



Annual Report 2009



mybank Ltd.

I.I. Chundrigar Road Branch

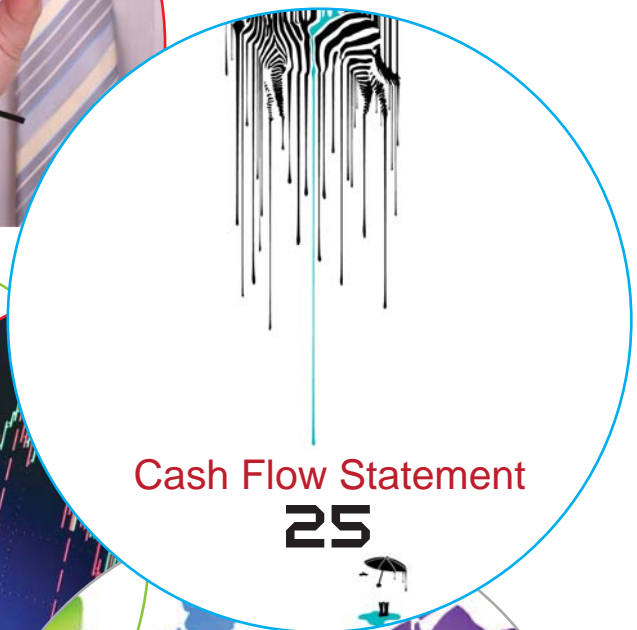
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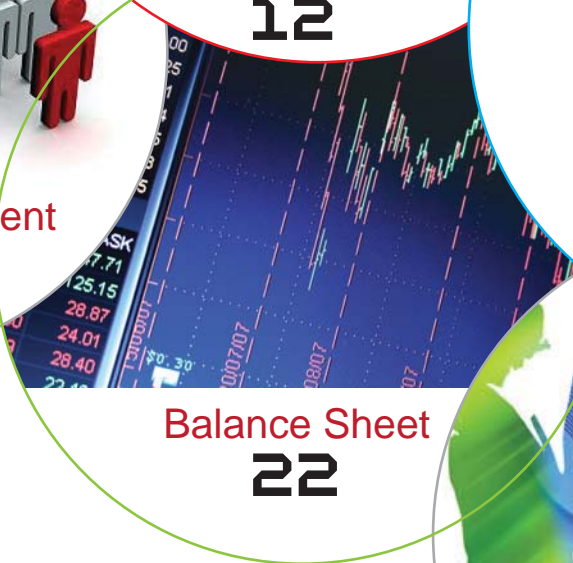
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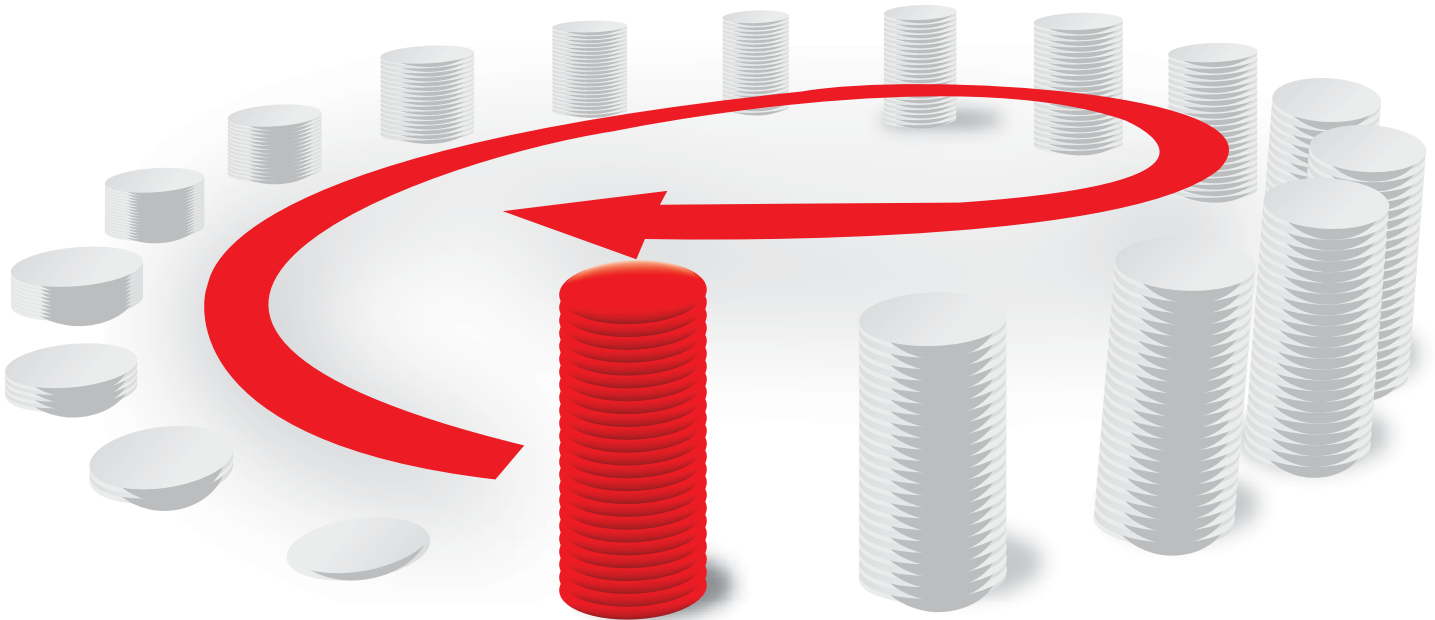


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Vision & Values

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



Servicing Customers

What could be a fully featured banking, we furnish all those services which are required for this technological era.

Promising to fulfill the great value added services by providing Online Banking, GPRS Enabled Banking, 24 Hours e-Banking and much more.





Management Team



Board of Directors

Mr. Iqbal Alimohamed
Chairman

Mr. Sohail Muzaffar
Vice Chairman

Mr. Muhammad Iqbal Ebrahim
Director

Mr. Afzal Ghani
Director

Mr. Danish Iqbal
Director

Mr. Mamnoon Ahmed Alvi
Director

Mr. Muhammad Bilal Sheikh
President & Chief Executive
Officer / Director

Mr. Muhammad Irfan Zafar
Company Secretary (Officiating)

Management Team

MANAGEMENT

Mr. Muhammad Bilal Sheikh
President & Chief Executive Officer

Ms. Mona Sultan, FCMA, CFA
E.V.P - 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 / SAM

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 Human Resource &
Development Division

Mr. Akhtar Aleem Syed
S.V.P - Head of Legal
Affairs Division

Mr. Baber Saeed Khan
S.V.P - Head of International
& Forex Division / Investment
& Treasury (Back Office)

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
S.V.P - 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 & Northern Regions)

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

MANAGEMENT AT ZONES / AREAS

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

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

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

Mr. Munir Ahmed Khan
S.V.P & Area Manager
(Quetta)

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

AUDIT COMMITTEE

Mr. Afzal Ghani
Chairman

Mr. Iqbal Alimohamed
Member

Mr. Sohail Muzaffar
Member

Mr. Danish Iqbal
Member

Mr. Muhammad Irfan Zafar
Secretary

AUDITORS

Messrs Hyder Bhimji & Co.
Chartered Accountants

SHARES REGISTRAR
M/s Noble Computer Services
(Pvt) Ltd. Mezzanine Floor,
House of Habib Building,
(Siddiqsons Tower) 3-Jinnah
C.H. Society, Main Shahrah-e-Faisal,
Karachi-75350.
PABX: (92-21) 34325482-87
Fax : (92-21) 34325442
Email: ncs1@noble-computers.com
Website: www.noble-computers.com

Notice of 18th Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of Mybank Limited will be held on Tuesday, March 30, 2010 at 10:30 a.m. at its Registered Office situated at Regal Chowk, Jinnah Road, Quetta to transact the following business:

Ordinary Business

1. To confirm the minutes of the 17th Annual General Meeting of the Bank held on March 27, 2009.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2009 together with the Directors' and Auditor's Reports thereon.
3. To appoint external auditors of the Bank for the year ending December 31, 2010 and to fix their remuneration. The retiring Auditors M/s Hyder Bhimji & Co., Chartered Accountants, being eligible offer themselves for reappointment.
4. To consider any other business of the Bank with the permission of the Chair.

By Order of the Board

Company Secretary
Place : Karachi
Date : March 08, 2010

Notes:

1. Share Transfer Books of the Bank will remain closed from March 24, 2010 to March 30, 2010 (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 18th Annual Report of Mybank Limited (hereinafter called the Bank) for the year ended December 31, 2009

Performance Review

During the year there has been significant changes in the regulatory framework; for instance revision of the minimum paid up capital requirement by the State Bank, consideration of benefit of the forced sale value of the industrial properties to the extent of 40%, implementation of Finance Act 2009 measures regarding the provision of advances and off balance sheet items to the extent of 1% of total advances, and the implementation of SECP directives of February 13, 2009 and subsequent circular by SBP, BSD Circular No. 4 of 2009 directing banks to provide the loss arising on AFS portfolio (equity component) through P&L, marked to market at the end of each quarter of 2009.

2009 was very challenging and required several measures to revive the effects of 2008 financial markets turmoil. The bank maintained its asset base, enhanced asset quality, made adequate provisions and prudent classifications. The investment portfolio was reviewed and allocated towards risk free securities rather than direct and indirect corporate debt investments.

The following are the summarized comparative financial indicators.

	2009	2008
	Rupees in '000	
(Loss) /Profit before taxation and provision / write off against non-performing loans	(222,701)	822,845
Less: Provision / write off against non-performing loans	1,724,395	1,173,272
Provision for diminution in the value of investments	209,416	410,398
Loss before taxation	(2,156,512)	(760,825)
Less: Taxation	(516,683)	(410,532)
Loss after taxation	(1,639,829)	(350,293)
Add: Profit brought forward	226,143	496,827
Add: Transfer from surplus on revaluation of fixed assets	21,331	79,609
(Loss)/ Profit available for appropriation	(1,392,355)	226,143
(Loss) per share - Rupees	(3.09)	(0.79)

Credit Rating

The bank enjoys "A-" (Single-A Minus) rating for the medium to long term and "A-2" (A-Two) rating for the short term from the Pakistan Credit Rating Agency Limited (PACRA).

Changes in the Composition of the Board of Directors

During the year Mr. Mamnoon Ahmed Alvi, SEVP & General Manager Punjab region was co-opted in place of Mr. Muhammad Rafiq in the board of directors meeting held on August 7, 2009 after the approval of his fit and proper test by the State Bank of Pakistan.

Minimum Capital Requirement, BSD Circular No. 7 of 2009

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the minimum capital requirement for banks up to Rs.10 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2009 was Rs.6 billion. The paid up capital of the Bank as of December 31, 2009 amounting to Rs. 5,303.582 million and the Bank has reserves and accumulated losses of Rs. 324.005 million and Rs. 1,392.355 million respectively as of said date. Keeping in view the said minimum capital requirements, the majority shareholders of the Bank has entered in to a share purchase agreement (SPA) on September 30, 2009 with Suroor Investment Limited, for sale of their controlling shareholding in the Bank. In the mean time, the SBP has extended the timeline for meeting the minimum capital requirement of Rs. 6 billion for the bank until March 31, 2010.

ENHANCEMENTS IN TECHNOLOGY INFRASTRUCTURE AND BUSINESS CONTINUITY PLAN

The Misys core banking system is running smoothly and the bank is revealing benefits from its rich MIS capabilities. To protect the customer's interest and enhance data reliability, real time replication of customer's data to disaster recovery site is made functional. The bank's business continuity plan is revamped and practical exercises are conducted for smooth transition to backup site in case of any disaster. Furthermore, in order to ensure reliability and evaluate performance, the backup site has been successfully tested by running 24 hours business cycle of the bank from the disaster recovery site.

The SMS alerts facility was introduced in 2008 and was further enhanced during the year. The customers can now receive mini statements or real time balance query by simply sending an SMS to Mybank, 24 hours a day, 7 days a week. To enhance security, data communication between branches and central office is encrypted. The "CISCO-three layers hierarchical model" is implemented in data centre which provides redundancy and ensures availability of the link without any manual intervention in case of any hardware failure. The IT security awareness of all users is also enhanced by providing series of trainings at various levels.

The continuous power supply to data centre is ensured by deploying back to back dual UPSs and back to back dual generators and if one fails, the other automatically takes over. The two IP cameras, installed in the data centre, can provide complete data centre view from any terminal on the LAN. The data centre is equipped with FM200 Fire Suppression System which is activated within few seconds of any fire detection and environment control system which automatically generates email alerts to key persons in case of any water, abnormal movements in the data centre, power failure, humidity or out of range temperatures. The access to data centre is controlled and monitored through proximity reader system which provides online information for independent monitoring.

Risk Management

Risk Management Division is reporting to the President & C.E.O whereas Board's Risk Management committee oversees the risk management function and overall enterprise risk management framework. Enterprise Risk Management model mainly incorporates credit, market and operational risk among other components of the model whereas liquidity risk management is the direct responsibility of ALCO. Head of Risk Management Division is also a member of ALCO.

Risk Management Division is also responsible for implementation of Basel-II Accord in the Bank and during the year, sufficient success was made in this regard. Importantly, all implementation and reporting deadlines of capital adequacy ratio and Internal Credit Risk Rating have been complied with. In addition, Bank has also submitted a comprehensive report on Internal Capital Adequacy Assessment Process (ICAAP) under Pillar-II of Basel-II Accord to the State Bank. In addition to the Pillar-I risks (i.e. credit, market and operational), report also addresses pillar-II risks i.e. concentration, liquidity, interest rate, reputational and residual risk.

Dynamic pricing mechanism is another value addition by the risk management model. Asset pricing has been systematically correlated with the level of risk associated maintaining a trade-off between the risk and return. Advances have been linked with KIBOR.

