

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of The Bank of Punjab (the Bank) and its subsidiary company as at 31 December 2008 and the related consolidated Profit and Loss account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity, together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for fifteen branches, which have been audited by us. We have also expressed a separate opinion on the financial statements of The Bank of Punjab. Its subsidiary company Punjab Modaraba Services (Private) Limited, however, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company is based, solely on the report of such auditors. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on fifteen branches and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of The Bank of Punjab and its subsidiary company as at 31 December 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion we draw attention to Note 1 to the financial statements which fully explain actions and the undertaking of the Government of Punjab in respect of the deficiency in capital, equity injection and non-provision against certain advances.

Lahore
June 04, 2009

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Consolidated Balance Sheet

as at December 31, 2008

	Note	2008	2007
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	7	10,685,058	14,210,302
Balances with other banks	8	2,178,455	1,927,662
Lendings to financial institutions	9	633,333	2,450,000
Investments	10	22,689,608	73,461,693
Advances	11	131,724,113	133,899,143
Operating fixed assets	12	3,471,838	3,252,759
Deferred tax assets	13	8,388,162	-
Other assets	14	6,122,406	5,816,021
		185,892,973	235,017,580
Liabilities			
Bills payable	16	1,219,801	937,647
Borrowings	17	12,278,773	17,842,915
Deposits and other accounts	18	164,071,732	191,968,377
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	19	30,632	40,321
Deferred tax liabilities	13	-	2,205,530
Other liabilities	20	4,564,481	3,010,882
		182,165,419	216,005,672
Net Assets		3,727,554	19,011,908
Represented By			
Share capital	21	5,287,974	4,230,379
Reserves	22	7,427,232	7,427,232
(Accumulated loss) / Unappropriated profit	*	(7,674,257)	3,468,956
		5,040,949	15,126,567
(Deficit) / Surplus on revaluation of assets	23 *	(1,313,395)	3,885,341
		3,727,554	19,011,908
Contingencies and Commitments	24		

* The above deficit on revaluation of assets include impairment loss (net of tax) of Rs 1,119,824 (thousand) in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular no. 4 dated 13 February 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the Stock Exchange / net assets values as of 31 December 2008. Had the impairment loss been fully charged to profit and loss account, loss after tax for the year would have been increased by Rs 1,119,824 (thousand) and loss per share would have been increased by Rs. 2.12. (see note 23.3)

The annexed notes from 1 to 46, annexure - I & II form an integral part of these financial statements.

Chairman

President

Director

Director

Director

Consolidated Profit and Loss Account

for the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007
Mark-up/return/interest earned	25	17,752,652	17,539,538
Mark-up/return/interest expensed	26	16,614,000	13,939,377
Net mark-up/ interest income		1,138,652	3,600,161
Provision against non-performing loans and advances	11.5	18,863,580	1,616,421
Provision for diminution in the value of investments	10.3	388,757	24,479
Bad debts written off directly	11.6	-	246,869
		19,252,337	1,887,769
Net mark-up/ interest income after provisions		(18,113,685)	1,712,392
Non Mark-up/interest Income			
Fee, commission and brokerage income	27	579,520	659,488
Dividend income		2,025,160	1,812,870
Income from dealing in foreign currencies		324,327	377,233
Gain on sale and redemption of securities	28	733,787	2,039,535
Unrealized gain / (Loss) on revaluation of investments classified as held for trading		-	-
Other income	29	526,186	547,635
Total non-markup/interest income		4,188,980	5,436,761
		(13,924,705)	7,149,153
Non Mark-up/interest Expenses			
Administrative expenses	30	2,808,835	2,255,342
Provision against other assets		10,101	-
Provision against off balance sheet items		-	292
Other charges	31	114,700	37,950
Total non-markup/interest expenses		2,933,636	2,293,584
		(16,858,341)	4,855,569
Extra ordinary/unusual items		-	-
(Loss) / Profit Before Taxation		(16,858,341)	4,855,569
Taxation - Current		207,600	170,700
- Prior years		1,052,000	(19,921)
- Deferred		(8,033,001)	250,772
	32	(6,773,401)	401,551
(Loss) / Profit After Taxation		(10,084,940)	4,454,018
Unappropriated profit brought forward		3,468,956	3,226,961
Reversal of excess management fee accrued last year	27	(6,250)	-
Transfer from surplus on revaluation of fixed assets - net of tax		5,572	5,866
		3,468,278	3,232,827
(Accumulated loss) / profit available for appropriation		(6,616,662)	7,686,845
Basic (loss) / Earnings per share (after tax) - Rupees	32.2 *	(19.07)	8.42
Diluted (loss) / Earnings per share (after tax) - Rupees	34 *	(19.07)	8.42

* The deficit on revaluation of assets include impairment loss (net of tax) of Rs 1,119,824 (thousand) in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular no. 4 dated 13 February 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the Stock Exchange / net assets values as of 31 December 2008. Had the impairment loss been fully charged to profit and loss account, loss after tax for the year would have been increased by Rs 1,119,824 (thousand) and loss per share would have been increased by Rs 2.12. (see note 23.3)

The annexed notes from 1 to 46, annexure - I & II form an integral part of these financial statements.

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Consolidated Cash Flow Statement

for the year ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Cash Flow From Operating Activities			
(Loss)/Profit before taxation		(16,858,341)	4,855,569
Less: Dividend income		(2,025,160)	(1,812,870)
		(18,883,501)	3,042,699
Adjustments:			
Depreciation		215,783	142,553
Amortization on intangible assets		12,671	12,283
Amortization on premium on Pakistan Investment Bonds		72,198	69,285
Provision against non-performing advances		18,863,580	1,616,421
Bad debts written-off directly		-	246,869
Provision for diminution in the value of investments		388,757	24,479
Provision for employees compensated absences		27,981	22,282
Provision for gratuity		37,042	-
Provision against off-balance sheet items		-	292
Provision against other assets		10,101	-
(Gain) / Loss on sale of fixed assets		(3,152)	2,955
Gain on sale and redemption of securities		(733,787)	(2,039,535)
Financial charges on leased assets		4,454	3,760
		18,895,628	101,644
		12,127	3,144,343
(Increase)/ Decrease in operating assets:			
Lendings to financial institutions		816,667	9,896,823
Advances		(16,688,550)	(35,285,749)
Others assets		(298,763)	(1,411,991)
		(16,170,646)	(26,800,917)
Increase/ (Decrease) in operating liabilities:			
Bills Payable		282,154	81,199
Borrowings from financial institutions		(5,463,146)	10,594,265
Deposits		(27,896,645)	54,240,833
Other liabilities		1,488,576	144,991
		(31,589,061)	65,061,288
		(47,747,580)	41,404,714
Financial charges paid		(4,454)	(3,760)
Income tax paid		(638,253)	(840,476)
Net cash (used in) / generated from operating activities		(48,390,287)	40,560,478
Cash Flow From Investing Activities			
Net investments in available-for-sale securities		42,476,027	(43,322,302)
Net investments in held-to-maturity securities		165,856	69,937
Dividend income		2,041,428	1,812,870
Investments in operating fixed assets		(462,157)	(543,135)
Sale proceeds of property and equipment disposed-off		5,367	24,609
Net cash flow generated from / (used in) investing activities		44,226,521	(41,958,021)
Cash Flow From Financing Activities			
Payment of lease obligations		(9,689)	(667)
Net cash used in financing activities		(9,689)	(667)
Net decrease in cash and cash equivalents		(4,173,455)	(1,398,210)
Cash and cash equivalents at beginning of the year		16,878,738	18,276,948
Cash and cash equivalents at end of the year	35	12,705,283	16,878,738

The annexed notes from 1 to 46, annexure - I & II form an integral part of these financial statements

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Consolidated Statement of Changes in Equity

for the year ended December 31, 2008

Note	Share capital	*Statutory reserve (Rupees)	Capital Reserves		Revenue Reserves		Total
			Share premium	Reserve For issuance of bonus shares (in	General reserve '000)	Unappropriated Profit/(Accumulated loss)	
Balance as at 01 January 2007	2,902,490	2,004,000	37,882	-	2,495,350	3,226,961	10,666,683
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,866	5,866
Profit for the year ended 31 December 2007	-	-	-	-	-	4,454,018	4,454,018
Transfer to statutory reserve	-	890,000	-	-	-	(890,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	1,327,889	-	(1,327,889)	-
Issue of bonus shares	1,327,889	-	-	(1,327,889)	-	-	-
Transfer to general reserve	-	-	-	-	2,000,000	(2,000,000)	-
Balance as at 31 December 2007	4,230,379	2,894,000	37,882	-	4,495,350	3,468,956	15,126,567
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,572	5,572
Reversal of excess management fee accrued during preceeding year	27	-	-	-	-	(6,250)	(6,250)
Loss for the year ended 31 December 2008	-	-	-	-	-	(10,084,940)	(10,084,940)
Transfer to reserve for issue of bonus shares	-	-	-	1,057,595	-	(1,057,595)	-
Issue of bonus shares	1,057,595	-	-	(1,057,595)	-	-	-
Balance as at 31 December 2008	5,287,974	2,894,000	37,882	-	4,495,350	(7,674,257)	5,040,949

* In accordance with the Banking Companies Ordinance, 1962, the bank is required to transfer twenty percent of its profit each year to statutory reserve fund until the amount in such fund equals the paid up capital of the Bank.

The annexed notes from 1 to 46, annexure - I & II form an integral part of these financial statements.

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Notes to the Consolidated Financial Statements

for the year ended December 31, 2008

1. Status and nature of business

The Bank of Punjab Group comprises The Bank of Punjab (the Bank) and Punjab Modaraba Services (Private) Limited. The Bank was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at BOP Tower, 10-B, Block E-2, Main Boulevard, Gulberg III, Lahore. The Bank has 272 branches (2007: 272 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by the Government of Punjab. Punjab Modaraba Services (Private) Limited is a wholly owned subsidiary of The Bank of Punjab and is primarily engaged in the business of floating and managing modarabas.

During the year the Bank has incurred a loss of Rs. 10,059,505 (thousand). The paid-up capital and reserves (net of losses) of the Bank amounts to Rs. 5,056,520 (thousand) as against the minimum regulatory capital requirements of Rs. 5,000,000 (thousand) and Capital Adequacy Ratio (CAR), as disclosed in note 41.1, remained below the prescribed level of 9%. Moreover, advances to two groups of companies aggregating to Rs. 12,300,000 (thousand) have not been subjected to provisioning criteria as prescribed in SBP's Prudential Regulations.

In order to address the foregoing, the Government of Punjab (GOPb) being the majority shareholder, has provided its support to the Bank and subsequent to the balance sheet date, the Bank has received Rs. 10,000,000 (thousand) from the GOPb as advance subscription money against future issue of right shares by the Bank. Further, the GOPb has also undertaken that in the event of the Bank failing to make provisions against certain loans and advances to the extent of Rs. 12,300,000 (thousand) or if there is a shortfall in meeting the prevailing regulatory capital requirements as a result of the provisioning against aforesaid loans/exposure by 31st December 2011, the GOPb shall inject the necessary funds to make good the capital shortfall to the satisfaction of State Bank of Pakistan upto a maximum amount of Rs. 8,000,000 (thousand) (net of tax @ 35%) within a period of 90 (ninety) days from the close of the year ending 31st December 2011.

In addition, in terms of above undertaking, the GOPb being the majority shareholder and sponsor of the Bank, has extended its commitment to support and assist the Bank in ensuring that it remains compliant with the regulatory requirements.

Based on the support of the Government of the Punjab, actions as outlined above and the projections prepared by the Bank's management, which have been approved by the Board of Directors, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

2. Principles of consolidation and basis of presentation

The consolidated financial statements of The Bank of Punjab Group include The Bank of Punjab & its wholly owned subsidiary, Punjab Modaraba Services (Private) Limited. The consolidated financial statements have been prepared in accordance with the purchase method. In accordance with the directives of the Government of Pakistan regarding the conversion of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate marked-up price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. Statement of compliance

These financial statements have been prepared in accordance with the directives issued by the SBP, requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the directives issued by the SBP and Securities and Exchange Commission of

Pakistan (SECP), The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 differ with the requirements of these standards, the requirements of the said directives, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 take precedence.

SBP as per BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement and International Accounting Standard (IAS) 40, Investment Property for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, The IFRS – 7 “Financial Instruments: Disclosures” has not been made applicable for banks. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with requirements prescribed by the SBP through various circulars.

4. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of land and building and valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Bank’s accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group’s financial statements or where judgment was exercised in the application of accounting policies are as follows:

5.1 Classification of investments

In classifying investments as “held-for-trading” the Group has determined securities which are acquired with the 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 Group 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 Group evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

5.2 Provision against non-performing advances

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations, the management also applies the subjective criteria of classification and, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision. During the year, the management has changed the method of computing provision against non-performing loans as allowed under Prudential Regulations and explained in note 11.5.3.

5.3 Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds 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 addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the balance sheet date the management has determined an impairment loss on available-for-sale securities as explained in note 23.3 to these financial statements.

5.4 Depreciation, amortization and revaluation of operating fixed assets

Estimates of useful life of operating fixed assets are based on management's best estimate. In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by an independent valuation expert under the market conditions.

5.5 Income taxes

In making estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where the Group's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability.

5.6 Staff retirement benefits

Employees compensated absences

The value of provision for employee's compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

Gratuity Scheme

The Bank makes provision in the financial statements for its liabilities towards gratuity scheme on the basis of last drawn basic salary of employees who have completed five year of their services.

6. Summary of significant accounting policies

6.1 Cash and Cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less overdrawn nostro accounts and other overdrawn bank accounts.

6.2 Revenue recognition

6.2.1 Markup/return/interest income

Markup/return/interest on advances and return on investments are recognized in profit and loss account on an accruals basis, except mark-up on classified loans and advances which is recognized when received.

6.2.2 Dividend income

Dividend income is recognized when the Group's right to receive the dividend is established.

6.2.3 Lease finance income

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net

cash investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the SBP. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

6.2.4 Fees and commission income

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

6.3 Advances including net investment in finance lease

Loans and advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the SBP and charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to present value of the lease payments including any guaranteed residual value.

6.4 Investments

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Group commits to purchase/sell the investments. Regular way purchase or sale of investment requires delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in subsidiary, into 'Held-for-trading', 'Held-to-maturity' and 'Available-for-sale' portfolios as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus/(deficit) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to 'Surplus/(deficit) on revaluation of assets' account below equity, except that available-for-sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds) are stated at cost less provision for diminution in value of investments, if any. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.
- Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value and charged to profit and loss account.

However, in the current year impairment loss has been treated as described in note 23.3.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

Premium or discount on debt securities classified as available-for-sale and held-to-maturity securities are amortized using the effective yield method and taken to interest income.

On de-recognition or impairment in quoted available-for-sale investments the cumulative gain or loss previously reported as "Surplus/(deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Gain and loss on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

6.5 Lending to/borrowing from financial institutions

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

(a) Sale under repurchase obligations

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential in sale and repurchase value is accrued using effective yield method and recorded as interest expense.

(b) Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

6.6 Operating fixed assets and depreciation

Owned

Property and equipment, other than land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount.

Depreciation on property and equipment is charged to income using the diminishing balance method so as to write off the historical cost / revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over estimated useful life.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed.

Surplus / deficit on revaluation of land and buildings is credited to the "Surplus on Revaluation Account" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of buildings (net of deferred taxation) is transferred directly to un-appropriated profit / accumulated loss.

Leased

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments

whichever is lower at the inception of the lease less accumulated depreciation. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these financial statements.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

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.

6.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

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

6.8 Employee retirement and other benefits

6.8.1 Defined contribution plan – Provident Fund

The Group operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Group are charged to income.

6.8.2 Employees' compensated absences

The Group makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at 28 January 2009 using the "Projected unit credit method". The principal assumptions used in the valuation at 31 December 2008 were as follows:

- Discount rate	15%
- Expected rate of eligible salary increase in future years	14%
- Average number of leaves utilized during the year	7 days
- Average number of leaves accumulated per annum by the employees	23 days

The amount charged during the year is Rs. 27.981 (thousand) (2007: Rs. 22.282 (thousand))

6.8.3 Gratuity Scheme

The Bank, during the year, introduced funded gratuity scheme for those permanent employees who have completed five year of their services from their date of joining or contractual employees who have become permanent. Annual contributions towards the scheme are made on the basis last drawn basic salary.

6.9 Foreign currencies

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

6.10 Provisions

Provisions are recorded when the Group has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

6.11 Dividend distribution and appropriations

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

6.12 Impairment

The carrying amounts of assets (other than deferred tax assets) are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.13 Financial Instruments

6.13.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial

institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.13.2 Offsetting

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

6.14 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.

