

SONERI BANK LIMITED

ANNUAL
REPORT 2010

EMPOWERING PARTNERSHIPS TO STRETCH BOUNDARIES



Soneri Bank
we have more time for you

EMPOWERING PARTNERSHIPS TO STRETCH BOUNDARIES



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VALUING YOUR IDEAS

At Soneri Bank, you are our highest priority. We believe every person is unique and has unique needs. Soneri strives to fulfill all your needs and also to earn your trust and create valuable partnerships



FACILITATING YOUR GROWTH

At Soneri Bank, you are not just an account number. You are our most valuable asset. We believe in building partnerships. We help you cultivate and carry forward your ideas through to the end because we believe your success is our success.



EXPANDING YOUR HORIZONS

In cultivating our partnerships, we stretch our boundaries to enable our entrepreneurs to meet the needs of the global community head on. Soneri believes in grooming the businessman of today through innovative and smart business solutions, as the foundations of any economy heavily depend on the income generated through exports.



ENCOURAGING LEADERSHIP

We, at Soneri, believe that the future depends on the leaders of tomorrow. Empowering others doesn't diminish our capacity but in turn enhances it. Soneri Bank encourages the entrepreneurs of today to rise to their full potential so that they not only add value to their own community but enrich lifestyles across the globe.



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
MR. ALAUDDIN FEERASTA

CHIEF EXECUTIVE OFFICER
MR. ATIF BAJWA

DIRECTORS
MR. NOORUDDIN FEERASTA
MR. INAM ELAHI
MR. S. ALI ZAFAR
MR. ABDUL HAYEE
MR. SHAHID ANWAR (NIT NOMINEE)
MR. MANZOOR AHMED (NIT NOMINEE)

AUDIT COMMITTEE

MR. NOORUDDIN FEERASTA, CHAIRMAN
MR. INAM ELAHI, MEMBER
MR. S. ALI ZAFAR, MEMBER
MR. SHAHID ANWAR, MEMBER

COMPANY SECRETARY

MR. MUHAMMAD ALTAF BUTT

AUDITORS

KPMG TASEER HADI & CO
CHARTERED ACCOUNTANTS

LEGAL ADVISOR

MANAN ASSOCIATES, ADVOCATES

REGISTERED OFFICE

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

REGISTRAR & SHARE TRANSFER AGENT

THK ASSOCIATES (PRIVATE) LTD.,
GROUND FLOOR,
STATE LIFE BUILDING NO. 3,
DR. ZIAUDDIN AHMED ROAD,
KARACHI-75530
UAN: (021) 111-000-322
FAX: (021) 3565 5595

PROGRESS TO DATE



Products & Services:

Full Range Banking Services:

Soneri Bank's mission is to serve all your banking needs and ensure your full satisfaction through product innovation, personalized banking, and top notch service.

Soneri Bank offers a full range of corporate and retail banking services with special emphasis on providing qualitative and competitive services to small and medium entrepreneurs. Be it our Current or Saving Accounts, Term Deposits, Online & Electronic Banking or SMS services we believe in offering the best to our customers.

Worldwide Correspondent:

With highly professional and efficient treasury operations and a worldwide network of correspondents we offer a complete range of Trade Finance services as one of our core banking services

ATM Network & Online Banking:

Soneri Bank is a fast growing bank with 184 ATMs operational. Soneri offers all chequing account holders online banking services.

Soneri Bank Limited was formally incorporated on September 28, 1991. Our first Branch commenced operations in Lahore on April 16, 1992, followed by one in Karachi on May 09, 1992. The bank currently operates 184 branches, spread all over Pakistan including the Northern Areas of the country. Our expansion policy is based on the principle of maintaining a balance between the urban and rural areas.

We take great pride in offering services even in the remote areas of Pakistan. Our fully air-conditioned and computerized branches provide a pleasant, convenient and hassle free banking experience every time

The essence of our business philosophy is to cater to the banking requirements of small & medium sized entrepreneurs, effectively providing them qualitative & competitive services with an emphasis on encouraging exports. Nearly forty percent of our credit portfolio is related to export financing and majority of our credit decisions are taken within 48 hours.

Saving Schemes:

Soneri Bank offers a wide range of attractive Saving and Deposit products to suit all segments of investors. In addition our Consumer Finance and Islamic Banking products cater to the needs of a variety of customers.

Corporate Banking:

SBL's appetite for large exposures coupled with dedicated Structured Finance Unit, and an innovative team of professionals having extensive experience of Corporate Investment Banking gives it the right platform to succeed in today's competitive and a demanding environment.

Consumer Finance:

Consumer Finance Division was established with a centralized approach to provide Consumer Finance to the account holders of Soneri Bank who wish to acquire Car, Ghar or Generator for personal use. We offer personalized services for our customers and our portfolio is spread all over Pakistan.

Islamic Banking:

Soneri Bank Ltd has a strong commitment to Islamic Banking with the objective of operating Shariah Based Banking in the country. We provide a variety of services including Current A/C, Savings Accounts and Term Deposits strictly based on Shariah principles.

OUR MISSION

To develop Soneri Bank Ltd. into an aggressive and dynamic financial institution having the capabilities to provide personalized service to customers with cutting edge technology and a wide range of products, and during the process ensure maximum return on assets with the ultimate goal of serving the economy and the society.

CHAIRMAN'S REVIEW

I am pleased to present the nineteenth Annual Report and audited accounts of your Bank for the year ended 31 December 2010.

2010 was globally a year of recovery, as most of the economies appeared to gear themselves for getting back on their feet. The markets and investors' confidence in many developing countries including Pakistan started getting better, though the recovery is feared to be a fragile one.