Future Outlook

The future of Mybank is associated with the expected restructuring of the bank after the sale of sponsor shareholding. The bank is expected to evolve as a new entity to gain enhanced synergies and to comply with the minimum capital requirements prescribed by the State Bank of Pakistan. The value created in the bank over the last few years will definitely reap returns to the new stakeholders. As an entity the bank will keep generating value, may not be with its existing corporate identity, but with its well identified strengths that it had gained over a number of years through hard work and dedication of its key team players, for instance; technology rollout, robust risk management and strategic branch network.

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 with 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. 73.130 million as per audited financial statement for the year ended December 31, 2008.
- l) All taxes have been paid and nothing is outstanding, except as disclosed in these financial statements.

The present auditors, Messrs. Hyder Bhimji & Co., Chartered Accountants, retired and offered themselves for reappointment as auditors of the bank for the year ending December 31, 2010, 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

Karachi: March 04, 2010

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 a tax payer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs and are not members of any stock exchange.
4. Mr. Mamnoon Ahmed Alvi, SEVP / GM, Punjab has been co-opted as Director of the Board in place of Mr. Muhammad Rafiq.
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 of the Bank's Credit Policies, 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 Five (5) times in the year. Written notices of the Board meetings, along with agenda and working papers are always 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 will also attend the same course organized by the Institute of Corporate Governance of Pakistan and in process of getting certification. Furthermore, few more courses were conducted during the period under review.

11. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, as recommended by the CEO.
12. The Directors' report for this year has been prepared in compliance with the requirements of the code and which 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 CEO and 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, which comprises of four members, all of whom are Non - Executive Directors including the Chairman of the Committee.
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 Chairman 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 of 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 scope review by the statutory auditors. Financial statements for the year ended December 31, 2009 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 Exchange 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: March 04, 2010

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:

- Efficiency and effectiveness of operations.
- Compliance with applicable laws and regulations.
- 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 2009 the management has engaged an outside consulting company to review the design and effectiveness of the system of internal control through policy revision. The review of the internal controls is being further strengthened and measures for improvement where required or 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, revised and are presently under review for updation.
4. The Bank has mission, vision 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 of Bank's policies and procedures based on an audit plan approved by the Audit Committee.
7. Management gives due considerations to the recommendations made by the internal and external auditors for improvements in the internal control system and take 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 2009, 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 agency 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 revising the policies and procedures to ensure that these conform to best practices.

Additionally, the Bank is also in the process of strengthening its systems for capturing and communicating relevant information and making the best use of rich MIS capabilities of Misys (Core Banking Application).

Based on the evaluation of the system of internal control, the management assesses that the internal control system, customer services and operation is adequate, considering the size and nature of banks operations, and expect that the internal control system will further strengthen in the period ahead.

By order of the Board

Muhammad Bilal Sheikh
President & CEO

Place: Karachi
Date: March 04, 2010

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 for the year ended December 31, 2009 prepared by the Board of Directors of Mybank Limited (the Bank) to comply with the 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 of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank 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.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No.37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Bank to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Place: Karachi
Date: March 04, 2010

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of mybank Limited as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 08 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. The financial statements for the year ended December 31, 2008 were audited by another firm of Chartered Accountants whose report dated February 28, 2009, expressed an unqualified opinion on those Financial Statements.

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 accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2009 and its true balance of the loss, 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: March 04, 2010

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner: Mohammad Hanif Razzak

Balance Sheet

As at December 31, 2009

	Note	2009	2008
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	2,073,321	1,862,545
Balances with other banks	7	433,055	566,725
Lendings to financial institutions	8	35,000	1,748,761
Investments	9	10,037,950	10,294,970
Advances	10	17,428,423	20,940,081
Operating fixed assets	11	2,321,845	2,414,783
Deferred tax assets - net	12	1,162,341	701,976
Other assets	13	1,998,770	1,273,162
		35,490,705	39,803,003
LIABILITIES			
Bills payable	14	330,759	273,286
Borrowings	15	2,550,386	4,600,431
Deposits and other accounts	16	26,848,808	28,032,735
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	17	655,888	753,483
		30,385,841	33,659,935
NET ASSETS		5,104,864	6,143,068
REPRESENTED BY			
Share capital	18	5,303,582	5,303,582
Reserves		324,005	324,005
Accumulated (loss) / unappropriated profit		(1,392,355)	226,143
		4,235,232	5,853,730
Surplus on revaluation of assets - net	19	869,632	289,338
		5,104,864	6,143,068
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 39 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, 2009

	Note	2009	2008
		(Rupees in '000)	
Mark-up/return/interest earned	21	3,368,218	3,640,787
Mark-up/return/interest expensed	22	2,881,902	2,829,578
Net mark-up/ interest income		486,316	811,209
Provision against non-performing loans and advances	10.3	1,698,932	1,169,917
Provision for diminution in the value of investments	9.11	209,416	410,398
Bad debts written off directly	10.4	25,463	3,355
Net mark-up / interest loss after provisions		1,933,811	1,583,670
		(1,447,495)	(772,461)
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		145,372	219,358
Dividend income		150,764	752,595
Income from dealing in foreign currencies		81,668	155,751
Loss on sale of securities - net	23	(111,209)	(249,022)
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading		-	-
Other income - net	24	117,163	63,966
Total non mark-up / interest income		383,758	942,648
		(1,063,737)	170,187
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	25	1,064,180	922,538
Other provisions / write-offs		-	-
Other charges	26	28,595	8,474
Total non mark-up / interest expenses		1,092,775	931,012
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(2,156,512)	(760,825)
Taxation - current		19,378	75,259
- prior year		52,509	-
- deferred		(588,570)	(485,791)
	27	(516,683)	(410,532)
LOSS AFTER TAXATION		(1,639,829)	(350,293)
Unappropriated profit brought forward		226,143	496,827
Transfer from surplus on revaluation of fixed assets - net of deferred tax		21,331	79,609
(Loss) / profit available for appropriation		(1,392,355)	226,143
Basic and diluted loss per share	28	(3.09)	(0.79)

The annexed notes 1 to 39 and Annexure I form an integral part of these financial statements.

President & CEO

Chairman

Director

Director

Statement of Comprehensive Income

For the year ended December 31, 2009

	2009	2008
	(Rupees in '000)	
LOSS AFTER TAXATION	(1,639,829)	(350,293)
COMPONENTS OF COMPREHENSIVE INCOME NOT REFLECTED IN EQUITY		
Surplus / (deficit) on revaluation of investments	729,830	(639,600)
Deferred Tax on revaluation of investment	(128,205)	132,474
	601,625	(507,126)
TOTAL COMPREHENSIVE LOSS	<u>(1,038,204)</u>	<u>(857,419)</u>

The annexed notes 1 to 39 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, 2009

	Note	2009	2008
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,156,512)	(760,825)
Less: dividend income		(150,764)	(752,595)
		(2,307,276)	(1,513,420)
Adjustments			
Depreciation	11.2	147,303	142,869
Amortization of intangible assets	11.3	11,515	8,275
Amortization of premium on held to maturity securities		8,403	12,847
Provision against non-performing advances - net		1,698,932	1,169,917
Provision for diminution in the value of investments	9.11	209,416	410,398
Bad debts written off directly		25,463	3,355
Loss on sale of fixed assets	11.2.2	9,462	24,672
		2,110,494	1,772,333
		(196,782)	258,913
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,683,761	(266,135)
Advances		1,787,263	(1,321,602)
Others assets (excluding advance taxation)		(640,822)	364,457
		2,830,202	(1,223,280)
Increase/ (decrease) in operating liabilities			
Bills payable		57,473	(622,330)
Borrowings		(2,048,974)	1,995,589
Deposits and other accounts		(1,183,927)	(2,120,429)
Other liabilities (excluding current taxation)		(97,595)	(60,550)
		(3,273,023)	(807,720)
Income tax paid		(639,603)	(1,772,087)
		(159,182)	(130,514)
		(798,785)	(1,902,601)
Net cash flows used in operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from investments in available-for-sale securities		769,030	193,270
Net proceeds from held-to-maturity securities		-	50,058
Dividend income received		153,274	750,391
Investments in operating fixed assets		(79,831)	(556,404)
Sale proceeds of property and equipment disposed-off	11.2.2	4,489	46,146
Net cash flows from investing activities		846,962	483,461
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		-	1,060,716
Dividend paid		-	(2)
Net cash flows from financing activities		-	1,060,714
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase / (Decrease) in cash and cash equivalents		48,177	(358,426)
Cash and cash equivalents at beginning of the year	29	2,485,579	2,844,005
Cash and cash equivalents at end of the year	29	2,533,756	2,485,579

The annexed notes 1 to 39 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, 2009

	Share capital	Statutory reserve	Unappropriated profit / loss	Total
	(Rupees in '000)			
Opening balance as at January 1, 2008	4,242,866	324,005	496,827	5,063,698
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - 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
Opening balance as at January 1, 2009	5,303,582	324,005	226,143	5,853,730
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of deferred tax	-	-	21,331	21,331
Net income recognised directly in equity	-	-	21,331	21,331
Loss for the period ended December 31, 2009	-	-	(1,639,829)	(1,639,829)
Total recognized income and expense for the year	-	-	(1,618,498)	(1,618,498)
Transfer to statutory reserve	-	-	-	-
Closing balance as at December 31, 2009	5,303,582	324,005	(1,392,355)	4,235,232

The annexed notes 1 to 39 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, 2009

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 (2008: 80) branches in Pakistan. Currently the Bank's medium and long-term credit rating is "A-" (single A minus), and its short term credit rating is A2 (A Two).

The State Bank of Pakistan (SBP) vide BSD Circular No. 7 of 2009 dated April 15, 2009 has set the Minimum Capital Requirement for banks upto Rs.10 billion to be achieved in a phased manner by December 31, 2013. The minimum capital requirement (free of losses) as of December 31, 2009 was Rs.6 billion. The paid up capital of the Bank as of December 31, 2009 amounts to Rs. 5,303.582 million and the Bank has reserves and accumulated losses of Rs. 324.005 million and Rs. 1,392.355 million respectively as of said date. Keeping in view the said minimum capital requirements, the majority shareholders of the Bank has entered into share purchase agreement on September 30, 2009 with Suroor Investment Limited, for sale of their 59.34% share holding in the Bank. In the mean time, the SBP has extended the timeline for meeting the minimum capital requirement of Rs. 6 billion for the Bank till March 31, 2010 or completion of merger process whichever occurs earlier.

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.

2.1 CHANGE IN ACCOUNTING POLICY

Effective January 01, 2009, the Bank has changed its accounting policy in respect of 'Presentation of financial statements'.

Presentation of Financial Statements

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 01, 2009) - The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an equity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Bank has opted to present the components of profit or loss in a separate statement while a statement of comprehensive income is presented separately as permitted under revised IAS 1. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earning per share.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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.

3.2 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 either irrelevant or applicable to the Bank's financial statements covering annual periods, beginning on or after the following dates:

	Effective date (accounting periods beginning on or after)
(i) IFRS 2, "Share Based Payments"	January 1, 2010
(ii) IFRS 3, "Business Combinations"	July 1, 2009
(iii) IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations"	July 1, 2009
(iv) IAS 27 "Consolidated and Separate Financial Statements"	July 1, 2009
(v) IAS 24 "Related Party Disclosures"	January 1, 2011
(vi) IAS 32 "Financial Instruments: Presentation"	February 1, 2010
(vii) IFRIC 15 "Agreements for the Construction of Real Estate"	October 1, 2009
(viii) IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 1, 2009
(ix) IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	July 1, 2010

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 may, 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 lending 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 are made on the basis of intention of the management, 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 these securities till 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 from time to time. The net provision made / reversed during the year is 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 advance 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 profit and loss account applying the reducing balance method and depreciation on computer equipments and vehicles is charged to profit and loss account 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 recognized 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 having finite life 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 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 on all 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. Where debt securities are purchased at a premium / discount, those premium / discounts are amortised through profit and loss account over the remaining maturity using effective yield method.

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 assets are not recognised 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	2009	2008
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		620,883	547,639
Foreign currencies		154,693	95,737
		775,576	643,376
With State Bank of Pakistan in			
Local currency current accounts	6.1	1,063,400	968,858
Foreign currency current accounts	6.2	43,890	42,397
Foreign currency deposit accounts	6.3	146,162	142,417
		1,253,452	1,153,672
With National Bank of Pakistan in			
Local currency current accounts		44,293	65,497
		2,073,321	1,862,545

- 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 Nil (December 2008: 0.90 percent per annum).

	Note	2009	2008
(Rupees in '000)			
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		109,479	102,243
On deposit accounts	7.1	215,650	169,742
		325,129	271,985
Outside Pakistan			
On current accounts		91,078	294,740
On deposit accounts		16,848	-
		107,926	294,740
		433,055	566,725

- 7.1 This represents saving deposits with local banks carrying interest ranging between rates of 5 percent to 6 percent per annum (2008: 5 percent to 6 percent).

	Note	2009	2008
		(Rupees in '000)	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	35,000	65,000
Repurchase agreement lendings (reverse repo)	8.3	-	1,283,761
Other placements	8.4	-	400,000
		<u>35,000</u>	<u>1,748,761</u>
8.1 Particulars of Lending			
In local currency		35,000	1,748,761
In foreign currencies		-	-
		<u>35,000</u>	<u>1,748,761</u>

8.2 These represent clean placements and call money lendings to financial institutions with maturity period of 6 days and carry mark-up at 13 percent per annum (2008: 18 percent per annum).

8.3 These represent lendings to financial institutions against purchase of government securities and listed shares under resale obligation (reverse repo) 2009 : Nil (2008: 12.5 percent to 25 percent).

8.4 This represents placement of funds with a local bank carrying mark-up rate of 2009 : Nil (2008: 12.15 percent per annum).

8.5 Securities held as collateral against lendings to financial institutions

	2009			2008		
	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
Listed companies' shares	-	-	-	130,000	-	130,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,283,761</u>	<u>-</u>	<u>1,283,761</u>

8.5.1 Market value of the collaterals held under repurchase agreement lendings amounts to Rs. Nil (2008: 1,566.55 million).