6.14.1 Business segments

Trading and sales

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

Retail banking

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

Commercial banking

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

Payment and settlement

It includes payments and collections, funds transfer, clearing and settlement.

Agency service

It includes depository receipts, securities lending (customers), issuer and paying agents.

6.14.2 Geographical Segments

The Bank operates only in Pakistan.

6.15 Standards, interpretations and amendments to published approved accounting standards that are not yet effective.

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

Standards and Interpretations		Effective date (accounting periods beginning on or after)
IAS 1	“Presentation of Financial Statements” (Revised)	01 January 2009

IAS 23	“Borrowing Costs”	01 January 2009
IAS 27	“Consolidated and Separate Financial Statements”	01 January 2009
IAS 16	“Property, Plant and Equipment”	01 January 2009
IAS 20	“Accounting for Government Grants and Disclosure of Government Assistance”	01 January 2009
IAS 29	“Financial Reporting in Hyperinflationary Economies”	01 January 2009
IAS 31	“Interests in Joint Ventures”	01 January 2009
IAS 32	“Financial Instruments: Presentation”	01 January 2009
IAS 41	“Agriculture”	01 January 2009
IFRS 2	“Share-based Payments”	01 January 2009
IFRS 4	“Insurance Contracts”	01 January 2009
IFRS 8	“Operating Segments”	01 January 2009
IFRS 3	“Business Combinations”	01 July 2009
IFRS 5	“Non-current Assets Held for Sale and Discontinued Operations”	01 July 2009
IFRIC 13	“Customer Loyalty Programmes”	01 July 2008
IFRIC 15	“Agreements for the Construction of Real Estate”	01 January 2009
IFRIC 16	“Hedges of a Net Investment in a Foreign Operation”	01 October 2008
IFRIC 17	“Distributions of Non-cash Assets to Owners”	01 July 2009
IFRIC 18	“Interim Financial Reporting and Impairment”	01 July 2009

The Group considers that the above standards and interpretations are either not relevant or will not have any material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements provided that such changes do not conflict with the format of financial statements prescribed by SBP for banks.

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

7. Cash and Balances With Treasury Banks

	Note	2008 (Rupees in '000)	2007
In hand:			
- Local currency	7.1	2,411,179	2,267,721
- Foreign currency		310,908	306,040
		2,722,087	2,573,761
With State Bank of Pakistan (SBP) in:			
- Local currency current account	7.2	5,087,599	9,531,986
- Foreign currency deposit account:	7.3		
- Non remunerative		126,558	93,000
- Remunerative	7.4	394,775	93,000
		5,608,932	9,717,986
With National Bank of Pakistan in:			
- Local currency current account		2,222,039	1,918,555
- Local currency deposit account	7.5	132,000	-
		2,354,039	1,918,555
		10,685,058	14,210,302

7.1 This includes National Prize Bonds of Rs. 15,039 (thousand) (2007: Rs 42,528 (thousand)).

- 7.2** This includes statutory liquidity reserve maintained with the SBP under Section 29 of the Banking Companies Ordinance, 1962.
- 7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.4** These carry mark-up as announced by SBP on a monthly basis. Profit rates during the year ranged from 0.90% to 2.93% per annum (2007: 3.71% to 4.72% per annum).
- 7.5** This carry mark-up at the rate of 5.00% per annum (2007: Nil per annum).

8. Balances With Other Banks

	Note	2008 (Rupees in '000)	2007
In Pakistan:			
- On current account		1,796,721	956,833
- On saving account	8.1	237,205	60,699
		2,033,926	1,017,532
Outside Pakistan:			
- On current account		118,255	104,130
- On deposit account	8.2	26,274	806,000
		144,529	910,130
		2,178,455	1,927,662

- 8.1** These represent saving deposits maintained with various banks inside Pakistan at mark up rates ranging from 5.00% to 11.00% per annum (2007: 0.50% to 8.5% per annum).
- 8.2** These represent short-term deposits maintained with various banks outside Pakistan at mark up rates ranging from 0.1% to 1.10% per annum (2007: 4.83% to 5.40% per annum).

9. Lendings To Financial Institutions

	Note	2008 (Rupees in '000)	2007
Call money lendings		-	1,000,000
Certificate of investments	9.2	333,333	500,000
Placements	9.3	300,000	950,000
		633,333	2,450,000
9.1 Particulars Of Lending			
In local currency		633,333	2,450,000
In foreign currencies		-	-
		633,333	2,450,000

- 9.2** This represents Certificate of Investment at profit rate of 12% per annum (2007: 12% per annum) maturing on 14 January 2009.
- 9.3** These represent placements carrying profit at rate of 19.5% per annum (2007: 10.35% to 11.5% per annum) with maturities up to 02 March 2009.

10. Investments

10.1 Investments by types:

Note	2008			2007			
	Held by bank	given as collateral	Total	Held by bank	given as collateral	Total	
	(Rupees)			in '000)			
Available-for-sale securities							
Pakistan Market Treasury Bills	10.4	1,280,647	665,841	1,946,488	32,901,100	11,831,304	44,732,404
Pakistan Investment Bonds	10.4	366,342	358,826	725,168	732,097	-	732,097
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	-	-	-
Ordinary Shares / certificates of Listed Companies and Modarabas	Annex II - 1	358,967	-	358,967	312,863	-	312,863
Preference Shares of Listed Companies	Annex II - 2	210,908	-	210,908	210,908	-	210,908
Ordinary Shares of Unlisted Companies	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	5,426,287	-	5,426,287	4,417,738	-	4,417,738
Investment in Mutual Funds	Annex II - 4	11,500,642	-	11,500,642	12,317,033	-	12,317,033
Listed Term Finance Certificates (TFCs)	Annex II - 5	431,834	-	431,834	567,313	-	567,313
Unlisted Term Finance Certificates (TFCs)	Annex II - 6	2,746,540	-	2,746,540	2,542,505	-	2,542,505
Held-to-maturity securities							
Pakistan Investment Bonds	10.7	824,115	1,996,849	2,820,964	2,886,233	-	2,886,233
WAPDA Bonds		400	-	400	100,987	-	100,987
Total investments at cost		23,181,682	3,021,516	26,203,198	57,013,777	11,831,304	68,845,081
Less: Provision for diminution in value of investments	10.3	395,282	-	395,282	6,525	-	6,525
Investments - net of provisions		22,786,400	3,021,516	25,807,916	57,007,252	11,831,304	68,838,556
Add: (Deficit) / surplus on revaluation of available-for-sale securities	23.2	(3,118,308)	-	(3,118,308)	4,623,137	-	4,623,137
Total investments at market value		19,668,092	3,021,516	22,689,608	61,630,389	11,831,304	73,461,693

10.2 Investments By Segments:

Note	2008			2007			
	Held by bank	given as collateral	Total	Held by bank	given as collateral	Total	
	(Rupees)			in '000)			
Federal government securities:							
Pakistan Market Treasury Bills	10.4	1,280,647	665,841	1,946,488	32,901,100	11,831,304	44,732,404
Pakistan Investment Bonds	10.4	1,190,457	2,355,675	3,546,132	3,618,330	-	3,618,330
Government of Pakistan Ijara Sukuk Bonds	10.5	10,000	-	10,000	-	-	-
Fully paid up ordinary shares/certificates/units:							
Listed Companies and Modarabas	Annex II - 1	358,967	-	358,967	312,863	-	312,863
Unlisted Companies	Annex II - 3	25,000	-	25,000	25,000	-	25,000
NIT Units	10.6	5,426,287	-	5,426,287	4,417,738	-	4,417,738
Investment in Mutual Funds	Annex II - 4	11,500,642	-	11,500,642	12,317,033	-	12,317,033
Preference Shares:							
Listed Companies	Annex II - 2	210,908	-	210,908	210,908	-	210,908
Term Finance Certificates and Bonds:							
Listed Term Finance Certificates	Annex II - 5	431,834	-	431,834	567,313	-	567,313
Unlisted Term Finance Certificates	Annex II - 6	2,746,540	-	2,746,540	2,542,505	-	2,542,505
WAPDA Bonds		400	-	400	100,987	-	100,987
Total investments at cost		23,181,682	3,021,516	26,203,198	57,013,777	11,831,304	68,845,081
Less: Provision for diminution in value of investment	10.3	395,282	-	395,282	6,525	-	6,525
Investments - net of provisions		22,786,400	3,021,516	25,807,916	57,007,252	11,831,304	68,838,556
Add: (Deficit) / surplus on revaluation of available-for-sale securities	23.2	(3,118,308)	-	(3,118,308)	4,623,137	-	4,623,137
Total investments at market value		19,668,092	3,021,516	22,689,608	61,630,389	11,831,304	73,461,693

	Note	2008 (Rupees in '000)	2007
10.3 Provision for diminution in value of investments			
Opening balance		6,525	33,400
Charge for the year		388,942	39,125
Reversal during the year		(185)	(14,646)
		<u>388,757</u>	<u>24,479</u>
		395,282	57,879
Write off		-	(51,354)
Closing balance		<u>395,282</u>	<u>6,525</u>

10.3.1 Particulars of provision in respect of type and segment

Available-for-sale securities

Ordinary Shares of unlisted Company		5,940	6,125
Investment in mutual funds / modaraba certificates	23.3	388,942	-

Held-to-maturity securities

WAPDA Bond		400	400
		<u>395,282</u>	<u>6,525</u>

10.4 Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with SBP.

10.5 These represents bonds issued for a period of three years carrying semi-annual rate on the basis of rental rates issued by SBP at start of each half year. The semi annual profit is benchmarked against the latest weighted average yield of six month market treasury bills determined on one day prior to the start of each six month rental period.

10.6 NIT Units

The bank's investment in NIT consists of 190,260,484 units (2007: 158,829,978 units).

The Bank's entire holding of NIT units is being managed by National Investment Trust Limited (NIT) under LOC Holder Fund and accordingly these have been measured at respective NAV.

10.7 As per BSD 23/2008 dated 13 October 2008 securities classified as held to maturity cannot be sold. However, these can be used for borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs. 2,807,364 thousand (2007: Rs.2,570,923 thousand).

	Note	2008 (Rupees in '000)	2007
11. Advances			
Loans, cash credits, running finances etc.			
- In Pakistan		144,472,801	125,690,749
- Outside Pakistan		-	-
	11.2	144,472,801	125,690,749
Net investment in finance lease			
- In Pakistan	11.3	3,607,444	4,254,233
- Outside Pakistan		-	-
		3,607,444	4,254,233
Repurchase agreement lendings (Reverse Repo)	11.8	2,325,000	-
Financing in respect of Continuous Funding System		-	769,813
Bills discounted and purchased (excluding treasury bills)			
- Payable in Pakistan		1,140,793	3,730,205
- Payable outside Pakistan		1,673,168	2,090,561
		2,813,961	5,820,766
Advances - (gross)	11.1	153,219,206	136,535,561
Less: Provision for non-performing advances			
- Specific	11.4 & 11.5	(21,447,458)	(2,500,058)
- General	11.5	(47,635)	(136,360)
		(21,495,093)	(2,636,418)
Advances - net of provision		131,724,113	133,899,143
11.1 Particulars of advances (Gross)			
11.1.1 In local currency		153,219,206	136,535,561
In foreign currencies		-	-
		153,219,206	136,535,561
11.1.2 Short-term advances upto one year		89,325,139	82,885,788
Long-term advances for over one year		63,894,067	53,649,773
		153,219,206	136,535,561

11.2 Provision against advances to two groups of companies amounting to Rs.12,300,000 (thousand) which are either subjudice or under restructuring (which includes advances referred to in the notes contained in publish accounts since December 31, 2007) has not been considered necessary in these financial statements on the basis of undertaking given by the Government of the Punjab as stated in Note 1.

11.3 Net Investment In Finance Lease

	2008				2007			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees	in	'000)		(Rupees	in	'000)	
Lease rentals receivable	713,950	3,617,025	95,947	4,426,922	856,997	4,213,475	72,788	5,143,260
Guaranteed residual value	-	-	-	-	-	-	-	-
Minimum lease payments	713,950	3,617,025	95,947	4,426,922	856,997	4,213,475	72,788	5,143,260
Less: Finance charge for future periods	247,869	568,534	3,075	819,478	272,045	613,877	3,105	889,027
Present value of minimum lease payments	466,081	3,048,491	92,872	3,607,444	584,952	3,599,598	69,683	4,254,233

11.4 Advances include Rs. 42,689,337 thousand (2007: Rs. 3,349,891 thousand) which have been placed under non-performing status as detailed below:-

Category of Classification	2008 (Rupees in '000)								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	831,510	-	831,510	-	-	-	-	-	-
Substandard	13,726,191	-	13,726,191	2,995,120	-	2,995,120	2,995,120	-	2,995,120
Doubtful	14,891,281	-	14,891,281	6,480,773	-	6,480,773	6,480,773	-	6,480,773
Loss	13,240,355	-	13,240,355	11,971,565	-	11,971,565	11,971,565	-	11,971,565
	<u>42,689,337</u>	<u>-</u>	<u>42,689,337</u>	<u>21,447,458</u>	<u>-</u>	<u>21,447,458</u>	<u>21,447,458</u>	<u>-</u>	<u>21,447,458</u>

11.5 Particulars of provisions against non-performing advances

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	2,500,058	136,360	2,636,418	1,058,717	92,049	1,150,766
Charge for the year	19,733,866	3,567,725	23,301,591	1,724,054	65,000	1,789,054
Reversals	(781,561)	(3,656,450)	(4,438,011)	(151,944)	(20,689)	(172,633)
	18,952,305	(88,725)	18,863,580	1,572,110	44,311	1,616,421
Amounts written off	(4,905)	-	(4,905)	(130,769)	-	(130,769)
Closing balance	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>	<u>2,500,058</u>	<u>136,360</u>	<u>2,636,418</u>

11.5.1 Particulars of provisions against non-performing advances

Note	2008			2007		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
In local currency	21,447,458	47,635	21,495,093	2,500,058	136,360	2,636,418
In foreign currencies	-	-	-	-	-	-
	<u>21,447,458</u>	<u>47,635</u>	<u>21,495,093</u>	<u>2,500,058</u>	<u>136,360</u>	<u>2,636,418</u>

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

11.5.3 During the year, the SBP vide its BSD Circular No. 2 dated 27 January 2009 has amended

Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are effective from 31 December 2008 allow reduction to the extent of 30% of forced sale value of pledged stock and mortgaged commercial and residential properties, held by the bank in determining the amount of provision against non-performing advances. Had the change not been made, specific provision against non-performing loans and advances would have been higher and consequently, loss before taxation would have been higher and advances lower by Rs. 1,995,535 (thousand).

	Note	2008 (Rupees in '000)	2007
11.6 Particulars of write Offs:			
11.6.1 Against Provisions	11.5	4,905	130,769
Directly charged to Profit & Loss account		-	246,869
		4,905	377,638
11.6.2 Write Offs of Rs. 500,000 and above	11.7	4,803	309,185
Write Offs of Below Rs. 500,000		102	68,453
		4,905	377,638

11.7 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 31 December 2008 is given in Annexure-1.

11.8 These are secured against Pakistan Investment Boards having maturities up to 19 December 2009 at the rate of interest ranging from 13% to 15% per annum. These securities have been further given as collateral to various financial institutions.

	Note	2008 (Rupees in '000)	2007
11.9 Particulars of Loans And Advances To Directors, Associated Companies, etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		925,673	1,000,291
Loans granted during the year		102,354	184,021
Less: Repayments		(264,715)	(258,639)
Balance at end of year	11.9.1	763,312	925,673
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		452,210	2,604,269
Loans granted during the year		5,858,153	6,268,524
Less: Repayments		(4,969,247)	(2,732,714)
Balance at end of year	11.9.2	1,341,116	6,140,079
		2,104,428	7,065,752

11.9.1 These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Group.

11.9.2 Due to change in the directorship of the Group during the year, the opening balance represents net of Rs. 5,687,869 (thousand) which relate to parties who ceases to be related party in the current year.