Pakistan's economy also shared a bit of recovery with estimated real GDP growth of 2.7% against targeted 4.5% coupled with issues of national security, political instability and inflation. The discount rate rose from 12.5% to 14%, under a rising rate scenario, as a response to the rising inflation in the country. Going forward the durability of the economic turnaround is far from assured given the significant challenges the economy faces.

Given all that the prudent liquidity management of Soneri Bank enabled it to stand through all these while maintaining a comfortable level of Advances to Deposits ratio and Capital Adequacy Ratio. During the year the Bank achieved the landmark of 100 billion asset base, though healthy profitability was constrained by regulatory provisioning of the non performing loans which stressed the advances portfolio

The implementation of Core Banking Software Application has achieved a greater satisfaction from the customers and the end-users point of view. The bank has initiated the process to setup the Centralized Operations area which will be fully automated to support the work flow and eliminate back office operations from branches. The bank is also making efforts to implement the Anti-Money Laundering and Enterprise Risk Management solutions through SAS which is one of the leading software globally for Basel framework. In order to provide Business Continuity to customers, the bank has now its own Disaster Recovery Site outside Karachi where the data of mission critical software is replicated on real-time basis

Our bank has also focused on enhancing the capabilities of the Alternative Delivery Channels and Electronic Banking. The expansion of onsite and offsite ATMs is continued which reached to 184 ATMs. The initiative leads to the upward trend in the market share of ATMs transactions volume. The bank has also launched Internet Banking through which the customers can execute financial transactions, view balance and view as well as download Statement of Account in real-time anytime and anywhere. The bank's call centre has started taking the requests for execution of financial transactions in order to provide 24 hours banking to customers. The bank also crossed the milestone of 100,000 VISA Debit cardholders who are facilitated by the product to withdraw cash from ATMs and shop across the globe.

The Pakistan Credit Rating Agency Limited (PACRA) has maintained Bank's long term and short term entity ratings at "AA-" and "A1+" respectively and "A+" for the Term Finance Certificates reflecting the strong capacity of the bank for the timely payments of its financial commitments.

I wish to place on record my sincere thanks to the Ministry of Finance, State Bank of Pakistan and Securities & Exchange Commission of Pakistan for extending their support and continued guidance. I am also grateful to our valued customers for their continued patronage. The executives and staff members also deserve appreciation for their hard work and dedication..

ALAUDDIN FEERASTA
Chairman

Lahore: 23 February 2011

Your Directors feel pleasure in presenting the nineteenth Annual Report of the Bank together with Audited Accounts and Auditors' Report thereon for the year ended 31 December 2010. The Bank's financial results are as follows:

	(Rupees in '000)
PROFIT FOR THE YEAR BEFORE TAXATION	140,447
PROVISION FOR TAXATION	325,000
-CURRENT	-
-PRIOR YEARS	-
-DEFERRED	(309,993)
	15,007
PROFIT FOR THE YEAR AFTER TAXATION	125,440
UN-APPROPRIATED PROFIT BROUGHT FORWARD	158,278
TRANSFER FROM SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	70,473
PROFIT AVAILABLE FOR APPROPRIATION	354,191
EARNINGS PER SHARE - BASIC / DILUTED	(RUPEE) <u>0.21</u>

FINANCIAL STATEMENTS

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

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

(i) COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

In compliance with the Code of Corporate Governance, the Board of Directors states that:

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

(ii) Board meetings

Eight Board meetings were held during the year 2010. Attendance by each director is as follows:

Name of Director	Meetings attended
Mr. Alauddin Feerasta	8
Mr. Atif Bajwa (President & Chief Executive Officer)*	2
Mr. Safar Ali K. Lakhani (Ex-President & Chief Executive Officer)	4
Mr. Nooruddin Feerasta	7
Mr. Abdul Hayee	6
Mr. Inam Elahi	8
Mr. S. Ali Zafar	7
Mr. Manzoor Ahmed (NIT Nominee)	8
Mr. Shahid Anwar (NIT Nominee)	8

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

* Appointed with effect from 01 October 2010.

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

	Year ended 31 December					
	2010	2009	2008	2007	2006	2005
	(Rupees in '000)					
Investments - net	34,985,663	29,537,179	14,053,177	19,181,562	16,724,253	16,390,624
Advances - net	54,675,721	48,727,103	47,575,364	40,154,449	35,412,248	32,052,544
Deposits and other accounts	82,016,811	73,548,226	61,634,491	60,150,128	53,000,647	47,605,508
Profit before taxation	140,447	190,413	953,233	1,476,685	1,448,901	1,400,032
Profit after taxation	125,440	145,355	701,041	1,000,334	985,298	920,233
Net assets	8,917,673	7,803,202	7,113,047	6,610,479	5,611,903	4,389,659
Earnings per share						
- Basic / Diluted (Rs.)	0.21	0.28	1.37	2.37	2.34	3.02

(iv) Statement of investments of provident and gratuity funds

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

	31 December 2010 (Un-audited)	31 December 2009 (Audited)
	(Rupees in ' 000)	
Amount of investments of Provident Fund	128,757	104,292
Amount of investments of Gratuity Fund	80,093	67,962

(v) Future outlook

During the year 2011 the Bank has plans to expand its network of branches with focus on small and medium size business to enhance its market share for better results.

(vi) The information regarding trading in the shares of the Bank by its Directors, Chief Executive Officer, Chief Financial Officer and Company Secretary appears on page 91.

RISK MANAGEMENT FRAMEWORK

The wide variety of businesses undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. The key components of the bank's risk management rely on the risk governance architecture, comprehensive processes and internal control mechanism. The Bank's approach to risk management is proactive. The primary goal of risk management is to identify, assess the impact of the risks inherent in the business and adopt risk management/mitigation measures to ensure sustained growth with improved safety and soundness.

