking Supervision Department Circular Letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

1. The management has adopted different strategies to monitor and improve internal controls on an ongoing basis. These include internal audit and various management committees. Moreover, in 2007 the management had engaged an outside consulting company design the effectiveness of the system of internal control through policy revision. The internal controls are being further strengthened and measures for improvement where required are implemented.
2. The Bank has adopted a Statement of Ethics and Business Practices that is signed by all Directors and employees every year. Further, Compliance Division is effectively functioning to ensure ongoing monitoring of Bank's compliance with laws, regulations and code of ethics.
3. The Bank has written policies and procedures duly approved by the Board of Directors.
4. The Bank has adopted a mission & vision statement and corporate strategy duly approved by the Board.
5. A comprehensive and enhanced organization structure is being developed which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
6. The Bank has an effective internal Audit Division, which reports directly to the Audit Committee of the Board. The internal Audit periodically carries out audits of branches and Central Office Divisions to monitor the compliance with Bank's policies and procedures based on an audit plan approved by the Audit Committee.
7. Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and takes timely action to implement such recommendations.
8. The management has in place evaluation and approval procedures for major capital expenditure and other transactions.
9. There is an annual budgeting and strategic planning process. Financial forecasts are reviewed during the year to reflect significant changes in business environment. Regular reporting and monitoring of financial performance of the Divisions highlighting key performance indicators and variance from budgets and forecasts, is in place.



During the year 2008, the Bank made considerable efforts in maintaining a suitable internal control framework, considering size of its operations, to ensure a comfortable level of effectiveness, efficiency and soundness of its internal control system and in implementing the desired control procedures. During the year, the management initiated necessary steps to ensure non-repetition and elimination of observations, deficiencies and weaknesses identified by the statutory auditors, internal audit and the regulatory agencies to the maximum possible level. The existing policies and procedures are being reviewed and revised.

Development of internal controls systems is an ongoing process, which includes identification, evaluation and management of significant risks faced by the Bank. Accordingly the Bank continuously reviews its entire system of controls, including the control environment, risk management and compliance procedures, and revisiting the policies and procedures to ensure that these conform to best practices. In this respect, an independent Credit Administration function has been put in place.

Additionally, the Bank is also in the process of strengthening its systems for capturing and communicating relevant information and has successfully implemented state of art technology, Misys (Core Banking Application).

Based on the evaluation of the system of internal control, the management assesses that the internal control system is adequate, considering the size and nature of bank's operations, and expect that the internal control system will further improve in the period ahead.

By order of the Board

**Muhammad Bilal Sheikh**  
President & CEO

Place: Karachi  
Date: February 28, 2009







## **Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of mybank Limited (the Bank) 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 Regulation 11 of the Islamabad Stock Exchange where the Bank is listed.

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

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

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

Place: Karachi  
Date: February 28, 2009

**M.Yousuf Adil Saleem & Co.**  
Chartered Accountants

## Auditors' Report to the Members

We have audited the annexed balance sheet of **Mybank Limited** (the bank) as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for eight 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 amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60 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 expenditures 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.

Place: Karachi  
Date: February 28, 2009

**M.Yousuf Adil Saleem & Co.**  
Chartered Accountants





## Balance Sheet

As at December 31, 2008

	Note	2008	2007
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks	6	1,862,545	2,613,835
Balances with other banks	7	566,725	280,497
Lendings to financial institutions	8	1,748,761	1,567,626
Investments	9	10,294,970	11,601,143
Advances	10	20,940,081	20,791,751
Operating fixed assets	11	2,414,783	2,080,341
Deferred tax assets - net	12	701,976	86,261
Other assets	13	1,273,162	1,580,159
		<u>39,803,003</u>	<u>40,601,613</u>
<b>LIABILITIES</b>			
Bills payable	14	273,286	895,616
Borrowings	15	4,600,431	2,796,478
Deposits and other accounts	16	28,032,735	30,153,164
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	753,483	814,035
		<u>33,659,935</u>	<u>34,659,293</u>
<b>NET ASSETS</b>		<u>6,143,068</u>	<u>5,942,320</u>
<b>REPRESENTED BY</b>			
Share capital	18	5,303,582	4,242,866
Reserves		324,005	324,005
Unappropriated profit		226,143	496,827
		<u>5,853,730</u>	<u>5,063,698</u>
Surplus on revaluation of assets - net	19	289,338	878,622
		<u>6,143,068</u>	<u>5,942,320</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The investments in the listed equity securities and mutual funds held as 'available for sale' are valued at prices quoted on the stock exchanges and the relevant net asset values as at December 31, 2008. Out of the total decline in value on such investments of Rs. 821 million, an amount of Rs. 411 million has been recognized in the profit and loss account and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular no. 4 dated February 13, 2009.

Had the entire amount of decline in value recognized in profit and loss account, the unappropriated profit would have been lower by Rs. 279 million (net of deferred tax). See note 9.10 and 19.2

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
President & CEO

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## Profit and Loss Account

For the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Mark-up/return/interest earned	21	3,640,787	2,907,075
Mark-up/return/interest expensed	22	2,829,578	2,208,225
Net mark-up/ interest income		811,209	698,850
Provision against non-performing loans and advances	10.3	1,169,917	648,425
Provision for diminution in the value of investments	9.11	410,398	-
Bad debts written off directly	10.4	3,355	2,676
		1,583,670	651,101
Net mark-up / interest income after provisions		(772,461)	47,749
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		219,358	140,270
Dividend income		752,595	151,691
Income from dealing in foreign currencies		155,751	67,163
(Loss)/gain on sale of securities - net	23	(249,022)	489,123
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	-
Other income - net	24	63,966	62,313
Total non mark-up / interest income		942,648	910,560
		170,187	958,309
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	25	922,538	725,724
Other provisions / write-offs		-	2,183
Other charges	26	8,474	5,314
Total non mark-up / interest expenses		931,012	733,221
Extra ordinary / unusual items		-	-
		(760,825)	225,088
<b>(LOSS) / PROFIT BEFORE TAXATION</b>			
Taxation - current		75,259	88,314
- prior year		-	-
- deferred		(485,791)	(203,545)
	27	(410,532)	(115,231)
<b>(LOSS) / PROFIT AFTER TAXATION</b>			
		(350,293)	340,319
Unappropriated profit brought forward		496,827	586,905
Transfer from surplus on revaluation of fixed assets - net of deferred tax		79,609	23,382
Profit available for appropriation		226,143	950,606
<b>Basic and diluted (loss) / earnings per share</b>	28	(0.79)	0.84

The investments in the listed equity securities and mutual funds held as 'available for sale' are valued at prices quoted on the stock exchanges and the relevant net asset values as at December 31, 2008. Out of the total decline in value on such investments of Rs. 821 million, an amount of Rs. 411 million has been recognized in the profit and loss account and the remaining amount has been reflected as deficit in equity in accordance with the option provided in BSD Circular no. 4 dated February 13, 2009.

Had the entire amount of decline in value recognized in profit and loss account, the unappropriated profit would have been lower by Rs. 279 million (net of deferred tax). See note 9.10 and 19.2

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
President & CEO

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director





# Cash Flow Statement

For the year ended December 31, 2008

	Note	2008	2007
(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / Profit before taxation		(760,825)	225,088
Less: dividend income		(752,595)	(151,691)
		(1,513,420)	73,397
<b>Adjustments</b>			
Depreciation	11.2	142,869	102,514
Amortization of intangible assets	11.3	8,275	3,778
Amortization of premium on held to maturity securities	21.2	12,847	13,376
Provision against non-performing advances - net		1,169,917	648,425
Provision for diminution in the value of investments	9.11	410,398	-
Bad debts written off directly		3,355	2,676
Provision against other assets	13.3	-	-
Loss / (Gain) on sale of fixed assets	11.2.2	24,672	(6,408)
Other provisions / write-offs		-	2,183
		1,772,333	766,544
		258,913	839,941
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		(266,135)	2,338,261
Held-for-trading securities		-	378,637
Advances		(1,321,602)	(7,956,013)
Others assets (excluding advance taxation)		364,457	(861,787)
		(1,223,280)	(6,100,902)
<b>Increase/ (decrease) in operating liabilities</b>			
Bills payable		(622,330)	670,294
Borrowings		1,995,589	971,681
Deposits and other accounts		(2,120,429)	10,983,938
Other liabilities (excluding current taxation)		(60,550)	537,445
		(807,720)	13,163,358
		(1,772,087)	7,902,397
Income tax paid		(130,514)	(309,149)
		(1,902,601)	7,593,248
<b>Net cash flows (used in) / from operating activities</b>			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from investments in available-for-sale securities		193,270	(9,268,128)
Net proceeds from held-to-maturity securities		50,058	-
Dividend income received		750,391	150,555
Investments in operating fixed assets		(556,404)	(154,312)
Sale proceeds of property and equipment disposed-off	11.2.2	46,146	10,312
		483,461	(9,261,573)
<b>Net cash flows from / (used in) investing activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of share capital		1,060,716	771,430
Dividend paid		(2)	(4)
		1,060,714	771,426
<b>Net cash flows from financing activities</b>			
Effects of exchange rate changes on cash and cash equivalents		-	-
		(358,426)	(896,899)
<b>Decrease in cash and cash equivalents</b>		(358,426)	(896,899)
Cash and cash equivalents at beginning of the year	29	2,844,005	3,740,904
Cash and cash equivalents at end of the year	29	2,485,579	2,844,005

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
President & CEO

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## Statement of Changes in Equity

For the year ended December 31, 2008

	Capital reserve			Total
	Share capital	Statutory reserve	Unappropriated profit	
	(Rupees in '000)			
Opening balance as at January 1, 2007	3,085,721	255,941	586,905	3,928,567
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	23,382	23,382
Net income recognised directly in equity - as reported	-	-	23,382	23,382
Net income recognised directly in equity	-	-	23,382	23,382
Profit for the year ended December 31, 2007	-	-	340,319	340,319
Total recognized income and expense for the year	-	-	363,701	363,701
Transfer to statutory reserve	-	68,064	(68,064)	-
Issue of bonus shares	385,715	-	(385,715)	-
Issue of right shares	771,430	-	-	771,430
<b>Opening balance as at January 1, 2008</b>	4,242,866	324,005	496,827	5,063,698
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of deferred tax	-	-	79,609	79,609
Net income recognised directly in equity	-	-	79,609	79,609
Loss for the year ended December 31, 2008	-	-	(350,293)	(350,293)
Total recognized income and expense for the year	-	-	(270,684)	(270,684)
Transfer to statutory reserve	-	-	-	-
Issue of right shares	1,060,716	-	-	1,060,716
<b>Closing balance as at December 31, 2008</b>	5,303,582	324,005	226,143	5,853,730

The annexed notes 1 to 41 and Annexure I form an integral part of these financial statements.

\_\_\_\_\_  
President & CEO

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director





# Notes to the Financial Statements

For the year ended December 31, 2008

## 1. STATUS AND NATURE OF BUSINESS

mybank Limited (the Bank) was incorporated in Pakistan on October 7, 1991 as a public limited company under the Companies Ordinance, 1984. The Bank's registered office is situated at Regal Chowk, Jinnah Road, Quetta with principal place of business at 10th Floor, Business and Finance Centre, I.I. Chundrigar Road, Karachi. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The Bank is engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and operates 80 (2007: 60) branches in Pakistan. Currently the Bank's medium and long-term credit rating is A , and its short term credit rating is A-1 (A-one) with a stable outlook.

## 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 (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

## 3. STATEMENT OF COMPLIANCE

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) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, directives issued by the State Bank of Pakistan, the Banking Companies Ordinance, 1962, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the requirements of the directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan take precedence.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property". The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards has been deferred by SBP, vide BSD Circular No. 10 dated August 26, 2002, for banks in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

### **Standard, interpretation and amendment to published approved accounting standards that are not relevant and not yet effective**

The following amendments to existing standards have been published that are applicable to the Bank's financial statements covering annual periods, beginning on or after the following dates:

	<b>Effective date (accounting periods beginning on or after)</b>
(i) IFRS 2, "Share Based Payments"	January 1, 2009
(ii) IFRS 3, "Business Combinations"	July 1, 2009
(iii) IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"	July 1, 2009
(iv) IFRS 8, "Operating Segments"	January 1, 2009
(v) IAS 1 (Revised) "Presentation of Financial Statements"*	January 1, 2009





**Effective date (accounting periods beginning on or after)**

(vi) IAS 23 "Borrowing Costs"	January 1, 2009
(vii) IAS 27 "Consolidated and Separate Financial Statements"	January 1, 2009
(viii) IAS 29 "Financial Reporting in Hyperinflationary Economies"	January 1, 2009
(ix) IAS 32 "Financial Instruments: Presentation"	January 1, 2009
(x) IAS 41 "Agriculture"	January 1, 2009
(xi) IFRIC 13 "Customer Loyalty Programmes"	July 1, 2008
(xii) IFRIC 15 "Agreements for the Construction of Real Estate"	January 1, 2009
(xiii) IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	October 1, 2008
(xiv) IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 1, 2009
(xv) IFRIC 18 "Transfer of Assets from Customers"	July 1, 2009

Presentation of Financial Statements effective for annual periods beginning on or after 1st January 2009 introduces the term "Total Comprehensive Income", which represents changes in equity during the period other than those changes resulting from transactions with owners in the capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statements and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected once enforced by regulators.

The Bank expects that the adoption of above standards and interpretation will have no significant impact on the Bank's financial statements in the period of initial application. They do, however, give rise to additional disclosures.

**4. BASIS OF MEASUREMENT****4.1 Accounting convention**

These financial statements have been prepared under the 'historical cost convention' as modified by revaluation of land and buildings and valuation of certain investments at fair value.

**4.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

**4.2.1 Critical judgments in applying the Bank's accounting policies.**

In the process of applying the Bank's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

**a) Classification of investments**

- In classifying investments as 'held for trading', the Bank has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held to maturity', the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.





## **b) Taxation and Contingencies**

As described in notes 20.4 and 20.5, management considers that the Bank is not likely to incur further liabilities mentioned therein.

### **4.2.2 Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

#### **a) Provision against non-performing advances**

The Bank continuously monitors the recoverability of advances and makes general and specific provisions as considered necessary to comply with the Prudential Regulations issued by the SBP. Keeping in view the requirements of the Prudential Regulations, the Bank may apply the subjective criteria of classification on regular basis and accordingly the classification of an advance is downgraded on the basis of evaluation of credit worthiness of borrower, its cash flows, operations in account and adequacy of security in order to ensure the best estimate of the provision.

#### **b) Useful life of property and equipment and intangible assets**

Useful life of the property and equipment and intangible assets are based on management's best estimates.

#### **c) Valuation and impairment of available for sale equity investments**

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

## **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 comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts, overdrawn nostro accounts and call money lendings in the money market.

### **5.2 Lendings to / borrowings from financial institutions**

#### **Sale under re-purchase obligation**

Securities sold subject to a re-purchase agreement (Repo) are retained as investments and the corresponding counter party liability is recognized as borrowings from financial institutions. The difference in sale and re-purchase value is treated as mark-up / return / interest expense and accrued over the life of the repo agreement.

#### **Purchase under re-sale obligation**

Securities purchased subject to a re-sale agreement (Reverse Repo) are recognized as lendings to financial institutions. The difference between contracted and re-sale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement.

### 5.3 Investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market conventions are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the securities. Classification of investments is made based on the intended purpose of holding such investments, which is as follows:

#### **Held-for-trading securities**

These are investment securities, which are acquired principally for the purpose of generating profit from short-term fluctuations in price, interest rate movement or dealer's margin, and are to be sold within 90 days.

#### **Held-to-maturity securities**

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

#### **Available-for-sale securities**

These are investments, which do not fall under the held-for-trading or held-to-maturity category.

Investments other than those categorized 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.