Note	2009			2008		
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total

-----Rupees in '000-----

9. INVESTMENTS

9.1 Investments by types:

Available-for-sale securities

Market Treasury Bills	8,528,124	-	8,528,124	2,234,757	2,499,461	4,734,218
Pakistan Investment Bonds	51,385	-	51,385	-	-	-
National Investment Trust Units	700,000	-	700,000	700,000	-	700,000
Term Finance Certificates - listed	113,759	-	113,759	149,653	-	149,653
Term Finance Certificates - unlisted	15,550	-	15,550	27,246	-	27,246
Sukuk Investment Certificates	50,000	-	50,000	50,000	-	50,000
GoP Ijarah Sukuk Bond	10,000	-	10,000	10,000	-	10,000
Listed companies' shares	300,510	-	300,510	250,958	-	250,958
Unlisted companies' shares	10,000	-	10,000	10,000	-	10,000
Mutual funds - units - close -ended	318,218	-	318,218	318,214	-	318,214
Mutual funds - units - open-ended	-	-	-	4,616,288	-	4,616,288
Preference shares	37,500	-	37,500	37,500	-	37,500
	10,135,046	-	10,135,046	8,404,616	2,499,461	10,904,077

Held-to-maturity securities

Pakistan Investment Bonds	505,847	-	505,847	514,250	-	514,250
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Total investment at cost

Less: Provision for Diminution in value of Investments	9.11	(619,814)	(619,814)	(410,398)	-	(410,398)
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Investments (net of provisions)

Surplus/(deficit) on revaluation of Available-for-sale securities	19.2	16,871	16,871	(701,295)	(11,664)	(712,959)
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Total investments at carrying value

		10,037,950	10,037,950	7,807,173	2,487,797	10,294,970
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	Note	2009	2008
		(Rupees in '000)	
9.2 Investments by segments:			
Government Securities:			
Market Treasury Bills	9.2.1	8,528,124	4,734,218
Pakistan Investment Bonds	9.2.1 & 9.2.2	557,232	514,250
GoP Ijarah sukuk bond		10,000	10,000
		9,095,356	5,258,468
Fully Paid up Ordinary Shares:			
Listed companies		300,510	250,958
Unlisted companies		10,000	10,000
		310,510	260,958
Preference shares		37,500	37,500
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
Listed Term Finance Certificates		113,759	149,653
Unlisted Term Finance Certificates		15,550	27,246
Sukuk Investment Certificates		50,000	50,000
		179,309	226,899
Other Investments			
Mutual funds - units - close-ended		318,218	318,214
Mutual funds - units - open-ended		-	4,616,288
National Investment Trust - units		700,000	700,000
		1,018,218	5,634,502
Total investment at cost		10,640,893	11,418,327
Less: Provision for diminution in value of investment	9.11	(619,814)	(410,398)
Investments (net of provisions)		10,021,079	11,007,929
Surplus / (deficit) on revaluation of available-for-sale securities	19.2	16,871	(712,959)
Total investments at carrying value		<u>10,037,950</u>	<u>10,294,970</u>

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 include securities having face value of Rs. 12.10 million (2008: Rs. 12.10 million) pledged with National Bank of Pakistan as security to facilitate T.T. discounting of the branches of the Bank.

Note	2009		2008	
	Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
9.3 Quality of Available for Sale Securities - at market value / carrying value for unlisted investments				
Market Treasury Bills	8,508,544	Unrated	4,714,746	Unrated
Pakistan Investment Bonds	50,845	Unrated	-	-
National Investment Trust Units	362,473	2 Star 3 star	279,794	3 Star 4 star
GoP Ijarah Sukuk Bond	10,099	Unrated	10,000	Unrated
Term finance certificates - unlisted				
Bosicor Pakistan Ltd.	9.3.1	-	8,571	Unrated
Dewan Farooq Spinning Mills Ltd.	9.3.1	6,250	9,375	Unrated
Kunjah Textile Mills Ltd.	9.3.1	9,300	9,300	Unrated
		15,550	27,246	
Term finance certificate - listed				
Al Zamin Leasing (formerly Crescent Leasing)		-	11,177	BBB+
Azgard Nine Ltd.		74,578	101,747	A1 A+
Telecard Ltd		31,166	43,961	BBB
		105,744	156,885	
Sukuk Investment Certificate - unlisted				
Haq Bahu Sugar Mills (Pvt) Ltd.	9.3.1	50,000	50,000	Unrated
Listed companies shares				
Adamjee Insurance Co. Ltd.		222	-	-
Arif Habib Bank Ltd.		3,715	3,066	A2, A
Arif Habib Ltd.		168	-	-
Arif Habib Securities Ltd.		111	-	-
Artistic Denim Mills Ltd.		29	-	-
Askari Commercial Bank Ltd.		8,569	3,658	A1+, AA
Dawood Lawrencepur Ltd		65	-	-
EFU Life Assurance Ltd.		4,153	-	-
Fauji Fertilizer Bin Qasim Ltd.		3,136	1,548	Unrated
First Capital Securities Corp. Ltd.		43	-	-
First National Equities Ltd.		739	-	-
Ghandhara Nissan Ltd.		3,259	-	-
Hub Power Co. Ltd.		15,540	7,045	Unrated
IGI Insurance Ltd.		26	-	-
Jahangir Siddiqui & Co. Ltd.		555	-	-
JS Global Capital Ltd.		35	-	-
JS Investment Ltd.		7	-	-
KASB Bank Ltd.		19	-	-
Kohinoor Weaving Mills Ltd.		225	-	-
Maple Leaf Cement Ltd.		395	431	A2, BBB+
National Bank of Pakistan		275	-	-
Netsol Technologies Ltd.		24,750	-	-
New Jubilee Insurance Co. Ltd.		1,165	-	-
New Jubilee Life Insurance Co. Ltd.		265	-	-
Oil and Gas Development Co. Ltd.		75,215	33,993	A1+, AAA
Pak Elektron Ltd.		5,106	5,628	A1, A
Pakistan National Shipping Corp Ltd.		9	-	-
Pakistan Petroleum Ltd..		90,093	39,846	Unrated
Pioneer Cement Ltd.		277	-	-
Searle Pakistan Ltd.		717	-	-
Shell Pakistan Ltd.		138	-	-
Siddiq Sons Tin Plate Ltd.		1	-	-
Silkbank Ltd.		4,740	-	-
Trust Investment Bank Ltd.		23	-	-
		243,785	95,215	

	Note	2009		2008	
		Amount Rs. in '000	Rating	Amount Rs. in '000	Rating
Unlisted companies' shares					
Khushhali Bank Ltd.	9.3.2	11,026	A-2, A-	10,984	A1 A-
Mutual funds - units - open-ended					
AKD Income Fund		-	-	244,858	A-(F)
Askari Income Fund		-	-	290,461	5 Stars
Faysal Saving Growth Fund		-	-	257,431	A(F)
IGI Income Fund		-	-	201,025	4 Stars
JS Income Fund		-	-	486,260	5 Stars
KASB Liquid Fund		-	-	660,209	5 Stars
NAFA Cash Fund		-	-	1,807,885	A(F)
Pakistan Income Fund		-	-	377,839	3 Stars
		-		4,325,968	
Mutual funds - units - closed-end					
Pak Oman Advantage Fund		1,008	AA- (f)	808	AA-(f)
Pak Strategic Allocation Fund		44,400	3 Stars	22,800	3 Stars
PICIC Growth Fund		1,429	MRF 2 Star	559	MRF 2 Star
JS Value Fund Ltd		2	5 Stars	-	-
JS Large Capital Fund		98,400	4 Stars	49,200	4 Stars
		145,239		73,367	
Preference shares					
Pak Elektron Ltd		45,374	A1-A	45,374	A1-A
Total		9,548,679		9,789,579	

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

	2009	2008
	(Rupees in '000)	
JS Large Capital Fund	213,913	213,913
Pakistan Strategic Allocation Fund	100,000	100,000
Preference Shares - Pak Elektron Ltd.	37,500	37,500
Ordinary Shares - Pak Elektron Ltd.	12,500	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. 2010 to Aug. 2010	On Maturity	11.25 to 13.11	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
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 month over 7 years	Semi-annually	Average 6 months KIBOR plus 3 percent 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

	Face Value	Book Value	Market Value
National Investment Trust Units	119,826	700,000	362,473

(Rupees in '000)

9.6 Investment in listed securities - ordinary shares

2009 No. of ordinary shares	2008	Paid up value per share (Rs.)	Name of Company	2009 (Rupees in '000)	2008
1,800	-	10	Adamjee Insurance Co. Ltd.	162	-
554,444	554,444	10	Arif Habib Bank Ltd.	13,773	13,773
2,781	-	10	Arif Habib Ltd.	162	-
2,250	-	10	Arif Habib Securities Ltd.	67	-
1,000	-	10	Artistic Denim Mills Ltd.	23	-
313,875	251,100	10	Askari Commercial Bank Ltd.	19,569	19,569
1,100	-	10	Dawood Lawrencepur Ltd.	40	-
30,200	-	10	EFU Life Assurance Ltd.	10,191	-
120,000	120,000	10	Fauji Fertilizer Bin Qasim Ltd.	5,533	5,533
4,485	-	10	First Capital Securities Corp. Ltd.	40	-
56,000	-	10	First National Equities Ltd.	2,743	-
583,000	-	10	Ghandhara Nissan Ltd.	3,107	-
500,000	500,000	10	Hub Power Co. Ltd.	16,171	16,172
300	-	10	IGI Insurance Ltd.	26	-
18,467	-	10	Jahangir Siddiqui & Co. Ltd.	540	-
500	-	10	JS Global Capital Ltd.	36	-
500	-	10	JS Investment Ltd.	9	-
2,520	-	10	KASB Bank Ltd.	18	-
46,000	-	10	Kohinoor Weaving Mills Ltd.	656	-
105,000	105,000	10	Maple Leaf Cement Ltd.	2,691	2,691
3,700	-	10	National Bank Of Pakistan	271	-
867,500	-	10	Netsol Technologies Ltd.	22,967	-
20,000	-	10	New Jubilee Insurance Co. Ltd.	1,016	-
6,002	-	10	New Jubilee Life Insurance Co. Ltd.	237	-
680,000	680,000	10	Oil and Gas Development Co. Ltd.	85,258	85,258
272,477	247,706	10	Pak Electron Ltd.	12,500	12,500
200	-	10	Pakistan National Shipping Corp. Ltd.	10	-
475,200	396,000	10	Pakistan Petroleum Ltd.	95,462	95,462
25,900	-	10	Pioneer Cement Ltd.	358	-
11,500	-	10	Searle Pakistan Ltd.	458	-
550	-	10	Shell Pakistan Ltd.	124	-
100	-	10	Siddiq Sons Tin Plate Ltd.	1	-
1,000,000	-	10	Silkbank Ltd.	6,252	-
4,000	-	10	Trust Investment Bank Ltd.	39	-
Less: Deficit on revaluation of shares - net				300,510 (56,725)	250,958 (155,743)
Market Value as at December 31				243,785	95,215

9.7 Investment in Preference Shares

2009 No. of ordinary shares	2008	Paid up value per share (Rs.)	Name of Company	2009 (Rupees in '000)	2008
3,750,000	3,750,000	10	Pak Elektron Ltd.	37,500	37,500
Add: surplus on revaluation of shares - net				7,874	7,874
Market Value as at December 31				45,374	45,374

9.8 Investment in mutual funds

Investee	No. of units/ certificates	2009 Book Value (Rupees in '000)	Market Value
Pak Oman Advantage Fund	Close-ended	96,000	1,008
Pak Strategic Allocation Fund	Close-ended	10,000,000	44,400
PICIC Growth Fund	Close-ended	100,200	1,429
JS Large Capital Fund	Close-ended	21,391,312	98,400
JS Value Fund	Close-ended	300	2
			145,239
Less: Deficit on revaluation of mutual funds - (net) - available for sale			(172,979)
Market Value as at December 31			145,239

9.9 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	
2009	2008			2009	2008
-	10,000	Al Zamin Leasing Ltd.	Mr. Basheer Ahmed Chowdry	-	10,000
20,000	20,000	Azgard Nine Ltd.	Mr. Ahmed H. Shaikh	74,898	91,567
15,000	15,000	Telecard Ltd.	Mr. Shams-ul-Arfeen	38,861	48,086
Add: (Deficit) / Surplus on revaluation of TFCS - (net)				113,759	149,653
Market Value as at December 31				(8,015)	7,232
				105,744	156,885

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	
2009	2008			2009	2008
-	6,000	Bosicor Pakistan Ltd.	Mr. Amir Abbasciy	-	8,571
5,000	5,000	Dewan Farooq Spinning Mills Ltd.	Mr. Dewan Abdul Baqi Farooqi	6,250	9,375
1,860	1,860	Kunjah Textile Mills Ltd.	Mr. Manzoor Mir	9,300	9,300
10,000	10,000	Haq Bahu Sugar Mills (Pvt) Ltd.	Mr. Mohammad Irshad Butt	50,000	50,000
				65,550	77,246

9.10 Investment in unlisted securities - ordinary 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
1,000,000	9.10.1	Khushali Bank Ltd	Mr. Ghalib Nishtar	0.60%	10	10,000	11,026	Dec-08

9.10.1 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.