The Bank's risk governance architecture focuses attention on all key areas of risk such as credit, market & liquidity, operational risk and quantification of these risks wherever possible for effective and continuous monitoring. In order to calculate capital requirement under the Basel II norms, bank has put in place a comprehensive risk management framework across the organization.

The discipline and core-competence of the Bank demonstrates that the risk management has always been an integral part to its strategic direction and the way of doing business. In fact, all activities of the Bank involve, to varying degrees, identification, assessment, management and monitoring of major categories of risks at central as well as at distributed levels. The said approach of the Bank has been continuously adding value to all of its stakeholders, especially to the Bank's customers, shareholders and the regulator.

A well-established risk governance structure of the Bank, under the supervision of the Board of Directors (BoD), ensures the existence of, and accountability for, the effective and timely management of risk throughout the Bank. Under the authority delegated by the BoD, the Risk Management Committee (RMC), a board-level sub-committee, is responsible for ensuring the compliance and efficiency of the risk management framework and establishment of effective control procedures. It monitors all major categories of risk, reviews reports and issues, and determines actions to be taken, on quarterly basis. In this oversight and stewardship of risk management, the RMC is supported by a dedicated Risk Management Division headed by the Chief Risk Officer (CRO), who is a member of the RMC and reports to the BoD via the RMC.

All the risk management policies of the Bank are in line with international better practices and regulatory requirements, which communicate standards, instructions and guidance to employees. The said policies support the establishment of procedures for monitoring and controlling risks throughout the Bank as well as in defining risk appetite of the Bank. The policies are regularly reviewed and updated by the senior management and approved by the BoD.

Substantiation to the Bank's commitment and approach towards risk management, a significant investment was made, in the financial year of 2009, by acquiring the license of Enterprise Risk Management (ERM) solution of SAS Corporation. The said solution will provide solid grounds to further strengthen and integrate the risk management framework across the Bank and to draw amplified confidence and comfort of its stakeholders. The Bank has deployed adequate level of resources and expertise in order to accomplish a successful implementation of the solution within the specified timelines.

MINIMUM CAPITAL REQUIREMENT

To meet the minimum capital requirement of Rs.7.00 billion as of 31 December 2010, the State Bank of Pakistan has allowed us the extension till 30 June 2011 with certain conditions, subject to completion of all the statutory requirements.

AUDITORS

The retiring auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible, offer themselves for-re-appointment. The audit committee of the Board has recommended their re-appointment.

BOARD OF DIRECTORS

The term of existing Board Members is expiring this year and election of directors for next term of three years will be held in the forthcoming annual general meeting. The number of directors fixed by the Board is seven (7).

Consequential to retirement of Mr. Safar Ali K. Lakhani as President / Chief Executive Officer, upon attaining the retirement age under the State Bank of Pakistan regulations, the Board appointed Mr. Atif Bajwa as new President / Chief Executive Officer of the Bank for three-years term in place of Mr. Safar Ali K. Lakhani, together with the approval of his terms of employment.

The Board also recorded its appreciation for the invaluable services rendered by Mr. Safar Ali K. Lakhani over a long association of nineteen years with the bank.

PATTERN OF SHARE HOLDING

A statement showing the pattern of share holding in the Bank as at 31 December 2010 appears on page 89.

STAFF

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

On behalf of the Board of Directors.

ALAUDDIN FEERASTA

Chairman

Lahore: 23 February 2011

Soneri Bank Limited
Year ended: 31 December 2010

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35, Chapter XI and section 36 of Chapter XII of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Code of Corporate Governance. The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes seven non-executive directors including one independent director.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including our Bank.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC. No director in the Board is a member of any stock exchanges in Pakistan and hence the question of declaring any of our directors' as a defaulter by any stock exchange does not arise.
4. No casual vacancies occurred in the Board during the year 2010. The present Board of Directors of the Bank was elected on 29 March 2008 in the Annual General Meeting of the shareholders.
5. The Bank has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. Materiality level has also been set by the Board.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer has been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are aware about their fiduciary responsibilities and most of them have attended formal orientation courses.
10. Since last elections, there has been no change in the composition of the Board of Directors. However, consequential to retirement of Mr. Safar Ali K. Lakhani, the Board appointed Mr. Atif Bajwa as President & Chief Executive Officer of the Bank who took-over the charge from the out-going President w.e.f. 01 October 2010.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises four members and all the four members are non-executive directors including chairman of the committee.
16. The meetings of the audit committee were held once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the committee have been framed by the Board and the audit committee operates within the defined terms of reference.
17. The Board has set-up an effective internal audit department.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

ATIF BAJWA

President & Chief Executive Officer

Lahore: 23 February 2011

Soneri Bank Limited

Year ended: 31 December 2010

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

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

On behalf of the Board of Directors.

ALAUDDIN FEERASTA

Chairman

Lahore: 23 February 2011

Soneri Bank Limited

Year ended: 31 December 2010

The management of Soneri Bank Limited acknowledges its responsibility for establishing and maintaining a sound system of internal controls to provide reasonable assurance to achieve the following objectives:

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

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

Although, the existing internal control system provides essential support that is needed for the safe and sound banking operations, the bank as required by SBP, initiated an exercise to review the system of internal controls and for that purpose has adopted the COSO (Committee of Sponsoring Organization of Tread way Commission) Framework of internal controls.

The bank engaged an accounting firm for providing professional guidance in documenting, assessing and testing the existing key Processes and Controls in line with the requirements of SBP guidelines and international best practices.