Quoted securities other than those classified under held-to-maturity, are stated at market value in accordance with the requirements of the SBP. Held-to-maturity investments are stated at amortized cost.

Surplus / (deficit) arising on revaluation of held-for-trading securities and amortization of held-to-maturity investments are directly taken to profit and loss account.

In accordance with the requirements of Banking Surveillance Department circular No. 20 dated August 4, 2000, the surplus / (deficit) arising on securities classified as available-for-sale investments for which ready quotes are available on Reuters page (PKRV) or Stock Exchange is kept in a separate account and shown in balance sheet below equity. Unquoted equity securities are valued at lower of cost and break-up value less impairment losses, if any. Break-up value of shares is calculated with reference to net assets of investee company based on latest available audited financial statements.

Provision for diminution in the value of securities (except debentures, bonds, participatory certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, bonds, participatory certificates and term finance certificates is made in accordance with the requirements of Prudential Regulations issued by SBP.

Gains and losses on disposal of investments are taken to profit and loss account in the year in which they arise.

### 5.4 Advances

Advances are stated net of general and specific provisions on non-performing advances. Specific provision is made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of loans by the bank) for classification of non-performing loans and advances and computing provision there against. Further, SBP also requires the Bank to maintain general provision against consumer advances at specified percentage of such portfolio. Advances are written off where there are no realistic prospects of recovery.





## 5.5 Operating fixed assets - owned

### Property and equipment

Property and equipment, other than land which is carried at revalued amount, are stated at cost or revalued amounts less accumulated depreciation and impairment losses, if any.

Depreciation on premises on leasehold land and furniture and fixture is charged to income applying the reducing balance method and depreciation on computer equipments and vehicles is charged to income applying straight line method at the rates stated in note 11.2.

Depreciation is provided on assets acquired during the year from the month of purchase of assets, and on assets disposed-off during the year till the month these assets are disposed-off.

Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently.

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to the related assets is transferred to retained earnings (net of deferred tax).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

### Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization is provided applying the straight line method at the rates mentioned in note 11.3.

## 5.6 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its operating fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

## 5.7 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account; tax credits, tax rebates and exemption available if any in accordance with the provisions of Income Tax Ordinance, 2001.





**Deferred**

Deferred tax is calculated using balance sheet liability method, providing for major temporary differences arising at the balance sheet date, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized on deductible temporary differences to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow or part of the asset to be recovered.

Deferred taxes are calculated at the tax rate that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case their deferred tax is also dealt within equity.

**5.8 Staff retirement benefits****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 the basic salaries of the employees.

**Defined benefit plan**

The Bank has a gratuity fund, contributions to which have been discontinued since 2002. However, the Fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balances upon completion of or termination from the employment of the Bank.

**5.9 Dividend and other appropriations**

Dividend is recognized as liability in the period in which it is declared. Appropriations to reserves, other than statutory appropriations made after the balance sheet date are recognized in the period in which such appropriations are approved.

**5.10 Revenue recognition**

Mark-up / return / interest on advances and return on investments are recognized on time proportion basis except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan (SBP) on which mark-up is recognized on receipt basis. Interest / mark-up on re-scheduled / re-structured loans and advances and investments is recognized in accordance with the directives of the State Bank of Pakistan.

Fee, commission and brokerage income is recognized at the time of performance of services.  
Dividend income is recognized when right to receive is established.  
Gain / Loss on sale of investments is reflected in profit and loss account.

**5.11 Provisions**

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that the 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 estimates.

Contingent liabilities are not recognised, and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote, and contingent asset are not recognized and are also not disclosed unless an inflow of economic benefits is probable.





## **5.12 Foreign currency translation**

### **5.12.1 Functional and presentation currency**

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

### **5.12.2 Transaction and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. Foreign bills purchased and forward foreign exchange other than those relating to foreign currency deposits are valued at the rates applicable to the respective maturities of the relevant foreign bills purchased and forward exchange contracts.

### **5.12.3 Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amount. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in functional currency at the rates of exchange ruling on the balance sheet date.

## **5.13 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.

### **5.13.1 Business segments**

#### **Corporate finance**

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

#### **Trading and sales**

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

#### **Retail banking**

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

#### **Commercial banking**

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

### **5.13.2 Geographical segments**

The Bank operates only in Pakistan.



### 5.14 Financial instruments

Financial assets and liabilities are recognized at the time the Bank becomes a party to the contractual provisions of the instruments. Any gain or loss on de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.

### 5.15 Off - setting

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

Income and expenses are presented on a net basis only when permitted by the approved accounting standards as applicable in Pakistan.

	Note	2008 (Rupees in '000)	2007
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		547,639	465,619
Foreign currencies		95,737	72,294
		643,376	537,913
<b>With State Bank of Pakistan in</b>			
Local currency current accounts	6.1	968,858	1,899,465
Foreign currency current accounts	6.2	42,397	24,242
Foreign currency deposit accounts	6.3	142,417	38,680
		1,153,672	1,962,387
<b>With National Bank of Pakistan in</b>			
Local currency current accounts		65,497	113,535
		1,862,545	2,613,835

**6.1** Deposits are maintained with the SBP to comply with their requirements issued from time to time.

**6.2** It includes non-remunerative cash reserve of 5 percent on deposits held under the new foreign currency account scheme, required to be maintained with the SBP.

**6.3** This represents statutory cash reserve maintained against foreign currencies deposits mobilized under FE-25 scheme, as prescribed by the SBP. These carry mark up at the rate of 0.90 percent per annum (December 2007: 4.24 percent per annum).





**Note**      **2008**      2007  
(Rupees in '000)

**7. BALANCES WITH OTHER BANKS**

**In Pakistan**

On current accounts		102,243	107,033
On deposit accounts	7.1	169,742	71,776
		271,985	178,809

**Outside Pakistan**

On current accounts		294,740	64,428
On deposit accounts		-	37,260
		294,740	101,688
		566,725	280,497

**7.1** This represents saving deposits with local banks carrying interest rates of 5 percent to 6 percent per annum (2007: 1 percent to 7 percent ).

**Note**      **2008**      2007  
(Rupees in '000)

**8. LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	8.2	65,000	150,000
Certificates of investment	8.3	-	100,000
Repurchase agreement lendings (reverse repo)	8.4	1,283,761	517,626
Other placements	8.5	400,000	800,000
		1,748,761	1,567,626

**8.1 Particulars of Lending**

In local currency		1,748,761	1,567,626
In foreign currencies		-	-
		1,748,761	1,567,626

**8.2** These represent clean placements and call money lendings to financial institutions with maturity period of 18 days and carry mark-up at 18 percent per annum (2007: 10 percent to 10.8 percent).

**8.3** This represents placement of funds with a financial institution carrying mark-up rate NIL (2007: 10.25 percent).

**8.4** These represent lendings to financial institutions against purchase of government securities and listed shares under resale obligation (reverse repo) at mark-up rates ranging from 12.5 percent to 25 percent per annum (2007: 9.95 percent to 13 percent) for periods ranging between 2 to 37 days. These are secured against underlying government securities and listed shares. The difference between purchase and resale purchase price is treated as mark-up income and recognized over the period of reverse repo agreement.

**8.5** This represents placement of funds with a local bank having maturity of 78 days and carrying mark up of 12.15 percent per annum (2007: 10.75 percent to 11 percent). The principal and interest amount is receivable at the time of maturity.





## 8.6 Securities held as collateral against lendings to financial institutions

	2008			2007		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
-----Rupees in '000-----						
Market treasury bills	1,153,761	-	1,153,761	392,626	-	392,626
Listed companies' shares	130,000	-	130,000	125,000	-	125,000
	<u>1,283,761</u>	<u>-</u>	<u>1,283,761</u>	<u>517,626</u>	<u>-</u>	<u>517,626</u>

8.6.1 Market value of the collaterals held under repurchase agreement lendings amounts to Rs. 1,566.55 million (2007: 590.8 million).

9. INVESTMENTS	Note	2008			2007		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
-----Rupees in '000-----							
<b>9.1 Investments by types:</b>							
<b>Available-for-sale securities</b>							
Market Treasury Bills		2,234,757	2,499,461	4,734,218	4,756,144	1,000,000	5,756,144
National Investment Trust Units		700,000	-	700,000	300,000	-	300,000
Term Finance Certificates - listed		149,653	-	149,653	174,574	-	174,574
Term Finance Certificates - unlisted		27,246	-	27,246	138,943	-	138,943
Sukuk Investment Certificates		50,000	-	50,000	-	-	-
GOP Ijarah Sukuk Bond		10,000	-	10,000	-	-	-
Listed companies' shares		250,958	-	250,958	49,472	-	49,472
Unlisted companies' shares		10,000	-	10,000	10,000	-	10,000
Mutual funds - units - close -ended		318,214	-	318,214	318,214	-	318,214
Mutual funds - units - open-ended		4,616,288	-	4,616,288	3,800,000	-	3,800,000
Preference shares		37,500	-	37,500	50,000	-	50,000
		<u>8,404,616</u>	<u>2,499,461</u>	<u>10,904,077</u>	<u>9,597,347</u>	<u>1,000,000</u>	<u>10,597,347</u>
<b>Held-to-maturity securities</b>							
Pakistan Investment Bonds		514,250	-	514,250	526,910	-	526,910
WAPDA bonds		-	-	-	50,245	-	50,245
		<u>514,250</u>	<u>-</u>	<u>514,250</u>	<u>577,155</u>	<u>-</u>	<u>577,155</u>
<b>Associates</b>							
- Mutual funds - units - open-ended		-	-	-	500,000	-	500,000
<b>Investment at cost</b>							
8,918,866		2,499,461	11,418,327	10,674,502	1,000,000	11,674,502	
Less: Provision for Diminution in value of Investments	9.11	(410,398)	(410,398)	-	-	-	
		<u>8,508,468</u>	<u>2,499,461</u>	<u>11,007,929</u>	<u>10,674,502</u>	<u>1,000,000</u>	<u>11,674,502</u>
<b>Investments (net of provisions)</b>							
Surplus/(deficit) on revaluation of held-for-trading securities		-	-	-	-	-	-
Surplus/(deficit) on revaluation of Available-for-sale securities	19.2	(701,295)	(11,664)	(712,959)	(72,647)	(712)	(73,359)
		<u>7,807,173</u>	<u>2,487,797</u>	<u>10,294,970</u>	<u>10,601,855</u>	<u>999,288</u>	<u>11,601,143</u>
<b>Investments at market value</b>							





	Note	2008	2007
(Rupees in '000)			
<b>9.2 Investments by segments:</b>			
<b>Government Securities:</b>			
Market Treasury Bills	9.2.1	4,734,218	5,756,144
Pakistan Investment Bonds	9.2.1 & 9.2.2	514,250	526,910
GOP Ijarah sukuk bond		10,000	-
Wapda Bonds		-	50,245
		5,258,468	6,333,299
<b>Fully Paid up Ordinary Shares:</b>			
Listed companies		250,958	49,472
Unlisted companies		10,000	10,000
		260,958	59,472
<b>Preference shares</b>			
		37,500	50,000
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>			
Listed Term Finance Certificates		149,653	174,574
Unlisted Term Finance Certificates		27,246	138,943
Sukuk Investment Certificates		50,000	-
		226,899	313,517
<b>Other Investments</b>			
Mutual funds - units - close-ended		318,214	318,214
Mutual funds - units - open-ended		4,616,288	3,800,000
National Investment Trust - units		700,000	300,000
		5,634,502	4,418,214
<b>Investment in associates</b>			
		-	500,000
<b>Total investment at cost</b>			
Less: Provision for diminution in value of investment	9.11	11,418,327 (410,398)	11,674,502 -
<b>Investments (net of provisions)</b>			
		11,007,929	11,674,502
Surplus/(deficit) on revaluation of held-for-trading securities	9.4	-	-
Deficit on revaluation of available-for-sale securities	19.2	(712,959)	(73,359)
<b>Total investments at market value</b>			
		10,294,970	11,601,143

**9.2.1** Market treasury bills and Pakistan investment bonds are held with the SBP and are eligible for re-discounting.

**9.2.2** These includes securities having face value of Rs. 12.10 million (2007: Rs. 12.10 million) pledged with National Bank of Pakistan as security to facilitate T.T discounting of the branches of the Bank.



	Note	2008		2007	
		Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
<b>9.3 Quality of Available for Sale Securities - at market value / carrying value for unlisted investments</b>					
Market Treasury Bills		4,714,746	Unrated	5,747,752	Unrated
National Investment Trust Units		279,794	3 Star, 4 star	283,461	4 Stars
GOP Ijarah Sukuk Bond		10,000	Unrated	-	
Term finance certificates - unlisted					
Bosicor Pakistan Ltd.	9.3.1	8,571	Unrated	17,143	Unrated
Dewan Farooq Spinning Mills Ltd.	9.3.1	9,375	Unrated	12,500	Unrated
Kunjah Textile Mills Ltd.	9.3.1	9,300	Unrated	9,300	Unrated
Three Star Cement (Pvt) Ltd	9.3.1	-		100,000	Unrated
		27,246		138,943	
Term finance certificate - listed					
Al Zamin Leasing (formerly Crescent Leasing)		11,177	BBB+	21,177	A-
Azgard Nine Ltd.		101,747	A1 A+	110,100	A+
Telecard Ltd		43,961	BBB	50,529	BBB
		156,885		181,806	
Sukuk Investment Certificate - unlisted					
Haq Bahu Sugar Mills (Pvt) Ltd.	9.3.1	50,000	Unrated	-	
Listed companies shares					
Arif Habib Bank limited		3,066	A2, A	-	
Askari Commercial Bank Ltd.		3,658	A1+, -AA	11,072	A1+, -AA
D.G Khan Cement Ltd.		-		9,470	Unrated
Fauji Fertilizer Bin Qasim Ltd		1,548	Unrated	6,308	Unrated
Hub Power Co.		7,045	Unrated	15,250	Unrated
Maple Leaf Cement Ltd		431	A2, BBB+	2,015	A1,-A
Oil and Gas Development Co. Ltd.		33,993	A1+,AAA	-	
Pak Electron Ltd.		5,628	A1,A	-	
Pakistan Petroleum Ltd.		39,846	Unrated	-	
		95,215		44,115	
Unlisted companies' shares					
Khushhali Bank Ltd.	9.3.2	10,984	A1, A-	10,369	A-
Mutual funds - units -open-ended					
AKD Income Fund		244,858	A-(f)	300,000	AM3+
Askari Income Fund		290,461	5 Stars	1,000,000	5 Stars
Faysal Income and Growth Fund		-		500,000	A+(f)
Faysal Saving Growth Fund		257,431	A-(f)	-	
IGI Income Fund		201,025	4 Stars	500,000	AM3-
JS Income Fund		486,260	5 Stars	-	
KASB Liquid Fund		660,209	5 Stars	1,000,000	5 Stars
NAFA Cash Fund		1,807,885	A-(f)	1,000,000	MRF 5 Stars
Pakistan Income Fund		377,839	3 Stars	-	
		4,325,968		4,300,000	
Mutual funds - units - closed-end					
Pak Oman Advantage Fund		808	AA-(f)	791	AA-(f)
Pakistan Strategic Allocation Fund		22,800	3 Stars	91,000	4 Stars
PICIC Growth Fund		559	MRF 2 Star	2,850	2 Stars
UTP Large Capital Fund		49,200	4 Stars	173,270	4 Stars
		73,367		267,911	
Preference shares					
Pak Elektron Ltd	9.3.2	126,383	A1,-A	127,467	A1,-A
<b>Total</b>		<b>9,870,588</b>		<b>11,101,824</b>	





**9.3.1** Fair value of these investments can not be calculated as active market does not exist.

**9.3.2** These represent the break-up values of the assets, which are higher than the cost at which these have been carried in the financial statements.