Note **2009** 2008
(Rupees in '000)

9.11 Particulars of Provision

Opening Balance	410,398	-
Charge During the year	209,416	410,398
Closing Balance	619,814	410,398

9.11.1 Particular of Provision in respect of type and segment

Mutual Funds	511,057	332,527
Listed Shares	93,207	77,871
Term Finance Certificates	15,550	-
	619,814	410,398

10. ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	19,927,801	20,853,278
Outside Pakistan	-	-
	19,927,801	20,853,278

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan	751,162	1,165,565
Payable outside Pakistan	470,173	1,007,939
	1,221,335	2,173,504

Advances - gross	10.1	21,149,136	23,026,782
Provision against loans and advances			
Specific provision		(3,719,959)	(2,085,533)
General provision against consumer loans		(754)	(1,168)
	10.3	(3,720,713)	(2,086,701)
Advances - net of provision		17,428,423	20,940,081

10.1 Particulars of advances - gross

10.1.1 In local currency	21,132,581	23,026,782
In foreign currencies	16,555	-
	21,149,136	23,026,782

10.1.2 Short term (for upto one year)	15,731,902	19,216,545
Long term (for over one year)	5,417,234	3,810,237
	21,149,136	23,026,782

10.2 Advances include Rs. 7,679.502 million (2008: 7,102.598 million) which have been placed under non-performing status as detailed below:

Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned	590	-	590	-	-	-	-	-	-
Substandard	1,076,428	-	1,076,428	37,240	-	37,240	37,240	-	37,240
Doubtful	259,447	-	259,447	20,159	-	20,159	20,159	-	20,159
Loss	6,343,037	-	6,343,037	3,662,560	-	3,662,560	3,662,560	-	3,662,560
	<u>7,679,502</u>	<u>-</u>	<u>7,679,502</u>	<u>3,719,959</u>	<u>-</u>	<u>3,719,959</u>	<u>3,719,959</u>	<u>-</u>	<u>3,719,959</u>

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>

10.3 Particulars of provision against non-performing advances

Note	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	2,085,533	1,168	2,086,701	975,385	1,847	977,232
Exchange adjustments	-	-	-	-	-	-
Charge for the year	1,862,016	-	1,862,016	1,541,932	-	1,541,932
Reversals	(162,670)	(414)	(163,084)	(371,336)	(679)	(372,015)
	1,699,346	(414)	1,698,932	1,170,596	(679)	1,169,917
Amounts written off	10.4 (64,920)	-	(64,920)	(60,448)	-	(60,448)
Closing balance	<u>3,719,959</u>	<u>754</u>	<u>3,720,713</u>	<u>2,085,533</u>	<u>1,168</u>	<u>2,086,701</u>

10.3.1 Particulars of provision against non-performing advances

	2009			2008		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	3,719,959	754	3,720,713	2,085,533	1,168	2,086,701
In foreign currencies	-	-	-	-	-	-
	<u>3,719,959</u>	<u>754</u>	<u>3,720,713</u>	<u>2,085,533</u>	<u>1,168</u>	<u>2,086,701</u>

10.3.2 During the current year, in order to comply with the requirements of BSD Circular No. 10, dated October 20, 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 40 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. 30-09-2009.

The additional impact on profitability arising from availing the benefit of FSV against pledged stocks and mortgaged commercial, residential properties & industrial properties (land & building only) is that it 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 year and advances net of provision at the end of the current year would have been lower by Rs 561.041 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	2009	2008
(Rupees in '000)			
10.4 Particulars of write offs:			
10.4.1 Against Provisions	10.3	64,920	60,448
Directly charged to Profit & Loss account		25,463	3,355
		90,383	63,803
10.4.2 Write Offs of Rs. 500,000 and above	10.5	13,753	62,887
Write Offs of Below Rs. 500,000		76,630	916
		90,383	63,803

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	2009	2008
(Rupees in '000)			
10.6 Particulars of loan and advances to associated companies etc.			
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		70,530	58,289
Loans granted during the year		23,225	45,145
Repayments		(16,688)	(32,904)
Balance at end of year		77,067	70,530
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		44,904	70,620
Loans granted during the year		893	1,072
Repayments		(893)	(26,788)
Balance at end of year		44,904	44,904
		121,971	115,434
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	6,569	19,121
Property and equipment	11.2	2,225,701	2,307,837
Intangible assets	11.3	89,575	87,825
		2,321,845	2,414,783

2009 2008
(Rupees in '000)

11.1 Capital work-in-progress

Civil works	-	14,769
Advances to suppliers and contractors	6,569	4,352
	<u>6,569</u>	<u>19,121</u>

11.2 Property and equipment

Note	COST / REVALUATION			ACCUMULATED DEPRECIATION				Book value as at December 31, 2009	Rate of depreciation %		
	As at January 1, 2009	Additions/ (deletions)	Adjustment	As at December 31, 2009	As at January 1, 2009	Charge/ depreciation on disposal	Adjustment			As at December 31, 2009	
(Rupees in '000)											
Tangible											
Lease hold land	11.2.1	693,457	350	28,816	722,623	-	-	-	722,623		
Buildings	11.2.1	1,423,847	25,825	(24,040)	1,425,632	166,985	62,259	6,757	236,001	1,189,631	5
Furnitures and fixtures		318,624	38,158	(5,066)	291,113	137,338	22,134	(11,420)	100,593	190,520	10 to 33.33
Computer equipments		260,387	4,480	6,438	271,218	148,499	37,682	10,261	196,355	74,863	25
Vehicles		127,888	10,305	(2,372)	129,259	63,544	25,228	(1,822)	81,195	48,064	20
			(6,562)				(5,755)				
2009	11.2.2	<u>2,824,203</u>	<u>79,118</u>	<u>3,776</u>	<u>2,839,845</u>	<u>516,366</u>	<u>147,303</u>	<u>3,776</u>	<u>614,144</u>	<u>2,225,701</u>	
			<u>(67,252)</u>				<u>(53,301)</u>				

	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)								
Tangible								
Lease hold land		504,782	253,175	693,457	-	-	-	693,457
			(64,500)					
Buildings		1,318,581	131,818	1,423,847	120,139	71,397	166,985	1,256,862
			(26,552)			(24,551)		
Furnitures and fixtures		234,017	98,346	318,624	132,066	15,389	137,338	181,286
			(13,739)			(10,117)		
Computer equipments		149,547	111,394	260,387	114,881	34,055	148,499	111,888
			(554)			(437)		
Vehicles		107,035	24,963	127,888	45,048	22,028	63,544	64,344
			(4,110)			(3,532)		
2008		<u>2,313,962</u>	<u>619,696</u>	<u>2,824,203</u>	<u>412,134</u>	<u>142,869</u>	<u>516,366</u>	<u>2,307,837</u>
			<u>(109,455)</u>			<u>(38,637)</u>		

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. 1,186.141 million over the written down value of Rs. 431.105 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 359,423

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 /	Accumulated	Book	Sale proceeds /	Gain /	Mode of disposal	Name of purchaser
	Revaluation	depreciation	value	Insurance	loss		
	----- (Rupees in '000) -----						
Vehicles							
Suzuki Cultus	688	149	539	590	51	Insurance Claim	Adamjee Insurance Co. Ltd.
Suzuki Alto	499	458	41	325	284	Insurance Claim	Adamjee Insurance Co. Ltd.
Honda Civic	1,224	1,224	-	809	809	Quotation	Mr. Muhammed Salim
Suzuki Baleeno	790	790	-	-	-	Given to Staff	Widow of Mr. Javed Iqbal
Other vehicles having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	3,361	3,134	227	2,331	2,104	Quotation	Various
Computer equipments							
Lap top	71	71	-	42	42	Insurance Claim	Adamjee Insurance Co. Ltd.
Other computer equipment having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	16	16	-	-	-	Write off	
Furniture and fixture							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	182	149	33	170	137	Insurance claim	Adamjee Insurance Co. Ltd.
	43,350	33,650	9,700	-	(9,700)	Write off	
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	1,111	793	318	222	(96)	Quotation	Various
	15,960	12,867	3,093	-	(3,093)	Write off	
	<u>67,252</u>	<u>53,301</u>	<u>13,951</u>	<u>4,489</u>	<u>(9,462)</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 value of these properties as at December 31, 2009 amounts to Rs. 320.602 million. (December 31, 2008:292.55 million).

11.3 Intangible assets

	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) -----							
2009	<u>104,235</u>	<u>13,265</u>	<u>117,500</u>	<u>16,410</u>	<u>11,515</u>	<u>27,925</u>	<u>89,575</u>	10 to 33.33
2008	<u>9,888</u>	<u>94,347</u>	<u>104,235</u>	<u>8,135</u>	<u>8,275</u>	<u>16,410</u>	<u>87,825</u>	10 to 33.33

	Note	2009	2008
(Rupees in '000)			
12. DEFERRED TAX ASSETS - NET			
Deferred tax debits arising in respect of			
Provision against advances		1,228,227	730,167
Provision against other assets		2,100	2,100
Deficit on revaluation of investments	19.2	7,206	135,411
Amortization of premium on purchase of government securities		28,316	25,359
Provision for impairment against investments		216,935	143,639
Mark-up in suspense account		7,393	7,393
		<u>1,490,177</u>	<u>1,044,069</u>
Deferred tax credits arising due to			
Surplus on revaluation of fixed assets	19.1	(218,224)	(229,709)
Accelerated tax depreciation		(109,612)	(112,384)
		<u>1,162,341</u>	<u>701,976</u>
13. OTHER ASSETS			
Income/ mark-up accrued in local currency		434,705	792,783
Income/ mark-up accrued in Foreign currency		331	-
Advances, deposits, advance rent and other prepayments		179,450	246,546
Advance taxation (payments less provisions)		301,144	213,849
Unrealized gain on forward foreign exchange contracts		9,069	-
Non-Banking assets acquired in satisfaction of Claim	13.1 & 13.2	1,061,717	-
Others		19,068	26,698
		<u>2,005,484</u>	<u>1,279,876</u>
Less: Provision held against other assets	13.3	(6,714)	(6,714)
Other assets (net of provision)		<u>1,998,770</u>	<u>1,273,162</u>
13.1 Market value of Non-banking assets acquired in satisfaction of claims		<u>1,426,474</u>	<u>-</u>

13.2 During the year, the bank acquired properties as consideration from Dewan Group against the loans and advances and incurred transfer costs thereon. The said company has the option to repurchase such properties from the Bank within two years at the same consideration.

2009 2008
(Rupees in '000)

13.3 Provision against other assets

Opening balance	6,714	6,714
Charge for the year	-	-
Reversals	-	-
Amount written off	-	-
Closing balance	<u>6,714</u>	<u>6,714</u>

	Note	2009	2008
		(Rupees in '000)	
14. BILLS PAYABLE			
In Pakistan		330,759	273,286
Outside Pakistan		-	-
		<u>330,759</u>	<u>273,286</u>
15. BORROWINGS			
In Pakistan		2,542,766	4,591,740
Outside Pakistan		7,620	8,691
		<u>2,550,386</u>	<u>4,600,431</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		2,542,766	4,457,273
In foreign currencies		7,620	143,158
		<u>2,550,386</u>	<u>4,600,431</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Under export re-finance scheme	15.3	2,048,931	1,776,146
Under Long Term Finance - Export Oriented Projects Scheme (LTF-EOP)	15.4	188,795	188,794
Under Long Term Financing facility (LTFF)	15.5	5,040	5,040
Repurchase agreement borrowings	15.6	-	2,487,293
		<u>2,242,766</u>	<u>4,457,273</u>
Unsecured			
Call borrowings	15.7	300,000	-
Overdrawn nostro accounts		7,620	8,691
Borrowing from financial institutions	15.8	-	134,467
		<u>307,620</u>	<u>143,158</u>
		<u>2,550,386</u>	<u>4,600,431</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 7 percent per annum (2008: 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 (2008: 5 percent per annum) payable on quarterly basis. These LTF-EOP 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 Nil (2008: 14.9 percent to 15 percent per annum).
- 15.7 These carry mark up rate of 12.4 percent per annum (2008: Nil). These are repayable on January 2, 2010.
- 15.8 This represents foreign currency borrowings aggregated to Nil and carry mark-up rate at Nil (2008: 5.75 percent per annum).

Note **2009** 2008
(Rupees in '000)

16. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	12,745,935	16,460,303
Savings deposits	5,769,376	4,344,845
Current accounts - Non-remunerative	6,687,195	5,471,558
Call deposits - Non-remunerative	174,851	139,154
Margin accounts - Non-remunerative	823,151	665,025
	<u>26,200,508</u>	<u>27,080,885</u>

Financial Institutions

Remunerative deposits	647,231	951,197
Non-remunerative deposits	1,069	653
	<u>648,300</u>	<u>951,850</u>
	<u>26,848,808</u>	<u>28,032,735</u>

16.1 Particulars of deposits

In local currency	16.1.1	25,962,574	27,212,121
In foreign currencies		886,234	820,614
		<u>26,848,808</u>	<u>28,032,735</u>

16.1.1 The above includes deposits of related parties amounting to Rs 100.019 million (2008: Rs. 26.790 million).

2009 2008
(Rupees in '000)

17. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	504,868	597,357
Mark-up / return / interest payable in foreign currencies	48	2,468
Accrued expenses	33,436	32,241
Unclaimed dividend	1,415	1,415
Branch adjustment account	26,280	26,806
Unrealized loss on forward foreign exchange contracts	-	20,160
Payable to defined contribution plan	-	2,129
Others	89,841	70,907
	<u>655,888</u>	<u>753,483</u>

18. SHARE CAPITAL

18.1 Authorized capital

2009	2008		2009	2008
Number of shares			(Rupees in '000)	
700,000,000	700,000,000	Ordinary shares of Rs.10 each	7,000,000	7,000,000

18.2 Issued, subscribed and paid up

Number of shares			2009	2008
487,117,900	487,117,900	Fully paid in cash	4,871,179	4,871,179
43,240,300	43,240,300	Issued as bonus shares	432,403	432,403
530,358,200	530,358,200		5,303,582	5,303,582

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (free of losses) for all locally incorporated banks to be Rs. 6 billion by the end of the financial year 2009. The Bank has Shortfall of Rs. 2.089 billion as of December 31, 2009, however, the bank has been given exemption from such requirement by SBP till March 31, 2010.