The bank, as a part of the exercise, also initiated measure to remediate areas wherever the internal controls were deemed to need strengthening or improved to better address the related risks specially in the area of financial reporting.

The bank, as required, submitted to SBP a detailed report on status of the exercise as at 30 September 2010.

The bank's external auditors, as required by SBP's BSD Circular No. 03 of 2010, will submit a "Long Form Report" through the bank's management to SBP after their review of the status of implementation of SBP guidelines on internal controls as at 31 December 2010.

ATIF BAJWA

President & Chief Executive Officer

Lahore: 23 February 2011



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the Best Practices contained in the Code of Corporate Governance prepared by the Board of Directors of Soneri Bank Limited to comply with listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended 31 December 2010.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: 23 February 2011



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **Soneri Bank Limited** as at 31 December 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 25 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement, and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2010 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Karachi: 23 February 2011

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 (Rupees in '000)	2009
ASSETS			
Cash and balances with treasury banks	6	7,247,711	6,471,173
Balances with other banks	7	1,400,451	1,497,193
Lendings to financial and other institutions	8	2,531,900	2,755,377
Investments - net	9	34,985,663	29,537,179
Advances - net	10	54,675,721	48,727,103
Fixed assets	11	3,468,923	3,333,891
Deferred tax assets - net	12	384,655	108,429
Other assets - net	13	3,410,654	2,879,927
		108,105,678	95,310,272
LIABILITIES			
Bills payable	15	1,857,810	1,763,401
Borrowings	16	12,370,528	9,385,522
Deposits and other accounts	17	82,016,811	73,548,226
Sub-ordinated loans	18	1,197,360	1,197,840
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	12	-	-
Other liabilities	19	1,745,496	1,612,082
		99,188,005	87,507,071
NET ASSETS		8,917,673	7,803,201
REPRESENTED BY			
Share capital	20	6,023,221	5,019,351
Reserves		2,029,036	2,003,948
Unappropriated profit		329,103	158,278
		8,381,360	7,181,577
Surplus on revaluation of assets - net of tax	21	536,313	621,624
		8,917,673	7,803,201
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

ATIF BAJWA
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

	Note	2010 (Rupees in '000)	2009
Mark-up / return / interest earned	23	10,250,494	9,337,284
Mark-up / return / interest expensed	24	7,203,842	6,602,779
Net mark-up / return / interest income		3,046,652	2,734,505
Provision against non-performing loans and advances - net	10.3	1,405,305	1,312,121
Provision for diminution in the value of investments	9.3	46,675	321,222
Bad debts written off directly	10.5	256	-
		1,452,236	1,633,343
Net mark-up / return / interest income after provisions		1,594,416	1,101,162
Non mark-up / interest income			
Fee, commission and brokerage income		367,766	291,820
Dividend income		149,128	130,639
Income from dealing in foreign currencies		235,253	381,502
Gain / (loss) on sale of securities - net	25	26,007	(10,805)
Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'		-	-
Other income	26	450,277	375,037
Total non-markup / interest income		1,228,431	1,168,193
		2,822,847	2,269,355
Non mark-up / interest expenses			
Administrative expenses	27	2,623,991	2,113,660
Provision against other assets - net	13.3	12,971	16,408
Reversal against off-balance sheet obligations		-	(100,000)
Other charges	28	45,438	48,874
Total non-markup / interest expenses		2,682,400	2,078,942
		140,447	190,413
Extra ordinary / unusual items		-	-
Profit before taxation		140,447	190,413
Taxation - Current	29	325,000	321,000
- Prior years	29	-	-
- Deferred	29	(309,993)	(275,942)
		15,007	45,058
Profit after taxation		125,440	145,355
Unappropriated profit brought forward		158,278	834,650
Transfer from surplus on revaluation of fixed assets - net of tax		70,473	35,042
Profit available for appropriation		354,191	1,015,047
Basic and diluted earnings per share (Rupee)	30	0.21	Restated 0.28

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

ALAUDDIN FEERASTA
CHAIRMAN

ATIF BAJWA
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

	2010	2009
	(Rupees in '000)	
Profit after taxation for the year	125,440	145,355
Other comprehensive income	-	-
Total comprehensive income for the year	125,440	145,355

Surplus / deficit on revaluation of "Available-for-Sale" securities is presented under a separate head below equity as "surplus / deficit on revaluation of assets" in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular 20 dated 04 August 2000 and BSD Circular 10 dated 13 July 2004.

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CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	140,447	190,413
Less: Dividend income	149,128	130,639
	(8,681)	59,774
Adjustments:		
Depreciation	470,131	427,377
Amortisation of intangible assets	18,190	10,054
Operating fixed assets written off directly	2	12
Provision for diminution in the value of investments	46,675	321,222
Reversal of provision for diminution in the value of investments recognised in capital gains	(109,115)	-
Provision against non-performing loans and advances	1,405,305	1,312,121
Provision against other assets	12,971	16,408
Reversal against off-balance sheet obligations	-	(100,000)
Gain on sale of fixed assets	(17,317)	(5,818)
Bad debts written off directly	256	-
	1,827,098	1,981,376
	1,818,417	2,041,150

(Increase) / decrease in operating assets

Lendings to financial and other institutions	223,477	1,234,892
Advances	(7,354,179)	(2,463,860)
Others assets (excluding advance taxation)	(346,353)	149,795
	(7,477,055)	(1,079,173)

Increase / (decrease) in operating liabilities

Bills payable	94,409	508,905
Borrowings	2,985,006	944,068
Deposits and other accounts	8,468,585	11,913,735
Other liabilities (excluding current taxation)	133,414	376,636
	11,681,414	13,743,344
	6,022,776	14,705,321
	(525,634)	(812,634)