**9.4 Particulars of Investments held as Strategic Investment - at cost**

	2008	2007
	(Rupees in '000)	
UTP Large Capital Funds	213,913	213,913
Pakistan Strategic Allocation Fund	100,000	100,000
Preference Shares - Pak Elektron	37,500	50,000
Ordinary Shares - Pak Elektron	12,500	-
Unlisted Shares- Khushhali Bank Ltd.	10,000	10,000
	373,913	373,913

**9.5 Principal terms of investments**

**9.5.1 Particulars of investments held in Government Securities**

Investee	Maturity	Principal Payment	Interest Rate %	Interest Payment
Pakistan Investment Bonds	Feb. 2011 to Oct. 2013	On Maturity	8.00 to 14.00	Semi-annually
Market Treasury Bills	Feb. 2008 to Apr. 2009	On Maturity	9.80 to 13.85	At Maturity
GoP Ijarah Sukuk Bonds	Sep. 2008 to Sep. 2011	On Maturity	13.14	Semi-annually

**9.5.2 Particulars of investments held in Term Finance Certificate**

Investee	Principal	Profit/Payment	Rate of mark-up / profit
Bosicor Pakistan Ltd.	After 2 years on equal basis - over 5 years	Semi-annually	6 months KIBOR plus 550 bps with a floor and cap respectively of 9.00 and 13.00 percent per annum.
Dewan Farooq Spinning Mills Ltd.	After 18 months - over 5 Years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.
Kunjah Textile Mills Ltd.	After 6 months - over 7 years	Semi-annually	Average 6 months KIBOR plus 3 percent per annum.
Al-Zamin Leasing Corporation formerly Crescent Leasing Corporation Ltd.	Over 5 years	Semi-annually	Average 'ask side' rate of 6 months KIBOR plus 175 bps per annum.
Azgard Nine Ltd.	Over 7 years	Semi-annually	Average 6 months KIBOR plus 2.40 percent per annum.
Telecard Ltd.	Over 6 years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.

**9.5.3 Particulars of investments held in Sukuk Certificate**

Haq Bahu Sugar Mills (Pvt.) Ltd.	After 1 year - over 2 years	Semi-annually	Average 6 months KIBOR plus 3.25 percent per annum with floor of 11 percent and cap of 30 percent.
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**9.5.4 Particulars of investments in NIT Units**

	<b>Face Value</b>	<b>Book Value</b>	<b>Market Value</b>
		(Rupees in '000)	
National Investment Trust Units	119,826	700,000	279,794

**9.6 Investment in listed securities - ordinary shares**

2008 No. of ordinary shares	2007	Paid up value per share (Rs.)	Name of Company	2008 (Rupees in '000)	2007
554,444	-	10	Arif Habib Bank Limited	13,773	-
680,000	-	10	Oil and Gas Development Co. Ltd.	85,258	-
396,000	-	10	Pakistan Petroleum Ltd.	95,462	-
247,706	-	10	Pak Electron Ltd.	12,500	-
251,100	111,000	10	Askari Commercial Bank Ltd.	19,569	11,750
-	100,000	10	D.G. Khan Cement Ltd.	-	11,926
105,000	105,000	10	Maple Leaf Cement Ltd.	2,691	2,691
500,000	500,000	10	Hub Power Co.	16,172	16,171
120,000	150,000	10	Fauji Fertilizer Bin Qasim Ltd.	5,533	6,934
				250,958	49,472
			Less: Deficit on revaluation of shares - net	(155,743)	(5,357)
			Market Value as at December 31	95,215	44,115

**9.7 Investment in mutual funds**

<b>Investee</b>		<b>2008 No. of units/ certificates</b>	<b>2008 Book Value</b>	<b>Market Value</b>
			(Rupees in '000)	
Pak Oman Advantage Fund	Close-ended	96,000	960	808
Pakistan Strategic Allocation Fund	Close-ended	10,000,000	100,000	22,800
PICIC Growth Fund	Close-ended	100,000	3,341	559
UTP Large Capital Fund	Close-ended	21,391,312	213,913	49,200
AKD Income Fund	Open-ended	5,686,254	300,000	244,858
Askari Income Fund	Open-ended	3,062,642	310,307	290,461
Faysal Saving Growth Fund	Open-ended	2,485,337	256,959	257,431
IGI Income Fund	Open-ended	2,018,522	202,741	201,025
JS Income Fund	Open-ended	4,821,136	496,281	486,260
KASB Liquid Fund	Open-ended	7,433,102	750,000	660,208
NAFA Cash Fund	Open-ended	188,527,599	1,900,000	1,807,885
Pakistan Income Fund	Open-ended	7,830,854	400,000	377,839
			4,934,502	4,399,334
			(412,744)	
			4,521,758	
			Less: Deficit on revaluation of mutual funds - (net) - available for sale	
			Market Value as at December 31, 2008	





## 9.8 Investment in term finance certificate - listed - each with face value of Rs. 5,000

No. of certificates		Name of Company	Name of Chief Executive	Redeemed Value	
2008	2007			2008	2007
10,000	10,000	Al Zamin Leasing (formerly Crescent Leasing)	Mr. Basheer Ahmed Chowdry	10,000	20,000
20,000	20,000	Azgard Nine Ltd.	Mr. Ahmed H. Shaikh	91,567	99,920
15,000	15,000	Telecard Ltd.	Mr. Shahid Feroz	48,086	54,654
				149,653	174,574
Add: Surplus on revaluation of TFCs - (net)				7,232	7,232
Market Value as at December 31				156,885	181,806

## Investment in Term Finance Certificate / Sukuk Certificate - unlisted - each with face value of Rs. 5,000

No. of certificates		Name of Company	Name of Chief Executive	Redeemed Value	
2008	2007			2008	2007
6,000	6,000	Bosicor Pakistan Ltd.	Mr. M. Wasi Khan	8,571	17,143
5,000	5,000	Dewan Farooq Spinning Mills Ltd.	Mr. Dewan Abdul Baqi Farooqi	9,375	12,500
-	20,000	Three Star Cement (Pvt) Ltd	Mr. Muhammad Rasheed	-	100,000
1,860	1,860	Kunjah Textile Mills Ltd.	Mr. Shafay Hussain	9,300	9,300
10,000	-	Haq Bahu Sugar Mills (Pvt) Ltd.	Mr. Mohammad Irshad Butt	50,000	-
				77,246	138,943
				234,131	320,749

## 9.9 Investment in unlisted securities - ordinary shares / preference shares

No. of shares / units held	Notes	Name of Investee Company	Name of Chief Executive	Percentage of holding %	Cost / Paid up Value per share / unit	Total Paid up Value	Break up Value	Based on accounts audited as at
10	9.9.1	Khushhali Bank Limited	Mr. Ghalib Nishtar	0.60%	1,000,000	10,000	10,984	Dec-07
3,750,000	9.9.2	Pak Elektron Limited (PEL)	Mr. Naseem Saigol	3.65%	10	37,500	126,383	Jun-08

**9.9.1** This represents the Bank's subscription towards the paid up capital of Khushhali Bank Ltd in terms of SBP letter No. BSD (( RU-26) 265)/625-MfB/13817/00 dated August 07, 2000.

**9.9.2** These preference shares carry fixed dividend of 9.5 percent on cumulative basis. For redemption, payment of call option can be exercised by PEL upto 75 percent after 3 years but before 5 years of issue at the higher of three months average quoted price of preference shares plus any cumulative unpaid dividend or issue price plus call premium of 1 percent plus any cumulative unpaid dividends. During the year the bank exercised conversion option of preference shares into ordinary shares upto 25 percent as per ratio specified in the agreement.

**9.10** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities has been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the Sate Bank of Pakistan (SBP) BSD Circular Letter No.2 dated January 27, 2009.



Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for the price movement shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purpose of distribution as dividend.

The decline in value based on market values as at December 31, 2008 has been determined as Rs 821 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Accordingly, the management on the basis of their estimates and prudence has made a provision of Rs 411 million against the above amount. Therefore, full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss Account will not reflect the correct financial performance of the Bank. The remaining amount of Rs. 410 million has been kept as deficit in equity as allowed by the above referred circular and notification (see note 19.2).

Had the entire amount of decline in value based on market values as at December 31, 2008 been charged to profit and loss account, the impact on the financial statements would have been as follows:

	<b>2008</b>
	(Rupees in '000)
Increase in 'Provision for diminution in the value of investments'	410,398
Decrease in tax charge for the year	131,127
Net increase in loss for the year and decrease in 'Unappropriated profit'	<u>279,271</u>
	Rupees
Increase in loss per share - after tax	<u>0.63</u>

#### 9.11 Particulars of Provision

	<b>2008</b>	2007
	(Rupees in '000)	
Opening Balance	-	-
Charge During the year	410,398	-
Closing Balance	<u>410,398</u>	<u>-</u>





## 10. ADVANCES

Loans, cash credits, running finances, etc.

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
In Pakistan		20,853,278	18,269,930
Outside Pakistan		-	-
		<u>20,853,278</u>	<u>18,269,930</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		1,165,565	2,745,309
Payable outside Pakistan		1,007,939	753,744
		<u>2,173,504</u>	<u>3,499,053</u>
Advances - gross	10.1	23,026,782	21,768,983
Provision against loans and advances			
Specific provision		(2,085,533)	(975,385)
General provision against consumer loans		(1,168)	(1,847)
	10.3	<u>(2,086,701)</u>	<u>(977,232)</u>
Advances - net of provision		<u>20,940,081</u>	<u>20,791,751</u>

### 10.1 Particulars of advances - gross

10.1.1 In local currency		23,026,782	21,766,551
In foreign currencies		-	2,432
		<u>23,026,782</u>	<u>21,768,983</u>
10.1.2 Short term ( for upto one year)		19,216,545	17,370,344
Long term ( for over one year)		3,810,237	4,398,639
		<u>23,026,782</u>	<u>21,768,983</u>

10.2 Advances include Rs. 7,102.598 million (2007: 1,184.684 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)								
Other Assets Especially Mentioned	240	-	240	-	-	-	-	-	-
Substandard	5,680,239	-	5,680,239	1,102,575	-	1,102,575	1,102,575	-	1,102,575
Doubtful	231,624	-	231,624	66,945	-	66,945	66,945	-	66,945
Loss	1,190,495	-	1,190,495	916,013	-	916,013	916,013	-	916,013
	<u>7,102,598</u>	<u>-</u>	<u>7,102,598</u>	<u>2,085,533</u>	<u>-</u>	<u>2,085,533</u>	<u>2,085,533</u>	<u>-</u>	<u>2,085,533</u>
	2007								
Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	21,669	-	21,669	-	-	-	-	-	-
Substandard	214,405	-	214,405	52,200	-	52,200	52,200	-	52,200
Doubtful	50,845	-	50,845	25,420	-	25,420	25,420	-	25,420
Loss	897,765	-	897,765	897,765	-	897,765	897,765	-	897,765
	<u>1,184,684</u>	<u>-</u>	<u>1,184,684</u>	<u>975,385</u>	<u>-</u>	<u>975,385</u>	<u>975,385</u>	<u>-</u>	<u>975,385</u>



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

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
Opening balance	975,385	1,847	977,232	403,844	2,840	406,684
Exchange adjustments	-	-	-	-	-	-
Charge for the year	1,541,932	-	1,541,932	721,369	-	721,369
Reversals	(371,336)	(679)	(372,015)	(71,951)	(993)	(72,944)
Amounts written off	1,170,596 (60,448)	(679)	1,169,917 (60,448)	649,418 (77,877)	(993)	648,425 (77,877)
Closing balance	2,085,533	1,168	2,086,701	975,385	1,847	977,232

**10.3.1 Particulars of provisions against non-performing advances**

	2008			2007		
	Specific	General	Total	Specific	General	Total
------(Rupees in '000)-----						
In local currency	2,085,533	1,168	2,086,701	975,385	1,847	977,232
In foreign currencies	-	-	-	-	-	-
	2,085,533	1,168	2,086,701	975,385	1,847	977,232

**10.3.2** During the current year, in order to comply with the requirements of BSD Circular No. 02, dated January 27, 2009, issued by the SBP, the Bank changed the method of computation of provision against the non-performing advances. The Circular allows the Banks to take benefit of 30 percent of Forced Sale Values (FSVs) of pledged stocks and mortgaged commercial and residential properties held as collateral against all NPLs for three years from the date of classification for calculating provisioning requirement w.e.f. 31-12-2008.

The additional impact on profitability arising from availing the benefit of FSV against pledged stocks and mortgaged commercial and residential properties shall not be available for payment of cash or stock dividend.

Had the above referred benefit of FSV of collaterals held against non-performing advances not been allowed, profit before taxation for the current period and advances net of provision at the end of the current year would have been lower by Rs. 341.970 million.

**10.3.3** General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by SBP.

	Note	2008	2007
(Rupees in '000)			
<b>10.4 Particulars of write offs:</b>			
<b>10.4.1</b> Against Provisions	10.3	60,448	77,877
Directly charged to Profit & Loss account		3,355	2,676
		63,803	80,553
<b>10.4.2</b> Write Offs of Rs. 500,000 and above	10.5	62,887	78,174
Write Offs of Below Rs. 500,000		916	2,379
		63,803	80,553





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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2008 is given at Annexure-I. However, this write-off does not affect the Bank's right to recover the debt from their customers.

	Note	2008	2007
		(Rupees in '000)	
<b>10.6 Particulars of loan and advances to associated companies etc.</b>			
Debts due from executives or officers of the bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		58,289	54,077
Loans granted during the year		45,145	36,567
Repayments		(32,904)	(32,355)
Balance at end of year		70,530	58,289
Debts due from companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		70,620	20,000
Loans granted during the year		1,072	78,063
Repayments		(26,788)	(27,443)
Balance at end of year		44,904	70,620
		115,434	128,909
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	19,121	176,760
Property and equipment	11.2	2,307,837	1,901,828
Intangible assets	11.3	87,825	1,753
		2,414,783	2,080,341
<b>11.1 Capital work-in-progress</b>			
Civil works		14,769	18,349
Equipments		-	1,824
Advances to suppliers and contractors		4,352	156,587
		19,121	176,760



## 11.2 Property and equipment

Note	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2008	Rate of depreciation %		
	As at January 1, 2008	Additions/ (deletions)	As at December 31, 2008	As at January 1, 2008	Charge/ depreciation on disposal	As at December 31, 2008				
	------(Rupees in '000)-----									
Lease hold land	11.2.1	504,782	253,175 (64,500)	693,457	-	-	-	693,457		
Buildings	11.2.1	1,318,581	131,818 (26,552)	1,423,847	120,139	71,397 (24,551)	166,985	1,256,862	5	
Furnitures and fixtures		234,017	98,346 (13,739)	318,624	132,066	15,389 (10,117)	137,338	181,286	10 to 33.33	
Computer equipments		149,547	111,394 (554)	260,387	114,881	34,055 (437)	148,499	111,888	25	
Vehicles		107,035	24,963 (4,110)	127,888	45,048	22,028 (3,532)	63,544	64,344	20	
<b>2008</b>	11.2.2	<b>2,313,962</b>	<b>619,696</b> <b>(109,455)</b>	<b>2,824,203</b>	<b>412,134</b>	<b>142,869</b> <b>(38,637)</b>	<b>516,366</b>	<b>2,307,837</b>		
		------(Rupees in '000)-----								
		COST / REVALUATION		ACCUMULATED DEPRECIATION			Book value as at December 31, 2007	Rate of depreciation %		
		As at January 1, 2007	Additions/ (deletions)	As at December 31, 2007	As at January 1, 2007	Charge/ depreciation on disposal	As at December 31, 2007			
		------(Rupees in '000)-----								
<b>Tangible</b>										
Lease hold land		504,782	-	504,782	-	-	-	504,782		
Buildings		1,290,482	29,073 (974)	1,318,581	58,891	61,782 (534)	120,139	1,198,442	5	
Furnitures and fixtures		202,816	32,241 (1,040)	234,017	122,707	10,133 (774)	132,066	101,951	10 to 33.33	
Computer equipments		121,235	28,681 (369)	149,547	104,155	10,788 (62)	114,881	34,666	25	
Vehicles		107,667	17,887 (18,519)	107,035	40,865	19,811 (15,628)	45,048	61,987	20	
<b>2007</b>		<b>2,226,982</b>	<b>107,882</b> <b>(20,902)</b>	<b>2,313,962</b>	<b>326,618</b>	<b>102,514</b> <b>(16,998)</b>	<b>412,134</b>	<b>1,901,828</b>		

**11.2.1** The properties of the Bank were last revalued by independent professional valuers as at June 30, 2006. The revaluation was carried out by M/s. Sadruddin Associates (Pvt.) Limited on the basis of professional assessment of present market values and resulted in a surplus of Rs. 1,242.6 million over the written down value of Rs. 441.3 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

Rupees in '000

Lease hold land and Buildings 600,550

Due to non-availability of breakup of land and buildings before revaluation, separate disclosure of carrying amount of these land and buildings can not be given.