12. Operating Fixed Assets

	Note	2008	2007
		(Rupees in '000)	
Capital work-in-progress	12.1	219,800	1,129,088
Property and equipment	12.2	3,244,526	2,105,488
Intangible assets	12.3	7,512	18,183
		<u>3,471,838</u>	<u>3,252,759</u>

12.1 Capital work-in-progress

Civil works	126,980	142,094
Equipments	12,443	16,207
Premises	65,323	911,748
Software	11,804	7,925
Advances to suppliers and contractors	3,250	51,114
	<u>219,800</u>	<u>1,129,088</u>

12.2 Property and equipment

	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2008	Rate of depreciation %	
	Opening balance as at January 01, 2008	Additions	(Deletions)/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2008	Opening balance as at January 01, 2008	Charge for the year	(Deletions)/ Transfer/ Revaluation adjustment			Closing balance as at December 31, 2008
(Rupees in '000)											
2008											
Free hold land	1,212,669	38,000	-	(67,137)	1,183,532	-	-	-	-	1,183,532	-
Building on free hold land	554,087	930,787	-	(48,271)	1,436,603	55,265	47,736	(103,001)	-	1,436,603	5
Furniture, fixture and office equipment	761,429	319,549	(12,630)	-	1,068,348	405,461	153,879	(10,595)	548,745	519,603	10-33.33
Vehicles	16,768	81,106	(8,248) 3,179 *	-	92,805	14,143	3,613	(8,248) 3,179 *	12,687	80,118	20
Assets held under finance lease	2,544,953	1,369,442	(17,699)	(115,408)	3,781,288	474,869	205,228	(118,665)	561,432	3,219,856	
Furniture, fixture and office equipment	5,197	-	-	-	5,197	569	1,039	-	1,608	3,589	20
Vehicles	63,730	-	(1,359) (3,179) *	-	59,192	32,954	9,516	(1,180) (3,179) *	38,111	21,081	20
	68,927	-	(4,538)	-	64,389	33,523	10,555	(4,359)	39,719	24,670	
	2,613,880	1,369,442	(22,237)	(115,408)	3,845,677	508,392	215,783	(123,024)	601,151	3,244,526	

* These represent leased vehicles transferred to owned assets on completion of finance lease.

	COST / REVALUED AMOUNT				DEPRECIATION				Book value as at December 31 2007	Rate of depreciation %	
	Opening balance as at January 01, 2007	Additions	(Deletions)/ Transfer	Revaluation adjustment	Closing balance as at December 31, 2007	Opening balance as at January 01, 2007	Charge for the year	(Deletions)/ Transfer			Closing balance as at December 31, 2007
(Rupees in '000)											
2007											
Free hold land	1,104,097	108,572	-	-	1,212,669	-	-	-	-	1,212,669	-
Building on free hold land	468,269	85,818	-	-	554,087	30,798	24,467	-	55,265	498,822	5
Furniture, fixture and office equipment	581,270	190,448	(10,289)	-	761,429	306,730	106,994	(8,263)	405,461	355,968	10-33.33
Vehicles	21,134	5,228	(9,594)	-	16,768	18,510	273	(4,640)	14,143	2,625	20
Assets held under finance lease	2,174,770	390,066	(19,883)	-	2,544,953	356,038	131,734	(12,903)	474,869	2,070,084	
Furniture, fixture and office equipment	71,790	-	(66,593)	-	5,197	47,508	1,040	(47,979)	569	4,628	20
Vehicles	40,956	25,252	(2,478)	-	63,730	23,683	9,779	(508)	32,954	30,776	20
	112,746	25,252	(69,071)	-	68,927	71,191	10,819	(48,487)	33,523	35,404	
	2,287,516	415,318	(88,954)	-	2,613,880	427,229	142,553	(61,390)	508,392	2,105,488	

12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	(Loss)/Profit	Mode of disposal	Particulars of purchasers
	Rupees	Rupees	Rupees	Rupees		
Suzuki Cultus	555	130	278	148	As per policy	Mr. Sajjad Ahmad - Employee
Toyota Hilux	804	134	727	593	Insurance claim	Reliance Insurance Company Limited
Suzuki Khyber	370	-	112	112	As per policy	Mr. Tariq Javed Butt - Employee
Suzuki Cultus	555	-	150	150	As per policy	Mr. Akhtar Javed - Employee
Suzuki Cultus	555	-	150	150	As per policy	Mr. Mazhar Khan - Employee
Suzuki Cultus	555	-	150	150	As per policy	Mr. Hafeez ud Din - Employee
Suzuki Cultus	555	-	138	138	As per policy	Mr. Qazi M. Latif - Ex employee
Suzuki Baleno	729	-	192	192	As per policy	Mr. A. Rasheed Khan - Ex employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. Naveed Hafeez Sheikh - Employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. Bilal Chandan - Employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. M. Nauman - Employee
Suzuki Cultus	555	-	150	150	As per policy	Mr. Javed Ahmad Khan - Employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. Javed Muzzaffar - Employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. M. Hanif - Employee
Suzuki Baleno	729	-	175	175	As per policy	Mr. Sajjad Hussain - Employee
	9,607	264	3,097	2,833		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	12,630	1,951	2,270	319		
Minor Write Offs	-	-	-	-		
2008	22,237	2,215	5,367	3,152		
2007	19,883	6,584	3,629	(2,955)		

12.2.2 Freehold land and buildings were revalued on 31 December 2008 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in surplus of Rs.734,732 thousand and Rs.249,579 thousand in respect of freehold land and buildings respectively. Detailed particulars are as follows:

Particulars	Cost (Rupees in '000)	Revalued Amount (Rupees in '000)
Freehold land	448,800	1,183,532
Buildings	1,187,024	1,436,603

12.2.3 Had the freehold land and buildings on freehold land not been revalued, their carrying amounts would have been as follows:

	2008 (Rupees in '000)	2007 (Rupees in '000)
Freehold land	448,800	410,800
Buildings	1,049,615	145,976

12.2.4 The carrying amount of fully depreciated assets that are still in use is Rs. 2,347 (2007: Rs. 150).

12.3 Intangible assets

2008

	COST			AMORTIZATION			Book value as at December 31, 2008	Rate of amortization %
	Opening balance as at January 01, 2008	Additions	Closing balance as at December 31, 2008	Opening balance as at January 01, 2008	Charge for the year	Closing balance as at December 31, 2008		
	(Rupees In '000)			(Rupees In '000)				
License	35,100	2,000	37,100	17,716	12,254	29,970	7,130	33.33
Software	1,251	-	1,251	452	417	869	382	33.33
	36,351	2,000	38,351	18,168	12,671	30,839	7,512	

2007

	COST			AMORTIZATION			Book value as at December 31, 2007	Rate of amortization %
	Opening balance as at January 01, 2007	Additions	Closing balance as at December 31, 2007	Opening balance as at January 01, 2007	Charge for the year	Closing balance as at December 31, 2007		
	(Rupees In '000)			(Rupees In '000)				
License	35,100	-	35,100	5,850	11,866	17,716	17,384	33.33
Software	1,251	-	1,251	35	417	452	799	33.33
	36,351	-	36,351	5,885	12,283	18,168	18,183	

Note 2008 2007
(Rupees in '000)

13. Deferred Tax (Asset) / Liabilities

Deferred tax liabilities arising in respect of :

-Accelerated tax depreciation	226,488	518,889
-Revaluation surplus on operating fixed assets	52,667	60,010
-Surplrs on available for sale securities	-	1,659,300

Deferred tax asset arising in respect of :

-Deficit on available for sale securities	(894,047)	-
-Loan loss provision	13.1 (7,686,923)	(32,669)
-Provision for diminution in the available for sale securities	(82,812)	-
-Others	(3,535)	-
	(8,388,162)	2,205,530

- 13.1** The management expects based on the future projections that the future taxable income would be sufficient to allow the benefit of the deductible temporary differences to be realised.
- 13.2** In view of the recent changes in the Income Tax Ordinance, 2001, made vide Finance Act, 2008 the Bank has recognized tax charge on the provision for doubtful debts which has resulted in deductible temporary differences.

	Note	2008	2007
(Rupees in '000)			
14. Other Assets			
Income/mark-up accrued in local currency		5,326,404	4,736,515
Profit paid in advance on pehlay munafa scheme		377,374	-
Advances, deposits, advance rent and other prepayments		161,553	159,438
Advance taxation (payments less provisions)		141,225	764,434
Non-banking assets acquired in satisfaction of claims	14.1	4,502	49,742
Stock of stationery		35,761	28,604
Suspense account		544	45
Excise duty recoverable		1,094	16,365
Recoverable from NIT	14.2	36,790	36,790
Claim for recovery of shares	14.3	18,570	18,570
Surplus on revaluation of forward contracts		-	26,905
Others	14.4	85,144	50,338
		6,188,961	5,887,746
Less provision against:			
Excise duty recoverable		(1,094)	(16,365)
Recoverable from NIT		(36,790)	(36,790)
Fraud and forgeries		(10,101)	-
Claim for recovery of shares		(18,570)	(18,570)
	14.5	(66,555)	(71,725)
Other assets - net of provision		6,122,406	5,816,021

14.1 This represents the market value of shop, acquired in satisfaction of claims, amounting to Rs. 4,502 thousand (2007: Rs. 4,502 thousand) as per the latest valuation carried out on 21 March 2005. During the year, residential property of Rs. 45,240 thousands has been transferred to buildings under the head operating fixed assets.

14.2 This represents zakat deducted on dividends by NIT. The Bank has filed suit against NIT for recovery of the amount. The case was decided in favour of the Bank in 1993 and intra court appeal was filed by the Zakat and Ushr Department against the decision which is still pending. As a matter of prudence, though without prejudice to the Bank's claim against NIT at the court of law, the claim amount has been already been fully provided for.

14.3 This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries, fraudulently and unlawfully withdrawn by M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited (LSE). The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan for recovery of the said shares from the member etc.

The Bank also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings. The case has been transferred to National Accountability Bureau (NAB) and NAB authorities are in the process of recovery. As a matter of prudence though without prejudice to the Bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has already been fully provided for by the bank.

14.4 This includes the amount of Rs 12,564 thousand relating to fraud and forgeries against which a provision of Rs 10,101 thereon has been made.

	Note	2008	2007
		(Rupees in '000)	
14.5 Provision Against other Assets			
Opening balance		71,725	71,725
Charge for the year		10,101	-
Writte off		(15,271)	-
Closing balance		<u>66,555</u>	<u>71,725</u>
15. Contingent Assets			
Contingent assets		Nil	Nil
16. Bills Payable			
In Pakistan		1,219,801	937,647
Outside Pakistan		-	-
		<u>1,219,801</u>	<u>937,647</u>
17. Borrowings			
In Pakistan		12,120,543	17,586,527
Outside Pakistan		158,230	256,388
		<u>12,278,773</u>	<u>17,842,915</u>
17.1 Particulars of borrowings with respect to Currencies			
In local currency		12,120,543	17,586,527
In foreign currencies		158,230	256,388
		<u>12,278,773</u>	<u>17,842,915</u>
17.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from SBP:			
-Export refinance scheme	17.2.1	6,372,098	4,014,026
-Long term financing - export oriented projects scheme	17.2.2	1,585,019	1,985,393
-Long term financing facility scheme	17.2.2	92,585	-
Repurchase agreement borrowings	17.2.3	3,695,841	10,834,270
		<u>11,745,543</u>	<u>16,833,689</u>
Unsecured			
Call borrowings	17.2.4	375,000	750,000
Overdrawn nostro accounts		158,230	256,388
Other overdrawn bank accounts		-	2,838
		<u>12,278,773</u>	<u>17,842,915</u>

17.2.1 These are secured against bank's cash and security balances held by SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 6.50% to 7.0% per annum (2007: 6.50% to 7.50% per annum). Maturity of the borrowing is upto June 2009.

17.2.2 The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

17.2.3 These are secured against Market Treasury Bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 13.50% to 15.00% per annum (2007: 9.25% to 10.00% per annum) maturing on various dates latest by 20 January 2009.

17.2.4 This represents funds borrowed from scheduled bank in the inter bank money market, which carry markup at a rate of 18.00% per annum (2007: 9.50% per annum) maturing on 02 January 2009.

	2008	2007
	(Rupees in '000)	
18. Deposits And other Accounts		
Customers		
Fixed deposits	72,543,702	71,545,152
Savings deposits	52,124,619	65,394,990
Current accounts - non-remunerative	19,742,600	22,197,089
Sundry deposits, margin accounts, etc.	1,379,488	1,398,852
	145,790,409	160,536,083
Financial Institutions		
Remunerative deposits	18,204,162	31,117,878
Non-remunerative deposits	77,161	314,416
	18,281,323	31,432,294
	164,071,732	191,968,377
18.1 Particulars of deposits		
In local currency	161,997,173	190,134,500
In foreign currencies	2,074,559	1,833,877
	164,071,732	191,968,377

19. Liabilities Against Assets Subject To Finance Lease

	2008			2007		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)			(Rupees in '000)		
Not later than one year	14,430	3,657	10,773	13,456	3,769	9,687
Later than one year and not later than five years	23,706	3,847	19,859	35,904	5,270	30,634
	38,136	7,504	30,632	49,360	9,039	40,321

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 12.22% to 17.02% per annum (2007: 6.75% to 12.22% per annum). The Group has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

Year	Note	2008 (Rupees in '000)	2007
2008		-	13,456
2009		14,430	13,665
2010		9,645	8,892
2011		7,714	7,110
2012		6,347	6,237
		38,136	49,360
Less: Financial charges for future periods		7,504	9,039
		30,632	40,321
20. Other Liabilities			
Mark-up/ return/ interest payable in local currency		3,578,660	2,470,894
Mark-up/ return/ interest payable in foreign currency		5,030	7,180
Accrued expenses		96,315	57,150
Unclaimed dividends		2,712	2,755
Branch adjustment account		351,898	115,891
Provision for gratuity	36.1.1	37,042	-
Provision for employees compensated absences	36.1.2	142,518	115,594
Provision against off-balance sheet obligations	20.1	1,488	1,488
Payable to banks against ATM		-	6,667
Deficit on revaluation of forward contracts		3,483	-
Others		345,335	233,263
		4,564,481	3,010,882
20.1 Provision against off-balance sheet obligations			
Opening balance		1,488	1,196
Charge for the year		-	292
Closing balance		1,488	1,488
21. Share Capital			
21.1 Authorized Capital			
2008	2007	2008	2007
Number	Number	(Rupees in '000)	
1,000,000,000	1,000,000,000	10,000,000	10,000,000
	Ordinary shares of Rs. 10 each		

21.2 Issued, subscribed and paid up share capital

2008	2007	Ordinary shares of Rs.10 each	Note	2008	2007
Number	Number			(Rupees in '000)	
Balance as at January 01					
19,333,340	19,333,340	Fully paid in cash		193,333	193,333
403,704,561	270,915,660	Issued as bonus shares		4,037,046	2,709,157
423,037,901	290,249,000			4,230,379	2,902,490
Issued during the year					
105,759,475	132,788,901	Bonus shares		1,057,595	1,327,889
105,759,475	132,788,901			1,057,595	1,327,889
Closing balance					
19,333,340	19,333,340	Fully paid in cash		193,333	193,333
509,464,036	403,704,561	Issued as bonus shares		5,094,641	4,037,046
528,797,376	423,037,901			5,287,974	4,230,379

21.3 Government of the Punjab (GoPb) held 51% shares in the Bank as at 31 December 2008 (2007: 51 %).

21.4 The Bank, subsequent to the year end, has received Rs.10,000,000 thousand from the Government of the Punjab as advance subscription money as explained in Note 1.

22. Reserves

Statutory reserve	2,894,000	2,894,000
Share premium reserve	37,882	37,882
General reserve	4,495,350	4,495,350
	7,427,232	7,427,232

23. (Deficit) / Surplus on Revaluation of Assets

Surplus on revaluation of fixed assets	23.1	910,866	921,504
(Deficit) / Surplus on revaluation of investments- Available-for-sale securities	23.2	(2,224,261)	2,963,837
		(1,313,395)	3,885,341

23.1 Surplus on revaluation of operating fixed

assets as on 01 January		996,720	996,720
- Deficit on revaluation during the year		(12,409)	-
		984,311	996,720
Incremental depreciation			
-Opening balance		(15,206)	(9,340)
-Transferred to un-appropriated profit / (accumulated loss) in respect of incremental depreciation charge during the year-net of tax		(5,572)	(5,866)
Accumulated incremental depreciation-net of tax		(20,778)	(15,206)
Surplus on revaluation of operating fixed assets as on 31 December		963,533	981,514
Less: Related deferred tax liability			
-Opening balance		(60,010)	(63,168)
-Deferred tax on revaluation during the year		4,343	-
-Deferred tax recorded during the year		3,000	3,158
-Closing balance		(52,667)	(60,010)
		910,866	921,504

	2008	2007
	(Rupees in '000)	
23.2 (Deficit) / Surplus on revaluation of Available-for-sale securities		
Federal and Provincial Government Securities	(186,291)	(88,821)
Quoted Securities	8,914	(3,561)
NIT Units	(1,251,972)	-
Mutual Funds	(1,685,499)	-
Term Finance Certificates	(3,460)	4,715,519
	(3,118,308)	4,623,137
Less:		
Deferred Tax	894,047	(1,659,300)
	(2,224,261)	2,963,837

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

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

The impairment loss based on market values as at 31 December 2008 has been determined at Rs 1,779,179 (thousand). In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore, full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Group. Accordingly, the management on the basis of their estimates and prudence has been recognised impairment loss of Rs. 388,942 (thousand) in the profit and loss account for the current year and balance of Rs 1,390,237 (thousand) (net of tax Rs. 1,119,824 (thousand)) is held under 'Surplus on revaluation of assets' account which shall be taken to the profit and loss account in the year 2009 as per requirement of SBP directive explained in the preceding paragraph.