Income tax paid	(525,634)	(812,634)
Net cash generated from operating activities	5,497,142	13,892,687

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available for sale securities	(5,374,335)	(13,788,420)
Net investments in held to maturity securities	7,220	(1,216,336)
Dividend received	152,419	126,276
Investments in operating fixed assets	(630,969)	(612,662)
Sale proceeds of property and equipment disposed-off	24,929	11,687
Net cash outflow from investing activities	(5,820,736)	(15,479,455)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments of sub-ordinated loan	(480)	(480)
Issue of right shares	1,003,870	-
Net cash flow from / (used in) financing activities	1,003,390	(480)

Increase / (decrease) in cash and cash equivalents

Cash and cash equivalents at beginning of the year	7,968,366	9,555,614
Cash and cash equivalents at end of the year	8,648,162	7,968,366

Note

	2010	2009
	(Rupees in '000)	
Profit before taxation	140,447	190,413
Less: Dividend income	149,128	130,639
	(8,681)	59,774
Adjustments:		
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	(7,477,055)	(1,079,173)
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Increase / (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	7,968,366	9,555,614
Cash and cash equivalents at end of the year	8,648,162	7,968,366

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The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

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DIRECTOR

	Share capital	Capital reserves			General reserve	Unappropriated profit (b)	Total
		Reserve for issue of bonus shares	Share premium	Statutory reserve (a)			
----- (Rupees in '000) -----							
Balance as at 31 December 2008	4,114,222	-	1,405	1,409,262	606,210	834,650	6,965,749
Transactions with owners recognised directly in equity							
Transfer to reserve for issue of bonus shares	-	905,129	-	-	(42,000)	(863,129)	-
Issue of bonus shares	905,129	(905,129)	-	-	-	-	-
	905,129	-	-	-	(42,000)	(863,129)	-
Total comprehensive income for the year ended 31 December 2009 - profit for the year	-	-	-	-	-	145,355	145,355
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	70,473	70,473
Transfer to statutory reserve	-	-	-	29,071	-	(29,071)	-
Balance as at 31 December 2009	5,019,351	-	1,405	1,438,333	564,210	158,278	7,181,577
Transactions with owners recognised directly in equity							
Transfer to reserve for issue of bonus shares	-	-	-	-	-	-	-
Issue of right shares	1,003,870	-	-	-	-	-	1,003,870
	1,003,870	-	-	-	-	-	1,003,870
Total comprehensive income for the year ended 31 December 2010 - profit for the year	-	-	-	-	-	125,440	125,440
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-	70,473	70,473
Transfer to statutory reserve	-	-	-	25,088	-	(25,088)	-
Balance as at 31 December 2010	6,023,221	-	1,405	1,463,421	564,210	329,103	8,381,360

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

(b) As more fully explained in note 9.6 and 10.4 of these financial statements the amount of Rs. 728.423 million net of tax as at December 31, 2010 represents additional profit arising from availing forced sale value benefit for determining provisioning requirement is not available for the purpose of distribution of dividend to shareholders.

The annexed notes 1 to 43 and Annexures I & II form an integral part of these financial statements.

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1 STATUS AND NATURE OF BUSINESS

Soneri Bank Limited ("the Bank") was incorporated in Pakistan on 28 September 1991 as a public limited company under the Companies Ordinance, 1984 with registered office situated at Rupali House 241-242, Upper Mall Scheme, Anand Road, Lahore, Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and operates 184 branches including six Islamic banking branches (2009: 154 branches including six Islamic banking branches) in Pakistan.

- 1.1 In accordance with BSD Circular No. 07 dated 15 April 2009 the minimum paid up capital requirement (net of losses) of the Bank at 31 December 2010 is Rs. 7 billion. The paid up capital of the Bank at 31 December 2010 amounts to Rs 6.023 billion. The SBP vide its letter no BSD/BAI-3/608/361/2011 dated 11 January 2011, has granted an extension to meet the minimum paid-up capital (free of losses) requirements till 30 June 2011.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

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

3 STATEMENT OF COMPLIANCE

- 3.1 These financial statements are prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan. In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, and the Banking Companies Ordinance, 1962, and the directives issued by the State Bank of Pakistan shall prevail.

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

3.3 Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after 01 January 2011:

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 01 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 01 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Bank's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 01 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 01 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after 01 January 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 01 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Bank.

4 BASIS OF MEASUREMENT

4.1 Accounting convention

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

4.2 Critical accounting estimates and judgements

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

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

- i) classification and provisioning against investments (notes 5.3 and 9)
- ii) classification and provisioning against advances (notes 5.4, 10.3 and 10.4)
- iii) income taxes (notes 4.3, 5.9, 22.6.1 and 29)
- iv) accounting for defined benefit plan (notes 5.11 and 33)
- v) depreciation, amortization methods and revaluation of operating fixed assets (note 5.5 and 11)
- vi) fair value of derivatives (Note 5.18.2)

4.3 Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP Prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances.

Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.

With reference to allowability of provision, the management has carried out an exercise at year end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 982.446 million.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Lendings to / borrowings from financial and other institutions

The Bank enters into repurchase agreements (repo) and reverse repurchase agreements (reverse repo) at contracted rates

for a specified period of time. These are recorded as under:

(a) Sale under repurchase agreements

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

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or financing as appropriate. The underlying security is not recognised as a separate asset in the financial statements. The difference between the contracted price and resale price is amortised over the period of the contract and recorded as income.

(c) Other borrowings

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

5.3 Investments

The Bank classifies its investments as follows:

(a) Held for trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and maturity in respect of which the Bank has the positive intent and ability to hold till maturity.