### 11.2.2 Details of disposals of fixed assets

Description	Cost / Revaluation	Accumulated depreciation	Book value	Sale proceeds / Insurance claim	Gain / loss	Mode of disposal	Name of purchaser
	------(Rupees in '000)-----						
<b>Vehicles</b>							
Suzuki Cultus	604	161	443	480	37	Insurance claim	Adamjee Insurance Company
Other vehicles having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	3,506	3,371	135	2,108	1,973	Quotations	Various
<b>Land</b>							
PECHS	42,840	-	42,840	18,870	(23,970)	Negotiation	Mr. Abdul Ghaffar
Sargodha	21,660	-	21,660	21,894	234	Negotiation	Mr. Naeem Iqbal
<b>Buildings</b>							
PECHS	1,792	363	1,429	630	(799)	Negotiation	Mr. Abdul Ghaffar
Sargodha	4,172	3,600	572	579	7	Negotiation	Mr. Naeem Iqbal
<b>Buildings - Renovations</b>							
Executive site at State Life	2,135	2,135	-	-	-	Write off	
Head office - Quetta	4,423	4,423	-	-	-	Write off	
Qandhari Bazar - Quetta	2,368	2,368	-	-	-	Write off	
Zonal office - Hyderabad	1,251	1,251	-	-	-	Write off	
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	10,411	10,411	-	-	-	Write off	
<b>Computer equipments</b>							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	537	421	116	191	75	Quotations	Various
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	17	16	1	-	(1)	Write off	
<b>Furniture and fixture</b>							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	13,026	9,696	3,330	1,219	(2,111)	Quotations	Various
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	713	421	292	175	(117)	Insurance claim	Adamjee Insurance Company
	<u>109,455</u>	<u>38,637</u>	<u>70,818</u>	<u>46,146</u>	<u>(24,672)</u>		

**11.2.3** The land and buildings currently in use of the Bank include certain properties that have been acquired in satisfaction of claims. The carrying amount of these properties as at December 31, 2008 amounted to Rs. 292.55 million.



### 11.3 Intangible assets

Note	COST			ACCUMULATED AMORTIZATION			Book value as at December 31	Rate of amortization %
	As at January 1	Additions	As at December 31	As at January 1	Amortization	As at December 31		
	----- (Rupees in '000) -----							
2008	9,888	94,347	104,235	8,135	8,275	16,410	87,825	10 to 33.33
2007	8,085	1,803	9,888	4,357	3,778	8,135	1,753	33.33

### 12. DEFERRED TAX ASSETS - NET

Note

2008

2007

(Rupees in '000)

#### Deferred tax debits arising in respect of

Provision against advances		730,167	341,550
Provision against other assets		2,100	2,100
Deficit on revaluation of investments	19.2	135,411	2,937
Amortization of premium on purchase of government securities		25,359	22,041
Provision for impairment against investments		143,639	-
Mark-up in suspense account		7,393	9,697
		1,044,069	378,325

#### Deferred tax credits arising due to

Surplus on revaluation of fixed assets	19.1	(229,709)	(239,218)
Accelerated tax depreciation		(112,384)	(52,846)
		701,976	86,261

### 13. OTHER ASSETS

Income/ mark-up accrued in local currency	13.1 & 13.2	792,783	683,659
Advances, deposits, advance rent and other prepayments		246,546	131,536
Advance taxation (payments less provisions)		213,849	158,594
Unrealized gain on forward foreign exchange contracts		-	10,040
Receivable in respect of sale of equity securities		-	495,473
Others		26,698	107,571
		1,279,876	1,586,873
Less: Provision held against other assets	13.3	(6,714)	(6,714)
Other assets (net of provision)		1,273,162	1,580,159

**13.1** This balance has been arrived at after adjusting markup in suspense accounts of Rs.415.428 million (2007:Rs. 175.732 million)

**13.2** This includes the mark-up accrued on related parties transactions amounting to Rs. 1.835 million (2007: Rs. 1.179 million).

### 13.3 Provision against other assets

2008

2007

(Rupees in '000)

Opening balance	6,714	6,714
Charge for the year	-	-
Reversals	-	-
Amount written off	-	-
Closing balance	6,714	6,714





	Note	2008	2007
(Rupees in '000)			
<b>14. BILLS PAYABLE</b>			
In Pakistan		273,286	895,616
Outside Pakistan		-	-
		<u>273,286</u>	<u>895,616</u>
<b>15. BORROWINGS</b>			
In Pakistan		4,591,740	2,596,151
Outside Pakistan		8,691	200,327
		<u>4,600,431</u>	<u>2,796,478</u>
<b>15.1 Particulars of borrowings with respect to currencies</b>			
In local currency		4,457,273	2,503,151
In foreign currencies		143,158	293,327
		<u>4,600,431</u>	<u>2,796,478</u>
<b>15.2 Details of borrowings (secured / unsecured)</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under export re-finance scheme	15.3	1,776,146	1,153,650
Under Long Term Finance - Export Oriented Projects Scheme (LTF-EOP)	15.4	188,794	108,943
Under Long Term Financing facility (LTFF)	15.5	5,040	-
Repurchase agreement borrowings	15.6	2,487,293	995,558
		<u>4,457,273</u>	<u>2,258,151</u>
<b>Unsecured</b>			
Call borrowings	15.7	-	245,000
Overdrawn nostro accounts		8,691	200,327
Borrowing from financial institutions	15.8	134,467	93,000
		<u>143,158</u>	<u>538,327</u>
		<u>4,600,431</u>	<u>2,796,478</u>

**15.3** The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export re-finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 6.5 percent per annum (2007: 6.5 percent per annum) payable on quarterly basis.

**15.4** The Bank has entered into agreement with the SBP for extending LTF-EOP to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 5 percent per annum (2007: 5 percent per annum) payable on quarterly basis. These LTF-EOPs have the maturity of 7 years and 6 months from the date of contract with the SBP.

**15.5** The Bank has entered into agreement with the SBP for extending Long Term Financing Facility (LTFF), introduced through MFD circular No. 7 of 2007, to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 6.5 percent per annum payable on quarterly basis. This LTFF have the maturity of 5 years from the date of contract with the SBP.



**15.6** These carry mark up rates ranging from 14.9 percent to 15 percent per annum (2007: 10.5 percent) and are secured against government securities having carrying value Rs. 2,499 million (2007: 999.288 million). These are repayable on January 2, 2008 and January 3, 2008.

**15.7** These carry mark up rate Nil (2007: 10.5 percent per annum).

**15.8** This represents foreign currency borrowings aggregating USD 1,700,000 (2007: USD 1,500,000) carrying mark-up at 5.75 percent per annum (2007: 5 percent to 5.5 percent), having maturities upto January 07, 2009.

	Note	2008	2007
(Rupees in '000)			
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>			
<b>Customers</b>			
Fixed deposits		16,460,303	18,816,613
Savings deposits		4,344,845	5,564,009
Current accounts - Non-remunerative		5,471,558	4,830,453
Call deposits - Non-remunerative		139,154	176,325
Margin accounts - Non-remunerative		665,025	394,151
		<u>27,080,885</u>	<u>29,781,551</u>
<b>Financial Institutions</b>			
Remunerative deposits		951,197	371,613
Non-remunerative deposits		653	-
		<u>951,850</u>	<u>371,613</u>
		<u>28,032,735</u>	<u>30,153,164</u>
<b>16.1 Particulars of deposits</b>			
In local currency	16.1.1	27,212,121	29,710,485
In foreign currencies		820,614	442,679
		<u>28,032,735</u>	<u>30,153,164</u>

**16.1.1** The above includes deposits of related parties amounting to Rs.26.790 million ( 2007: Rs. 16.918 million).

	2008	2007
(Rupees in '000)		
<b>17. OTHER LIABILITIES</b>		
Mark-up / return / interest payable in local currency	597,357	547,869
Mark-up / return / interest payable in foreign currencies	2,468	2,398
Accrued expenses	32,241	6,349
Unclaimed dividend	1,415	1,417
Branch adjustment account	26,806	203,017
Unrealized loss on forward foreign exchange contracts	20,160	-
Payable to defined contribution plan	2,129	1,354
Others	70,907	51,631
	<u>753,483</u>	<u>814,035</u>



## 18. SHARE CAPITAL

### 18.1 Authorized capital

2008	2007		2008	2007
Number of shares			(Rupees in '000)	
<u>700,000,000</u>	<u>700,000,000</u>	Ordinary shares of Rs.10 each	<u>7,000,000</u>	<u>7,000,000</u>

### 18.2 Issued, subscribed and paid up

Number of shares			2008	2007
<u>487,117,900</u>	<u>381,046,300</u>	Fully paid in cash	<u>4,871,179</u>	<u>3,810,463</u>
<u>43,240,300</u>	<u>43,240,300</u>	Issued as bonus shares	<u>432,403</u>	<u>432,403</u>
<u>530,358,200</u>	<u>424,286,600</u>		<u>5,303,582</u>	<u>4,242,866</u>

During the year paid-up capital was raised through right issue offering 25 shares (2007: 25 shares) for every 100 shares held at face value of Rs. 10 each.

	Note	2008	2007
		(Rupees in '000)	
<b>19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS-NET</b>			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- Fixed assets	19.1	866,886	949,044
- Available-for-sale securities	19.2	(577,548)	(70,422)
		<u>289,338</u>	<u>878,622</u>
<b>19.1 Surplus on revaluation of fixed assets (net of tax)</b>			
Balance as at January 1		1,188,262	1,224,234
Adjustment during the year		(57,215)	-
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		(22,394)	(23,382)
- Related deferred tax liability		(12,058)	(12,590)
		<u>(34,452)</u>	<u>(35,972)</u>
Surplus on revaluation of fixed assets as at December 31,		<u>1,096,595</u>	<u>1,188,262</u>
<b>Less: Related deferred tax liability on:</b>			
- Revaluation as at January 01		239,218	251,808
- Transferred to profit & loss account on account of - incremental depreciation		(12,058)	(12,590)
- Adjustment during the year		2,549	-
		<u>229,709</u>	<u>239,218</u>
		<u>866,886</u>	<u>949,044</u>
<b>19.2 Surplus / (deficit) on revaluation of available-for-sale securities (net of tax)</b>			
<b>Federal Government Securities</b>			
- Market Treasury Bills		(19,472)	(8,392)
<b>Term Finance Certificates</b>			
		7,232	7,232
<b>Other Investments</b>			
- Listed companies' shares		(77,872)	(5,357)
- Mutual funds - units		(412,744)	(50,303)
- National Investment Trust units		(210,103)	(16,539)
		<u>(712,959)</u>	<u>(73,359)</u>
Related deferred tax asset	19.3	135,411	2,937
		<u>(577,548)</u>	<u>(70,422)</u>



**19.3** These include decline in value of investments amounting to Rs. 410 million not recognised through Profit & Loss account as allowed by SBP as explained in note 9.10 to these financial statements.

## 20. CONTINGENCIES AND COMMITMENTS

2008  
2007  
(Rupees in '000)

### 20.1 Direct credit substitutes

i) Government	-	-
ii) Banks and other financial institutions	-	-
iii) Others	629,230	1,772,991

### 20.2 Transaction-related contingent liabilities

Contingent liabilities in respect of guarantees given, favoring

i) Government	1,682,140	1,717,146
ii) Banks and other financial institutions	-	394,940
iii) Others	146,708	530,491

### 20.3 Trade-related contingent liabilities

Contingent liabilities in respect of letter of credits accepted, favouring

i) Banks and other financial institutions	3,516,832	4,175,069
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### 20.4 Taxation

Return filed by the Bank for tax year 2008 (Financial year 2007) has been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001. In respect of assessment year 2002-2003, the Bank preferred appeal with the Income Tax Appellate Tribunal (ITAT) against the demand raised by the income tax department amounting to Rs. 2.587 million. The ITAT accepted the appeal allowing first year depreciation allowance resulting in no further tax liability. However, proceedings have been initiated to demand assessing authorities for appeal effect in respect of allowability of first year depreciation allowance. For the tax year 2003, the ITAT decided the case in the favor of Income Tax Department with effect of Rs. 13.015 million. The Bank preferred appeal against the ITAT order before the Honorable Sindh High Court. The Court after hearing the case, vacated the order of ITAT and remanded the case to the Commissioner of Income tax for re-adjudication of the related issues strictly as per law. Consequently, there exists no demand on account of adverse order of the Tribunal. For the tax years 2004 and 2005, CIT (Appeals) has maintained the disallowances of certain deductions made by taxation officer with aggregate effect of Rs. 115.871 million against which the Bank has preferred appealed before the ITAT, where the matter is pending disposal.

The Bank has preferred appeals before various appellate forums of Azad Jammu and Kashmir, where the matter is pending disposal, regarding excessive assessments on account of profits relating to Azad Jammu and Kashmir branches for the assessment years 2000-2001, 2001-2002, 2002-2003, and tax year 2003 and 2004 against creation of tax demand aggregating Rs. 50.106 million which was reduced to Rs. 40.184 million by rectification order passed during the year. For the tax year 2004, taxation officer raised a demand of Rs. 13.567 million, against which the Bank has filed an appeal before CIT (Appeals) where the matter is pending disposal. No provision has been made in the financial statements, as the management is confident about favorable outcome of the above matters.

### 20.5 Other contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs. 250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honored by Speedway on the due date and the contract was rolled over subject to receipt of Rs. 6 million and mortgage of properties. Consequent upon the failure by Speedway to honor the terms of the





contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank will liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay from Honorable High Court of Sindh against the sale of PIB's which was vacated by the High Court during the year 2005.

The Bank started proceeding during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay from the Court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No. 2 against publication by which the mortgage properties were put to sale. The Bank has also filed recovery suit against Speedway in the High Court of Sindh. Subsequently the Bank moved an application for transfer of the suit filed by the Speedway in Banking Court No. 2 of the High Court of Sindh, so that the two suits are heard together in the apex Court.

During the year 2007, the Honorable High Court of Sindh has passed a decree in Bank's favor for Rs. 25.697 million with markup at the rate of 20 percent per annum from the date of filing of the suit till its realization. The Bank has filed an execution application in the Court. In this regard provision of Rs. 6 million has been kept in the financial statement as a matter of prudence against the claim receivable of Rs. 26 million.