	Note	2009	2008
		(Rupees in '000)	
19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS-NET			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- Fixed assets	19.1	845,555	866,886
- Available-for-sale securities	19.2	24,077	(577,548)
		869,632	289,338
19.1 Surplus on revaluation of fixed assets (net of tax)			
Balance as at January 1		1,096,595	1,188,262
Adjustment during the year		-	(57,215)
Transferred to unappropriated profit in respect of			
- Incremental depreciation - net of deferred tax		(21,331)	(22,394)
- Related deferred tax liability		(11,485)	(12,058)
		(32,816)	(34,452)
Surplus on revaluation of fixed assets as at December 31,		1,063,779	1,096,595
Less: Related deferred tax liability on:			
- Revaluation as at January 01		229,709	239,218
- Transferred to profit & loss account on account of incremental depreciation		(11,485)	(12,058)
- Adjustment during the year		-	2,549
		218,224	229,709
		845,555	866,886

2009 2008
(Rupees in '000)

19.2 Surplus / (deficit) on revaluation of available-for-sale securities (net of tax)

Federal Government Securities

- Market Treasury Bills
- Pakistan Investment Bonds
- GoP Ijara Sukuk Bonds

Term Finance Certificates

Other Investments

- Listed Securities
- Mutual funds - units
- National Investment Trust units

Related deferred tax asset

(19,580)	(19,472)
(540)	
99	
(8,015)	7,232
44,356	(77,872)
551	(412,744)
-	(210,103)
16,871	(712,959)
7,206	135,411
24,077	(577,548)

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

- i) Government
- ii) Banks and other financial institutions
- iii) Others

-	-
-	-
489,627	629,230

20.2 Transaction-related contingent liabilities

Contingent liabilities in respect of guarantees given, favoring

- i) Government
- ii) Banks and other financial institutions
- iii) Others

1,666,871	1,682,140
6,582	-
121,022	146,708

20.3 Trade-related contingent liabilities

Contingent liabilities in respect of letter of credits accepted, favouring

- i) Banks and other financial institutions

3,078,347	3,516,832
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20.4 Taxation

Return filed by the Bank for tax year 2009 (Financial year 2008) has been treated as envisaged in section 120 of the Income Tax Ordinance, 2001. For the tax year 2003, the ITAT decided the case in the favour 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. The Taxation Officer finalized the order on account of allocation of expenses to dividend income and created demand of Rs. 36.224 million altogether by way of a new order and ignoring the clear directions of Sindh High Court against which the bank has filed an appeal before the CIT (Appeals). 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 preferred to file an appeal before the ITAT, where the matter is pending for disposal. The taxation officer has finalized the assessment order for the tax year 2006 and created a demand amounting to Rs. 125.972 million, the bank preferred to file an appeal before the CIT(Appeals) against this order as well.

No provision has been made in the financial statements, as the management is confident about favourable 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.

2009 2008
(Rupees in '000)

20.6 Commitments in respect of forward exchange contracts

Sale	1,049,850	779,079
Purchase	1,579,475	1,391,942

Principal Terms of Agreement

Sale:

Currencies	Counter Parties	Maturity
USD	Banks and Financial Institutions	Jan. 04, 2010 - Feb. 19, 2010
EURO	Banks and Financial Institutions	Jan. 04, 2010 - Feb. 19, 2010
GBP	Banks and Financial Institutions	Jan. 04, 2010 - Mar. 8, 2010

Purchase:

Currencies	Counter Parties	Maturity
USD	Banks and Financial Institutions	Jan. 04, 2010 - Mar. 8, 2010
USD	Customers	Jan. 2, 2010 - Apr. 28, 2010
EURO	Banks and Financial Institutions	Jan. 19, 2010
EURO	Customers	Jan. 4, 2010 - Feb. 15, 2010
GBP	Banks and Financial Institutions	Jan. 4, 2010 - Jan 12, 2010
GBP	Customers	Jan. 20, 2010 - Mar. 03, 2010

2009 **2008**
(Rupees in '000)

20.7 Commitments in respect of sale and purchase of securities

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

20.8 Commitments to extent credit

The Bank has made commitments to extend credits to its customers in the normal course of business that amounts to Rs. 7,371 million as at December 31, 2009 (2008: Rs. 5,847 million). These being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

Note **2009** **2008**
(Rupees in '000)

21. MARK-UP / RETURN / INTEREST EARNED

a) On loans and advances to customers	21.1	2,339,648	2,852,410
b) On investments in:			
i) Available for sale securities		805,527	490,042
ii) Held to maturity securities		40,587	33,788
c) On deposits with financial institutions		16,110	109,213
d) On securities purchased under resale agreements		152,966	122,942
e) On call money lendings		13,380	32,392
		<u>3,368,218</u>	<u>3,640,787</u>

21.1 This includes mark-up earned on advances to associated undertakings of Rs. 2.276 million (2008: Rs. 3.805 million).

2009 **2008**
(Rupees in '000)

22. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	2,301,885	2,374,692
Securities sold under repurchase agreements	468,403	180,360
Other short term borrowings	102,407	250,093
Borrowing from the State Bank of Pakistan	9,207	24,433
	<u>2,881,902</u>	<u>2,829,578</u>

23. LOSS ON SALE OF SECURITIES - NET

Market Treasury Bills	17,473	53
Pakistan Investment Bonds	1,318	-
Term Finance Certificates	-	5,337
Shares - Listed	17,428	1,034
Mutual Funds	(147,428)	(255,446)
	<u>(111,209)</u>	<u>(249,022)</u>

24. OTHER INCOME - NET

Net loss on sale of fixed assets	(9,462)	(24,672)
Recovery income	16,529	9,955
Rent of lockers	2,910	2,453
Miscellaneous	107,186	76,230
	<u>117,163</u>	<u>63,966</u>

	Note	2009	2008
		(Rupees in '000)	
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		405,766	345,244
Contribution to defined contribution plan		12,295	9,916
Non-executive directors' fees, allowances and other expenses		700	1,070
Rent, taxes, insurance, electricity, etc.		151,388	122,034
Legal and professional charges		44,715	24,339
Communications		63,300	56,744
Repairs and maintenance		37,867	48,640
Stationery and printing		23,135	20,287
Advertisement and publicity		6,697	29,085
Auditors' remuneration	25.1	1,815	2,150
Depreciation	11.2	147,303	142,869
Amortization	11.3	11,515	8,275
Traveling and conveyance		43,314	38,261
Security charges		34,095	28,494
Others		80,275	45,130
		1,064,180	922,538
25.1 Auditors' remuneration			
Audit fee		1,500	1,500
Special certifications and sundry advisory services		150	500
Out-of-pocket expenses		165	150
		1,815	2,150
26. OTHER CHARGES			
Penalties imposed by the SBP		28,595	8,474
27. TAXATION			
For the year			
Current tax		19,378	75,259
Prior year tax		52,509	-
Deferred taxation		(588,570)	(485,791)
		(516,683)	(410,532)
27.1 Relationship between tax expense and accounting profit			
Accounting loss before tax for the year		(2,156,512)	(760,825)
Tax rate		35%	35%
Tax on income		(754,779)	(266,289)
Tax effect on separate block of income (taxable at reduced rate)		-	(188,149)
Tax effect of permanent differences		309,463	23,870
Others		(71,367)	20,036
		(516,683)	(410,532)

2009 2008

28. BASIC AND DILUTED EARNING / (LOSS) PER SHARE

There is no diluted effect on the basic earnings / (loss) per share of the Bank

Loss for the year - Rupees in thousands	(1,639,829)	(350,293)
Weighted average number of ordinary shares (in thousands)	530,358	443,391
Basic loss per share - Rupees	(3.09)	(0.79)

Note 2009 2008
(Rupees in '000)

29. CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	6	2,073,321	1,862,545
Balance with other banks	7	433,055	566,725
Call money lendings	8	35,000	65,000
Overdrawn nostro accounts	15	(7,620)	(8,691)
		2,533,756	2,485,579

2009 2008
Number

30. STAFF STRENGTH

Permanent		840	832
Temporary / on contractual basis		90	98
Total staff strength		930	930

31. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 840 employees (2008: 832 employees) where contributions are made by the Bank and employees @ 8.33 percent (2008: 8.33 percent) of the basic salary. During the year, the Bank has contributed Rs. 12.295 million (2008: Rs. 9.916 million) in respect of this fund.

32. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	------(Rupees in '000)-----					
Fees	-	-	700	1,070	-	-
Managerial remuneration	9,120	9,375	-	-	46,905	32,801
Contribution to defined contribution plan	-	-	-	-	2,867	1,893
Rent and house maintenance	720	720	-	-	21,137	14,760
Utilities	912	684	-	-	2,292	1,568
Medical	912	938	-	-	3,913	2,733
Others	2,078	5,660	-	-	20,501	17,386
	13,742	17,377	700	1,070	97,615	71,141
Number of persons	1	1	7	7	52	35

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

	2009		2008	
	Book value	Fair value	Book value	Fair value
-----Rupees in '000-----				
Assets				
Cash balances with treasury banks	2,073,321	2,073,321	1,862,545	1,862,545
Balances with other banks	433,055	433,055	566,725	566,725
Lending to financial institutions	35,000	35,000	1,748,761	1,748,761
Investments	10,037,950	9,955,414	10,294,970	10,161,724
Advances	17,428,423	17,428,423	20,940,081	20,940,081
Other assets	444,105	444,105	792,783	792,783
	<u>30,451,854</u>	<u>30,369,318</u>	<u>36,205,865</u>	<u>36,072,619</u>
Liabilities				
Bills payable	330,759	330,759	273,286	273,286
Borrowings	2,550,386	2,550,386	4,600,431	4,600,431
Deposits and other accounts	26,848,808	26,848,808	28,032,735	28,032,735
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	539,767	539,767	655,770	655,770
	<u>30,269,720</u>	<u>30,269,720</u>	<u>33,562,222</u>	<u>33,562,222</u>

33.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>1,579,475</u>	<u>1,579,475</u>	<u>1,391,942</u>	<u>1,391,942</u>
Forward sale of foreign exchange	<u>1,049,850</u>	<u>1,049,850</u>	<u>779,079</u>	<u>779,079</u>
Purchased under re-sale agreements	<u>-</u>	<u>-</u>	<u>1,286,654</u>	<u>1,286,654</u>

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 have 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. 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:-

	2009				2008			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----							
Total income	100,763	1,170,679	152,464	2,343,778	62,431	1,487,447	100,019	2,933,538
Total expenses	19,218	1,200,064	89,069	4,615,770	14,561	1,232,191	71,850	4,025,007
Net income	81,545	(29,385)	63,395	(2,271,992)	47,870	255,256	28,169	(1,091,469)
Segment Assets (Gross)	682,100	14,901,410	197,519	23,446,103	655,634	17,620,024	347,288	23,266,758
Segment Non Performing Loans	-	-	27,595	7,651,908	-	-	124,906	6,977,691
Segment Provision Required	-	-	16,871	3,703,842	-	410,398	62,838	2,023,863
Segment Liabilities	530	340,822	2,469,106	27,587,809	945	2,712,904	1,899,756	29,045,680
Segment Return on net Assets (ROA) (%)	11.96%	-0.20%	-2.79%	54.86%	7.31%	1.71%	-1.81%	18.89%
Segment Cost of funds (%)	0.00%	13.86%	2.07%	9.81%	0.00%	16.36%	3.94%	8.27%

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, 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:

	2009			2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
Advances						
At January 1	-	44,904	70,530	-	70,620	58,289
Disbursed during the year	-	893	23,225	-	1,072	45,145
Repaid during the year	-	(893)	(16,688)	-	(26,788)	(32,904)
At December 31	-	44,904	77,067	-	44,904	70,530
Deposits						
At January 1	2,830	24	23,936	2,442	80	14,396
Placements during the year	89,613	-	208,838	123,800	2,019	64,192
Withdrawals during the year	(90,901)	(21)	(134,300)	(123,412)	(2,075)	(54,652)
At December 31	1,542	3	98,474	2,830	24	23,936
Mark-up / interest / return earned	-	2,276	3,595	-	3,805	3,928
Mark-up / interest / return expensed	65	-	8,856	159	-	1,181
Mark-up receivable	-	-	3	-	1,824	11
Mark-up payable	-	-	5,943	-	-	-
Contribution to provident fund	-	-	12,295	-	-	9,916
Remuneration paid	29,906	-	-	28,246	-	-

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 10% as per BSD Circular No. 07 dated April 15, 2009.

36.2 Capital Structure

Bank's regulatory capital is analyzed in two tiers:

- Tier I capital, which includes Fully Paid up capital, General Reserves as disclosed on the Balance Sheet and un-appropriated profits (net of accumulated losses) subject to deductions for intangibles.
- Tier II capital, which includes general provisions or general reserves for loan losses (upto maximum of 1.25% of Risk Weighted Assets) and Revaluation Reserve created by revaluation of fixed assets and equity instruments held by the Bank (upto maximum of 45% of the balance in the related reserve).