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

	2008 (Rupees in '000)
Increase in provision of diminution in the value of investments	1,390,237
Decrease in tax charge for the year	270,413
Increase in loss for the year - after tax	1,119,824
	(Rupees)
Increase in loss per share - after tax	2.12
	(Rupees in '000)
Decrease in deficit on revaluation of available for sale securities	1,390,237
Increase in accumulated loss	1,119,824

24. Contingencies And Commitments

24.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	2008 (Rupees in '000)	2007
- Financial institutions	5,366	-
- Others	5,864,887	7,425,344
	5,870,253	7,425,344

24.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of:

- Government	3,016,907	274,488
- Financial institutions	182,681	17,217
- Others	16,980,271	20,815,572
	20,179,859	21,107,277

24.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of :

- Government	1,753,256	1,396,221
- Financial institutions	1,921	58,828
- Others	19,059,466	27,319,056
	20,814,643	28,774,105

24.4 Income tax related contingency

For the tax year 2007, the department has amended the assessment on certain issues against which the Bank filed an appeal before Commissioner of Income Tax ((CIT (A)). CIT (A) has deleted addition under the head "provision for compensated absences" while confirmed others. The Bank has filed an appeal before Income Tax Appellate Tribunal (ITAT) against the order of CIT (A). The expected tax liability which may arise in respect of aforesaid tax year amounts to Rs. 333,139 (thousands). The Management of the Bank, based on the past case history of the Bank and on advice of its tax consultant, is confident that the appeal filed for the aforementioned tax year will be decided in the Bank's favor.

24.5 The Company's assessment, except for the Assessment Years 1995-96 and 1996-97, have been finalised upto the Assessment Year 2002-03. The Taxation Officer issued notices for the finalisation of the set-aside assessments for the Assessment Years 1995-96, which were compiled with but the orders have not yet been received

Returns filed by the Company for Tax Year 2003 to 2008 have been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001. The Company has not received any notices from Tax Department for selection of its issues for detailed scrutiny.

	Note	2008 (Rupees in '000)	2007
24.6 Other Contingencies			
Claims against the Group not acknowledge as debt		1,488,764	1,425,999
24.7 Commitments in respect of forward exchange contracts			
Purchase		1,166,728	627,392
Sale		1,423,981	2,597,353
Call Borrowing		-	1,000,000
		<u>2,590,709</u>	<u>4,224,745</u>
24.8 Commitments for the acquisition of operating fixed assets		<u>38,387</u>	<u>31,825</u>
25. Mark-up/Return/Interest earned			
a) On loans and advances to:			
i) Customers		14,804,431	13,016,186
ii) Financial institutions		42,178	205,291
b) On Investments in:			
i) Available for sale securities		2,011,307	3,276,738
ii) Held to maturity securities		588,299	268,114
c) On Deposits with financial institutions		56,767	242,234
d) On securities purchased under resale agreements		249,670	530,975
		<u>17,752,652</u>	<u>17,539,538</u>
26. Mark-up/Return/Interest expensed			
Deposits		15,322,204	13,490,398
Securities sold under repurchase agreements		895,867	404,504
Other short term borrowings		395,929	44,475
		<u>16,614,000</u>	<u>13,939,377</u>
27. Fee, commission and brokerage income			
27.1 In the financial statements of subsidiary, management fee accrued during the year represents fee accrued by the company up to 30 June, 2008. No accrual for management fee has been made for the period from July, 2008 to December, 2008 as the Modaraba has incurred loss in this period.			
27.2 Management fee excess accrued and received in the financial statements of subsidiary during the preceding year amounting to Rs 6,250 (thousand) has been debited to unappropriated profit in the statement of changes in equity during the current year and corresponding credit has been given to the managed modaraba.			
	Note	2008 (Rupees in '000)	2007
28. Gain on sale and redemption of securities			
NIT Units		630,720	1,623,313
Mutual funds units		93,557	415,552
Listed securities		-	670
Unlisted term finance certificates		9,510	-
		<u>733,787</u>	<u>2,039,535</u>
29. Other Income			
Rent on lockers		10,730	9,573
Net profit on sale of property and equipment	12.2.1	3,152	-
Service charges		212,725	258,167
Others		299,579	279,895
		<u>526,186</u>	<u>547,635</u>

	Note	2008 (Rupees in '000)	2007
30. Administrative Expenses			
Salaries, allowances, etc.		1,533,848	1,358,316
Contribution to defined contribution plan		42,117	34,937
Provision for gratuity	37.1.1	37,042	-
Provision against compensated absences	37.1.2	27,981	22,282
Non-executive directors' fees, allowances and other expenses	38	30	23
Rent, taxes, insurance, electricity, etc.		98,198	95,074
Legal and professional charges		29,310	16,673
Communications		66,191	48,690
Repairs and maintenance		49,558	36,648
Rentals of operating lease	30.2	148,371	118,645
Finance charge on leased assets		4,454	3,760
Stationery and printing		51,524	41,593
Advertisement and publicity		64,761	22,282
Auditors' remuneration	30.1	3,979	4,296
Depreciation	12.2	215,783	142,553
Amortization on intangible assets	12.3	12,671	12,283
Traveling		45,228	38,716
Vehicle expenses		143,176	81,940
Cash remittance charges		21,101	15,802
Bank charges		60,723	59,026
Others		152,789	101,803
		<u>2,808,835</u>	<u>2,255,342</u>
30.1 Auditors' remuneration			
Audit fee		1,551	1,293
Fee for audit of subsidiary- Hameed Chauhdary & Co.		35	38
Special certifications, half yearly review and others		1,386	1,965
Out-of-pocket expenses		1,007	1,000
		<u>3,979</u>	<u>4,296</u>
30.2 Operating lease			
Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of lease arrangements.			
31. Other Charges			
Penalties imposed by SBP		73,980	34,995
Net loss on disposal of property and equipment	12.2.1	-	2,955
Workers' Welfare Fund		40,720	-
		<u>114,700</u>	<u>37,950</u>
32. Taxation			
For the year			
Current		207,600	170,700
Deferred		(6,981,001)	250,772
		<u>(6,773,401)</u>	<u>421,472</u>
For the prior year			
Current		1,052,000	(19,921)
Deferred		(1,052,000)	-
		<u>-</u>	<u>(19,921)</u>
		<u>(6,773,401)</u>	<u>401,551</u>

	2008	2007
	(Rupees in '000)	
32.1 Relationship between tax expense and accounting profit		
(Loss) / Profit before tax	<u>(16,858,341)</u>	<u>4,845,722</u>
	<u>%</u>	<u>%</u>
Applicable tax rate	35	35
Tax effect of		
- Inadmissible expenses	7.21	0.94
- Separate block income	(3.02)	(11.18)
- Income exempt from tax & others	-	(14.76)
- Computation adjustments	1.00	(1.30)
- Prior year provision effect	-	(0.43)
Effective tax rate	<u>40.18</u>	<u>8.27</u>
33. Basic (Loss) / Earnings Per Share		
33.1 Basic (loss) / earnings per share - pre tax		
(Loss) / Profit for the year - Rupees in thousand	<u>(16,858,341)</u>	<u>4,855,569</u>
Weighted average number of ordinary shares - Number	<u>528,797,376</u>	<u>423,037,901</u>
Basic (loss) / earnings per share - pre tax - Rupees	<u>(31.88)</u>	<u>11.48</u>
33.2 Basic (loss) / earnings per share - after tax		
(Loss) / Profit for the year - Rupees in thousand	<u>(10,084,940)</u>	<u>4,454,018</u>
Weighted average number of ordinary shares - Number	<u>528,797,376</u>	<u>528,797,376</u>
Basic (loss) / earnings per share - after tax - Rupees	<u>(19.07)</u>	<u>8.42</u>
33.3 The comparative figure of weighted average number of shares outstanding has been restated to include bonus shares issued by the Bank during the year.		
34. Diluted (Loss) / Earnings Per Share		
Basic and diluted (loss) / earnings per share are same.		
35. Cash And Cash Equivalents		
Cash and balances with treasury banks	10,685,058	14,210,302
Balance with other banks	2,178,455	1,927,662
Call money lending	-	1,000,000
Overdrawn nostro accounts	(158,230)	(256,388)
Other overdrawn bank accounts	-	(2,838)
	<u>12,705,283</u>	<u>16,878,738</u>

	Note	2008	2007
			Number
36. Staff strength			
Permanent		3,534	2,900
Temporary/on contractual basis		622	958
Deputed staff		-	1
		<hr/>	<hr/>
Bank's own staff strength at the end of the year		4,156	3,859
Outsourced	36.1	-	38
		<hr/>	<hr/>
Total Staff Strength		4,156	3,897
		<hr/> <hr/>	<hr/> <hr/>

36.1 Outsourced staff includes gunmen and janitorial staff hired by the Bank.

37. Employee Benefits

37.1 Defined benefit plans

37.1.1 Gratuity

The Bank has initiated a funded gratuity scheme for all its permanent employees during the year. The Bank has applied for registration of the said scheme with tax authorities. The benefits under the scheme are payable on retirement which is equal to one month's last drawn basic salary for each year of eligible service or part thereof subject to minimum of five years of service. Since it is the first year of scheme no actuarial valuation has been carried out as the management considers the provision made there against would not materially differ with the amount of provision determine by the actuary.

37.1.2 Compensated absences

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used Projected Unit Credit actuarial cost method for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days is ignored.

There being no specific asset earmarked for the payment of this benefit, consequently, the fair value of plan assets is Nil.

Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.8.2 to these financial statements.

2008 2007
(Rupees in '000)

Reconciliation of payable to defined benefit plan

Present value of defined benefit obligation	142,518	115,594
Fair value of any plan assets	-	-
Net actuarial gains or losses not recognized	-	-
Past service cost not yet recognized	-	-
Any amount not recognized as an asset	-	-
	<u>142,518</u>	<u>115,594</u>

Movement in payable to defined benefit plan

Opening balance	115,594	93,804
Charge for the year	27,981	22,282
Benefit paid	(1,057)	(492)
Closing balance	<u>142,518</u>	<u>115,594</u>

Charge for defined benefit plan

Current service cost	15,758	15,605
Interest cost	11,559	9,380
Actuarial gains and losses recognised	664	(2,703)
	<u>27,981</u>	<u>22,282</u>

Actual return on plan assets

	<u>-</u>	<u>-</u>
--	-----------------	----------

37.1.3 Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2008	2007	2006	2005	2004
	----- (Rupees in '000) -----				
Opening net liability	115,594	93,804	74,149	61,383	52,731
Net charge for the year	26,924	21,790	19,655	12,766	8,652
	<u>142,518</u>	<u>115,594</u>	<u>93,804</u>	<u>74,149</u>	<u>61,383</u>

38. Compensation of directors and executives

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Managing Director, Directors and Executives of the Bank was as follows:

	Chairman		President/ Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007	2008	2007
	----- (Rupees in '000) -----							
Fees	-	-	-	-	30*	23*	-	-
Managerial remuneration	112	381	9,132	12,131	-	-	52,872	26,810
Bonus	53	153	26,434	39,594	-	-	22,523	18,191
Contribution to defined contribution plan	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	775	301	-	-	20,939	10,724
Utilities	-	97	572	462	-	-	5,268	2,681
Medical	-	-	76	-	-	-	5,218	2,681
Other allowances	159	49	725	400	-	-	6,218	2,466
	<u>324</u>	<u>680</u>	<u>37,714</u>	<u>52,888</u>	<u>30</u>	<u>23</u>	<u>113,038</u>	<u>63,553</u>
Number of persons		<u>1</u>		<u>1</u>	<u>6</u>	<u>7</u>	<u>80</u>	<u>40</u>

The break-up of compensation paid to chairman and president / chief executives is as given below.

	Chairman			President/Chief Executive				
	From January, 08, to April, 08	From May, 08, to 23 Sep, 08	From 24 Sep, 08 to Dec, 08	TOTAL	From January, 08, to April, 08	From May, 08 to 23 Sep, 08	From 24 Sep, 08, to Dec, 08	TOTAL
	(Rupees in '000)							
Fees	-	-	-	-	-	-	-	-
Managerial remuneration	-	-	112	112	4,528	760	3,844	9,132
Bonus	-	-	53	53	24,056	-	2,378 **	26,434
Contribution to defined contribution plan	-	-	-	-	-	-	-	-
Rent and house maintenance	-	-	-	-	112	304	359	775
Utilities	-	-	-	-	173	76	323	572
Medical	-	-	-	-	-	76	-	76
Other allowances	-	-	159	159	-	725	-	725
	<u>-</u>	<u>-</u>	<u>324</u>	<u>324</u>	<u>28,869</u>	<u>1,941</u>	<u>6,904</u>	<u>37,714</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	<u>1</u>	

* This represents the fee paid to non-executive directors for attending the Board meetings.

** This includes regular bonus paid to staff on special occasions as per the Bank's policy.

President/Managing Director and Executives are provided with free use of the Bank's maintained cars.

Executive mean officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

The particulars in this note do not include particulars of Directors, Chief Executive and Executives of the subsidiary company.

39. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2008		2007	
	Book value	Fair value	Book value	Fair value
	(Rupees in '000)		(Rupees in '000)	
On balance sheet items				
Assets				
Cash and balances with treasury banks	10,685,058	10,685,058	14,210,302	14,210,302
Balances with other banks	2,178,455	2,178,455	1,927,662	1,927,662
Lendings to financial institutions	633,333	633,333	2,450,000	2,450,000
Investments - net	22,689,608	23,105,905	73,461,693	73,877,990
Advances - net	131,724,113	131,724,113	133,899,143	133,899,143
Other assets	5,437,208	5,437,208	4,815,502	4,815,502
	<u>173,347,775</u>	<u>173,764,072</u>	<u>230,764,302</u>	<u>231,180,599</u>
Liabilities				
Bills payable	1,219,801	1,219,801	937,647	937,647
Borrowings	12,278,773	12,278,773	17,842,915	17,842,915
Deposits and other accounts	164,071,732	164,071,732	191,968,377	191,968,377
Liabilities against assets subject to finance lease	30,632	30,632	40,321	40,321
Other liabilities	4,564,481	4,564,481	2,868,086	2,868,086
	<u>182,165,419</u>	<u>182,165,419</u>	<u>213,657,346</u>	<u>213,657,346</u>
Off balance sheet items				
Forward sale	<u>1,423,981</u>	<u>1,407,850</u>	<u>2,597,355</u>	<u>2,641,982</u>
Forward purchase	<u>1,166,728</u>	<u>1,161,564</u>	<u>627,390</u>	<u>629,079</u>

Investments

All quoted investments have been stated at their market values except securities classified as held-to-maturity, which have been valued at their amortized cost. These held-to-maturity securities have market value of Rs. 2,807,364 (thousand) (2007: Rs. 2,469,936 (thousand)). All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

Loans and advances

Fair value of loans and advances can not be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with prudential regulations.

Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Deposits other than long term fixed deposits reflect carrying values approximates their fair values as they are short term in nature or are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

40. Segment Details with respect to business activities

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Total
 (Rupees in '000)					
2008						
Total income	5,788,777	1,327,589	14,572,914	235,660	16,693	21,941,633
Total expenses	3,075,859	3,186,923	32,503,544	31,421	2,227	38,799,974
Income taxes	-	-	-	-	-	(6,773,401)
Net income / (Loss)	2,712,918	(1,859,334)	(17,930,630)	204,239	14,466	(10,084,940)
Segment Assets (Gross)	36,701,296	10,393,980	152,095,587	52,370	3,710	199,246,943
Segment Non Performing Loans	3,740,437	1,805,592	40,883,745	-	-	46,429,774
Segment Provision Required	388,757	624,178	20,870,915	-	-	21,883,850
Segment Liabilities	23,170,839	28,504,854	130,479,062	10,497	744	182,165,996
Segment Return on net Assets (ROA) (%)	15.94	13.59	11.11	-	-	-
Segment Cost of funds (%)	11.64	8.97	8.95	-	-	-
2007						
Total income	8,676,143	1,390,557	12,710,673	161,947	36,979	22,976,299
Total expenses	3,385,953	1,808,193	12,902,984	16,142	7,458	18,120,730
Income taxes	-	-	-	-	-	401,551
Net income	5,290,190	(417,636)	(192,311)	145,805	29,521	4,454,018
Segment Assets (Gross)	92,466,451	11,448,191	132,925,413	38,110	7,296	236,885,461
Segment Non Performing Loans	25,400	669,978	2,679,913	-	-	3,375,291
Segment Provision Required	6,525	527,284	2,109,134	-	-	2,642,943
Segment Liabilities	43,430,340	20,570,083	152,004,883	-	-	216,005,306
Segment Return on net Assets (ROA) (%)	9.38	8.00	7.94	-	-	-
Segment Cost of funds (%)	7.74	7.83	7.67	-	-	-

41. Related Party Transactions

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Bank in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 37.