**2008**                      **2007**  
(Rupees in '000)

## 20.6 Commitments in respect of forward exchange contracts

Sale	779,079	1,084,271
Purchase	1,391,942	1,473,882

### Principal Terms of Agreement

#### Sale:

##### Currencies

##### Counter Parties

##### Maturity

USD	Banks and Financial Institutions	Jan 05, 2009 - Jan 30, 2009
EURO	Banks and Financial Institutions	Jan 29, 2009 - Mar 23, 2009
EURO	Customers	Mar 25, 2009
GBP	Banks and Financial Institutions	Jan 30, 2009

#### Purchase:

##### Currencies

##### Counter Parties

##### Maturity

USD	Banks and Financial Institutions	Jan 02, 2009 - Mar 23, 2009
USD	Customers	Jan 02, 2009 - Apr 15, 2009
EURO	Customers	Jan 31, 2009 - Mar 04, 2009
GBP	Customers	January 24, 2009

**2008**                      **2007**  
(Rupees in '000)

## 20.7 Commitments in respect of sale and purchase of securities

Purchased under re-sale agreements	1,286,654	518,829
Sold under repurchase agreements	2,488,308	-

## 20.8 Commitments to extend credit

The Bank has made commitments to extend credits to its customers in the normal course of business that amounts to Rs. 5,847 million as at December 31, 2008 (2007: Rs. 2,309 million). These being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.



	Note	2008	2007
		(Rupees in '000)	
<b>21. MARK-UP / RETURN / INTEREST EARNED</b>			
a) On loans and advances to customers	21.1	2,852,410	2,300,739
b) On investments in:			
i) Available for sale securities		490,042	405,271
ii) Held to maturity securities	21.2	33,788	36,053
c) On deposits with financial institutions		109,213	42,407
d) On securities purchased under resale agreements			
i) Government		110,228	26,859
ii) Shares		12,714	60,500
iii) CFS		-	2,356
e) On call money lendings		32,392	32,890
		<u>3,640,787</u>	<u>2,907,075</u>

**21.1** This includes mark-up earned on advances to associated undertakings of Rs. 3.805 million (2007: Rs. 4.441 million).

**21.2** This balance has been arrived at after adjusting amortization of PIBs and WAPDA bonds of Rs. 12.847 million (2007: Rs. 13.376 million).

	2008	2007	
		(Rupees in '000)	
<b>22. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits	2,374,692	2,051,335	
Securities sold under repurchase agreements	180,360	45,799	
Other short term borrowings	250,093	89,132	
Borrowing from the State Bank of Pakistan	24,433	21,959	
	<u>2,829,578</u>	<u>2,208,225</u>	
<b>23. (LOSS) / GAIN ON SALE OF SECURITIES - NET</b>			
Market treasury bills	53	-	
Term Finance Certificates	5,337	-	
Shares - Listed	1,034	22,843	
Mutual Funds	(255,446)	466,280	
	<u>(249,022)</u>	<u>489,123</u>	
<b>24. OTHER INCOME - NET</b>			
Net (loss) / profit on sale of fixed assets	(24,672)	6,408	
Recovery Income	9,955	25,580	
Rent of lockers	2,453	1,921	
Miscellaneous	76,230	28,404	
	<u>63,966</u>	<u>62,313</u>	







	Note	2008	2007
		(Rupees in '000)	
<b>25. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.		345,244	297,896
Contribution to defined contribution plan		9,916	8,681
Non-executive directors' fees, allowances and other expenses		1,070	1,290
Rent, taxes, insurance, electricity, etc.		122,034	89,102
Legal and professional charges		24,339	16,169
Communications		56,744	40,686
Repairs and maintenance		48,640	31,555
Donations		-	-
Stationery and printing		20,287	17,728
Advertisement and publicity		29,085	37,360
Auditors' remuneration	25.1	2,150	1,370
Depreciation	11.2	142,869	102,514
Amortization	11.3	8,275	3,778
Traveling and conveyance		38,261	26,314
Security charges		28,494	15,171
Others		45,130	36,110
		<u>922,538</u>	<u>725,724</u>
<b>25.1 Auditors' remuneration</b>			
Audit fee		1,500	1,195
Special certifications and sundry advisory services		500	75
Out-of-pocket expenses		150	100
		<u>2,150</u>	<u>1,370</u>
<b>26. OTHER CHARGES</b>			
Penalties imposed by the SBP		8,474	5,314
<b>27. TAXATION</b>			
For the year			
Current		75,259	88,314
Deferred		(485,791)	(203,545)
		<u>(410,532)</u>	<u>(115,231)</u>
<b>27.1 Relationship between tax expense and accounting profit</b>			
Accounting (loss) / profit before tax for the year		<u>(760,825)</u>	<u>225,088</u>
Tax rate		35%	35%
Tax on income		(266,289)	78,781
Tax effect on separate block of income (taxable at reduced rate)		(188,149)	(35,110)
Tax effect on exempted income		-	(157,395)
Tax effect of permanent differences		23,870	-
Tax effect of deductible temporary differences previously unrecognized		-	(1,507)
Others		20,036	-
Tax expense for the year		<u>(410,532)</u>	<u>(115,231)</u>



	2008	2007 (Restated)
<b>28. BASIC AND DILUTED EARNING / (LOSS) PER SHARE</b>		
There is no diluted effect on the basic (loss) / earnings per share of the Bank		
(Loss) / Profit for the year - Rupees in thousands	(350,293)	340,319
Weighted average number of ordinary shares (in thousands)	443,391	403,369
Basic (loss) / earnings per share - Rupees	(0.79)	0.84

	Note	2008	2007
(Rupees in '000)			
<b>29. CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	6	1,862,545	2,613,835
Balance with other banks	7	566,725	280,497
Call money lendings	8	65,000	150,000
Overdrawn nostro accounts	15	(8,691)	(200,327)
		2,485,579	2,844,005

	2008	2007
Number		
<b>30. STAFF STRENGTH</b>		
Permanent	832	754
Temporary / on contractual basis	98	70
Total staff strength	930	824

### 31. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 832 employees (2007: 754 employees) where contributions are made by the Bank and employees @ 8.33 percent (2007: 8.33 percent) of the basic salary. During the year, the Bank has contributed Rs. 9.916 million ( 2007: Rs. 8.681 million) in respect of this fund.

### 32. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
----- (Rupees in '000) -----						
Fees	-	-	1,070	1,290	-	-
Managerial remuneration	9,375	8,180	-	-	32,801	32,012
Contribution to defined contribution plan	-	-	-	-	1,893	2,305
Rent and house maintenance	720	2,400	-	-	14,760	12,450
Utilities	684	108	-	-	1,568	1,381
Medical	938	818	-	-	2,733	2,305
Others	5,660	997	-	-	17,386	14,608
	17,377	12,503	1,070	1,290	71,141	65,061
Number of persons	1	1	7	7	35	30

The chief executive and executives are provided with free use of Bank's maintained cars. Executive means employees, other than the chief executive officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.





### 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 33.1 On-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
<b>Assets</b>				
Cash balances with treasury banks	1,862,545	1,862,545	2,613,835	2,613,835
Balances with other banks	566,725	566,725	280,497	280,497
Lending to financial institutions	1,748,761	1,748,761	1,567,626	1,567,626
Investments	10,294,970	10,161,724	11,601,143	11,533,008
Advances	20,940,081	20,940,081	20,791,751	20,791,751
Other assets	792,783	792,783	1,189,172	1,189,172
	<u>36,205,865</u>	<u>36,072,619</u>	<u>38,044,024</u>	<u>37,975,889</u>
<b>Liabilities</b>				
Bills payable	273,286	273,286	895,616	895,616
Borrowings	4,600,431	4,600,431	2,796,478	2,796,478
Deposits and other accounts	28,032,735	28,032,735	30,153,164	30,153,164
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	655,770	655,770	559,387	559,387
	<u>33,562,222</u>	<u>33,562,222</u>	<u>34,404,645</u>	<u>34,404,645</u>

#### 33.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	1,391,942	1,391,942	1,473,882	1,473,882
Forward sale of foreign exchange	779,079	779,079	1,084,271	1,084,271
Purchased under re-sale agreements	1,286,654	1,286,654	518,829	518,829

Investment in quoted and government securities are valued at market prices taken from Stock Exchange quotations and Reuters (PKRV) page. Fair value of investments in unquoted shares has been estimated using the net assets value based on latest available financial statements.

Fair value of loans and advances can not be determined with reasonable accuracy as there is no active market. Loans and advances are re-priced frequently on market rates. The provision for impairment of advances has been accounted for in accordance with the Bank's accounting policy as stated in note 5.4. Fair value of all other assets and liabilities including deposits and capital / reserves cannot be calculated with reasonable accuracy as active market does not exist for these instruments. Most of the deposits are short term in nature. In management's opinion fair value of these instruments does not significantly differ from their carrying values.



**34. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	2008				2007			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----							
Total income	62,431	1,487,447	100,019	2,933,538	91,999	1,314,314	104,278	2,307,044
Total expenses	14,561	1,232,191	71,850	4,025,007	4,928	472,274	141,114	2,974,231
Net income	47,870	255,256	28,169	(1,091,469)	87,071	842,040	(36,836)	(667,187)
Segment Assets (Gross)	655,634	17,620,024	347,288	23,266,758	272,487	18,652,173	580,934	22,073,251
Segment Non Performing Loans	-	-	124,906	6,977,691	-	-	132,549	1,052,135
Segment Provision Required	-	410,398	62,838	2,023,863	-	-	79,960	897,272
Segment Liabilities	945	2,712,904	1,899,756	29,045,680	511	1,584,672	2,187,657	30,886,453
Segment Return on net Assets (ROA) (%)	7.31%	1.71%	-1.81%	18.89%	32.01%	4.93%	2.29%	7.57%
Segment Cost of funds (%)	0.00%	16.36%	3.94%	8.27%	0.00%	8.80%	3.30%	6.84%

**35. RELATED PARTY TRANSACTIONS**

Related parties comprise associated undertakings, major shareholders, employee benefit plans, employee contribution plans and key management personnel (including their associates).

Advances for house building and conveyance for personal use have also been provided to the staff and executives at the reduced rates in accordance with the terms of employment.

Detail of transactions with related parties during the year and balances with them as at the year ended are as follows:

	2008			2007		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
<b>Advances</b>						
At January 1	-	70,620	58,289	-	20,000	54,077
Disbursed during the year	-	1,072	45,145	-	78,063	36,567
Repaid during the year	-	(26,788)	(32,904)	-	(27,443)	(32,355)
At December 31	-	44,904	70,530	-	70,620	58,289
<b>Deposits</b>						
At January 1	2,442	80	14,396	255	2,542	28,548
Disbursed during the year	123,800	2,019	64,192	54,011	85,568	23,117
Repaid during the year	(123,412)	(2,075)	(54,652)	(51,824)	(88,030)	(37,269)
At December 31	2,830	24	23,936	2,442	80	14,396
Mark-up / interest / return earned	-	3,805	3,928	-	4,441	3,639
Mark-up / interest / return expensed	159	-	1,181	662	-	571
Mark-up receivable	-	1,824	11	-	1,179	-
Mark-up payable	-	-	-	416	-	653
Contribution to provident fund	-	-	9,916	-	-	8,681
Remuneration paid	28,246	-	-	24,815	-	-





## 36. CAPITAL ASSESSMENT AND ADEQUACY

### 36.1 Scope of Applications

Capital Adequacy Ratio (CAR) has been calculated in accordance with the guidelines given by SBP through BSD Circular No. 8 dated June 27, 2006. The Bank has adopted Standardized Approach for Credit and Market Risk where as Basic Indicator Approach for Operational Risk. The current requirement for CAR is 9% as per BSD Circular No. 30 dated November 25, 2008.

### 36.2 Capital Structure

**Bank's regulatory capital is analyzed in two tiers:**

- Tier I capital, which includes fully paid up capital, general reserves and net un-appropriated profits, after deductions for intangibles.
- Tier II capital, which includes general provision for loan losses (upto a maximum of 1.25% of risk weighted assets), reserve on revaluation of fixed assets and equity investment (upto a maximum of 45% of the balance in the related revaluation reserve).

	<b>2008</b>	2007
	(Rupees in '000)	
	Audited	Un-Audited
<b>Tier I Capital</b>		
Shareholders' equity /Assigned Capital	5,303,582	4,242,866
Reserves	324,005	324,005
Unappropriated profits (Net of Losses)	226,143	496,827
	5,853,730	5,063,698
Less: Book value of intangibles	87,825	1,753
<b>Total Tier I Capital</b>	5,765,905	5,061,945
<b>Tier II Capital</b>		
General Provisions subject to 1.25% of Total Risk Weighted Assets	1,168	1,847
Revaluation Reserve (upto 45%)	130,202	395,380
<b>Total Tier II Capital</b>	131,370	397,227
<b>Eligible Tier III Capital</b>	-	-
<b>Total Regulatory Capital Base</b>	5,897,275	5,459,172





## 36.3 Risk-Weighted Exposures

Note	Capital Requirements		Risk Weighted Assets	
	2008 Audited	2007 Un-Audited	2008 Audited	2007 Un-Audited
-----Rupees in '000-----				
<b>Credit Risk</b>				
Claims on				
Cash and cash equivalents	-	-	-	-
GOP	-	-	-	-
Bank	15,467	16,444	171,853	182,707
Bank	5,078	7,597	56,417	84,413
Bank	221	157,997	2,454	1,755,522
Corporate	39,452	5,794	438,353	64,381
Corporate	27,675	121,661	307,505	1,351,793
Corporate	10,171	17,006	113,016	188,955
Secured by residential property	2,526	2,475	28,069	27,501
Past due loans	460,405	11,166	5,115,615	124,066
Unlisted equity investments	1,483	412,511	16,476	4,583,460
Investments in fixed assets	217,330	187,231	2,414,783	2,080,341
Other assets	111,842	96,475	1,242,687	1,071,941
Unrated	1,795,238	1,766,361	19,947,089	19,626,238
	2,686,888	2,802,718	29,854,317	31,141,318
<b>Market Risk</b>				
Interest Rate Risk	15,845	2,822	176,051	31,350
Equity exposure	104,639	56,165	1,162,653	624,050
Foreign Exchange Risk	18,026	14,848	200,286	164,975
	138,510	73,835	1,538,990	820,375
<b>Operational Risk</b>	244,441	153,874	2,716,012	1,709,713
	3,069,839	3,030,427	34,109,319	33,671,406
<b>Capital adequacy ratio</b>				
<b>Total eligible regulatory capital held (Note 36.2)</b> (a)	5,897,275	5,459,172		
<b>Total risk weighted assets (Note 36.3)</b> (b)	34,109,319	33,671,406		
<b>Capital adequacy ratio</b> (a) / (b)	17.29%	16.21%		

## 36.4 Credit exposures subject to Standardized Approach

Exposure	Rating Category	Amount	Deduction	Net
		Outstanding	CRM	Amount
-----Rupees in '000-----				
Cash and cash equivalents		643,376	-	643,376
GOP		6,382,668	-	6,382,668
Bank	1	859,264	-	859,264
Bank	2,3	282,085	-	282,085
Bank	4,5	4,907	-	4,907
Corporate	1	2,917,086	-	2,917,086
Corporate	2	1,395,205	35,324	1,359,881
Corporate	3,4	156,595	12,339	144,256
Secured by residential property		80,198	-	80,198
Past due loans		5,184,248	-	5,184,248
Unlisted equity investments		10,984	-	10,984
Investments in fixed assets		2,414,785	-	2,414,785
Other assets		3,167,825	-	3,167,825
Unrated		32,486,554	4,640,348	27,846,206
		55,985,780	4,688,011	51,297,769





### 36.5 Capital adequacy

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank operates;
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The State Bank of Pakistan through its BSD Circular No. 19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital of the Bank for the year ended December 31, 2008 stands at Rs. 5.3 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum CAR of 9% of the risk weighted exposure. The Bank's CAR as at December 31, 2008 was 17.29% of its risk weighted exposure.

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

On and off-balance sheet assets in the banking book are broken down to various asset classes for calculation of credit risk. Ratings for assets are applied using various ECAI's and aligned with appropriate risk buckets. Collaterals, if any, are used as an outflow adjustment. Risk weights notified, are applied at net adjusted exposure. Collaterals used include: Government of Pakistan guarantees for advances and investments in PSE / GOP, deposits / margins, lien on deposits, saving certificates and lending of securities (repo & reverse repo).