(c) Available for sale

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

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

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

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

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

In accordance with the BSD circular No. 14 dated 24 September 2004 issued by the State Bank of Pakistan, investments classified as 'held to maturity' are carried at amortised cost less impairment, if any.

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

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

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

5.4 Advances

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

5.5 Fixed assets and depreciation

Owned

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

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to the financial statements after taking into account residual value, if any. The residual values and useful lives

are reviewed and adjusted, if appropriate, at each balance sheet date.

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

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

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

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are included in an asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

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

Leased (under finance lease)

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

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

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

Leased (Ijarah)

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

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

Impairment of operating fixed assets

The carrying amounts of the Bank's operating fixed assets are regularly reviewed to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Such losses are recognised directly in the profit and loss account.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. Such reversals are only made to the extent that the asset's carrying amount does not exceed the carrying amount that would have

been determined if no impairment loss had been recognised.

5.6 Operating leases

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

5.7 Intangible assets

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

5.8 Impairment

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

5.9 Taxation

Current

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

Deferred

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

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

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

5.10 Provisions

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

5.11 Staff retirement benefits

Defined benefit plan

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

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

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

Defined contribution plan

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

5.12 Employees' compensated absences

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

5.13 Borrowings / deposits and their cost

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

5.14 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognised on a time proportion basis using the effective yield on the instrument.
- Mark-up / return on classified advances and investments is recognised on receipt basis. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued

by the State Bank of Pakistan, except where in the opinion of the management, it would not be prudent to do so.

- Fee, commission and brokerage income is recognised on accrual basis.
- Dividend income from investments is recognised when the Bank's right to receive the dividend is established.
- Premium or discount on acquisition of investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

5.15 Foreign currencies

(a) Foreign currency transactions

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

(b) Functional and presentation currency

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

(c) Translation gains and losses

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

(d) Commitments

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

5.16 Provision for guarantee claims and other off balance sheet obligations

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

5.17 Acceptances

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

5.18 Financial instruments

5.18.1 Financial assets and liabilities

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

5.18.2 Derivative financial instruments

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

5.18.3 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financial statements when there exists a legally enforceable right to set-off and the Bank intends either to settle on a net basis or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

5.19 Segment Reporting

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

Business segments

a) Corporate finance

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

b) Trading and sales

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

c) Retail banking

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

d) Commercial banking

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

5.20 Dividend and appropriation to reserves

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

5.21 Basic and diluted earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at 31 December 2010.

6 CASH AND BALANCES WITH TREASURY BANKS

	Note	2010 (Rupees in '000)	2009
In hand			
Local currency	6.1	2,047,127	2,184,159
Foreign currencies		531,681	366,889
In transit			
Local currency		23,000	5,977
Foreign currencies		-	-
With State Bank of Pakistan in			
Local currency current account	6.2	3,002,330	2,595,014
Foreign currency current account	6.3	317,115	260,660
Foreign currency deposit account against foreign currency deposits mobilised	6.4	985,365	832,301
With National Bank of Pakistan in			
Local currency current account		341,093	226,173
		<u>7,247,711</u>	<u>6,471,173</u>

6.1 This includes National Prize Bonds of Rs. 4.622 million (2009: Rs. 4.347 million).

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

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

6.4 This represents foreign currency cash reserve maintained with SBP at an amount equivalent to at least 20% of the Bank's foreign currency deposits mobilised under FE-25 scheme.

7 BALANCES WITH OTHER BANKS

	Note	2010 (Rupees in '000)	2009
In Pakistan			
In current accounts	7.1	1,037,220	880,985
In deposit accounts		1,176	400,016
Outside Pakistan			
In current accounts	7.2	362,055	216,192
		<u>1,400,451</u>	<u>1,497,193</u>

7.1 This deposit carry mark-up at rates of 5.00% per annum (2009: 5.50 % to 13.00 % per annum) and have a maturity period of up to one months.

7.2 This includes Rs. 84.092 million (2009: Rs. 63.554 million) held in Automated Investment Plans. This balance is current by nature and on increase in the balance above a specified amount, the Bank is entitled to earn interest from the correspondent banks at agreed upon rates.

8 LENDINGS TO FINANCIAL AND OTHER INSTITUTIONS

Call money lendings
Repurchase agreement lendings

8.1 Particulars of lendings

In local currency
In foreign currencies

8.2 These represent lendings to various commercial banks in the inter bank money market. They carry mark-up at rates ranging from 12.75% to 13.40% per annum (2009: 12.35% to 12.90% per annum) and have a maturity period of upto three months.

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

	2010			2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	-	-	-	1,155,377	-	1,155,377
Pakistan Investment Bonds	1,831,900	-	1,831,900	-	-	-
	<u>1,831,900</u>	<u>-</u>	<u>1,831,900</u>	<u>1,155,377</u>	<u>-</u>	<u>1,155,377</u>

8.3.1 The above lending carry mark-up at the rate of 12.80% per annum (2009: 12.15% to 12.40% per annum) and have a maturity period of upto two months.