	2009	2008
	(Rupees in '000)	
Tier 1 Capital		
Fully paid-up capital	5,303,582	5,303,582
Reserves	324,005	324,005
Accumulated loss / Unappropriated profits	(1,392,355)	226,143
	4,235,232	5,853,730
Less: Book value of intangibles	89,575	87,825
Total Tier I Capital	4,145,657	5,765,905
Tier 2 Capital		
General Provisions	754	1,168
Revaluation Reserve	391,334	130,202
Total Tier II Capital	392,088	131,370
Eligible Tier 3 Capital	-	-
Total Regulatory Capital Base	4,537,745	5,897,275

36.3 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
-----Rupees in '000-----				
Credit Risk				
Claims on				
Public sector enterprise	-	450	-	5,000
Banks	36,349	39,976	363,491	444,181
Corporate	1,280,732	1,788,996	12,807,317	19,877,733
Retail	25,459	64,767	254,588	719,629
Secured by residential property	3,192	2,526	31,920	28,069
Past due loans	415,258	460,405	4,152,580	5,115,615
Unlisted equity investments	1,500	1,483	15,000	16,476
Investments in fixed assets	232,185	217,331	2,321,845	2,414,785
Other assets	276,617	110,955	2,766,165	1,232,829
	<u>2,271,292</u>	<u>2,686,889</u>	<u>22,712,906</u>	<u>29,854,317</u>
Market Risk				
Interest Rate Risk	42,079	14,084	525,988	176,051
Equity exposure	62,243	93,012	778,038	1,162,653
Foreign Exchange Risk	9,052	16,023	113,150	200,286
	<u>113,374</u>	<u>123,119</u>	<u>1,417,176</u>	<u>1,538,990</u>
Operational Risk				
	<u>205,222</u>	<u>217,281</u>	<u>2,565,275</u>	<u>2,716,013</u>
	<u>2,589,888</u>	<u>3,027,289</u>	<u>26,695,357</u>	<u>34,109,320</u>
Capital adequacy ratio				
Total eligible regulatory capital held (Note 36.2)	(a) 4,537,745	5,897,275		
Total risk weighted assets (Note 36.3)	(b) 26,695,357	34,109,320		
Capital adequacy ratio	(a) / (b) 17.00%	17.29%		

36.4 Credit exposures subject to Standardized Approach

Exposure	Rating Category	2009		Net Amount
		Amount Outstanding	Deduction CRM	
-----Rupees in '000-----				
Cash and cash equivalents		775,576	-	775,576
Gop and SBP		1,769,398	-	1,769,398
Banks	1	439,007	-	439,007
Banks	2,3	67,899	-	67,899
Banks	4,5	-	-	-
Banks	Unrated	164,938	-	164,938
Banks - three months or less	1,2,3	88,852	-	88,852
Banks - three months or less	4,5	9,066	-	9,066
Banks - three months or less	Unrated	684,837	-	684,837
Corporate	1	1,666,222	2,215	1,664,007
Corporate	2	364,651	-	364,651
Corporate	3,4	-	-	-
Corporate	5,6	35,000	-	35,000
Corporate	Unrated	13,061,259	821,542	12,239,717
Retail		1,637,112	1,297,662	339,450
Secured by residential property		91,201	-	91,201
Past due loans		3,991,068	-	3,991,068
Unlisted equity investments		10,000	-	10,000
Investments in fixed assets		2,321,845	-	2,321,845
Other assets		2,766,165	-	2,766,165
		<u>29,944,096</u>	<u>2,121,419</u>	<u>27,822,677</u>

Exposure	Rating Category	2008		Net Amount
		Amount Outstanding	Deduction CRM	
-----Rupees in '000-----				
Cash and cash equivalents		643,376	-	643,376
Gop and SBP		6,382,668	-	6,382,668
PSE		10,000	-	10,000
Banks	1	859,264	-	859,264
Banks	2,3	-	-	-
Banks	4,5	-	-	-
Banks	Unrated	43,266	-	43,266
Banks - three months or less	1,2,3	282,085	-	282,085
Banks - three months or less	4,5	4,907	-	4,907
Banks - three months or less	Unrated	4,550,892	3,641,055	909,837
Corporate	1	2,201,468	9,704	2,191,764
Corporate	2	640,629	25,620	615,009
Corporate	3,4	125,355	12,339	113,016
Corporate	5,6	-	-	-
Corporate	Unrated	19,728,838	709,979	19,018,859
Retail		1,248,820	289,314	959,506
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		1,232,829	-	1,232,829
		<u>45,644,612</u>	<u>4,688,011</u>	<u>40,956,601</u>

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 provide persistent 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 requires (through BSD Circular No. 07 dated April 15, 2009) the minimum paid up capital (free of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. This increase is to be complied in a phased manner whereby bank's paid up capital (free of losses) is to be raised to Rs. 6 billion by the end of the financial year 2009. As on December 31, 2009, the paid up capital (free of losses) of the Bank stands at Rs. 3.9 billion i.e. shortfall of Rs. 2.1 billion. However, SBP has given an exemption to the bank from such requirement upto March 31, 2010. In addition to the minimum paid up capital (free of losses) requirement, the banks are also required to maintain a minimum CAR of 10% of their risk weighted exposure. The Bank's CAR as at December 31, 2009 was 17% 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: cash 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 earning potential and opportunities leading to shareholders 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, 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. 30,452 million (2008: Rs. 36,205 million) the financial assets which are subject to credit risk amounted to Rs. 29,676 million (2008: 35,562 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 9,095 million (2008: 5,258 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 1,253 million (2008: 1,154 million) is held by the Bank with the State Bank of Pakistan.

37.1.1 Segmental information

37.1.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	94,229	0.45%	458,931	1.71%	-	0.00%
Mining and Quarrying	67,942	0.32%	7,136	0.03%	5,027	0.06%
Textile	6,381,439	30.17%	671,968	2.50%	403,520	5.05%
Chemical and Pharmaceuticals	505,717	2.39%	485,662	1.81%	740,516	9.27%
Cement	389,169	1.84%	4,316	0.02%	118,080	1.48%
Sugar	2,793,795	13.21%	5,207	0.02%	65,634	0.82%
Footwear and Leather Garments	188,870	0.89%	67,056	0.25%	20,908	0.26%
Automobile and Transportation Equipment	921,416	4.36%	41,557	0.15%	932	0.01%
Electronics and Electrical Appliances	507,944	2.40%	128,191	0.48%	112,420	1.41%
Machinery and Allied Equipments	281,067	1.33%	226,152	0.84%	537,271	6.72%
Construction	673,801	3.19%	460,947	1.72%	166,514	2.08%
Power (electricity), Gas, Water, Sanitary	41,825	0.20%	830,683	3.09%	2,074,894	25.96%
Wholesale and Retail Trade	816,513	3.86%	2,097,605	7.81%	212,107	2.65%
Exports/Imports	485,592	2.30%	760,852	2.83%	282,586	3.54%
Transport, Storage and Communication	560,221	2.65%	82,038	0.31%	9,505	0.12%
Financial	679,707	3.21%	168,910	0.63%	2,629,324	32.90%
Insurance	161	0.00%	91,541	0.34%	-	0.00%
Services	1,727,538	8.17%	3,329,971	12.40%	6,737	0.09%
Individuals	113,326	0.54%	7,522,867	28.02%	-	0.00%
Others	3,918,864	18.52%	9,407,218	35.04%	605,799	7.58%
	<u>21,149,136</u>	<u>100%</u>	<u>26,848,808</u>	<u>100%</u>	<u>7,991,774</u>	<u>100%</u>

	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>

37.1.1.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,268	18%	1,666,871	21%
Private	21,149,136	100%	21,960,540	82%	6,324,903	79%
	<u>21,149,136</u>	<u>100%</u>	<u>26,848,808</u>	<u>100%</u>	<u>7,991,774</u>	<u>100%</u>

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,287	17%	1,682,140	14%
Private	23,026,782	100%	23,144,448	83%	10,238,753	86%
	<u>23,026,782</u>	<u>100%</u>	<u>28,032,735</u>	<u>100%</u>	<u>11,920,893</u>	<u>100%</u>

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, Forestry, Hunting and Fishing	44,105	7,396	106,609	50,497
Mining and Quarrying	4,670	1,504	-	-
Textile	2,748,408	1,411,439	1,680,234	621,520
Chemical and Pharmaceuticals	160,889	108,083	24,463	21,713
Cement	329,169	197,501	343,959	86,189
Sugar	1,312,395	787,437	1,376,003	293,998
Footwear and Leather Garments	13,253	1,335	-	-
Automobile and Transportation Equipment	877,839	523,440	1,645,018	215,701
Electronics and Electrical Appliances	694	-	739	739
Machinery and Allied Equipments	289	289	-	-
Construction	376,107	53,557	11,052	11,052
Power (electricity), Gas, Water, Sanitary	30,108	9,688	2,670	2,670
Wholesale and Retail Trade	167,842	72,625	40,736	32,865
Exports/Imports	300,017	192,966	125,757	12,732
Transport, Storage and Communication	141,079	127,668	127,609	127,609
Financial	68,198	19,341	-	-
Services	144,617	27,480	180,938	99,651
Individuals	10,231	8,721	201,257	95,121
Others	949,592	169,489	1,235,554	413,476
	<u>7,679,502</u>	<u>3,719,959</u>	<u>7,102,598</u>	<u>2,085,533</u>

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

Public/ Government	-	-	-	-
Private	7,679,502	3,719,959	7,102,598	2,085,533
	<u>7,679,502</u>	<u>3,719,959</u>	<u>7,102,598</u>	<u>2,085,533</u>

37.1.3 Geographical segment analysis

The Bank does not have banking 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
- Risk Management Division

37.2.1 Currency Risk

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	35,021,147	29,491,942	(529,624)	4,999,581
United States Dollar	324,766	615,656	362,414	71,524
Great Britain Pound	51,418	155,043	113,498	9,873
ACU	6,933	-	-	6,933
Euro	82,130	123,177	53,712	12,665
Japanese Yen	2,340	-	-	2,340
UAE Dirham	1,036	23	-	1,013
Canadian Dollar	69	-	-	69
Singapore Dollar	153	-	-	153
Swiss Franc	713	-	-	713
	<u>35,490,705</u>	<u>30,385,841</u>	<u>-</u>	<u>5,104,864</u>
	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan Rupee	39,227,816	32,693,694	(591,235)	5,942,887
United States Dollar	237,838	788,213	647,975	97,600
Great Britain Pound	96,328	94,272	-	2,056
ACU	1,728	-	-	1,727
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 Franc	108	-	-	108
	<u>39,803,003</u>	<u>33,659,935</u>	<u>-</u>	<u>6,143,068</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 exist 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.

2009

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	

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	2,073,321	-	-	-	-	-	-	-	-	-	-	-	2,073,321
Balances with other banks	433,055	215,647	-	-	16,851	-	-	-	-	-	-	-	200,557
Lending to financial institutions	35,000	35,000	-	-	-	-	-	-	-	-	-	-	-
Investments	10,037,950	3,185,622	4,391,865	931,057	111,265	561,810	-	-	49,460	-	-	-	806,871
Advances	17,428,423	1,741,292	2,866,496	3,780,706	3,622,695	571,495	-	581,733	9,330	-	7,033	-	3,720,714
Other assets	444,105	-	-	-	-	-	-	-	-	-	-	-	444,105
Total	30,451,854	1,991,939	6,052,118	8,172,571	4,570,603	638,194	1,133,305	581,733	58,790	7,033	-	-	7,245,588

Liabilities

Bills payable	330,759	-	-	-	-	-	-	-	-	-	-	-	330,759
Borrowings	2,550,386	980,450	663,138	858,340	29,075	19,383	-	-	-	-	-	-	-
Deposits and other accounts	26,848,808	2,670,489	4,582,649	5,242,180	5,830,990	302,084	228,454	291,084	14,610	-	-	-	7,686,268
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	539,767	-	-	-	-	-	-	-	-	-	-	-	539,767
Total	30,269,720	3,650,939	5,245,787	6,100,520	5,860,065	321,467	228,454	291,084	14,610	-	-	-	8,556,794
	182,134	(1,659,000)	806,331	2,072,051	(1,289,462)	316,727	904,851	290,649	44,180	7,033	-	-	(1,311,226)

On-balance sheet gap

Off-balance sheet financial instruments

Purchase and resale agreements	-	-	-	-	-	-	-	-	-	-	-	-	-
Forward sale of equity securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-	-

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap

Reconciliation with total assets:

Assets as per above	30,451,854
Deferred Tax	1,162,341
Fixed Assets	2,321,845
Other Assets	1,554,665
Assets as per Balance Sheet	35,490,705

Reconciliation with total liabilities:

Liabilities as per above	30,269,720
Provision for Taxation	-
Others	116,121
Liabilities as per Balance Sheet	30,385,841

2008

Effective Yield/Interest Rate	Exposed to Yield/Interest risk							Non-interest bearing financial instruments
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	

Rupees in '000

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks	1,862,545	-	-	-	-	-	-	-	-	-	1,720,128
Balances with other banks	566,725	97,554	-	-	-	-	-	-	-	-	469,171
Lending to financial institutions	1,748,761	856,458	-	-	-	-	-	-	-	-	-
Investments	10,294,970	3,583,283	692,718	17,946	78,086	547,621	9,300	4,867,270	-	-	4,867,270
Advances	20,940,081	746,925	3,740,218	3,929,502	925,622	1,149,805	1,720,417	8,621	5,773	-	5,017,064
Other assets	792,783	-	-	-	-	-	-	-	-	-	792,783
Total	36,205,865	2,342,100	4,388,852	3,947,448	925,622	1,227,891	2,268,038	17,921	5,773	-	12,866,416

Liabilities

Bills payable	273,286	-	-	-	-	-	-	-	-	-	273,286
Borrowings	4,600,431	367,486	508,254	419,606	419,607	-	-	-	-	-	-
Deposits and other accounts	28,032,735	3,786,660	2,758,380	8,175,476	1,206,550	414,689	339,531	36,140	-	-	6,276,961
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	655,770	-	-	-	-	-	-	-	-	-	655,770
Total	33,562,222	6,672,138	3,266,634	8,595,082	1,626,157	414,689	339,531	36,140	-	-	7,206,017
On-balance sheet gap	2,643,643	(4,330,038)	1,122,218	(4,647,634)	(700,535)	813,202	1,928,507	(18,219)	5,773	-	5,660,399

Off-balance sheet financial instruments

Purchase and resale agreements	1,286,654	306,457	-	-	-	-	-	-	-	-	-
Forward sale of equity securities	2,488,308	2,488,308	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	3,774,962	2,794,765	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(1,535,273)	3,790,167	1,122,218	(4,647,634)	(700,535)	813,202	1,928,507	(18,219)	5,773	-	5,660,399