### 37. RISK MANAGEMENT

The Bank's Risk Management Framework sets three broad risk management objectives:

- Protect against unforeseen losses;
- Ensure earning stability; and
- Maximize earnings potential and opportunities leading to shareholder value creation.

The Bank's Risk Management Framework encapsulated in its design three lines of defense

- Focused and informed oversight by the board, and accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures
- Independent monitoring at bank level by Risk Management Division
- Independent assurance provided by Internal Audit

The Risk Management Division is independent of the operational business units. The head of Risk Management Division, who reports to the Chief Executive, provides key support to the various risk committees and work closely with the business units.



### 37.1 Credit Risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the bank.

Credit risk, which arises from lending activities that forms the Bank's core business, is by far the most significant risk type. Credit risk is managed in terms of the Board-approved Credit Risk Management Framework, which encompasses comprehensive credit policy, approved counter party limits and governance structure. The Bank focuses on short-term trade related financing on a secured and self-liquidating basis.

Credit and Investment Committee, chaired by CEO is responsible for approving and recommending credits. At the Central Office, independent Credit Sanctioning and Monitoring Division is responsible for continuing review and monitoring of borrowers' account and effective compliance of Prudential Regulations. Risk Management Division monitors credit at portfolio level and reports to executive management and board risk management committee on a regular basis. An "early warning" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

#### Concentration of credit and deposits

Out of the total financial assets of Rs. 36,205 million (2007: Rs. 38,044 million) the financial assets which are subject to credit risk amounting to Rs. 35,562 million (2007: 37,506 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 5,258 million (2007: 6,333 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 1,154 million (2007: 1,962 million) are held by the Bank with the State Bank of Pakistan.

#### 37.1.1 Segmental information

##### 37.1.1.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	180,374	0.78%	392,645	1.40%	199,768	1.68%
Mining and Quarrying	114,192	0.50%	134,226	0.48%	1,500	0.01%
Textile	6,573,268	28.55%	791,847	2.82%	1,278,559	10.73%
Chemical and Pharmaceuticals	664,074	2.88%	762,490	2.72%	78,292	0.66%
Cement	456,715	1.98%	45,151	0.16%	68,580	0.58%
Sugar	3,233,538	14.04%	48,983	0.17%	72,873	0.61%
Footwear and Leather Garments	359,276	1.56%	48,051	0.17%	33,317	0.28%
Automobile and Transportation Equipment	1,645,671	7.15%	1,082,177	3.86%	45,705	0.38%
Electronics and Electrical Appliances	301,963	1.31%	101,527	0.36%	209,220	1.76%
Machinery and Allied Equipments	438,857	1.91%	119,131	0.42%	235,884	1.98%
Construction	764,394	3.32%	213,496	0.76%	176,123	1.48%
Power (electricity), Gas, Water, Sanitary	21,399	0.09%	389,093	1.39%	1,461,381	12.26%
Wholesale and Retail Trade	2,784,248	12.09%	3,910,508	13.95%	397,215	3.33%
Exports/Imports	316,972	1.38%	345,042	1.23%	15,585	0.13%
Transport, Storage and Communication	1,801,401	7.82%	239,970	0.86%	409,956	3.44%
Financial	-	0.00%	951,850	3.40%	5,945,983	49.88%
Services	540,533	2.35%	2,873,069	10.25%	684,378	5.74%
Individuals	1,041,064	4.52%	8,643,110	30.83%	108,182	0.91%
Others	1,788,843	7.77%	6,940,369	24.76%	498,392	4.18%
	<u>23,026,782</u>	<u>100%</u>	<u>28,032,735</u>	<u>100%</u>	<u>11,920,893</u>	<u>100%</u>





2007

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	258,459	1.19%	404,563	1.34%	344,122	2.95%
Mining and Quarrying	44,087	0.20%	28,142	0.09%	16,295	0.14%
Textile	2,520,563	11.58%	923,742	3.06%	1,163,368	9.97%
Chemical and Pharmaceuticals	220,432	1.01%	322,623	1.07%	142,774	1.22%
Cement	-	0.00%	-	0.00%	28,140	0.24%
Sugar	1,745,708	8.02%	9,065	0.03%	176,836	1.52%
Footwear and Leather Garments	578,885	2.66%	346,110	1.15%	260	0.00%
Automobile and Transportation Equipment	611,794	2.81%	134,760	0.45%	493,509	4.23%
Electronics and Electrical Appliances	411,950	1.89%	291,401	0.97%	249,515	2.14%
Machinery and Allied Equipments	873,746	4.01%	137,005	0.45%	59,636	0.51%
Construction	1,137,004	5.22%	201,566	0.67%	219,996	1.89%
Power (electricity), Gas, Water, Sanitary	2,665	0.01%	2,512,135	8.33%	2,278,156	19.53%
Wholesale and Retail Trade	8,067,952	37.06%	11,249,682	37.31%	398,058	3.41%
Exports/Imports	355,253	1.63%	415,765	1.38%	347,856	2.98%
Transport, Storage and Communication	1,121,786	5.15%	520,490	1.73%	444,018	3.81%
Financial	-	0.00%	371,613	1.23%	518,811	4.45%
Insurance	-	0.00%	-	0.00%	3,730	0.03%
Services	620,063	2.85%	3,018,787	10.01%	54,857	0.47%
Individuals	163,333	0.75%	3,867,642	12.83%	326,918	2.80%
Others	3,035,303	13.94%	5,398,073	17.90%	4,400,764	37.72%
	<u>21,768,983</u>	<u>100%</u>	<u>30,153,164</u>	<u>100%</u>	<u>11,667,619</u>	<u>100%</u>

37.1.1.2 Segment by sector

2008

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,268	17.44%	1,682,140	14.11%
Private	23,026,782	100%	23,144,467	82.56%	10,238,753	85.89%
	<u>23,026,782</u>	<u>100%</u>	<u>28,032,735</u>	<u>100%</u>	<u>11,920,893</u>	<u>100%</u>

2007

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,287	16.21%	1,717,146	14.72%
Private	21,768,983	100%	25,264,877	83.79%	9,950,473	85.28%
	<u>21,768,983</u>	<u>100%</u>	<u>30,153,164</u>	<u>100%</u>	<u>11,667,619</u>	<u>100%</u>



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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
-----Rupees in '000-----				
Agriculture, Forestry, Hunting and Fishing	106,609	50,497	116,645	68,865
Mining and Quarrying	-	-	-	-
Textile	1,680,234	621,520	150,125	127,625
Chemical and Pharmaceuticals	24,463	21,713	68,037	67,144
Cement	343,959	86,189	-	-
Sugar	1,376,003	293,998	-	-
Footwear and Leather Garments	-	-	-	-
Automobile and Transportation Equipment	1,645,018	215,701	-	-
Electronics and Electrical Appliances	739	739	304	304
Machinery and Allied Equipments	-	-	-	-
Construction	11,052	11,052	17,051	17,051
Power (electricity), Gas, Water, Sanitary	2,670	2,670	2,665	2,665
Wholesale and Retail Trade	40,736	32,865	218,328	201,329
Exports/Imports	125,757	12,732	33,917	33,917
Transport, Storage and Communication	127,609	127,609	149,901	37,475
Financial	-	-	-	-
Insurance	-	-	-	-
Services	180,938	99,651	88,900	88,825
Individuals	201,257	95,121	15,903	11,095
Others	1,235,554	413,476	322,908	319,090
	<u>7,102,598</u>	<u>2,085,533</u>	<u>1,184,684</u>	<u>975,385</u>

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

Public/ Government	-	-	-	-
Private	7,102,598	2,085,533	1,184,684	975,385
	<u>7,102,598</u>	<u>2,085,533</u>	<u>1,184,684</u>	<u>975,385</u>

**37.1.3 Geographical segment analysis**

The Bank does not have operations outside Pakistan, therefore, these financial statements represent operations of the Bank in Pakistan.

**37.2 Market Risk**

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rate, equity prices and market conditions. A comprehensive market risk framework is used to support and assist the Board in its responsibility to oversee that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk as follows:

- The Board Risk Management Committee
- The Asset and Liability Committee (ALCO). ALCO reviews the portfolio on regular basis to ensure that market risk is within acceptable limits
- Investment and Treasury Division
- Independent Risk Management Division







### 37.2.1 Currency Risk

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	39,227,816	32,693,696	(591,235)	5,942,885
United States Dollar	237,838	788,213	647,975	97,601
Great Britain Pound	96,328	94,272	-	2,056
ACU	1,728	-	-	1,728
Euro	167,071	83,734	(56,740)	26,598
Japanese Yen	1,207	-	-	1,207
UAE Dirham	70,343	22	-	70,321
Canadian Dollar	456	-	-	456
Singapore Dollar	108	-	-	108
Swiss Frank	108	-	-	108
	<u>39,803,003</u>	<u>33,659,935</u>	<u>-</u>	<u>6,143,068</u>
	-----Rupees in '000-----			
	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	40,372,297	33,930,021	(400,005)	6,042,271
United States Dollar	113,560	624,010	392,466	(117,984)
Great Britain Pound	43,089	-	3,054	46,143
ACU	14,012	45,494	-	(31,482)
Euro	55,597	59,768	4,485	314
Japanese Yen	2,061	-	-	2,061
UAE Dirham	318	-	-	318
Canadian Dollar	511	-	-	511
Singapore Dollar	63	-	-	63
Swiss Frank	105	-	-	105
	<u>40,601,613</u>	<u>34,659,293</u>	<u>-</u>	<u>5,942,320</u>

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the Bank enters into ready, spot and forward transactions with the SBP and in the inter bank market.

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

### 37.2.2 Equity Price Risk

Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management on daily basis.



### 37.2.3 Equity position Risk

Equity position Risk is the risk arising from taking long or short position, in the trading book, in the equities and all the equities and all instruments that exhibit market behavior similar to equities. Equity position risk is measured using mark to market, stress testing and limit structure. The aggregate limit for equity securities shall not at any time exceed the limit prescribed by the SBP.

### 37.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.



2008

Effective Yield/Interest Rate	Exposed to Yield/Interest risk								Non-interest bearing financial instruments		
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years	Above 10 Years
Rupees in '000											
<b>On-balance sheet financial instruments</b>											
<b>Assets</b>											
Cash and balances with treasury banks	1,862,545	142,417	-	-	-	-	-	-	-	-	1,720,128
Balances with other banks	566,725	97,554	-	-	-	-	-	-	-	-	469,171
Lending to financial institutions	1,748,761	856,458	892,303	-	-	-	-	-	-	-	-
Investments	10,294,970	498,746	3,583,283	692,718	17,946	78,086	547,621	9,300	9,300	-	4,867,270
Advances	20,940,081	746,925	3,740,218	3,696,134	3,929,502	925,622	1,720,417	8,621	5,773	-	5,017,064
Other assets	792,783	-	-	-	-	-	-	-	-	-	792,783
<b>Liabilities</b>	<b>36,205,865</b>	<b>2,342,100</b>	<b>8,215,804</b>	<b>4,388,852</b>	<b>3,947,448</b>	<b>925,622</b>	<b>1,227,891</b>	<b>17,921</b>	<b>5,773</b>	<b>5,773</b>	<b>12,866,416</b>
Bills payable	273,286	-	-	-	-	-	-	-	-	-	273,286
Borrowings	4,600,431	2,885,478	367,486	508,254	419,606	419,607	-	-	-	-	-
Deposits and other accounts	28,032,735	3,786,660	5,038,348	2,758,380	8,175,476	1,206,550	414,689	339,531	36,140	-	6,274,961
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	655,770	-	-	-	-	-	-	-	-	-	655,770
<b>On-balance sheet gap</b>	<b>33,562,222</b>	<b>6,672,138</b>	<b>5,405,834</b>	<b>3,266,634</b>	<b>8,595,082</b>	<b>1,626,157</b>	<b>414,689</b>	<b>339,531</b>	<b>36,140</b>	<b>-</b>	<b>7,206,017</b>
<b>Off-balance sheet financial instruments</b>	<b>2,643,643</b>	<b>(4,330,038)</b>	<b>2,809,970</b>	<b>1,122,218</b>	<b>(4,647,634)</b>	<b>(700,535)</b>	<b>813,202</b>	<b>1,928,507</b>	<b>(18,219)</b>	<b>5,773</b>	<b>5,660,399</b>
Purchase and resale agreements	1,286,654	306,457	980,197	-	-	-	-	-	-	-	-
Forward sale of equity securities	2,488,308	2,488,308	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>3,774,962</b>	<b>2,794,765</b>	<b>980,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>	<b>(1,555,273)</b>	<b>3,790,167</b>	<b>1,122,218</b>	<b>(4,647,634)</b>	<b>(700,535)</b>	<b>813,202</b>	<b>1,928,507</b>	<b>(18,219)</b>	<b>5,773</b>	<b>5,773</b>	<b>5,660,399</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	<b>(1,555,273)</b>	<b>2,254,894</b>	<b>3,377,112</b>	<b>(1,270,522)</b>	<b>(1,971,057)</b>	<b>(1,157,855)</b>	<b>770,652</b>	<b>752,433</b>	<b>758,206</b>	<b>758,206</b>	<b>6,418,605</b>
<b>Reconciliation with total assets:</b>	<b>36,205,865</b>										
Assets as per above	701,976										
Deferred Tax	2,414,783										
Fixed Assets	480,379										
Other Assets	39,803,003										
Assets as per Balance Sheet	33,562,222										
<b>Reconciliation with total liabilities:</b>	<b>33,562,222</b>										
Liabilities as per above	97,713										
Provision for Taxation	33,659,935										
Others	-										
Liabilities as per Balance Sheet	-										



2007

Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
	Rupees in '000											
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	2,613,835	24,606	-	-	-	-	-	-	-	-	-	2,589,229
Balances with other banks	280,497	109,036	-	-	-	-	-	-	-	-	-	171,461
Lending to financial institutions	1,567,626	767,626	800,000	-	-	-	-	-	-	-	-	-
Investments	11,601,143	1,494,567	2,172,071	1,217,534	1,013,831	50,819	407,268	289,571	4,955,482	-	-	4,955,482
Advances	20,791,751	4,168,997	3,587,095	7,004,069	2,610,183	2,663,123	342,245	195,450	209,299	-	-	209,299
Other assets	1,189,172	-	-	-	-	-	-	-	1,189,172	-	-	1,189,172
<b>Liabilities</b>	<b>38,044,024</b>	<b>6,564,832</b>	<b>6,559,166</b>	<b>8,221,603</b>	<b>3,624,014</b>	<b>2,713,942</b>	<b>749,513</b>	<b>485,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,114,643</b>
Bills payable	895,616	-	-	-	-	-	-	-	-	-	-	895,616
Borrowings	2,796,478	1,440,885	93,000	1,153,650	-	-	-	108,943	-	-	-	-
Deposits and other accounts	30,153,164	2,006,338	12,462,055	295,335	9,001,338	4,500	840,541	-	-	-	-	5,438,492
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	559,387	-	-	-	-	-	-	-	-	-	-	559,387
<b>On-balance sheet gap</b>	<b>34,404,645</b>	<b>3,447,223</b>	<b>12,555,055</b>	<b>1,448,985</b>	<b>9,001,338</b>	<b>4,500</b>	<b>840,541</b>	<b>108,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,893,495</b>
<b>Off-balance sheet financial instruments</b>	<b>3,639,379</b>	<b>3,117,609</b>	<b>5,995,889</b>	<b>6,772,618</b>	<b>5,377,324</b>	<b>2,709,442</b>	<b>(91,028)</b>	<b>376,078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,221,148</b>
Purchase and resale agreements	-	-	-	-	-	-	-	-	-	-	-	-
Forward sale of equity securities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>518,829</b>	<b>518,829</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield/Interest Risk Sensitivity Gap</b>	<b>3,636,438</b>	<b>(5,995,889)</b>	<b>6,772,618</b>	<b>(91,028)</b>	<b>(91,028)</b>	<b>2,709,442</b>	<b>(91,028)</b>	<b>376,078</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,221,148</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>	<b>3,636,438</b>	<b>(2,359,451)</b>	<b>4,413,167</b>	<b>1,745,285</b>	<b>1,652,010</b>	<b>1,560,982</b>	<b>1,937,060</b>	<b>1,937,060</b>	<b>1,937,060</b>	<b>1,937,060</b>	<b>1,937,060</b>	<b>4,158,208</b>
<b>Reconciliation with total assets:</b>												
Assets as per above	38,044,024											
Fixed Assets	2,080,341											
Deferred Tax	86,261											
Other Assets	390,987											
Assets as per Balance Sheet	40,601,613											
<b>Reconciliation with total liabilities:</b>												
Liabilities as per above	34,404,645											
Provision for taxation	254,648											
Others	34,659,293											
Liabilities as per Balance Sheet	34,659,293											

### 37.3 Liquidity Risk

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to increase fund as they fall due without incurring unacceptable costs or loss. The Bank's liquidity position is managed by the Assets and Liability Committee (ALCO). The Committee monitors the maintenance of balance sheet liquidity ratios, depositors concentrations both in terms of the overall funding mix and avoidance of undue reliance on large individual depositors' and liquidity contingency plans.