	2008	2007
	(Rupees in '000)	
First Punjab Modaraba - Managed Modaraba		
(Modaraba floated by the wholly owned subsidiary of the Bank)		
Advances		
Outstanding at beginning of the year	452,210	564,979
Made during the year	4,758,153	3,969,298
Repaid/matured during the year	(4,169,247)	(4,082,067)
Outstanding at the end of the year	<u>1,041,116</u>	<u>452,210</u>
Provision for doubtful debts	-	-
Mark-up/return earned	<u>112,506</u>	<u>30,031</u>
Deposits in current account	<u>3,113</u>	<u>1,215</u>
Placement		
Outstanding at beginning of the year	-	-
Made during the year	1,100,000	-
Repaid/matured during the year	(800,000)	-
Outstanding at the end of the year	<u>300,000</u>	<u>-</u>
Mark-up/return earned	<u>40,360</u>	<u>-</u>
Lease liability		
Outstanding at beginning of the year	40,321	34,975
Lease contracts entered into during the year	-	19,398
Repayments	(9,689)	(14,052)
Outstanding at the end of the year	<u>30,632</u>	<u>40,321</u>
Security deposit receivable in respect of leases	-	-
Bankers Avenue Co-operative Housing Society		
(A co-operative society managed by key management personnel of the Bank)		
Deposits in saving account	<u>6,004</u>	<u>42,731</u>

	2008	2007
	(Rupees in '000)	
Colony Mills Limited *		
(Common directorship)		
Advances		
Outstanding at beginning of the period	-	100,000
Made during the period	-	2,336,770
Repaid/matured during the period	-	(386,770)
	<hr/>	<hr/>
Outstanding at the end of the period	<hr/> <hr/>	<hr/> <hr/> 2,050,000
Mark-up/return earned	-	108,610
Deposits in current account	-	175,363
Ejaz Textile Mills Limited *		
(Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	502,375
Repaid/matured during the period	-	(2,500)
	<hr/>	<hr/>
Outstanding at the end of the period	<hr/> <hr/>	<hr/> <hr/> 499,875
Mark-up/return earned	-	3,558
Ejaz Spinning Mills Limited *		
(Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	174,618
Repaid/matured during the period	-	-
	<hr/>	<hr/>
Outstanding at the end of the period	<hr/> <hr/>	<hr/> <hr/> 174,618
Mark-up/return earned	-	3,086
Chenab Limited *		
(Common directorship)		
Advances		
Outstanding at beginning of the period	-	-
Made during the period	-	782,386
Repaid/matured during the period	-	-
	<hr/>	<hr/>
Outstanding at the end of the period	<hr/> <hr/>	<hr/> <hr/> 782,386
Mark-up/return earned	-	11,409
Transaction with Key Management Personnel / Directors Salaries and benefits paid	-	41,023,382

In addition the Chief Executive and other executive officers are provided with Bank maintained cars.

2008 2007
(Rupees in '000)

Contribution to Employees Provident Fund **42,117** 34,937

Although the Government of Punjab (GoPb) holds 51% shares of the Bank (2007: 51%) transactions with GoPb have not been treated as related party transactions for the purpose of this disclosure.

* Ceased to be related party during the year

42. Capital Adequacy

Capital Management

Statutory minimum capital requirement and management of capital

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

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

The State Bank of Pakistan through its BSD Circular No.07 dated 15 April 2009 requires the minimum paid-up capital (net of losses) for Banks / DFIs to be raised to Rs.10,000,000 (thousand) by the year ending 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 6,000,000 (thousand) paid up capital (net of losses) by the end of the financial year 2009.

Minimum Paid up Capital (Net of losses) - Rs. in '000	Dead line by which to be increased
6,000,000	31-12-2009
7,000,000	31-12-2010
8,000,000	31-12-2011
9,000,000	31-12-2012
10,000,000	31-12-2013

The paid-up capital of the Bank for the year ended December 31, 2008 stood at Rs. 5,040 million and is in compliance with the SBP requirement for the said year. In addition the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Bank whereas in December 2007, it was required as 8%.

The State Bank of Pakistan's regulatory capital as managed by the bank is analyzed into following tiers:

- Tier I capital, which comprises of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which includes general reserve for loan losses, revaluation reserves, exchange translation reserves and subordinated debts.
- Tier III capital, which includes short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II

capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect more contingent nature of potential losses.

Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

	2008	2007
	(Rupees in '000)	
Tier 1 capital		
Paid-up capital	5,287,974	4,230,379
Balance in Share Premium Account	37,882	37,882
General Reserves	7,389,350	7,389,350
(Accumulated loss) / Unappropriated profit	(7,674,258)	3,468,957
	5,040,948	15,126,568
Deductions:		
Deficit on account of revaluations	1,612,696	-
Total eligible Tier 1 capital	3,428,252	15,126,568
Tier 2 capital		
General provisions subject to 1.25% of total Risk Weighted Assets	47,635	136,360
Revaluation Reserves (up to 45%)	-	2,627,341
	47,635	2,763,701
Total eligible Tier 2 Capital	47,635	2,763,701
Tier 3 Capital	-	-
Total Eligible Capital	3,475,887	17,890,269

Capital Adequacy Ratio

	2008	2007	2008	2007
Capital Requirements			Risk Weighted Assets	
..... (Rupees in '000)				

Credit Risk

Claim on:

Public sector entities	337,114	499,063	3,745,713	6,238,283
Claim on banks	14	71,208	160	890,106
Claims denominated in foreign currency, on banks with original maturity of 3 months or less	2,602	14,562	28,906	182,026
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	78,984	46,977	877,593	587,217
Corporates	8,647,747	9,824,408	96,086,077	122,805,099
Retail portfolio	892,817	428,115	9,920,187	5,351,438
Loans secured by residential property	36,777	36,861	408,633	460,761
Past due loans	1,977,820	66,797	21,975,781	834,959
Investment in fixed assets	292,683	169,894	3,252,038	2,123,671
Other assets	911,473	492,336	10,127,478	6,154,206
Off balance sheet - non-market related exposure	1,320,112	1,824,286	14,667,913	22,803,572
Off balance sheet - market related exposure	939	787	10,438	9,843
Equity exposure risk held in the Banking book	198,313	282,419	2,203,473	3,530,237
	14,697,395	13,757,713	163,304,390	171,971,418

	2008	2007	2008	2007
Capital Requirements			Risk Weighted Assets	
..... (Rupees in '000)				

Market Risk

Interest rate risk	-	-	-	-
Equity position risk	-	-	-	-
Foreign exchange risk	21,221	13,677	235,785	170,961
	21,221	13,677	235,785	170,961

Operational Risk

	906,022	708,952	10,066,911	8,861,894
Total	15,624,638	14,480,342	173,607,086	181,004,273

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

Capital Adequacy Ratio

Total eligible regulatory capital held	3,475,887	17,890,269
Total Risk Weighted Assets	173,607,086	181,004,273
Capital Adequacy Ratio	2.00%	9.88%

* Comparative figures as per BASEL II have been re-stated.

42.1 Subsequent to the year end, as explained in Note 1, the Bank has received Rs.10,000,000 thousand as advance subscription money from the Government of Punjab, being majority shareholders of the Bank with a view to improve the Capital Adequacy Ratio (CAR).

The SBP has given relaxation to the Bank for the minimum required CAR of 9% till December 31, 2009.

43. Risk Management

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

43.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the SBP.

Out of total financial assets of Rs. 173,373,521 (thousand) (2007: Rs.230,780,619 (thousand)), the financial assets which were subject to credit risk amount to Rs. 157,530,923 (thousand) (2007: Rs.170,086,938 (thousand)). The Bank's major credit risk in the case of loans and advances is concentrated in the textile, construction/real estate and trading and commerce sectors. Investments in Market Treasury Bills, Pakistan Investment Bonds (PIBs), Federal Investment Bonds (FIBs) are guaranteed by the Government of Pakistan.

43.1.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Agribusiness	6,281,947	4.10	410,582	0.25	-	-
Textile and ginning	42,686,341	27.86	383,698	0.23	5,710,609	12.19
Cement	5,483,128	3.58	86,258	0.05	889,748	1.90
Sugar	8,618,180	5.62	98,967	0.06	132,031	0.28
Financial	1,494,100	0.98	18,280,523	11.14	189,968	0.41
Construction and real estate	17,445,264	11.39	5,782,359	3.52	3,646,662	7.78
Oil and gas	59,185	0.04	-	-	3,824,120	8.16
Auto & allied	1,651,161	1.08	-	-	614,903	1.31
Food and allied	6,408,567	4.18	3,114,777	1.90	99,745	0.21
Chemical and pharmaceuticals	3,113,857	2.03	2,158,181	1.32	573,194	1.22
Fertilizers	-	-	-	-	-	-
Cable, electrical and engineering	4,190,728	2.74	250,228	0.15	3,092,533	6.60
Production and transmission of energy	3,178,978	2.07	263,257	0.16	3,901,637	8.33
Transport, Storage and Communication	4,999,958	3.26	5,179,492	3.16	3,915,293	8.35
Government						
- Public Sector Enterprises	4,816,714	3.14	82,297,911	50.16	9,457,247	20.18
- Federal and Provincial Governments	500,000	0.33	500,000	0.30	4,670,041	9.96
Individuals	2,179,916	1.42	23,379,802	14.25	-	-
Trading and commerce	18,843,434	12.30	4,315,341	2.63	3,284,926	7.01
Services	2,691,833	1.76	6,856,946	4.18	233,894	0.50
Others	18,575,915	12.12	10,713,410	6.53	2,628,204	5.61
	153,219,206	100.00	164,071,732	100.00	46,864,755	100.00

	2008					
	Advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/ Government	4,809,669	3.14	82,297,911	50.16	14,127,288	30.14
Private	148,409,537	96.86	81,773,821	49.84	32,737,467	69.86
	153,219,206	100.00	164,071,732	100.00	46,864,755	100.00

43.1.2 Segment by sector

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees in '000)		(Rupees in '000)	
Agribusiness	1,469,015	368,365	476,075	154,854
Textile and ginning	11,288,469	6,595,623	729,577	697,727
Chemical and pharmaceuticals	56,190	25,299	383,625	194,507
Footwear and leather garments	76,652	72,876	123,927	123,927
Cables and electrics	1,528,329	532,365	22,291	22,291
Construction	8,306,704	3,830,417	115,954	77,000
Power and transmission of energy	1,467,819	433,966	89,196	89,196
Retail and wholesale trade	6,677,076	3,243,390	590,024	473,620
Financial	-	-	-	-
Rice and paddy	224,173	127,990	73,221	51,822
Wheat	223,649	167,204	37,757	37,757
Sugar	124,156	31,039	-	-
Food and allied	2,165,286	1,097,492	37,141	33,842
Services	2,032,604	433,380	189,548	103,625
Individuals	219,146	179,686	185,389	152,123
Others	6,830,069	4,308,366	296,166	287,767
	<u>42,689,337</u>	<u>21,447,458</u>	<u>3,349,891</u>	<u>2,500,058</u>

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

Public/ Government	-	-	-	-
Private	42,689,337	21,447,458	3,349,891	2,500,058
	<u>42,689,337</u>	<u>21,447,458</u>	<u>3,349,891</u>	<u>2,500,058</u>

43.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

43.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Group's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

43.2.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Group. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

43.2.2 Foreign exchange risk management

The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The Group manages its foreign exchange exposure by matching foreign currency assets and liabilities.

The net open position and nostro balances are managed within the statutory limits, as fixed by SBP. Counter parties limits are also fixed to limit risk concentration.

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency
	(Rupees in '000)			
Pakistan rupee	184,916,203	179,932,630	257,254	5,240,827
United States dollar	666,965	1,897,518	(241,254)	(1,471,807)
Great Britain pound	49,976	66,151	17,526	1,351
Japanese yen	11,946	-	-	11,946
Euro	217,524	269,120	(33,526)	(85,122)
Others	30,359	-	-	30,359
	185,892,973	182,165,419	-	3,727,554

43.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Group that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Group prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities.

43.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective yield / interest rate	Exposed to Yield / Interest risk									Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years		Above 10 years
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	2.59%	10,685,058	526,775	-	-	-	-	-	-	-	-	10,158,283
Balances with other banks	5.42%	2,178,455	263,479	-	-	-	-	-	-	-	-	1,914,976
Lending to financial institutions	15.35%	633,333	333,333	300,000	-	-	-	-	-	-	-	-
Investments	12.64%	22,689,808	7,553,442	540,128	4,422,174	-	384,119	481,745	1,044,782	1,117,696	627,891	6,517,631
Advances	10.42%	131,724,113	53,328,647	78,395,466	-	-	-	-	-	-	-	-
Other assets	-	5,437,208	-	30,000	-	-	-	-	-	-	-	5,407,208
		173,347,775	62,005,676	79,235,594	4,452,174	-	384,119	481,745	1,044,782	1,117,696	627,891	23,998,098
Liabilities												
Bills payable	-	1,219,801	-	-	-	-	-	-	-	-	-	1,219,801
Borrowings	11.47%	12,278,773	4,170,841	6,356,779	1,592,923	-	-	-	-	-	-	158,230
Deposits and other accounts	9.71%	164,071,732	17,799,931	82,972,710	10,075,082	26,658,308	3,079,595	1,260,771	1,025,288	-	-	21,200,047
Liabilities against assets subject to finance lease	17.02%	30,632	-	30,632	-	-	-	-	-	-	-	-
Other liabilities	-	4,564,481	-	-	-	-	-	-	-	-	-	4,564,481
		182,165,419	21,970,772	83,003,342	16,431,861	28,251,231	3,079,595	1,260,771	1,025,288	-	-	27,142,559
On-balance sheet gap		(8,817,644)	40,034,904	(3,767,748)	(11,979,687)	(28,251,231)	(2,695,476)	(779,026)	19,494	1,117,696	627,891	(3,144,461)
Off-balance sheet financial instruments												
Forward foreign exchange contracts												
- purchase		1,166,728	1,154,016	11,187	1,525	-	-	-	-	-	-	-
- sale		1,423,981	600,935	572,696	250,350	-	-	-	-	-	-	-
Off-balance sheet gap		2,590,709	1,754,951	583,883	251,875	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			41,789,855	(3,183,865)	(11,727,812)	(28,251,231)	(2,695,476)	(779,026)	19,494	1,117,696	627,891	(3,144,461)
Cumulative Yield/Interest Risk Sensitivity Gap			41,789,855	38,605,990	26,878,178	(1,373,053)	(4,068,529)	(4,847,555)	(4,828,061)	(3,710,365)	(3,082,474)	(6,226,935)

43.3 Liquidity Risk

43.3.1 Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.

43.3.2 Maturities of Assets and Liabilities

2008

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 month and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	10,685,058	10,685,058	-	-	-	-	-	-	-	-
Balances with other banks	2,178,455	2,178,455	-	-	-	-	-	-	-	-
Lending to financial institutions	633,333	333,333	300,000	-	-	-	-	-	-	-
Investments	22,689,608	134,258	85,634	2,074,086	409,550	1,371,743	1,579,913	15,025,662	1,231,497	777,265
Advances	131,724,113	53,328,647	3,711,372	8,587,071	8,606,356	4,968,609	5,976,712	19,780,408	25,595,048	1,169,890
Operating fixed assets	3,471,838	19,038	38,076	57,114	114,228	228,455	228,455	456,910	1,142,275	1,187,287
Deferred tax assets	8,388,162	-	-	-	-	-	-	8,388,162	-	-
Other assets	6,122,406	5,437,247	165,623	107,492	215,972	3,852	192,220	-	-	-
	185,892,973	72,116,036	4,300,705	10,825,763	9,346,106	6,572,659	7,977,300	43,651,142	27,968,820	3,134,442
Liabilities										
Bills payable	1,219,801	1,219,801	-	-	-	-	-	-	-	-
Borrowings	12,278,773	4,229,071	-	6,372,098	1,677,604	-	-	-	-	-
Deposits and other accounts	164,071,732	32,115,461	27,978,703	20,257,275	37,164,503	11,277,753	9,494,441	10,377,820	7,702,888	7,702,888
Liabilities against assets subject to finance lease	30,632	711	1,452	2,256	6,354	7,365	6,523	5,971	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,564,481	4,185,433	-	-	199,488	-	-	179,560	-	-
	182,165,419	41,750,477	27,980,155	26,631,629	39,047,949	11,285,118	9,500,964	10,563,351	7,702,888	7,702,888
Net assets	<u>3,727,554</u>	<u>30,365,559</u>	<u>(23,679,450)</u>	<u>(15,805,866)</u>	<u>(29,701,843)</u>	<u>(4,712,459)</u>	<u>(1,523,664)</u>	<u>33,087,791</u>	<u>20,265,932</u>	<u>(4,568,446)</u>
Share capital	5,287,974									
Reserves	7,427,232									
Accumulated loss	(7,674,257)									
Surplus on revaluation of assets	(1,313,395)									
	<u>3,727,554</u>									

43.3.3 Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

43.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Group has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

44. Date of authorization for issue

These financial statements were authorized for issue on 04 June 2009 by the Board of Directors of the Bank.