Cumulative Yield/Interest Risk Sensitivity Gap

Reconciliation with total assets:	(1,535,273)	2,254,894	3,377,112	(1,270,522)	(1,971,057)	(1,157,855)	770,652	752,433	758,206	6,418,605
Assets as per above	36,205,865									
Fixed Assets	2,414,783									
Deferred Tax	701,976									
Other Assets	480,379									
Assets as per Balance Sheet	39,803,003									

Reconciliation with total liabilities:

Liabilities as per above	33,562,222									
Provision for taxation	-									
Others	97,713									
Liabilities as per Balance Sheet	33,659,935									

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

2009

	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
-----Rupees in '000-----									
Assets									
Cash and balances with treasury banks	2,073,321	-	-	-	-	-	-	-	-
Balances with other banks	433,055	-	16,848	-	-	-	-	-	-
Lending to financial institutions	35,000	-	-	-	-	-	-	-	-
Investments	10,037,950	3,366,699	4,572,942	1,051,776	111,265	561,810	203,280	49,460	-
Advances	17,428,423	4,726,853	3,780,706	3,622,695	526,930	571,495	581,733	9,330	7,033
Operating fixed assets	2,321,845	24,930	36,745	72,015	132,068	94,983	153,996	291,014	1,503,620
Deferred tax assets	1,162,341	-	58,117	58,117	116,234	174,351	232,468	232,468	-
Other assets	1,998,770	546,377	1,998,770	301,135	1,061,717	89,541	-	-	-
	35,490,705	6,805,745	8,176,600	5,105,738	1,948,214	1,402,639	1,261,018	582,272	1,743,121
Liabilities									
Bills payable	330,759	-	-	-	-	-	-	-	-
Borrowings	2,550,386	980,450	663,138	29,075	19,384	-	-	-	-
Deposits and other accounts	26,848,808	5,583,224	6,848,806	5,995,613	384,399	228,454	291,084	14,610	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	655,888	640,778	798	9,513	330	140	2,705	-	-
	30,385,841	7,535,211	7,512,742	6,034,201	404,113	228,594	293,789	14,610	-
Net assets	5,104,864	(729,466)	663,858	(928,463)	1,544,101	1,174,045	967,229	567,662	1,743,121
Share capital	5,303,582								
Reserves	324,005								
Unappropriated profit	(1,392,355)								
Surplus / (deficit) on revaluation of assets	869,632								
	5,104,864								

2008

	Rupees in '000									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Assets										
Cash and balances with treasury banks	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	-	78,086	947,229	9,300	-	-
Advances	20,940,081	1,499,485	5,201,254	5,183,768	925,622	1,149,805	1,720,417	8,621	5,772	-
Operating fixed assets	2,414,783	29,102	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	7,737,545	5,492,133	1,769,441	1,378,844	2,899,718	353,827	1,443,701	-
Liabilities										
Bills payable	273,286	-	-	-	-	-	-	-	-	-
Borrowings	4,600,431	367,486	508,254	419,606	419,607	-	-	-	-	-
Deposits and other accounts	28,032,735	6,788,430	4,013,772	9,497,371	1,406,060	414,689	339,531	36,140	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	753,483	9,940	26,007	13,494	51,165	-	3,504	-	-	-
	33,659,935	9,344,879	4,548,033	9,930,471	1,876,832	414,689	343,035	36,140	-	-
Net assets	6,143,068	1,705,591	3,189,512	4,438,338	(107,391)	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									

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. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 04, 2010 by the Board of Directors of the Bank.

39. 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, 2009

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	Chohan Construction Company	Mirza Riaz Chohan 35202-2865946-5	Muhammad Jamil Chohan	466-K, Model Town, Lahore	4,181	470	-	4,651	681	470	36	1,187
2	Consys Engineering Services	Mr. Tahir Yousaf 37405-6564064-5 Mirza Yousaf 35201-7710997-9	Mirza Yousaf Baig	House No. 17, Street 3 Valley Road Weshtrage Rawalpindi Cantt.	9,000	2,538	-	11,538	-	2,174	-	2,174
3	Hilal Textile Mills	Muhammad Ijaz Hilal 42301-1894917-1 Muhammad Javed Hilal 42000-0554787-7 Muhammad Nasir Hilal 42301-1093396-9	Hafiz Hilal Ahmed	F-195, SITE, Karachi.	17,978	10,645	-	28,623	4,478	10,645	-	15,123
4	Standard Impex	Kashif Oamar 42301-8269710-3	Oamar Umer	4/17, 4/12 Arkay Square, Shakra-e-Liaquat, New Challi, Karachi.	6,582	-	-	6,582	3,082	-	-	3,082
5	Sind Medical Centre	Dr. Munawar Hussain 42301-0127335-5	Tasawar Hussain	1-H,Block No.7, Scheme No.5 Khayaban-e-Iqbal, Clifton, Karachi	12,500	1,610	-	14,110	-	1,610	-	1,610
6	M/s Smart High Pressure Laminates	Rafia Bashir 42000-0463492-4	Bashir Ahmed	Plot No-21, Sector 19, Korangi Industrial Area, Karachi	9,576	2,119	-	11,695	3,977	2,119	-	6,096
7	Grand Mart	Mansoor Alam Khan 42301-7789555-3	Abdul Razzak Khan	Mansoor Tower, G-5/5, Block-8, Clifton, Karachi	1,622	284	-	1,906	312	284	-	596
8	Shah Muhammad	Shah Muhammad 279-48-221960	Jan Muhammad	Village Shamasabad, Tehsil Chunian Distt. Kasur	513	212	-	725	513	-	-	513
9	Ali Akbar	Ali Akbar 35401-3592005-3	Afzal Hussain	Mouza Lambray, Tehsil Ferozwala, Distt Sheikhupura	518	229	-	747	518	-	-	518
10	Riaz Ahmed	Riaz Ahmed 35401-0954478-3	Muhammad Hussain	Kot Nazeer Bashmoola Lambray Tehsil Ferozwala, Distt. Sheikhupura	504	196	-	700	504	-	-	504
					62,974	18,303	-	81,277	14,065	17,302	36	31,403

Six Years Financial Summary

	2009	2008	2007	2006	2005	2004
	-----(Rupees in million)-----					
OPERATIONAL RESULT						
- Net income / interest	486	811	699	820	703	411
- Commission income	145	219	140	115	68	45
- Other operating income	239	723	771	337	181	53
OPERATING EXPENSES						
- Administrative expenses	1,093	931	733	612	539	403
(LOSS) / PROFIT						
- (Loss)/Profit before tax and provision against NPLs & investments	(223)	823	876	661	413	117
- (Loss)/Profit before tax	(2,157)	(761)	225	623	211	87
BALANCE SHEET						
Shareholders' Equity						
- Paid-up capital	5,304	5,304	4,243	3,086	2,057	1,524
- Reserve	(1,069)	550	821	843	434	160
Total Equity	4,235	5,854	5,064	3,929	2,491	1,684
Total Assets	35,491	39,803	40,602	26,290	17,219	13,436
Advances-net of provision	17,428	20,940	20,792	13,487	9,294	7,245
Investments	10,038	10,295	11,601	2,711	3,523	1,937
DEPOSITS						
- Remunerative	19,163	21,756	24,715	14,117	7,323	4,388
- Non-Remunerative	7,686	6,277	5,438	5,052	5,533	6,535

List of Meetings Attended by the Board of Directors From Jan-2009 to Dec-2009

<u>S.#</u>	<u>Name of Directors</u>	<u>Meetings held</u>	<u>Meetings attended</u>
1	Mr. Iqbal Alimohamed	5	5
2	Mr. Sohail Muzaffar	5	4
3	Mr. Muhammad Iqbal Ebrahim	5	3
4	Mr. Afzal Ghani	5	4
5	Mr. Danish Iqbal	5	4
6	Mr. Muhammad Bilal Sheikh	5	5
7	Mr. Mamnoon Ahmed Alvi	5	2
8	Mr. Muhammad Rafiq Tumbi	5	Nil

Pattern of Shareholdings (Under Clause XIX (I) of the Code of Corporate Governance) As at December 31, 2009

A) DIRECTORS

1	MR. IOBAL ALIMOHAMMAD	207,131,079
2	MR. DANISH IOBAL	18,950,057
3	MR. SOHAIL MUZZAFFAR	297,282
4	MR. MUHAMMAD IOBAL EBRAHIM	2,607
5	MR. AFZAL GHANI	1,546
6	MR. MUHAMMAD BILAL SHEIKH	2,000
7	MR. MAMNOON AHMED ALVI	1,375

B) DIRECTOR'S SPOUSE AND MINOR CHILDREN:

NIL

C) NIT AND ICP

1	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.	15
2	INVESTMENT CORPORATION OF PAKISTAN	1,000
3	IDBP (ICP UNIT)	1,270

D) OTHERS:

1	INVESTMENT COMPANIES	1,405,003
2	JOINT STOCK COMPANIES	87,129,143
3	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	7,666,665
4	FOREIGN INVESTORS	27,944,664
5	CHARITABLE TRUSTS	24,262
6	OTHERS	2,302,000

Shares traded by Directors, CEO, CFO, Company Secretary and their spouse and minor children are given as under:-

NIL

SHARE-HOLDERS HOLDING TEN PERCENT OR MORE (OTHER THAN SPONSORS AND DIRECTORS)

NIL

Pattern of Share Holdings CDC and Physical as on December 31, 2009

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	
5,349	1-	100	264,219
1,349	101-	500	366,290
2,015	501-	1,000	1,442,212
1,217	1,001-	5,000	3,080,230
240	5,001-	10,000	1,897,639
84	10,001-	15,000	1,069,175
69	15,001-	20,000	1,294,373
44	20,001-	25,000	1,032,493
27	25,001-	30,000	768,609
13	30,001-	35,000	428,079
10	35,001-	40,000	384,246
5	40,001-	45,000	216,196
20	45,001-	50,000	983,769
6	50,001-	55,000	322,934
4	55,001-	60,000	235,075
5	60,001-	65,000	316,000
4	65,001-	70,000	273,730
7	70,001-	75,000	514,794
2	75,001-	80,000	153,868
7	80,001-	85,000	578,439
1	85,001-	90,000	90,000
1	90,001-	95,000	91,700
20	95,001-	100,000	1,991,969
5	100,001-	105,000	506,780
3	105,001-	110,000	322,031
2	110,001-	115,000	223,300
3	120,001-	125,000	375,000
1	125,001-	130,000	127,414
3	130,001-	135,000	400,000
5	135,001-	140,000	684,665
1	140,001-	145,000	143,384
4	145,001-	150,000	595,594
2	155,001-	160,000	315,012
2	170,001-	175,000	349,562
1	175,001-	180,000	178,510
1	185,001-	190,000	185,500
1	190,001-	195,000	194,904
5	195,001-	200,000	1,000,000
1	220,001-	225,000	223,686
1	225,001-	230,000	226,187
2	250,001-	255,000	507,450
1	255,001-	260,000	255,500
1	265,001-	270,000	267,280

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	
1	270,001-	275,000	275,000
1	290,001-	295,000	294,255
3	295,001-	300,000	900,000
1	305,001-	310,000	306,000
1	310,001-	315,000	315,000
1	405,001-	410,000	410,000
1	440,001-	445,000	440,272
1	445,001-	450,000	445,500
1	470,001-	475,000	475,000
1	490,001-	495,000	492,000
4	495,001-	500,000	1,998,008
1	500,001-	505,000	504,000
1	510,001-	515,000	510,246
1	540,001-	545,000	544,500
1	555,001-	560,000	557,200
1	865,001-	870,000	867,792
1	1,005,001-	1,010,000	1,009,187
1	1,120,001-	1,125,000	1,120,843
1	1,145,001-	1,150,000	1,145,408
1	1,365,001-	1,370,000	1,368,448
1	1,400,001-	1,405,000	1,400,250
1	1,950,001-	1,955,000	1,952,000
1	2,095,001-	2,100,000	2,100,000
1	2,100,001-	2,105,000	2,102,280
1	2,245,001-	2,250,000	2,250,000
1	2,350,001-	2,355,000	2,352,495
1	2,535,001-	2,540,000	2,537,329
2	3,235,001-	3,240,000	6,478,760
1	4,225,001-	4,230,000	4,229,000
1	5,395,001-	5,400,000	5,400,000
1	7,835,001-	7,840,000	7,838,688
2	8,245,001-	8,250,000	16,500,000
1	8,280,001-	8,285,000	8,282,000
1	8,915,001-	8,920,000	8,915,337
1	9,190,001-	9,195,000	9,195,000
1	11,305,001-	11,310,000	11,307,911
1	12,820,001-	12,825,000	12,822,633
1	18,405,001-	18,410,000	18,406,400
1	18,950,001-	18,955,000	18,950,057
1	19,245,001-	19,250,000	19,247,905
1	19,945,001-	19,950,000	19,949,500
1	25,970,001-	25,975,000	25,971,459
1	31,530,001-	31,535,000	31,532,778
1	44,080,001-	44,085,000	44,082,108
1	44,645,001-	44,650,000	44,648,860
1	163,045,001-	163,050,000	163,048,971
<u>10,597</u>			<u>530,358,178</u>