#### 37.3.1 Maturities of Assets and Liabilities

		2008								
		-----Rupees in '000-----								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	1,862,545	-	-	-	-	-	-	-	-	-
Balances with other banks	566,725	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	1,748,761	892,303	-	-	-	-	-	-	-	-
Investments	10,294,970	4,921,764	2,492,792	8,571	8,571	78,086	947,229	9,300	-	-
Advances	20,940,081	1,837,228	5,201,254	5,183,768	925,622	1,149,805	1,720,417	8,621	5,772	-
Operating fixed assets	2,414,783	14,610	43,499	85,945	141,843	150,953	174,996	335,906	1,437,929	-
Deferred tax assets	701,976	-	-	-	701,976	-	-	-	-	-
Other assets	1,273,162	1,002,237	-	213,849	-	-	57,076	-	-	-
	39,803,003	7,639,288	11,088,506	7,737,545	5,492,133	1,769,441	1,378,844	2,899,718	353,827	1,443,701
<b>Liabilities</b>										
Bills payable	273,286	-	-	-	-	-	-	-	-	-
Borrowings	4,600,431	2,885,478	367,486	419,606	419,607	419,607	-	-	-	-
Deposits and other accounts	28,032,735	5,536,742	6,788,430	9,497,371	1,406,060	1,406,060	4,14,689	339,531	36,140	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	753,483	649,373	9,940	26,007	13,494	50,515	-	3,504	-	-
	33,659,935	9,344,879	7,165,856	4,548,033	9,930,471	1,876,182	4,14,689	343,035	36,140	-
<b>Net assets</b>	6,143,068	(1,705,591)	3,922,650	3,189,512	(4,438,338)	(106,741)	964,155	2,556,683	317,687	1,443,701
Share capital	5,303,582									
Reserves	324,005									
Unappropriated profit	226,143									
Surplus / (deficit) on revaluation of assets	289,338									
	6,143,068									



2007

Total	Rupees in '000								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
2,613,835	2,613,835	-	-	-	-	-	-	-	-
280,497	280,497	-	-	-	-	-	-	-	-
1,567,626	767,626	800,000	-	-	-	-	-	-	-
11,601,143	6,450,049	2,172,071	1,217,534	1,013,831	50,819	-	407,268	289,571	-
20,791,751	4,378,296	3,587,095	7,004,069	2,610,183	2,663,123	11,290	342,245	195,450	-
2,080,341	12,576	25,135	37,623	73,549	117,648	118,726	159,698	264,349	1,271,037
1,580,159	1,497,389	-	-	25,694	86,261	-	57,076	-	-
40,601,613	16,000,268	6,584,301	8,259,226	3,723,257	2,917,851	130,016	966,287	749,370	1,271,037
895,616	895,616	-	-	-	-	-	-	-	-
2,796,478	1,440,885	93,000	1,153,650	9,001,338	4,500	-	-	108,943	-
30,153,164	7,050,680	12,856,205	295,335	-	-	104,565	840,541	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
814,035	801,202	3,437	-	9,396	-	-	-	-	-
34,659,293	10,188,383	12,952,642	1,448,985	9,010,734	4,500	104,565	840,541	108,943	-
5,942,320	5,811,885	(6,368,341)	6,810,241	(5,287,477)	2,913,351	25,451	125,746	640,427	1,271,037
4,242,866	4,242,866	-	-	-	-	-	-	-	-
324,005	324,005	-	-	-	-	-	-	-	-
496,827	496,827	-	-	-	-	-	-	-	-
878,622	878,622	-	-	-	-	-	-	-	-
5,942,320	5,942,320	-	-	-	-	-	-	-	-

**Assets**

Cash and balances with treasury banks  
Balances with other banks  
Lendings to financial institutions  
Investments  
Advances  
Operating fixed assets  
Deferred tax assets  
Other assets

**Liabilities**

Bills payable  
Borrowings  
Deposits and other accounts  
Sub-ordinated loans  
Liabilities against assets subject to finance lease  
Deferred tax liabilities  
Other liabilities

**Net assets**

Share capital  
Reserves  
Unappropriated profit  
Surplus / (deficit) on revaluation of assets

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity.



### 37.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal process, people and system or from external events.

The Bank's operational risk management framework has been developed to create an environment within which operational risk can be identified, measured, managed and monitored in a consistent manner. Business management is responsible for the identification, management and monitoring of operational risk. Central Operation Division coordinates with the respective business units for controlling their operational risk. Internal Audit Division provides assurance to the Board of Directors that the operational risk management framework is sound and that the policies and processes related to operational risk management are adhered to.

### 38. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end the Bank acquired four properties of Dewan group situated at Karachi, Lahore and Hub (Balochistan) having market value of Rs.1,076 million and forced sale value (FSV) of Rs.999 million. However the bank has adjusted Rs.176 million against outstanding mark-up of the group and Rs.765 million against the principal amounts.

### 39. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 28, 2008, by the Board of Directors of the Bank.

### 40. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

<b>From</b>	<b>To</b>	<b>Nature</b>	<b>Amount</b> Rupees in '000
Other charges	Administrative expenses	Stock exchange listing fee	2,201

### 41. GENERAL

Figures have been rounded-off to the nearest thousand Rupees.

\_\_\_\_\_  
President & CEO

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director



## Annexure-I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED  
DURING THE YEAR ENDED DECEMBER 31, 2008**

Amount in '000

Sr.#	Name of the borrower	Name of the individuals / partners / directors (with CNIC number)	Father's/Husband's name	Address	Outstanding liabilities				Principal written-off	Mark-up written off	Other financial relief	Total
					Principal	Interest / Mark-up	Others	Total				
1	Azmatullah Naimatullah	Ghulam Mustafa NIC # Not available	Dost Muhammad	Not available	3,363	1,118	-	4,481	3,363	1,118	-	4,481
2	Zahid Enterprises	Syed Zahid Hussain 54400-5943567-1 Razia Naheed 601-89-110937 Nazuk Jahan 601-33-048026 Syed Abid Hassan 601-94-048030 Syed Mohsin Hassan 601-70-048031	Syed Khaliq Hassan Syed Zahid Hassan Syed Khaliq Hassan Syed Khaliq Hassan Syed Khaliq Hassan	80-E, Malik Complex, Shop-12, Blue Area, Islamabad.	16,942	3,971	-	20,913	4,942	3,971	-	8,913
3	Noorullah & Sons	Noorullah Khan 518-86-331462	Haji Meera Khan	Shop No.49 Syed Mohammad Shah Road, Old Haji Camp, Karachi.	698	306	-	1,004	698	306	-	1,004
4	Zaighum	Tanveer Ahmed 300-85-005311	Saith Mohammad Iqbal	P.O.Box 2067, Sialkot.	1,761	907	-	2,668	61	907	-	968
5	Hayat & Sons	Mohammad Hayat (Late) 601-42-294530	Ghulam Qadir	Zonki Ram Road, Quetta.	1,516	290	-	1,806	385	290	-	675
6	Sind Export	Muhammad Jaffer Latif 42301-2149371-5	Haji Abdul Latif	5-A, M.T.Khan Road, Opp. Imperial Hotel, Karachi.	66,281	8,573	58	74,912	21,281	8,573	58	29,912
7	Dar-ul-Adab	Irshad-ul-Hassan 135-38-304197	Mehmood-ul-Hassan	Plot No.14, B, Industrial Estate, Jamrud Road, Peshawar.	1,446	784	-	2,230	-	730	-	730
8	Hotel Liberty Inn.	Muhammad Ayub 601-48-125222	Haji Ammir Bux	Plot No.205-C, Central Commercial Area, PECHS, Tariq Road, Karachi.	9,999	4,923	-	14,922	2,999	4,923	-	7,922
9	MAG Apperals	Mohammad Ali Ganny 42201-4091566-1	Mohammad Ashfaq Ganny	C/28A, Estate Avenue, Industrial Trading Estate, Karachi.	-	598	80	678	-	598	80	678
10	Zaman Steel Corp.	Haji Muhammad Zaman Khan 128-86-1014352	Haji Muhammad Nawaz Khan	Mill Road, Mardan.	2,634	1,897	-	4,531	262	1,897	-	2,159
11	Grace Leather	Muhammad Riaz 301-90-058991 Ghulam Abbas 300-85-379750 Muhammad Iqbal 300-89-028934 Zainab Bibi 300-28-224520 Faiz Ahmed 300-21-224319 Kausar Manzoor 300-89-306415 Suriya Iqbal 302-53-386347	Fiaz Ahmed Fiaz Ahmed Fiaz Ahmed Fiaz Ahmed Jalal Din Ch.Manzoor Elahi Muhammad Iqbal	Mamza Ghous, Sialkot.	6,355	191	-	6,546	3,355	191	-	3,546
12	Network Constructions	Ch. Muhammad Rafiq 35202-3153329-5 Shahida Parveen 35202-6778380-4 Amir Ali 35202-2280240-1	Ch. Muhammad Rafiq Ch. Muhammad Rafiq Noor Ilahi Nasir	88-D, Gulberg-2, Lahore	5,999	1,685	-	7,684	-	843	-	843
13	Nadeem Traders	Nadeem Alam Shah 54400-3634443-7	Syed M. Razi	Address: Saniab Road, Quetta.	29,422	98	-	29,520	22,972	98	-	23,070
14	N.S.International	Mrs. Saeeda Nasreen 42201-4825513-4	W/o. Muhammad Boota Bhatti	1) Plot No.119-354-D Dost Muhammad Gunjar Goth, Behind New Subzi Mandi, Super High Way, Karachi. 2) House No.A-329, Block-9, PIA Housing Society, Gulistan- e-Jauhar, Karachi.	4,277	517	78	4,872	3,277	517	64	3,858
					150,693	25,858	216	176,767	63,595	24,962	202	88,759

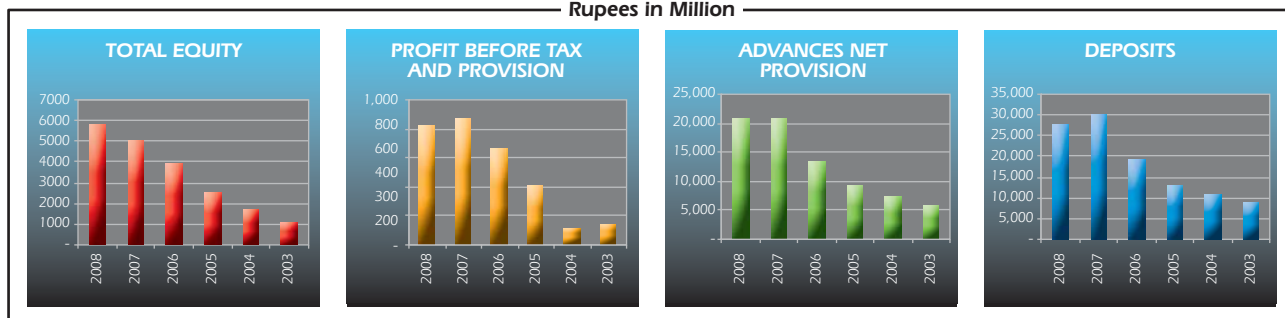




## Six Years Financial Summary

	2008	2007	2006	2005	2004	2003
------(Rupees in million)-----						
<b>OPERATIONAL RESULT</b>						
- Net income / interest	811	699	820	703	411	394
- Commission income	219	140	115	68	45	41
- Other operating income	723	771	337	181	53	82
<b>OPERATING EXPENSES</b>						
- Administrative expenses	931	733	612	539	403	374
<b>(LOSS) / PROFIT</b>						
- Profit before tax and provision against NPLs & Investments	823	876	661	413	117	143
- (Loss) / Profit before tax	(761)	225	623	211	87	6
<b>BALANCE SHEET</b>						
<b>Shareholders' Equity</b>						
- Paid-up capital	5,304	4,243	3,086	2,057	1,524	1,016
- Reserve	550	821	843	434	160	76
Total Equity	5,854	5,064	3,929	2,491	1,684	1,092
<b>Total Assets</b>	<b>39,803</b>	<b>40,602</b>	<b>26,290</b>	<b>17,219</b>	<b>13,436</b>	<b>11,759</b>
Advances-net of provision	20,940	20,792	13,487	9,294	7,245	5,853
Investments	10,295	11,601	2,711	3,523	1,937	1,929
<b>DEPOSITS</b>						
- Remunerative	21,756	24,715	14,117	7,323	4,388	4,161
- Non-Remunerative	6,277	5,438	5,052	5,533	6,535	4,845

Rupees in Million



## Number of Board Meetings Held During The Year 2008 and Attendance by Each Director as Required Under Clause XIX (H) of the Code of Corporate Governance

Name of the Directors / President	Meetings Held	Meetings Attended
Mr. Iqbal Alimohamed	7	7
Mr. Sohail Muzaffar	7	7
Mr. Muhammad Iqbal Ebrahim	7	6
Mr. Danish Iqbal	7	7
Mr. Muhammad Bilal Sheikh	7	7
Mr. Afzal Ghani	6	4
Mr. Faisal Bengali	1	1
Mr. Mamnoon Ahmed Alvi	2	2
Mr. Muhammad Rafiq Tumbi	5	NIL







## Pattern of Shareholdings (Under Clause XIX (I) of the Code of Corporate Governance) As at December 31, 2008

### A) Directors Shares held

1. Mr. Iqbal Alimohamed	207,131,079
2. Mr. Danish Iqbal	18,950,057
3. Mr. Sohail Muzaffar	297,282
4. Mr. Muhammad Iqbal Ibrahim	2,607
5. Mr. Afzal Ghani	1,546
6. Mr. Muhammad Bilal Sheikh	2,000

### B) Director's Spouse and Minor Children:

Nil

### C) NIT and ICP

1. National Bank of Pakistan, Trustee Deptt.	240
2. Investment Corporation of Pakistan	1,000
3. IDBP (ICP UNIT)	1,270

### D) Others:

1. Investment Companies	1,397,250
2. Joint Stock Companies	78,564,258
3. Banks, DFIs Insurance Companies & Modarba's	2,999,871
4. Foreign Investors	26,417,566
5. Charitable Trust	24,233
6. Others	1,289,658

### E) Shares Traded by Directors, CEO, CFO, Company Secretary and, their spouse and minor children are given as under:

	No of Shares Purchased/Sale	Remarks
Muhammad Bilal Sheikh	1,600	Purchased from the Stock Exchange