45. Events after the balance sheet date

The Board of Directors in their meeting held on 04 June 2009 have approved transfer of Rs. 2,894,000 (thousand) and Rs. 4,495,350 (thousand) from statutory reserve and general reserve respectively to (Accumulated loss) / Un-appropriated profit account.

46. General

46.1 These financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by the (SBP) vide BSD Circular No. 04 dated 17 February 2006.

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

46.3 Corresponding figures have been re-arranged and re-classified wherever necessary, for the purpose of comparison. Major re-classifications are as follows:

Statement	Reclassification from	Reclassification to	(Rupees in '000)
Balance Sheet	Other liabilities	Other assets	26,905

46.4 Management fee excess accrued and received in the financial statements of subsidiary during the preceeding year amounting to Rs 6,249 million has been debited to unappropriated profit in the statement of changes in equity during the current year and corresponding credit has been given to due to the managed modaraba.

Chairman

President

Director

Director

Director

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2008

Rs in '000

S. No.	Name and address of the borrower	Name of Individuals/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year							Interest /Mark up /Other Charges capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total	
				Branch Name	Region	Principal	Interest/Mark up /Other charges capitalized	Interest/markup	Others	Total					
1	A-One Chicks 469-Shadman 1, Lahore 3/3 Taj Arcade, 73-Jail Road, Lahore	1-Abid Ali Langah 265-34-161163 2-Khalid Ali Langah 265-34-161164	1-S/O Muhammad Tufail 2-S/O Muhammad Tufail	Shadman Branch Lahore	Lahore	7,270	-	-	-	-	4,803	-	-	4,803	
2	Pak British International Haji Park Near Vaniawala, Sialkot By Pass, Gujranwala.	Capt. (R) Tariq Farooq 35202-5147930-9	Chaudry Ghulam Sadiq	Trust Plaza Branch Gujranwala	Gujranwala	20,316	-	4,116	-	-	-	-	-	2,830	
3	Sheikh Enterprises 14-B, Colonel Plaza, Paesa Akhtar Markaz, Anarkali, Lahore	1-Nazar Ghulam 276-59-340429 2-Shaukat Ali 277-46-449608	1-S/O Ghulam Muhammad 2-S/O Ghulam Muhammad	Empire Centre Branch Lahore	Lahore	10,000	-	2,997	-	-	-	-	-	2,497	
4	A.R. Flour Mills Shah Khalid Town, Lahore Muridke Road, Shahdara, Tehsil Feroze- wala, Distt. Sheikhupura.	Salah-ud-Din Mirza 35202-6433435-1 2-Irfan Mirza 35202-2968025-5	1-S/O Allah Rakha Mirza 2- S/O Maqsood Ahmed	Raw Road Branch Lahore	Lahore	17,031	-	1,477	92	-	-	-	-	971	
5	Shahid Nawaz Cotton Ginners Gulshan Cotton Factory, Malisi Road, Kahror Pacca	1-Haq Nawaz 36202-0955200-1 2-Muhammad Nawaz 36202-3247134-5 3-Muhammad Ameer 326-75-978459 4-Allah Diwaya 326-85-236556	1-S/O Malik Bahadur 2-S/O Malik Bahadur 3- S/O Malik Bahadur 4- S/O Malik Bahadur	Kahror Pacca Multan	Multan	735	-	1,185	-	-	-	-	-	837	
6	Alpha Construction R-110 Commercial Area Phase II, DHA, Lahore	Mis Amina Aamir 35201-1470840-6	W/O Mr Aamir Riaz	Garhi Shahu Lahore	Lahore	6,500	-	1,117	-	-	-	-	-	716	
7	Step-Up Shop # 80/B, Penorana Centre, The Mall, Lahore	Syed Mateen Ahmed Shah 35202-2894036-3	Syed Qadeer Ahmed Shah	Auriga Complex Lahore	Lahore	3,500	-	1,061	-	-	-	-	-	664	
8	Al-Musaaleen Cot- ton Ginning and Pressing Factory Mauza Kotla Lal Shah, Shahar Sultan Distt, Muzaffargarh.	1-Rana Nazir Ahmed 318-53-135111 2-Rana Shaukat Ali 318-57-041682 3-Zulfikar Ahmed 318-58-401035	1-S/O M. Sharif 2-S/O M. Sharif 3- S/O Abdul Shaqoor	Alipur Branch Multan	Multan	1,937	-	1,822	-	-	-	-	-	609	
9	Ghazi Oil Mills G. T Road, Mian Channu	1-Asghar Ali Ghazi 2-Akhtar Ali Ghazi 3-MST.Mehmooda Sarwar 4-MST.Ghulam Falima (Deceased)	1-S/O Ghulam Mustafa Ghazi 2-S/O Ghulam Mustafa Ghazi 3-W/O Muhammad Sarwar 4-W/O Ghulam Mustafa Ghazi	Mian Channu Multan	Multan	2,672	-	529	-	-	-	-	-	529	
			TOTAL			69,961	-	14,304	92	-	4,803	-	-	9,653	14,458

1. Ordinary shares of listed companies and modarabas

Number of shares		Name of company/modaraba	2008	2007
2008	2007		(Rupees in '000)	
4,610,400	-	First Credit & Investment Bank Limited	46,104	-
978,000	978,000	National Bank Modaraba	9,780	9,780
3,881,537	3,105,381	Trust Investment Bank Limited (Formerly Trust Leasing and Investment Bank Limited)	99,907	99,907
500	500	Trust Modaraba	6	6
1,320,694	1,320,694	Firsh Punjab Modaraba	164,943	164,943
3,822,698	3,822,698	Zephyr Textile Limited	38,227	38,227
			358,967	312,863

2. Preference shares of listed companies

Number of shares		Name of company	2008	2007
2008	2007			
3,090,794	3,090,794	Azgard Nine Limited	30,908	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
			210,908	210,908

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at six month Kibor ask side +2.5% per annum.	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of three years from the date of issue by giving atleast 60 days .
Pak Elektron Limited (PEL)	10	Dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% and 100% of the issue size within 90 days of the end of each semi annual period commencing from 3rd & 5th anniversary respectively. Conversion option on the formula mentioned in the prospectus is exercisable after the fifth anniversary of the issue.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue or in whole or in part or convertible by the company in whole or part through tender.

3. Ordinary shares of unlisted company

Number of shares		Name of company	2008	2007
2008	2007		(Rupees in '000)	
2,000,000	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Syed Tariq Hussain)	25,000	25,000

4. Investment in mutual funds

Number of Units		Name of fund	2008	2007
2008	2007		(Rupees in '000)	
Open ended mutual funds				
940,676	966,316	AKD Income Value Fund	50,000	50,000
866,961	1,673,570	AKD Opportunity Fund	43,755	100,000
3,870,397	2,380,834	Alfalah GHP Multiplier Fund	198,842	125,000
9,482,165	7,569,921	AMZ Plus Income Fund	1,050,000	800,000
2,631,770	2,120,000	AMZ Plus Stock Market Fund	246,729	200,000
500,000	500,000	Askari Asset Allocation Fund	50,000	50,000
-	2,727,452	Askari Income Fund	-	304,356
279,705	287,958	Atlas Income Fund	150,000	150,000
54,999	97,567	Atlas Islamic Fund	25,000	50,000
297,082	330,265	Atlas Stock Market Fund	200,000	221,963
10,051,318	10,051,318	BMA Chundrigar Road Saving Fund	100,000	100,000
673,653	-	Crosby Dragon Fund	94,019	-
-	949,433	Dawood Money Market Fund	-	100,000
616,366	616,366	Faysal Balanced Growth Fund	68,547	68,547
17,071,047	9,512,578	Faysal Saving Growth	1,800,000	1,000,000
879,062	1,194,458	First Habib Income Fund	94,183	125,000
-	478,744	HBL Income Fund	-	50,000
961,730	238,572	IGI Income Fund	100,000	25,000
250,822	-	IGI Stock Fund	25,000	-
159,061	159,061	JS - Islamic Fund	111,368	111,368
500,000	500,000	JS - A30 + Fund	25,000	25,000
512,280	500,000	JS - Aggressive Asset Allocation Fund	50,000	50,000
-	501,000	JS - ABAMCO Capital Protected Fund	-	50,000
1,122,993	1,044,924	JS - Capital Protected Fund	100,000	100,000
137,440	250,000	JS - Fund of Funds	12,500	12,500
18,487,017	18,487,017	JS - Income Fund	2,065,037	2,065,037
-	2,486,573	JS-Aggressive Income Fund	-	250,000
545,136	-	JS-Capital Protected Fund II	50,000	-
105,468	100,000	JS-Capital Protected Fund III	10,000	10,000
3,924,052	4,000,000	KASB Balanced Fund	200,000	200,000
1,127,446	1,127,447	KASB Liquid Fund	125,000	125,000
1,782,248	1,776,522	KASB Stock Market Fund	100,000	100,000
-	1,785,494	MCB Dynamic Stock Fund	-	225,000
1,807,640	5,970,502	MCB Dynamic Cash Fund	223,402	625,000
-	10,067,508	Meezan Islamic Fund	-	525,000
28,631,638	24,292,332	NAFA Cash Fund	305,021	255,020
16,873,263	18,671,591	NAFA Stock Fund	200,000	225,000
513,250	-	NAMCO Income Fund	50,000	-
-	6,899,730	Pakistan Capital Market Fund	-	105,000
-	18,249,097	Pakistan Income Fund	-	1,011,000
2,047,895	3,698,806	Pakistan Int'l Element Islamic Fund	100,000	200,000
1,901,203	1,504,877	Pakistan Stock Market Fund	170,803	170,804
500,000	-	Pakoman Advantage Islamic Fund	25,000	-
500,000	-	Pakoman Advantage Islamic Income Fund	25,000	-
14,370,315	15,000,000	POBOP Advantage Fund	750,000	750,000
8,390,906	5,733,157	Reliance Income Fund	450,000	300,000
2,091,500	2,091,500	Unit Trust of Pakistan	369,246	369,246
-	224,719	United Composite Islamic Fund	-	25,000
7,703,383	238,939	United Growth & Income Fund	825,000	25,000
-	217,146	United Stock Advantage Fund	-	25,000
Close ended mutual funds				
1,253,700	1,253,700	Atlas Fund of Funds	11,940	11,940
20,000,000	20,000,000	JS - Large Capital Fund (ABAMCO Composite Fund)	200,000	200,000
7,500,000	7,500,000	NAMCO Balance Fund	75,000	75,000
42,640,000	40,000,000	Pakistan Capital Protected Fund	400,000	400,000
17,500,000	17,500,000	Pakistan Strategic Allocation Fund	175,250	175,250
				-
			11,500,642	12,317,032

4.1 Core Investments in Mutual Funds

Name of Fund	Retention upto	Core Investment (Rupees in '000)
AKD Income Value Fund	23-Feb-09	10,000
BMA Chundrigar Road Saving Fund	4-Aug-09	100,000
JS Capital Protected Fund	14-Feb-09	50,000
JS Capital Protected Fund II	14-May-09	50,000
JS Capital Protected Fund III	21-Aug-09	10,000
KASB Balanced Fund	18-Dec-09	125,000
KASB Stock Market Fund	27-Feb-09	25,000
NAMCO Income Fund	23-Apr-10	50,000
POBOP Advantage Fund	7-Sep-09	250,000

5. Term Finance Certificates-listed

Number of certificates		Nominal value per certificate	Name of company/modaraba	2008	2007
2008	2007	(Rupees in '000)		(Rupees in '000)	
-	1,032	5	Al-Zamin Leasing Modaraba - 1st issue (Formerly Creasent Leasing Corporation Limited)	-	1,754
2,000	2,000	5	Bank Al-Habib Limited - 1st issue	9,984	9,988
10,000	10,000	5	Crescent Leasing Corporation Limited - 2nd issue	10,000	20,000
-	5,000	5	Ittehad Chemicals Limited - 1st issue	-	4,164
-	5,000	5	Jahangir Siddiqui Investment Company Limited - 1st issue	-	6,243
13,886	13,886	5	JS Investments Limited - class A	63,619	69,416
-	35,000	5	MCB Bank Limited - 1st issue	-	52,416
-	18,000	5	Nishat Mills Limited - 1st issue	-	35,964
40,000	40,000	5	Orix Leasing Pakistan Limited - 2nd issue	199,880	199,960
10,000	10,000	5	Standard Chartered Bank (Pakistan) Limited - 2nd issue	47,420	49,930
12,000	12,000	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	9,742	24,000
4,516	4,516	5	Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited - 3rd issue)	11,290	13,548
10,000	10,000	5	United Bank Limited - 1st issue	49,923	49,942
6,000	6,000	5	World Call Communication - 3rd issue	29,976	29,988
				431,834	567,313

Other particulars of listed TFCs are as follows:

Particulars	Profit rate per annum	Profit payment	Redemption terms
Bank Al-Habib Limited - 1st issue	Floating average 6-months KIBOR + 150 pbs. Floor: 3.50% p.a. & Cap: 10.00% p.a.	Semi-annually	0.02% of principal to be redeemed in 13 equal semi-annual installments starting from 6th month of issue and 3 equal semi annual installments of 33.25% of principal amount after 84th month.
Crescent Leasing Corporation Limited - 1st issue	Floating cut-off yield of last successful SBP auction of 5-year PIBs + 200 pbs. Floor: 12.00% & Cap: 15.75%.	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
JS Investments Limited - class A	Floating 6-month KIBOR + 2.00%. Floor: 8.00% & Cap: 16.00%.	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 1 year.
Orix Leasing Pakistan Limited - 2nd issue	Floating 6-month KIBOR + 1.50% with no floor or cap.	Semi-annually	0.08% of the principal amount to be redeemed during first two years in four equal semi-annual installments in arrears and the remaining 99.92% to be redeemed during last three years in 6 equal semi annual installments in arrears.
Standard Chartered Bank (Pakistan) Limited - 2nd issue	Floating last cut-off yield of 5-year PIBs auction + 75 pbs. Floor: 5.00% p.a. & Cap: 10.75% p.a.	Semi-annually	A nominal amount i.e. 0.16% of the total issue amount will be repaid equally in each of the redemption periods of first 4 years and after that 5% of total issue amount each in 54th and 60th month, 19.92% of total issue amount each in 66th and 72nd month a
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	Floating 6-month KIBOR + 300 pbs. Floor: 6.00% p.a. & Cap: 10.00% p.a.	Semi-annually	Principal to be repaid in 10 equal semi-annual installments commencing 6th month from the issue date. Callable at any time after 36 months from the issue date.
Trust Leasing Corporation Limited- 3rd issue	Floating 6-month KIBOR + 200 pbs with no floor or cap.	Semi-annually	Principal to be repaid in 10 equal semi-annual installments commencing 6th month from the issue date.
United Bank Limited - 1st issue	Fixed at 100 pbs + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	The instrument is structured to redeem 0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 0.20% each of the issue amount respectively, starting from 84th month.
World Call Communication - 3rd issue	Floating 6-month KIBOR + 2.75% with no floor or cap.	Semi-annually	Principal to be repaid in equal semi-annual installments commencing after a grace period of 2 years.