Branches Network

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
SOUTHERN REGION							
	Regional Office, Karachi		Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	35824381 - 2	35824383	rokhia@mybl.com.pk
1	Clifton Branch , Karachi	210	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	35373231 - 35867651	35867647	clf@mybl.com.pk
2	Jodia Bazar Branch, Karachi	204	Ram Bharti Street, Ismail Trade Centre, Karachi	021	32437991-3 - 32471120	32437994	jbk@mybl.com.pk
3	North Napier Road Branch, Karachi	207	18-19, North Napier Road, Karachi.	021	32766477 & 32766755	32766487	nnk@mybl.com.pk
4	New Challi Branch, Karachi	201	Ground Floor, Trade Tower, Altaf Hussain Road, New Challi, Karachi	021	32422071,32422027, 32422096, 32422069	32422051	nck@mybl.com.pk
5	Paper Market Branch , Karachi	212	Al-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.	021	32639671-2	32639670	pmk@mybl.com.pk
6	Abdullah Haroon Road Branch, Karachi	213	282/3, Abdullah Haroon Road, Area, Saddar, Karachi.	021	35685269, 35685393,35685940	35683991	sad@mybl.com.pk
7	Water Pump Branch, Karachi	215	Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.	021	36321387, 36314817	36314848	wpk@mybl.com.pk
8	Bahadur Shah Center Branch , Karachi	219	Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.	021	32768547, 32768559	32765083	bsk@mybl.com.pk
9	I. I. Chundrigar Road Branch, Karachi	221	5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.	021	32438212, 32472176, 32471796	32438218	iic@mybl.com.pk
10	North Karachi Industrial Area Branch, Karachi	225	Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.	021	32015919 -20 , 36995925	36975919	nia@mybl.com.pk
11	Garden East Branch, Karachi	226	Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi	021	32243311-13	32243314	gek@mybl.com.pk
12	S.I.T.E. Branch, Karachi	222	B/9-B/3, Near Metro Chowrangji S.I.T.E., Area, Karachi.	021	32586801-4, 32587166-8	32586806	site@mybl.com.pk
13	Plaza Quarters Branch, Karachi	203	Al-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi	021	32771515-16-18	32771517	pqk@mybl.com.pk
14	Cloth Market Branch, Karachi	205	Shop No. 26, Kochin Wala cloth Market Laxmidas street, Karachi	021	32400790, 32413586, 32424178	32424175	cmk@mybl.com.pk
15	Timber Market Branch, Karachi	208	Siddique Wahab Road, Karachi.	021	32732729, 32766995	32733214	tmk@mybl.com.pk
16	Gulshan-e-Iqbal Branch, Karachi	209	B-44, Block 13/A, Main University Road, Gulshan-e-Iqbal, Karachi.	021	34987688, 34987739-40	34987689	gik@mybl.com.pk
17	Tariq Road Branch, Karachi	214	C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.	021	34556486, 34556682	34555478	trk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
18	Barkat-e- Hyderi Branch, Karachi	216	Almas Square, Block-G, North Nazimabad, Karachi.	021	36628931, 36706896-7	36723165	bhk@mybl.com.pk
19	Shahrah-e-Faisal Branch, Karachi	218	Business Avenue Block-6, P.E.C.H.S., Karachi.	021	34386417-18	34531819	sfk@mybl.com.pk
20	Defence Branch , Karachi	220	55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.	021	35387809-35396263 - 35312592	35387810	dha@mybl.com.pk
21	Badar Commercial Branch , Karachi	230	Plot No. 41-C, Badar Commercial, Street No. 10, Phase-V Extension, DHA Karachi	021	35348501, 35348502, 35348503	35348504	dha2@mybl.com.pk
22	Stock Exchange Branch, Karachi	223	Room No. 68 & 69 1st Floor, Stock Exchange Building, stock Exchange Road, Karachi.	021	32462540-42	32462550	kse@mybl.com.pk
23	Gulistan-e-Jauhar Branch, Karachi	224	Shop No. 5,6,7 & Office No. D-2, Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi	021	34022259, 34613674, 34016488-9	34022639	gej@mybl.com.pk
24	Rizvia Society Branch, Karachi	229	B-12, Rizvia Cooperative Society, Nazimabad, Karachi	021	36600956-57	36600958	rsk@mybl.com.pk
25	Jamshed Quarters Branch, Karachi	228	Showroom no. 3 & 4 AB Arcade Plot #. 714-6-1 Block A, New M.A. Jinnah Road, Karachi	021	34860422-23, 34860425	34860424	jqk@mybl.com.pk
26	Dhoraji Branch, Karachi	231	Plot No. 133, Block No. 7 & 8 Dhoraji Colony, C.P & Berar Co-operative Housing Society, Karachi	021	34860773-75	34860772	djk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
	Area Office Hyderabad		Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720430	2720206	hyd@mybl.com.pk
27	Saddar Branch, Hyderabad	206	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad	022	2720483, 2720248	2720206	hyd@mybl.com.pk
28	Latifabad No. 7. Branch, Hyderabad	227	Latifabad # 7, 5/D Unit #. 7, Hyderabad	022	810524 & 810525	810515	ltf@mybl.com.pk
29	Marich Bazar Branch, Sukkur	202	Marich Bazar, Sukkur	071	5624316	5624317	suk@mybl.com.pk
30	Shaheed-e-Millat Road Branch, Mirpurkhas	217	Shaheed-e-Millat Rd, Mirpurkhas.	0233	874518	875925	mks@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
	Area Office Quetta		Regal Chowk, Jinnah Rd., Quetta	081	2824966	2827057	jrj@mybl.com.pk
31	Jinnah Road Branch, Quetta	101	Regal Chowk, Jinnah Road, Quetta.	081	2837028-29	2825065	jrj@mybl.com.pk
32	Liaquat Bazar Branch, Quetta	103	Ainuddin Street, Quetta.	081	2837300-1	2837302	lbq@mybl.com.pk
33	Main Bazar Branch, Quetta	102	Main Bazar, Turbat.	0852	413874	414048	turb@mybl.com.pk
34	Gawadar Branch,	105	Airport Road, Khasra No. 430, Khewat No. 192, Khatoni No. 192, Gawadar Pakistan	0864	212144- 212146	212147	gwr@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
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CENTRAL REGION

	GM- Office, Lahore			042	35692737	35692740	rolhr@mybl.com.pk
	RGM-Office, Lahore		159, Y- Block D.H.A.Lahore		35692619	35692739	
35	DHA Branch, Lahore	301			35692618, 35692609, 35692606	35692738	dhalhr@mybl.com.pk
36	Liberty Market Branch, Lahore	310	26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.	042	111-692-265, 35717273, 35763308	35763310	lml@mybl.com.pk
37	Badami Bagh Branch, Lahore	307	203-Grain Market, Badami Bagh, Lahore.	042	37724583, 37720382, 37705036	37730867	bbl@mybl.com.pk
38	Azam Cloth Market Branch, Lahore	313	F-1208, Azam Cloth Market, Lahore.	042	37667297, 37651374	37662026	acm@mybl.com.pk
39	Shahalam Gate Branch, Lahore	306	12-A, ShahAlam Gate, Lahore.	042	37666854 - 57	37663488	sag@mybl.com.pk
40	Johar Town Branch, Lahore	325	Plot No.20, Block-A, Moulana Shaukat Ali Road, Johar Town, Lahore.	042	35223047-49	35223050	jhrt@mybl.com.pk
41	Egerton Road Branch, Lahore	317	27-Ajmal House, Egerton Road, Lahore.	042	36364522, 36364532	36364542	egr@mybl.com.pk
42	Allama Iqbal Town Branch, Lahore	326	56/12, Karim Block, Allama Iqbal Town, Lahore.	042	35434160-61,35434163	35434164	ait@mybl.com.pk
43	Darogawala Branch, Lahore	329	Near Shalimar garden G.T.Road Darogawala Lahore	042	36520681 - 83	36520684	dwl@mybl.com.pk
44	Wahdat Road Branch, Lahore	330	Mauza Ichra, Wahdat Road, Lahore	042	37503001	37503004	wrl@mybl.com.pk
45	Kamahan Branch, Lahore	335	Kamahan, Mauza Jhatool, Lahore	042	35921487	35921489	mkl@mybl.com.pk
46	Samanabad Branch, Lahore	341	Plot No.855,Poonch Road, Samanabad, Lahore.	042	37568831, 37568844	37568854	sml@mybl.com.pk
47	Airport Road Branch, Lahore	339	M. M. Arcade, 192-B, New Air Port Road, Lahore	042	35700336, 35700338-9	35700323	arl@mybl.com.pk
48	Muridke Branch	331	774, G.T. Road Muridke	042	37950456,37994711-12	37994713	mds@mybl.com.pk
49	Booth at Doctor's Hospital		152-A, G1, Canal Bank, Johar Town, Lahore.	042	5314640	35314642	dhalhr@mybl.com.pk
50	Booth at Lahore Medical College		Lahore Medical & Dental College Tulsapura, Canal Bank, Lahore.	042	36583305	36583305	dhalhr@mybl.com.pk
51	Kasur Branch	322	Near Pul Qatal Gahri, Kutchery Road, Kasur.	049	2721993	2721994	qsr@mybl.com.pk
52	Sahiwal Branch	318	558/8-1, Navid, Plaza, High Street Sahiwal.	040	4229247, 4221615,4229247	4460960	swl@mybl.com.pk
53	Okara Branch	320	23/A, Ravi Road, Okara.	044	2528755, 2525355	2525356	okr@mybl.com.pk
54	Multan Branch	309	2576, Hussain Agahi Road, Multan.	061	4548083-4583268-4583168	4543794	mul@mybl.com.pk
55	Rahim Yar Khan Branch	314	31/34 Shahi Road, Rahimyar Khan.	068	5877821-5883876	5876776	ryk@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
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GUJRANWALA ZONE

	Zonal Office, Gujranwala		G. T. Rd., Opp. General Bus Stand, Gujranwala.	055	820400	820404	zogu@mybl.com.pk
56	Gujranwala Branch	304	G.T. Rd., Opp. General Bus Stand, Gujranwala.	055	820401-3	820404	guj@mybl.com.pk
57	Sialkot Branch	305	Railway Road. Sialkot.	052	4582231, 4586734, 4586507,4601058-59	4582232	skt@mybl.com.pk
58	Gujrat Branch	315	Sethi Plaza. Opp. MY Guest House, Near Small Industrial Estate Gate, G.T. Road Gujrat	053	537161,62-524640,524447	525108	gtr@mybl.com.pk
59	Faisalabad Branch	302	Aminpur Bazar, Faisalabad.	041	2634705, 2626783, 2636783	2611363	fsd@mybl.com.pk
60	Sargodha Branch	319	Prince Cinema Market Railway Road. Sargodha	048	768113-5	768116	sgd@mybl.com.pk
61	Mandi Bahauddin Branch	324	Khasra # 143/112, Chak #51,Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.	0546	600901, 600903-4-5	600902	mdb@mybl.com.pk
62	Narowal Branch	323	Sughra Shafi, Medical Complex, Muridke Narowal Rd., Narowal	0542	414090 - 414105-07	414089	nar@mybl.com.pk
63	Chak Ghanian Branch	334	Khewat No. 478/1 Khatooni No. 1457/60. Chak Ghanian, Post Office Sarai Alamgir	0544	654402-03, 655155	654401	cgl@mybl.com.pk
64	Dalwal Branch	332	Village & Post Office Dalwal, Tehsil Chohna, Saidan Shah, Distt Chakwal	0543	582834	582842	dcc@mybl.com.pk
65	Lalamusa Branch	340	G. T. Road, Lalamusa	053	7515694,7515699, 7515697,7519977	7515685	lmb@mybl.com.pk

ISLAMABAD ZONE

	Zonal Office, Islamabad		20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265,2874743	2871012	rosib@mybl.com.pk
66	Blue Area Branch, Islamabad	303	20 - Al Asghar Plaza, Blue Area, Islamabad.	051	111-692-265 2823204,2872913	2274276	isd@mybl.com.pk
67	Barah Koh Branch, Islamabad	312	Murree Road, Tehsil / District, Islamabad.	051	2231344, 2233136	2231345	bkh@mybl.com.pk
68	G-11 Markaz Branch, Islamabad	333	Shop #. 25-34, Plot #. 23, Sajid Sharif, G-11 Markaz, Islamabad	051	2220973-6	2220977	msi@mybl.com.pk
69	Bank Road Branch, Rawalpindi	311	Saddar Bazar, Rawalpindi Cantt.	051	5523840-41	5523837	rwp@mybl.com.pk
70	Raja Bazar Branch, Rawalpindi	321	Raja Bazar, Rawalpindi.	051	5534173-5557244	5559544	rbp@mybl.com.pk
71	Murree Road Branch, Rawalpindi	327	DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.	051	4854400, 4854401-03	4854404	smr@mybl.com.pk
72	Wah Cantt Branch	338	Plot No. 17/37, Civic Center, Aslam Market, Wah Cantt	051	4542157, 4542167, 4542279	4542144	wcr@mybl.com.pk
73	Fateh Jang Branch	336	Main Rawalpindi Road, Mouza & Tehsil Fateh Jang Distt Attock	057	2210321-23	2210324	fjr@mybl.com.pk
74	Chakwal Branch	328	Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal	0543	554796,540650-51	554797	chk@mybl.com.pk
75	Dina Branch	342	Mian G.T. Road Dina	0544	634471 -3	636675	djm@mybl.com.pk

S.#	Name	Branch Code	Address	City Code	Telephone No	Fax No.	E-mail Address
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NWFP ZONE

	Zonal Office		3-A, Arbab Road, Peshawar Cantt, Peshawar.	091	5253841, 5271812	5274251	pwr@mybl.com.pk
76	Arbab Road Branch, Peshawar	401	3-A, Arbab Road, Peshawar Cantt, Peshawar.	091	5270463, 5275915	5274251	pwr@mybl.com.pk
77	Milad Chowk Branch, Peshawar	403	Milad Chowk, New Gate, Peshawar City	091	2550477, 2550466, 2217131	2550488	cyp@mybl.com.pk
78	Mardan Branch	402	Bank Road, Mardan.	0937	865341	865342	mrd@mybl.com.pk
79	Mansehra Branch	337	Al- Hadeed Corporation Market Shahrah Resham Mansehra	0997	303186, 303180	303135	srm@mybl.com.pk
80	Attock Branch	405	Hamam Road, Attock	057	2703120	2703117	atk@mybl.com.pk
81	Mirpur A.K Branch	501	Younus Plaza Allama Iqbal Road, Mirpur, Azad Kashmir.	05827	444550, 444520	444522	mak@mybl.com.pk
82	Dadyal Branch, A.K	502	Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.	05827	463475	465316	dad@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 30, 2010 and at any adjournment there-of.

As witness my / our hand this _____ day of _____ 2010

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.

www.mybankltd.com