### F) Shareholders holding ten percent and above. (Other than sponsors and Directors)

NIL



## Pattern of Share Holdings CDC and Physical as on December 31, 2008

NUMBER OF SHARE HOLDERS	S H A R E H O L D I N G		TOTAL SHARES HELD
	F r o m	T o	
5,378	1-	100	265,965
1,298	101-	500	323,401
1,817	501-	1,000	1,239,384
851	1,001-	5,000	1,841,466
107	5,001-	10,000	754,348
44	10,001-	15,000	542,222
22	15,001-	20,000	390,842
21	20,001-	25,000	480,376
9	25,001-	30,000	247,193
6	30,001-	35,000	201,442
3	35,001-	40,000	111,246
1	40,001-	45,000	43,750
8	45,001-	50,000	388,904
2	50,001-	55,000	103,336
1	55,001-	60,000	59,812
4	60,001-	65,000	253,000
3	65,001-	70,000	203,730
3	70,001-	75,000	219,855
1	75,001-	80,000	76,000
1	85,001-	90,000	90,000
1	90,001-	95,000	91,700
5	95,001-	100,000	492,935
3	100,001-	105,000	303,654
1	120,001-	125,000	125,000
3	135,001-	140,000	410,500
2	145,001-	150,000	296,758
1	170,001-	175,000	174,562
1	180,001-	185,000	185,000
1	190,001-	195,000	192,500
1	195,001-	200,000	200,000
1	215,001-	220,000	216,124
1	225,001-	230,000	226,187
2	245,001-	250,000	499,000
1	250,001-	255,000	255,000
1	255,001-	260,000	259,187
1	265,001-	270,000	267,280
1	290,001-	295,000	294,255
1	295,001-	300,000	300,000
1	325,001-	330,000	326,508
1	440,001-	445,000	440,272
1	445,001-	450,000	445,500





## BRANCHES NETWORK

S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>RGM-Office</b>	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	5824381 - 2	5824383	rokhia@mybl.com.pk
1	Clifton Branch	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	5373231 - 5867651	5867647	clf@mybl.com.pk
2	Jodia Bazar Branch	Ram Bharti Street, Ismail Trade Centre, Karachi	021	2437991-3 - 2471120	2437994	jbk@mybl.com.pk
3	North Napier Road Branch	18-19, North Napier Road, Karachi.	021	2766477 & 2766755	2766487	nnk@mybl.com.pk
4	New Challi Branch	Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi	021	2422071, 2422027, 2422096, 2422069	2422051	nck@mybl.com.pk
5	Paper Market Branch	Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.	021	2639671-2	2639670	pmk@mybl.com.pk
6	Abdullah Haroon Road Branch	282/3, Abdullah Haroon Road, Area, Saddar, Karachi.	021	5685269, 5685393, 5685940	5683991	sad@mybl.com.pk
7	Water Pump Branch	Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.	021	6321387, 6314817	6314848	wpk@mybl.com.pk
8	Bahadur Shah Center Branch	Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.	021	2768547, 2768559	2765083	bsk@mybl.com.pk
9	I. I. Chundrigar Road Branch	5-Business & Finance Centre, Opp: state Bank of Pakistan, Karachi.	021	2438212, 2472176, 2471796	2438218	iic@mybl.com.pk
10	North Karachi Industrial Area Branch	Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.	021	2015919 -20, 6995925	6975919	nia@mybl.com.pk
11	Garden East Branch	Shop No. 4,5 & 6, Jumari Centre Plot No. 177-B, Garden East, Karachi	021	2243311-13	2243314	gek@mybl.com.pk
12	S.I.T.E. Branch	B/9-B/3, Near Metro Chowrangi S.I.T.E., Area, Karachi.	021	2586801-4, 2587166-8	2586806	site@mybl.com.pk
13	Plaza Quarters Branch	Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi	021	2771515-16-18	2771517	ppk@mybl.com.pk
14	Cloth Market Branch	Shop No. 26, Kochinwala Cloth Market, Laxmidas Street, Karachi.	021	2400790, 2413586, 2424178	2424175	cmk@mybl.com.pk
15	Timber Market Branch	Siddique Wahab Road, Karachi.	021	2732729, 2766995	2733214	tmk@mybl.com.pk
16	Gulshan-e-Iqbal Branch	B-44, Block 12/A, Main University Road, Gulshan-e-Iqbal, Karachi.	021	4987688, 4987739-40	4987689	gik@mybl.com.pk
17	Tariq Road Branch	C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.	021	4556486, 4556682	4555478	trk@mybl.com.pk
18	Barkat-e- Hyderi Branch	Almas Square, Block-G, North Nazimabad, Karachi.	021	6628931-6706896-7	6723165	bhk@mybl.com.pk
19	Shahrah-e-Faisal Branch	Business Avenue Block-6, P.E.C.H.S., Karachi.	021	4386417-18	4531819	sfk@mybl.com.pk





S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
20	Defence Branch	55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.	021	5387809-5396263 - 5312592	5387810	dha@mybl.com.pk
21	Badar Commercial Branch	Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi	021	5348501, 5348502, 5348503	5348504	dha2@mybl.com.pk
22	Stock Exchange Branch	Room No. 68 & 69 1st Floor, Stock Exchange Building, stock Exchange Road, Karachi.	021	2462540-42	2462550	kse@mybl.com.pk
23	Gulistan-e-Jauhar Branch	Shop No. 5,6,7 & Office No. D-2, Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi	021	4022259, 4613674 4016488-9	4022639	gej@mybl.com.pk
24	Rizvia Society Branch	B-12, Rizvia Cooperative Society, Nazimabad, Karachi	021	6600956-57	6600958	rsk@mybl.com.pk
25	Jamshed Quarters Branch	Showroom no. 3 & 4 AB Arcade Plot #. 714-6-1 Block A, New M.A. Jinnah Road, Karachi	021	4860422-23, 4860424	4860425	jqk@mybl.com.pk
26	Dhoraji Branch	Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi	021	4860773-75	4860772	djk@mybl.com.pk

S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>Area Office Hyderabad</b>	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720430	2720206	hyd@mybl.com.pk
27	Saddar Branch	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720483, 2720248	2720206	hyd@mybl.com.pk
28	Latifabad No. 7. Branch	Latifabad # 7, 5/D Unit #. 7, Hyderabad	022	3810524 & 3810525	3810515	ltf@mybl.com.pk
29	Marich Bazar Branch	Marich Bazar, Sukkur	071	5624316	5624317	suk@mybl.com.pk
30	Shaheed-e-Millat Road Branch	Shaheed-e-Millat Rd, Mirpurkhas.	0233	874518	875925	mks@mybl.com.pk

S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>Area Office Quetta</b>	Regal Chowk, Jinnah Rd., Quetta	081	2824966	2827057	jrj@mybl.com.pk
31	Jinnah Road Branch	Regal Chowk, Jinnah Road, Quetta.	081	2837028-29	2825065	jrj@mybl.com.pk
32	Liaquat Bazar Branch	Ainuddin Street, Quetta.	081	2837300-1	2837302	lbq@mybl.com.pk
33	Main Bazar Branch	Main Bazar, Turbat.	0852	413874	414048	turb@mybl.com.pk
34	Gawadar Branch	Airport Road, Khasra No. 430, Khewat No. 192, Khatoni No. 192, Gawadar Pakistan	0864	212144- 212146	212147	gwr@mybl.com.pk





S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
35	<b>GM- Office &amp; RGM-Office</b>	159, Y- Block D.H.A.Lahore	042	5692737	5692740	rolhr@mybl.com.pk
	5692619			5692739		
36	DHA Branch			5692609, 5692606	5692738	dhalhr@mybl.com.pk
37	Shahalam Gate Branch	12-A, ShahAlam Gate, Lahore.	042	7666856, 7666857, 7666854, 7666855	7663488	sag@mybl.com.pk
38	Azam Cloth Market Branch	F-1208, Azam Cloth Market, Lahore.	042	7667297, 7651374	7662026	acm@mybl.com.pk
39	Johar Town Branch	Plot No.20, Block-A, Moulana Shaukat Ali Road, Johar Town, Lahore.	042	5223047-49	5223050	jhrt@mybl.com.pk
40	Booth at Doctor's Hospital	152-A, G1, Canal Bank, Johar Town, Lahore.	042	5314640	5314642	dhalhr@mybl.com.pk
41	Booth at Medical & Dental college	Lahore Medical & Dental CollegeTulsapura, Canal Bank, Lahore.	042	6583305	6583305	dhalhr@mybl.com.pk
42	Badami Bagh Branch	203-Grain Market, Badami Bagh, Lahore.	042	7724583, 7720382, 7705036	7730867	bbl@mybl.com.pk
43	Egerton Road Branch	27-Ajmal House, Egerton Road, Lahore.	042	6364522, 6364532	6364542	egr@mybl.com.pk
44	Liberty Market Branch	26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.	042	111-692-265, 5717273, 5763308	5763310	lml@mybl.com.pk
45	Allama Iqbal Town Branch	56/12, Karim Block, Allama Iqbal Town, Lahore.	042	5434160-61,5434163	5434164	ait@mybl.com.pk
46	Darogawala Branch	Near Shalimar garden G.T.Road Darogawala Lahore	042	6520681 - 6520682	6520683	dwl@mybl.com.pk
47	Wahdat Road Branch	Mauza Ichra, Wahdat Road, Lahore	042	7503001	7503004	wrl@mybl.com.pk
48	Kamahan Branch	Kamahan, Mauza Jhatool, Lahore	042	5921487	5921489	mkl@mybl.com.pk
49	Samanabad Branch	Plot No.855,Poonch Road, Samanabad, Lahore.	042	7568831, 7568844	7568854	sml@mybl.com.pk
50	Airport Road Branch	M. M. Arcade, 192-B, New Air Port Road, Lahore	042	5700336, 5700338-9	5700323	arl@mybl.com.pk
51	Kutchery Road Branch	Near Pul Qatal Gahri, Kutchery Road, Kasur.	049	2721993	2721994	qsr@mybl.com.pk
52	Ravi Road Branch	23/A, Ravi Road, Okara.	044	2528755, 2525355	2525356	okr@mybl.com.pk
53	High Street Branch	558/8-1, Navid, Plaza, High Street Sahiwal.	040	4229247, 4221615,4229247	4460960	swl@mybl.com.pk
54	Hussain Agahi Road Branch	2576, Hussain Agahi Road, Multan.	061	4548083-4583268- 4583168	4543794	mul@mybl.com.pk
55	Shahi Road Branch	31/34 Shahi Road, Rahimyar Khan.	068	5877821-5883876	5876776	ryk@mybl.com.pk





S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>Zonal Office Gujranwala</b>	G. T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820400	3820404	zoguji@mybl.com.pk
56	G.T. Road Branch	G.T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820401-3	3820404	guj@mybl.com.pk
57	Narowal Branch	Sughra Shafi, Medical Complex, Muridke Narowal Rd., Narowal	0542	414090 - 414105	414089	nar@mybl.com.pk
58	G.T. Road Branch	774, G.T. Road Muridke	042	7950456	7994713	mds@mybl.com.pk
59	Bank Road Branch	Khasra # 143/112, Chak #51, Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.	0546	600901, 600903-4	600902	mdb@mybl.com.pk
60	Railway Road Branch	Railway Road. Sialkot.	052	4582231, 4586507,4601058	4582232	skt@mybl.com.pk
61	Gujrat Branch	Sethi Plaza. Opp. MY Guest House, Near Small Industrial Estate Gate, G.T. Road Gujrat	053	3537161,62-3524640,3524447	3525108	gtr@mybl.com.pk
62	Sargodha Branch	Prince Cinema Market Railway Road. Sargodha	048	3768114-5 - 3768113	3768116	sgd@mybl.com.pk
63	Aminpur Bazar Branch	Aminpur Bazar, Faisalabad.	041	2634705, 2626783, 2636783	2611363	fsd@mybl.com.pk
64	Chak Ghanian Branch	Khewat No. 478/1 Khatooni No. 1457/60. Chak Ghanian, Post Office Sarai Alamgir	0544	654402-03	654401	cgl@mybl.com.pk
65	Dalwal Branch	Village & Post Office Dalwal, Tehsil Choha, Saidan Shah, Distt Chakwal	0543	582834	582842	dcc@mybl.com.pk
66	Lalamusa Branch	G. T. Road, Lalamusa	053	7515694	7515685	lmb@mybl.com.pk

S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>Zonal Office Islamabad</b>	20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265,2874743	2871012	rosib@mybl.com.pk
67	Blue Area Branch	20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265 2823204,2872913	2274276	isd@mybl.com.pk
68	Bharah Koh Branch	Murree Road, Tehsil / District, Islamabad.	051	2231344, 2233136	2231345	bkh@mybl.com.pk
69	G-11 Markaz Branch	Shop #. 25-34, Plot #. 23, Sajid Sharif, G-11 Markaz, Islamabad	051	2220973-6	2220977	msi@mybl.com.pk
70	Shamsabad Branch	DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.	051	4854400, 4854401-03	4854404	smr@mybl.com.pk
71	Fateh Jang Branch	Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt Attock	057	2210321-23	2210324	fjr@mybl.com.pk
72	Bank Road Branch	Saddar Bazar, Rawalpindi Cantt.	051	5523840-41	5523837	rwp@mybl.com.pk
73	Raja Bazar Branch	Raja Bazar, Rawalpindi.	051	5534173-5557244	5559544	rbp@mybl.com.pk
74	Wah Cantt Branch	Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt	051	4312641	4312642	wcr@mybl.com.pk



S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
75	Chakwal Branch	Khasra No. 1886, Khewat No. 778/1 Khatooni No. 1334/1. Al-Noor Plaza Sabzi Mandi, Talagang Road, Chakwal	0543	554796	554797	chk@mybl.com.pk
76	Dina Branch	Mian G.T. Road Dina	0544	634471 -3	636675	djm@mybl.com.pk
77	Dadyal Branch	Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.	058630	42475	44316	dad@mybl.com.pk
78	Nangi Chowk Branch	Nangi Chowk, Mirpur, Azad Kashmir.	058610	44550	44522	mak@mybl.com.pk

S.#	Name	Address	City Code	Telephone No	Fax No.	E-mail Address
	<b>Zonal Office NWFP</b>	3-A, Arbab Road, Peshawar Cantt., Peshawar.	091	5253841	5274251	pwr@mybl.com.pk
79	Attock Branch	Hamam Road, Attock	057	2703120	2703117	atk@mybl.com.pk
80	Arbab Road Branch	3-A, Arbab Road, Peshawar Cantt., Peshawar.	091	5270463, 5275915	5274251	pwr@mybl.com.pk
81	Milad Chowk, Branch	Milad Chowk, New Gate, Peshawar City	091	2550477, 2550466, 2217131	2550488	cyp@mybl.com.pk
82	Bank Road Branch	Bank Road, Mardan.	0937	865341	865342	mrd@mybl.com.pk
83	Shahrah Resham Branch	Al- Hadeed Corporation Market Shahrah Resham Mansehra	0997	303186, 303180	303135	srm@mybl.com.pk





**FORM OF PROXY**

I /We \_\_\_\_\_ of \_\_\_\_\_

being member of Mybank Limited and holding \_\_\_\_\_ ordinary shares are per

Register Folio No. / CDC Account and Participant's ID No. \_\_\_\_\_

hereby appoint Mr./Mrs./Miss. \_\_\_\_\_ of \_\_\_\_\_ or

failing him / her \_\_\_\_\_ of \_\_\_\_\_ as

my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Bank to be held on March 27, 2009 and at any adjournment there-of.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009

1. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

Member's Signature  
on Rs.5.00  
Revenue Stamp

2. Witness \_\_\_\_\_

Signature \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

(Signature should agree with  
the specimen signature  
Registered with the Bank)

**NOTES:**

1. A member entitled to attend and vote at the Annual General Meeting of the Bank may appoint another member as his / her proxy to attend and vote instead of him / her. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
2. The instrument appointing a proxy should be signed by the member(s) or by his / her Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. The Proxy Form duly completed, must be deposited at the Bank's Registered Office at **Mybank Building**, Regal Chowk, Jinnah Road, Quetta not less than 48 hours before the time of holding the meeting.
4. CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.