6. Term Finance Certificates-Unlisted

Number of certificates	Nominal value per certificate	Name of company	2008	2007
2008	2007	(Rupees in '000)	(Rupees in '000)	
260,000	-	5	1,299,740	-
5,000	5,000	5	22,892	24,980
10,000	10,000	5	12,500	25,000
100,000	-	-	499,800	500,000
-	950	1,000	-	910,416
15,000	15,000	5	-	-
-	2	60,036/ 4,000	9,375	28,125
-	1	1,078	-	29,247
5,000	5,000	30	-	470
5,000	5,000	5	49,960	99,920
13,686	13,686	5	-	-
80,000	-	5	24,980	24,990
6,114	6,114	5	12,500	37,500
21,000	21,000	5	400,000	-
-	-	-	30,552	30,564
-	60,000	5	-	-
-	20,000	5	74,371	91,871
10,000	10,000	5	-	120,000
26,000	26,000	5	-	40,000
10	10	15,000	30,000	50,000
-	50,000	5	129,870	129,922
-	-	5	150,000	150,000
-	-	5	-	249,500
			2,746,540	2,542,505

Other particulars of unlisted TFCs are as follows:

Particulars	Profit rate per annum	Profit payment	Redemption terms
Azgard Nine Limited - 1st issue (Chief Executive Officer: Mr. Ahmad H. Sheikh)	Six month KIBOR +1.75% with no floor no cap	Semi-annually	0.08% of capital in first 24 months and remaining principal in 10 equal semi-annual installment of 9.992% each of the issued amount starting from 30th month.
Azgard Nine Limited - 1st issue (Chief Executive Officer: Mr. Ahmad H. Sheikh)	Six month KIBOR +2.25% with no floor no cap	Semi-annually	0.08% of capital in first 24 months and remaining principal in 10 equal semi-annual installment of 9.992% each of the issued amount starting from 30th month.
Azgard Nine Limited - 2nd issue (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Floating 6-months KIBOR + 240 bps with no floor or cap.	Semi-annually	Principal to be repaid in 10 unequal semi-annual installments starting from 30th month of the issue date. Conversion option which allows the TFC holder the right to convert upto 25% of the value of these TFCs into ordinary shares (non-voting) & non-partic
Azgard Nine Limited - 3rd issue (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Floating 6-month KIBOR as quoted on Reuters page at 11:30 am + 175 bps.	Semi-annually	Principal to be repaid in 8 equal semi-annual installments starting from 18th month of the issue date.
Crescent Steel & Allied Products Limited - 1st issue (Chief Executive Officer: Mr. Ahsan Saleem)	Cut off yield 6-month MTB rate of last SBP auction + 250 BPS with no floor and cap of 9.00% p.a.	Semi-annually	Principal will be redeemed in 8 equal installments commencing from 18th month from the issue date with call option exercisable at anytime after the 18th month from the issue date with 60 days notice period.
Escorts Investment Bank - 1st issue (Chief Executive Officer: Mr. Rashid Mansur)	Floating average 6-months KIBOR ask Side + 275 bps. Floor: 5.00% p.a. & Cap: 10.00% p.a.	Semi-annually	2 years grace period, principal redemption in six equal semi-annual installments starting from 30th month subject to call option exercisable at any time after 3 years in whole or in part at 60 days notice at a premium of 1% on outstanding value.
Jahangir Siddiqui Investment Company Limited - 4th issue (Chief Executive Officer: Mr. Munaf Ibrahim)	Floating 6-month KIBOR ask side + 2.5% with floor 6.00% and Cap 16.00%	Semi-annually	0.18 % of the principle to be repaid from 6th to 54th month, 49.9 % in 60th month and remaining 49.9 % in 66th month from date of first issue.
Jamshoro Joint Venture Limited (Chief Executive Officer: Mr. Ahsan M Saleem)	Floating 3 months KIBOR + 400 bps. Floor: 9.75% p.a.	Quarterly	Principal will be redeemed in 16 quarterly installments commencing from 18th month from the first draw down of funds or 12 months from the last drawdown of funds, whichever is earlier.
JDW Sugar Mills Limited (Chief Executive Officer: Amina Tareen)	Three month KIBOR +1.25% with no floor no cap	Quarterly	Principal will be redeemed in 18 unequal installments starting from 21st month of the first drawdown. 30 % approx each quarter cumulatively 60% in 2 quarters falling during crushing season. 20% approx. each quarter cumulatively 40% in 2 quarters falling
JS Investments Limited - class A (Chief Executive Officer: Mr. Najam Ali)	Floating 6-month KIBOR + 2.00%. Floor: 8.00% & Cap:	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 3 years.
Pakistan International Airlines Corporation - 1st issue (Chief Executive Officer: Mr. Tariq Kirmani)	Floating SBP discount rate + 50 bps. Floor: 8.00% p.a. & Cap: 12.50% p.a.	Semi-annually	2.50% of principal to be redeemed in 6 equal semi-annual installments starting from 24th month of issue date and 6 equal semi annual installments of 14.17% of issue amount.
Pakistan Mobile Communication (Private) Limited - 1st issue (Chief Executive Officer: Mr Alf Barry)	Floating average 6month KIBOR on start of every six months + 1.6% p.a. floor: 4.95% p.a. and cap: 12.00% p.a.	Semi-annually	Principal to be repaid in five equal semi annual installments first of which will fall due 36 month after disbursement. Call option in part or whole of the outstanding issue amount can be exercisable by the issuer from the 36th month till 45th month from
Pakistan Mobile Company - 3rd issue (Chief Executive Officer: Mr. Zouhair Abdul Khaliq)	Floating 6-month KIBOR ask side + 2.85% p.a. & no floor or cap	Semi-annually	Principal to be repaid in semi-annual installments starting from 54th month of the issue date.
Syed Bhais (Private) Limited (Chief Executive Officer: Mr. Zamir Ahmad Khan)	Average ask rate of 3-months KIBOR + 300 bps with no floor and no cap	Quarterly	Principal to be repaid in 16 quarterly installments after the grace period of 2 years.

7. Quality of available-for-sale securities

	2008		2007	
	Market value (Rupees in '000)	Rating	Market value (Rupees in '000)	Rating
Federal government securities				
Pakistan Market Treasury Bills	1,928,446	Un-rated	44,667,190	Un-rated
Pakistan Investment Bonds	557,379	Un-rated	706,574	Un-rated
Government of Pakistan Ijara Sukuk Bonds	9,540	Un-rated	-	-
	<u>2,495,365</u>		<u>45,373,764</u>	
Ordinary shares of listed companies				
First Credit and Investment Bank Limited	13,785	Un-rated	-	
First National Bank Modaraba	2,934	A+, A-1	8,313	A-
Trust Investment Bank Limited (Formerly Trust Leasing and Investment Bank Limited)	124,132	A-, A2	88,503	AA-
Trust Modaraba	-	-	2	Un-rated
Zephyr Textile Limited	8,104	Un-rated	21,598	Un-rated
	<u>148,955</u>		<u>118,416</u>	
Preference shares of listed companies				
Azgard Nine Limited	86,851	A+, A1	86,851	A+, A1
Fazal Cloth Mills Limited	25,000	Un-rated	25,000	Un-rated
Pak Elektron Limited	80,000	A, A1	80,000	A, A1
Shakarganj Mills Limited	76,500	BBB+, A2	70,000	BBB+, A2
	<u>268,351</u>		<u>261,851</u>	
Listed Term Finance Certificates				
Al-Zamin Leasing Modaraba - 1st issue (Formerly Crescent Leasing Corporation Limited)	-	-	1,754	A
Al-Zamin Leasing Modaraba - 2nd issue (Formerly Crescent Leasing Corporation Limited)	9,784	Un-rated	20,400	A-
Bank AL Habib Limited - 1st issue	9,823	AA-	9,988	AA-
Ittehad Chemicals Limited - 1st issue	-	-	4,164	A
Jahangir Siddiqui Investment Company Limited - 1st issue	-	-	6,242	AA+
JS Investments Limited - class A	64,000	AA+	69,416	AA+
MCB Bank Limited - 1st issue	-	-	52,416	A1+
Nishat Mills Limited - 1st issue	-	-	35,964	A+
Orix Leasing Pakistan Limited - 2nd issue	202,738	AA+	221,956	AA+
Standard Chartered Bank (Pakistan) Limited - 2nd issue	46,898	AAA	49,930	AAA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited)	9,095	AA-	25,800	AA
Trust Investment Bank Limited (formerly Trust Leasing and Investment Bank Limited) - 3rd issue	11,962	A	13,548	AA
United Bank Limited - 1st issue	43,683	AA	49,943	AA
World Call Communications Limited - 3rd issue	30,390	AA-	34,486	AA-
	<u>428,373</u>		<u>596,007</u>	

Annexure-II

	2008		2007	
	Carrying value	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Unlisted Term Finance Certificates				
Azgard Nine Limited	1,299,740	Un-rated	-	-
Azgard Nine Limited - 1st issue	22,891	A1+	25,000	AA-1
Azgard Nine Limited - 2nd issue	12,500	AA-	24,980	A1+
Azgard Nine Limited - 3rd issue	499,800	AA-	500,000	AA-1
Azgard Nine Limited - 3rd issue	-	-	910,416	Un-rated
Crescent Steel and Allied Products Limited - 1st issue	9,375	AA-	28,125	AA
Dewan Cement Limited - 1st issue	-	-	29,247	A
Dewan Cement Limited - 2nd issue	-	-	470	A
Escorts Investment Bank Limited - 1st issue	49,960	A+	99,920	A+
Jahangir Siddiqui Company Limited - 4th issue	24,980	AA+	24,990	AA+
Jamshoro Joint Venture Limited	12,500	AA-	37,500	AA-
JDW Sugar Mills Limited	400,000	Un-rated	-	-
JS ABAMCO Limited - class A	30,552	AA-	30,564	AA+
Pakistan International Airlines Corporation Limited - 1st issue	74,372	Un-rated	91,871	Un-rated
Pakistan Mobile Communications (Private) Limited	-	-	120,000	AA-
Pakistan Mobile Communications (Private) Limited	-	-	129,922	AA-
Pakistan Mobile Communications (Private) Limited - 1st issue	-	-	40,000	AA-
Pakistan Mobile Communications (Private) Limited - 1st issue	30,000	AA-	50,000	AA-
Pakistan Mobile Company Limited - 3rd issue	129,870	AA-	-	Un-rated
Syed Bhais (Private) Limited - 1st issue	150,000	Un-rated	150,000	Un-rated
Zaver Petroleum Corporation Limited - 1st issue	-	-	249,500	Un-rated
	2,746,540		2,542,505	

Annexure-II

	2008		2007	
	Market value (Rupees in '000)	Rating	Market value (Rupees in '000)	Rating
Mutual Funds				
Open ended mutual funds				
AKD Income Value Fund	40,616	A- (f)	50,982	Un-rated
AKD Opportunity Fund	25,575	Un-rated	100,916	Un-rated
Alfalah GHP Multiplier Fund	187,948	Un-rated	125,208	Un-rated
AMZ Plus Income Fund	888,219	5-Star	801,953	5-Star
AMZ Plus Stock Market Fund	197,751	3-Star	226,607	A (f)
Askari Asset Allocation Fund	22,975	Un-rated	48,345	Un-rated
Askari Income Fund	-	-	288,264	5-Star
Atlas Income Fund	133,869	5-Star	151,040	5-Star
Atlas Islamic Fund	14,266	Un-rated	50,275	Un-rated
Atlas Stock Market Fund	73,174	5-Star	198,767	5-Star
BMA Chundrigar Road Saving Fund	97,312	A (f)	103,636	Un-rated
Crosby Dragon Fund	45,276	Un-rated	-	-
Dawood Money Market Fund	-	-	100,129	5-Star
Faysal Balanced Growth Fund	41,253	Un-rated	66,876	3-Star
Faysal Saving Growth	1,772,999	A (f)	1,000,247	Un-rated
First Habib Income Fund	85,577	Un-rated	125,143	Un-rated
HBL Income Fund	-	-	50,058	Un-rated
IGI Income Fund	95,964	Un-rated	25,036	Un-rated
IGI Stock Fund	25,481	Un-rated	-	-
JS - Islamic Fund	43,545	4-Star	89,039	5-Star
JS A30 + Fund	9,646	4-Star	27,215	4-Star
JS Aggressive Asset Allocation Fund	20,419	4-Star	48,695	5-Star
JS ABAMCO Capital Protected Fund	107,414	Un-rated	103,479	Un-rated
JS Fund of Funds	10,704	4-Star	13,449	Un-rated
JS Income Fund	1,868,668	5-Star	1,957,036	5-Star
JS-Aggressive Income Fund	-	-	248,657	Un-rated
JS-Capital Protected Fund II	54,525	Un-rated	49,559	Un-rated
JS-Capital Protected Fund III	10,473	Un-rated	9,944	Un-rated
KASB Balanced Fund	149,506	Un-rated	200,000	Un-rated
KASB Liquid Fund	100,140	Un-rated	118,720	Un-rated
KASB Stock Fund	46,784	Un-rated	96,465	Un-rated
MCB Dynamic Cash Fund	-	-	190,307	Un-rated
MCB Dynamic Stock Fund	95,095	Un-rated	625,159	Un-rated
Meezan Islamic Fund	-	-	525,625	5-Star
NAFA Cash Fund	272,470	A (f)	255,351	MFR-5 Star
NAFA Stock Fund	91,846	Un-rated	254,193	Un-rated
NAMCO Income Fund	52,623	Un-rated	-	-
NIT Units	4,174,315	5-Star	9,490,091	Un-rated
Pakistan Capital Market Fund	-	-	84,246	3-Star
Pakistan Income Fund	-	-	958,990	4-Star
Pakistan Int'l Element Islamic Fund	65,881	4-Star	198,626	4-Star
Pakistan Stock Market Fund	72,607	5-Star	131,797	5-Star
Pakoman Advantage Islamic Fund	24,920	Un-rated	-	-
Pakoman Advantage Islamic Income Fund	25,270	Un-rated	-	-
POBOP Advantage Fund	671,329	Un-rated	762,300	Un-rated
Reliance Income Fund	390,056	Un-rated	300,355	Un-rated
Unit Trust of Pakistan	162,300	5-Star	302,598	5-Star
United Composite Islamic Fund	-	-	24,157	Un-rated
United Growth & Income Fund	736,122	A (f)	25,046	A (f)
United Stock Advantage Fund	-	-	23,851	Un-rated
Close ended mutual funds				
Atlas Fund of Funds	4,138	5-Star	10,531	5-Star
JS-Large Capital Fund (ABAMCO Composite Fund)	64,800	4-Star	162,000	4-Star
NAMCO Balance Fund	70,875	Un-rated	62,625	Un-rated
Pakistan Capital Protected Fund	426,400	Un-rated	400,000	Un-rated
Pakistan Strategic Allocation Fund	48,300	4-Star	159,250	4-Star
	13,619,426		21,422,838	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.