9 INVESTMENTS

9.1 Investments by types

Note	2010			2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- (Rupees in '000) -----						
Available for sale securities						
Market Treasury Bills	21,530,047	4,395,347	25,925,394	20,425,544	787,706	21,213,250
Pakistan Investment Bonds	2,147,179	-	2,147,179	2,176,194	-	2,176,194
Government of Pakistan Ijarah Sukuk	25,000	-	25,000	-	-	-
Fully paid-up ordinary shares	165,636	-	165,636	240,713	-	240,713
Units of mutual funds	2,255,879	-	2,255,879	1,514,596	-	1,514,596
Fully paid up preference shares	45,421	-	45,421	45,421	-	45,421
	26,169,162	4,395,347	30,564,509	24,402,468	787,706	25,190,174
Held to maturity securities						
Pakistan Investment Bonds	1,507,297	-	1,507,297	1,521,568	-	1,521,568
Term Finance Certificates, Bonds and Sukuks	3,311,911	-	3,311,911	3,304,860	-	3,304,860
	4,819,208	-	4,819,208	4,826,428	-	4,826,428
Investments at cost	30,988,370	4,395,347	35,383,717	29,228,896	787,706	30,016,602
Less: Provision for diminution in the value of investments	9.3 (289,482)	-	(289,482)	(351,922)	-	(351,922)
Investments (net of provision)	30,698,888	4,395,347	35,094,235	28,876,974	787,706	29,664,680
Deficit on revaluation of available for sale securities	21.2 (106,885)	(1,687)	(108,572)	(121,715)	(5,786)	(127,501)
Total investments	30,592,003	4,393,660	34,985,663	28,755,259	781,920	29,537,179

9.2 Investments by segments

Note	2010	2009
(Rupees in '000)		
Federal Government Securities		
- Market Treasury Bills	25,925,394	21,213,250
- Pakistan Investment Bonds	3,654,476	3,697,762
- Government of Pakistan Ijarah Sukuk	285,765	161,276
	29,865,635	25,072,288
Fully paid up ordinary shares of Rs. 10 each		
Listed companies		
- Fauji Fertilizer Company Limited [177,256 (2009: 177,256)]	15,656	15,656
- Engro Corporation Limited (formerly Engro Chemical Pakistan Limited [308,000 (2009: 280,000)])	67,857	67,857
- Askari Bank Limited [533,532 (2009: 444,610)]	24,015	24,015
- Pakistan Telecommunication Company Limited [NIL (2009: 275,000)]	-	5,157
- Thal Limited [NIL (2009: 209,600)]	-	24,004
- Agriauto Industries Limited [NIL (2009: 66,120)]	-	4,800
- United Bank Limited [42,350 (2009: 38,500)]	4,904	4,904
- The Hub Power Company Limited [NIL (2009: 200,000)]	-	5,869
- Arif Habib Limited [NIL (2009: 17,265)]	-	3,030
- National Bank of Pakistan [202,500 (2009: 162,000)]	18,025	18,025
- Arif Habib Securities Limited [NIL (2009: 93,750)]	-	13,495
- Fauji Fertilizer Bin Qasim Limited [NIL (2009: 300,000)]	-	9,292
- Nishat Mills Limited [47,125 (2009: 32,500)]	4,479	3,893
- JS Bank Limited [NIL (2009: 250,000)]	-	5,729
- Artistic Denim Mills Limited [NIL (2009: 100,000)]	-	4,287
Un-listed companies		
- Khushhali Bank Limited [2,500,000 (2009: 2,500,000)] (President: Mr. M. Ghalib Nishtar)	9.7 25,000	25,000
- Pakistan Export Finance Guarantee Agency Limited [569,958 (2009: 569,958)] (Chief Executive: Mr. S. M. Zaeem)	9.9 5,700	5,700
	165,636	240,713
Fully paid up preference shares of Rs. 10 each		
Listed companies		
- Shakarganj Mills Limited [4,542,067 (2009: 4,542,067)]	45,421	45,421
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates		
Listed Term Finance Certificates of Rs. 5,000 each		
- Faysal Bank Limited [6,000 (2009: 6,000)]	29,964	29,976
- Pak Arab Fertilizer Limited [5,000 (2009: 5,000)]	22,046	22,694
- Bank AL Habib Limited - I [5,000 (2009: 5,000)]	24,940	24,950
- Bank AL Habib Limited - II [8,000 (2009: 8,000)]	38,635	38,400
- United Bank Limited 1st issue [8,000 (2009: 8,000)]	39,908	39,923
- United Bank Limited 2nd issue [7,000 (2009: 7,000)]	34,992	34,994
- United Bank Limited 3rd issue [9,716 (2009: 9,716)]	48,502	48,522
- United Bank Limited 4th issue [5,000 (2009: 5,000)]	22,118	21,902
Balance carried forward	261,105	261,361