List of Foreign Correspondent Banks

1. Australia

Australia & New Zealand Banking Group Ltd Melbourne
Australia & New Zealand Banking Group Ltd Sydney
Australia & New Zealand Banking Group Ltd Brisbane
Australia & New Zealand Banking Group Ltd Adelaide
Australia & New Zealand Banking Group Ltd Perth
Habib Bank Limited Sydney
JP Morgan Chase Bank N.A Sydney

2. Austria

Bank Austria AG Vienna
Bank Austria Creditanstalt AG Vienna
Citi Bank Vienna
Raiffeisenland Bank Niederoesterreich Vienna
Raiffeisen Zentral Bank Oesterreich Vienna
Raiffeisenland Bank Oberoesterreich Linz

3. Bahrain

United Bank Limited Manama
Bank Al Habib Limited Manama

4. Bangladesh

Habib Bank Limited Dhaka
Social Investment Bank Limited Dhaka

5. Belgium

Abn Amro Bank Brussels
Citi Bank Belgium NV/SA Brussels
Citi Bank International PLC Brussels
Fortis Banque Brussels
ING Belgium NV/SA Brussels
KBC Bank NV Brussels
Dexia Bank SA Brussels

6. Brazil

Banco Do Estado Sao Paulo S/A Sao Paulo
Banco Santander Central Hispano S.A. Sao Paulo
Deutsche Bank S.A. - Banco Alemao Sao Paulo

7. Bosnia

HVB Bank Bosna I Hercegovina Sarajevo

8. Bulgaria

Commercial Bank Biochim PLC Sofia
United Bulgarian Bank Sofia

9. Canada

HSBC Bank PLC Toronto
National Bank of Canada Montreal
Royal Bank Of Canada Toronto

10. China

ABN Amro Bank Shanghai
ABN Amro Bank HongKong
Agricultural Bank of China Beijing
Banca Altitie (Suisse) SA Lugano
Bank of China Beijing (29-07-08)
Bank of China HongKong Limited HongKong
Bank of Communications Shanghai
Bank of Tokyo Mitsubishi Limited Beijing
Bank of Tokyo Mitsubishi Limited Dalian
Bank of Tokyo Mitsubishi Limited Shanghai
Bank of Tokyo Mitsubishi Limited Shenzhen

Bank of Tokyo Mitsubishi Limited Tianjin
Bank of Tokyo Mitsubishi Limited HongKong
China Construction Bank Corporation Beijing
China Everbright Bank Beijing
China Merchants Bank Shenzhen
Cho Hung Bank Tianjin
Chohung Finance Ltd. Hong Kong
Citi Bank, N.A Hong Kong
Citibank N.A. Shanghai
Commerz Bank AG Hong Kong
Dao Heng Bank Limited Hong Kong
Deutsche Bank AG Hong Kong
Guangdong Development Bank Guangzhou
HBZ Finance Limited Hong Kong
Hong Kong & Shanghai Banking Corp. Hong Kong
HSBC Bank (China) Company Limited Shanghai
Industrial and Commercial Bank of China Beijing
JP Morgan Chase Bank N.A Tianjin
JP Morgan Chase Bank N.A Beijing
JP Morgan Chase Bank N.A Shanghai
JP Morgan Chase Bank N.A Hong Kong
Laiwu City Commercial Bank Laiwu
Mashreq Bank HongKong
Nanjing City Commercial Bank Nanjing
National Bank of Pakistan HongKong
Standard Chartered Bank Shanghai
Standard Chartered Bank HongKong
The Bank of Nova Scotia Hong Kong
Toronto Dominion Bank Hong Kong
Union De Banques Et Francaises Hong Kong
Wells Fargo NA Hong Kong
Westlb AG Shanghai
Wing Hang Bank Limited Hong Kong

11. Cyprus

Bank of Cyprus Limited Nicosia
Cyprus Popular Bank Limited. Nicosia
Hellenic Bank Public Company Ltd Nicosia

12. Croatia

HVB Bank Croatia D.D. Zagreb
Zagrebacka Banka D.D. Zagreb

13. Czech Republic

Citi Bank Prague
HVB Bank Czech Republic A.S. Prague

14. Chile

Banco De Chile Santiago

15. Denmark

Amagerbanken A/S Copenhagen
Citi Bank Copenhagen
Danske Bank Copenhagen
Nordea Bank Denmark A/S Copenhagen
SYD Bank A/S Aabenraa

16. Egypt

Citi Bank Cairo
Mashreq Bank Cairo

17. Ethiopia

Dashen Bank Addis Abeba

18. Eritrea

Commercial Bank of Eritrea Asmara

19. Finland

Citi Bank Helsinki
Danske Bank Helsinki
Nordea Bank Finland PLC Helsinki
OKO Osuuspankkien Keskuspankki OYJ Helsinki
Skandinaviska Enskilda Bank Helsinki

20. Fiji

Bank of South Pacific Limited Fiji

21. France

Banque De Neuflyze Paris
BNP-Paribas SA Bank Paris
Citi Bank Paris
Commerz Bank AG Paris
Credit Industriel ET Commercial Paris
Habib Bank Limited UK-PLC Paris
National Bank of Pakistan Paris
Union De Banques Et Francaises Paris
Westlb AG Paris

22. Germany

Abn Amro Bank Frankfurt
American Express Bank Frankfurt
Bank of Tokyo Mitsubishi Limited Duesseldorf
Bayerische Hypovereins Bank Muenchen
Commerz Bank AG Frankfurt
Deutsche Bank Frankfurt
Dresdner Bank Frankfurt
HSBC Trinkaus UND Burkhardt AG Duesseldorf
HSH Nordbank AG Hamburg
Kreissparkasse Koeln Koeln
Landesbank Baden-Wuerttemberg Stuttgart
M.M.warburg Hamburg
National Bank AG Essen
National Bank of Pakistan Frankfurt
SEB AG (Skandinaviska Enskilda Bank) Frankfurt
Shinhan Bank Europe GMBH Frankfurt
Sparkasse Pforzheim Calw Pforzheim
Suedwest Bank Stuttgart

23. Greece

Alpha Bank Athens
National Bank of Greece Athens
Westlb AG Duesseldorf

24. Hungary

Citi Bank Budapest
HVB Hungary RT Budapest
Raiffeisen Bank ZRT. Budapest

25. Ice Land

Landsbanki Islands Reykjavik

26. India

Abn Amro Bank Mumbai
Bank Of Nova Scotia Mumbai
Bank of Tokyo Mitsubishi Limited New Delhi
Canara Bank Mumbai
Central Bank of India Mumbai

Citibank N.A. Mumbai
Deutsche Bank AG. Mumbai
JP Morgan Chase Bank N.A. Mumbai
Mashreq Bank. Mumbai
Punjab National Bank. Mumbai
Shinhan Bank. Mumbai
Standard Chartered Bank. Mumbai

27. Indonesia

Abn Amro Bank. Jakarta
Bank Mandiri. Jakarta
JP Morgan Chase Bank N.A. Jakarta
NISP Bank. Jakarta
Standard Chartered Bank. Jakarta

28. Iran

Bank Saderat Iran. Tehran
Bank Mellii Iran. Tehran

29. Ireland

Citi Bank Dublin
Bank of Scotland Dublin

30. Italy

Abn Amro Bank Milano
Banca Agricola Mantovana SPA Mantova
Banca Intesa SPA Milano
Banca Monte Dei Paschi Di Siena S.P.A. Milano
Banca Popolare Di Vicenza Vicenza
Banca Popolare Friuladria SPA Pordenone
Banca Toscana S.P.A. Firenze
Banco Popolare Di Verona E Novera Verona
Montebellun
Bayerische Hypo Und Vereinsbank Milano
Bipop-Carire SPA Brescia
Capitalia SPA (Banca De Roma S.P.A.) Roma
Credito bergamasco S.P.A. Bergamo
Iccrea Banca-Istituto Centrale Del Credito Roma
Unicredito Italiano Roma
Unicredito Italiano SPA Milano
Veneto Banca S.C.A.R.L. Montebellun
Sanpaolo Banco Di Napoli Spa Napoli
Banca Antonveneta Spa Padova
Banca Ubae Spa Roma

31. Jordan

Standard Chartered Bank Amman

32. Japan

Abn Amro Bank Tokyo
American Express Bank Tokyo
Bank of Tokyo Mitsubishi Limited Tokyo
Bank of Tokyo Mitsubishi Limited Osaka
Bank of Tokyo Mitsubishi Limited Nagoya
Bayerische Hypo-Und Vereinsbank AG Tokyo
Calyon Tokyo
Commerz Bank AG Tokyo
Hong Kong and Shanghai Banking Corp. Tokyo
JP Morgan Chase Bank N.A. Tokyo
National Bank of Pakistan Tokyo
Standard Chartered Bank Tokyo
Sumitomo Mitsui Banking Tokyo
Union De Banques Et Francaises Tokyo

33. Kenya

Standard Chartered Bank. Nairobi

34. Kazakhstan

Citi Bank. Alma-ata
BTA Bank JSC (Bank Turanalem, Almaty, KZ). Almaty

35. Kuwait

Alahli Bank Of Kuwait K.S.C. Kuwait
Commercial Bank of Kuwait SAK. Kuwait
National Bank of Kuwait. Kuwait

36. Korea

Abn Amro Bank. Seoul
Bank of Tokyo Mitsubishi Limited. Seoul
JP Morgan Chase Bank N.A. Seoul
Kookmin Bank. Seoul
Korea Development Bank. Seoul
Korea Exchange Bank. Seoul
National Bank of Pakistan. Seoul
Pusan Bank. Pusan
Shinhan Bank. Seoul
Standard Chartered Bank. Seoul
Union De Banques Et Francaises. Seoul
Woori Bank. Seoul

37. Lebanon

Citi Bank. Beirut

38. Malaysia

Abn Amro Bank. Kuala Lumpur
Alliance Bank Malaysia Berhad. Kuala Lumpur
JP Morgan Chase Bank N.A. Kuala Lumpur
Standard Chartered Bank. Kuala Lumpur

39. Morocco

Attijariwafa Bank(Formerly Banque Comm. DU Maroc) Casablanca
Citi Bank. Casablanca

40. Mauritius

Mauritius Commercial Bank. Port Louis
Mauritius Post&Co-operative Bank. Port Louis

41. Myanmar

Mayanma Investment & Comm. Bank. Yangon

42. Macao

Hongkong and Shanghai Banking Corp. Macau

43. Norway

Den Norske Bank. Oslo
Nordea Bank Norge. Oslo

44. Netherlands

Abn Amro Bank. Amsterdam
Citi Bank. Amsterdam
Commerz Bank AG. Amsterdam
Fortis Bank (Nederland)N.V. Rotterdam
Habib Bank Limited UK PLC. Rotterdam
Hollandsche Bank. Rotterdam
ING Bank N.V. Amsterdam
Lanschot Bankiers. Shertogenbosh

45. Newzealand

Australia and New Zealand Bank. Wellington

46. Nigeria

Citi Bank. Lagos

47. Oman

Bank Muscat Saog. Muscat

48. Romania

HVB Bank Romania SA. Bucharest

49. Pakistan

Abn Amro Bank K N.V. Karachi
Allied Bank Limited. Karachi
American Express Bank. Karachi
Arif Habib Rupali Bank Limited. Karachi
Askari Commercial Bank Ltd. Rawalpindi
Atlas Bank Limited. Karachi
Bank Al Falah Limited. Karachi
Bank Al Habib Limited. Karachi
Bank Islami Pakistan Limited. Karachi
Bank of Tokyo-Mitsubishi UFJ Ltd. Karachi
Citi Bank. Karachi
Crescent Commercial Bank Limited. Karachi
Deutsche Bank AG. Karachi
Dubai Islamic Bank Pakistan Limited. Karachi
Emirates Global Islamic Bank Limited. Karachi
Faysal Bank Limited. Karachi
First Dawood Islamic Bank. Karachi
Habib Bank Limited. Karachi
Habib Metropolitan Bank Ltd. Karachi
Hongkong And Shanghai Banking Corp Ltd. Karachi
JS Bank Limited. Karachi
KASB Bank Limited. Karachi
Meezan Bank Limited. Karachi
Muslim Commercial Bank Limited. Karachi
My Bank Ltd. Karachi
National Bank of Pakistan. Karachi
NIB Bank Limited. Karachi
PICIC Commercial Bank Limited. Karachi
Saudi Pak Commercial Bank. Karachi
Soneri Bank Limited. Karachi
Standard Chartered Bank. Karachi
The Bank Of Khyber. Peshawar
United Bank Limited. Karachi

50. Philippines

Banco De Oro Universal Bank. Mandaluyong
Development Bank of Philippines. Manila
Equitable PCI Bank, INC. Manila

51. Portugal

Banco BPI. Lisbon
Fortis Bank. Lisbon

52. Poland

Bank Handlowy w Warszawie SA. Warszawa
ING Bank Slaski I SA. Katowice

53. Papua New Guinea

Bank Of South Pacific Limited. Port Moresby

54. Qatar

United Bank Limited Doha
Doha Bank Doha
Mashreq Bank Doha

55. Russia

Citi Bank Moscow

56. Saudi Arabia

Bank Al-Jazira Jeddah
Banque Saudi Fransi Riyadh
Islamic Development Bank Jeddah
National Commercial Bank Jeddah
Samba Financial Group Riyadh
Saudi British Bank Riyadh
Saudi Hollandi Bank Riyadh

57. Singapore

Abn Amro Bank Singapore
Bank Mandiri(Persero) PT Singapore
Bank of America Singapore
Bank of Tokyo Mitsubishi Limited Singapore
Bayerische Hypo-Und Vereinsbank Singapore
Citi Bank Singapore
Commerz Bank AG Singapore
Deutsche Bank AG Singapore
Fortis Bank Singapore
HSBC Bank USA,N.A., Singapore
The Hongkong And Shanghai Banking Corporation Limited, Singapore
Habib Bank Limited Singapore
JP Morgan Chase Bank N.A Singapore
Shinan Bank Singapore
Skandinaviska Enskilda Singapore
Standard Chartered Bank Singapore
Union De Banques Et Francaises Singapore
Westlb AG Singapore

58. Slovenia

Bank Austria Creditans Anstalt Ljubljana

59. Sudan

Blue Nile Mashreq Bank Khartoum

60. Spain

Abn Amro Bank Madrid
Banco De Sabadell S.A. Sabadell
Bankinter,S.A Madrid
Caixa D'Estalvis De Catalunya Barcelona
Caixa D'Estalvis I Pensions De Barcelona Barcelona
Caja Espana De Inversiones Leon
Caja de Ahorros de Galicia Madrid
Caja De Ahorros Del Mediterraneo Alicante
Citi Bank International PLC Madrid
Citibank Espana S.A Madrid
Commerz Bank AG Madrid
Fortis Bank Madrid

61. Srilanka

NDB Bank Limited Colombo
Hatton National Bank Limited Colombo
Habib Bank Limited Colombo
Bank of Ceylon Colombo

62. South Africa

HBZ Bank Limited Durban

63. Sweden

Abn Amro Bank Stockholm
Citi Bank Stockholm
Nordea Bank Sweden Stockholm
Skandinaviska Enskilda Stockholm
Svenska Handelsbanken Stockholm

64. Switzerland

ABN Amro Bank N.V. Zurich
ABN Amro Bank(Schweiz) Zurich
Banque Cantonale Vaudoise Lausanne
Banque De Commerce Et De Placements S.A. Geneva
BNP Paribas (Suisse) SA Geneva
Commerz Bank AG Zurich
Credit Agricole (Suisse)SA Geneva
Credit Suisse Zurich
HSBC Guyerzeller Bank AG Zurich
United Bank Limited Zurich
Zuercher Kantonal Bank Zurich

65. Scotland

Bank of Scotland Dublin

66. Slovakia

Unibanka, A.S.,(Unicredito Italiano Group) Bratislava

67. Taiwan

Abn Amro Bank Taipei
Bank of Tokyo Mitsubishi Limited Taipei
Citibank N.A., Taipei Branch Taipei
Citibank Taiwan Limited Taipei
Hong Kong & Shanghai Banking Corp. Taipei
JP Morgan Chase Bank N.A Taipei
Standard Chartered Bank Taipei
Wells Fargo NA Taipei

68. Tunisia

Arab Banking Corporation Tunis
Banque Internationale Arabe De Tunisie Tunis

69. Thailand

Bank of Tokyo Mitsubishi Limited Bangkok
Export-Import Bank of Thailand Bangkok
JP Morgan Chase Bank N.A Bangkok
Standard Chartered Bank Bangkok

70. Turkey

Habib Bank UK-PLC Istanbul
Oyak Bank A.S. Istanbul
Tekstil Bankası A.S. Istanbul
Turkiye Garanti Bankası Istanbul
Turkiye IS Bankası Istanbul
Yapi Ve kredi bankası Istanbul

71. United Arab Emirates

ABN Amro Bank Dubai
Citi Bank Dubai
Commercial Bank of Dubai Dubai
Doha Bank Dubai
Emirates Bank International PJSC Dubai
Emirates Islamic Bank Dubai
Habib Bank A.G. Zurich Dubai
HSBC Bank Middle East Ltd Dubai
First Gulf Bank Abu-Dhabi
Mashreq Bank Dubai
National Bank of Fujairah Fujairah

Standard Chartered Bank Dubai
Union National Bank Abu-Dhabi
United Bank Limited Sharjah

72. United Kingdom

Banca Popolare Di Vicenza London
Bank Leumi UK-PLC London
Bank of Tokyo Mitsubishi Limited London
Citi Bank London
Commerz Bank AG London
Habib Bank AG Zurich London
Habib Bank UK-PLC London
HSBC Private Bank (UK) Ltd. London
JP Morgan Chase Bank London
Lloyds Bank London
Mashreq Bank London
National Westminster Bank London
Standard Chartered Bank London
United National Bank London
HSBC Bank PLC London
Westlb AG London
Landsbanki Islands Hf, London Branch London

73. United States

Abn Amro Bank Newyork
American Express Bank Newyork
Bank of Newyork Newyork
Bank of Tokyo Mitsubishi Limited Newyork
Bank of Tokyo Mitsubishi Limited Los Angeles
Citi Bank Newyork
Commerce Bank N.A Kansas
Commerz Bank AG Newyork
Credit Suisse Bank Newyork
Deutsche Bank Trust Company Americas Newyork
Doha Bank Newyork
First Commercial Bank Birmingham
Habib American Bank Newyork
HSBC Bank USA,N.A Newyork
JP Morgan Chase Bank Newyork
Keybank National Association Cleveland,OH
Mashreq Bank Newyork
National Bank of Pakistan Newyork
National City Bank Cleveland Cleveland
Standard Chartered Bank Newyork
State Bank of India(California) Artesia
U.S Bank Minneapolis
UMB Bank, N.A. Kansas City
United Bank Limited Newyork
Wachovia Bank Newyork
Wachovia Bank Philadelphia
Washington Mutual Bank Seattle
Wells Fargo Bank Newyork
Wells Fargo Bank San Francisco

74. Vietnam

Standard Chartered Bank Hanoi
Shinavina Bank Ho Chi Minh

75. Zambia

Standard Chartered Bank Lusaka