Note	2010 (Rupees in '000)	2009
Balance brought forward	261,105	261,361
- Askari Bank Limited 1st Issue[5,000 (2009: 5,000)]	24,945	24,955
- Askari Bank Limited 2nd Issue[12,961 (2009: 12,961)]	64,675	64,701
- Askari Bank Limited 3rd Issue[7,000 (2009: 7,000)]	34,986	35,000
- Jahangir Siddiqui & Company Limited 4th issue [4,000 (2009: 4,000)]	19,968	19,976
- Bank Alfalah Limited [3,000 (2009: 3,000)]	14,971	14,977
- Azgard Nine Limited [10,000 (2009: 10,000)]	37,449	37,449
- Standard Chartered Bank Pakistan Limited [5,000 (2009: 5,000)]	23,710	24,965
- IGI Investment Bank Limited [3,000 (2009: 3,000)]	3,749	7,497
- Pakistan Mobile Communication Limited [5,000 (2009: 5,000)]	20,800	24,965
- Worldcall Communication Limited [4,227 (2009: 4,227)]	7,039	14,079
- Allied Bank Limited 1st Issue[11,000 (2009: 11,000)]	53,293	52,969
- Allied Bank Limited 2nd Issue[12,973 (2009: 12,973)]	64,839	64,865
- Engro Corporation Limited (formerly Engro Chemical Pakistan Limited [10,000 (2009: 10,000)])	45,868	45,386
- Engro Corporation Limited (formerly Engro Chemical Pakistan Limited [6,325 (2009: 6,325)])	31,612	31,625
- Escort Investment Bank Limited [2,000 (2009: 2,000)]	4,997	8,327
- JS-ABAMCO Financial Receivables Securitization Limited [5,000 (2009: 5,000)]	14,578	18,743
Un-listed Term Finance Certificates of Rs. 5,000 each, unless otherwise specified		
- Gharibwal Cement Limited [13,100 (2009: 13,100)]	65,102	65,115
- Bank Alfalah Limited- 4th Issue [10,000 (2009: 10,000)]	49,980	50,000
- Orix Leasing Pakistan Limited [1,500 units of Rs. 100,000 each (2009: 1,500 units of Rs. 100,000)]	125,000	150,000
- Avari Hotel Limited [25,000 (2009: 25,000)]	106,143	125,000
- Al Abbas Sugar Mills Limited [6,000 (2009: 6,000)]	17,988	23,988
- Power Holding (Private) Limited [252,400 (2009: 252,400)]	1,262,000	1,262,000
- Faysal Bank Limited- 2nd Issue [15,000 (2009: NIL)]	75,000	-
- Dewan Farooque Spinning Mills Limited [5,000 (2009: 5,000)]	6,250	6,250
- Jahangir Siddiqui & Company Limited 2nd Issue [4 certificates of Rs. 5,000,000 each (2009: 4 certificates of Rs.5,000,000 each)]	19,948	19,956
- Tandlianwala Sugar Mills Limited [5,000 (2009: 5,000)]	2,500	7,500
- JDW Sugar Mills Limited [16,600 (2009: 16,600)]	64,555	83,000
Sukuk Bonds of Rs. 5,000 each, unless otherwise specified		
- Century Papers & Board Mills Limited [10,000 (2009: 10,000)]	40,000	50,000
- New Allied Electronics Industries (Private) Limited [20,000 (2009: 20,000)]	50,000	100,000
- Eden Housing Limited [10,000 (2009: 10,000)]	37,500	43,750
- Amrelli Steel Private Limited [2,000,000 units of Rs. 25 each (2009: 2,000,000 units of Rs. 25 each)]	50,000	50,000
- Three Star Hosiery Mills (Private) Limited [5,100 (2009: 5,100)]	25,215	25,132
- Liberty Power Tech Limited [1,010,970 certificates of Rs.100 each (2009: 410,600 certificates of Rs.100 each)]	101,097	41,060
- House Building Finance Corporation Limited "A" [10,000 (2009: 10,000)]	35,000	45,000
- House Building Finance Corporation Limited "B" [3,000 (2009: 3,000)]	9,186	11,336
- Haq Bahu Sugar Mills (Private) Limited [4,000 (2009: 4,000)]	10,000	20,000
- Sui Southern Gas Company Limited [20,000 (2009: 20,000)]	80,000	100,000
- Shahmurad Sugar Mills Limited [25 certificates of Rs.1,000,000/- each (2009: 25 certificates of Rs.1,000,000/- each)]	16,667	25,000
- Pak Elektron Limited [10,000 (2009: 10,000)]	28,571	42,857
- WAPDA bonds [4,000 (2009: 4,000)]	19,860	19,800
- WAPDA bonds [5,000 (2009: 5,000)]	25,000	25,000
	3,051,146	3,143,584

Others: Units of Mutual Funds

Open ended

- National Investment (Unit) Trust [4,859,065 (2009: 6,244,841)] (Managed by National Investment Trust Limited)	204,059	315,969
- Askari Sovereign Cash Fund [988,000 (2009: NIL)] (Managed by Askari Investment Management Limited)	100,000	-
- First Habib Income Fund [NIL (2009:100,000)] (Managed by Habib Asset Management Limited)	-	10,300
- MCB Dynamic Cash Fund [NIL (2009: 462,651)] (Managed by MCB Asset Management Limited)	-	48,203
- Al Falah GHP Cash Fund [202,501 (2009: NIL)] (Managed by Alfalah GHP Investment Management Limited)	100,847	-
- JS Income Fund [NIL (2009: 418,273)] (Managed by JS Investments Limited)	-	44,236
- ABL Income Fund [19,699,034 (2009: 29,488,474)] (Managed by ABL Asset Management Company Limited)	199,542	300,000
- Faysal Saving Growth Fund [2,933,798 (2009: 1,468,573)] (Managed by Faysal Asset Management Limited)	300,000	150,000
- MCB Cash Management Optimizer Fund [3,473,327 (2009: 500,000)] (Managed by MCB Asset Management Limited)	350,000	50,000
- NAFA Government Securities Liquid Fund [20,203,527 (2009: 9,881,112)] (Managed by National Fullerton Asset Management Limited)	200,425	100,014
- Lakson Money Market Fund [2,490,073 (2009: 1,988,957)] (Managed by Lakson Investments Limited)	250,660	200,060
- NIT Government Bond Fund [10,000,000 (2009: 10,000,000)] (Managed by National Investment Trust Limited)	100,000	100,000
- NIT Income Fund [5,000,000 (2009: NIL)] (Managed by National Investment Trust Limited)	50,000	-
- Pakistan Cash Management Fund [2,004,405 (2009: 996,556)] (Managed by Arif Habib Investment Limited)	100,066	50,000
- Atlas Money Market Fund [99,304 (2009: NIL)] (Managed by Atlas Asset Management Limited)	50,000	-
- Atlas Islamic Fund [NIL (2009: 20,967)] (Managed by Atlas Asset Management Limited)	-	10,000
- UBL Liquidity Plus Fund [2,508,444 (2009: 988,368)] (Managed by UBL Fund Managers Limited)	250,280	100,000

Closed-end

- UTP Large Capital Fund [NIL (2009: 923,197)]	-	9,192
- PICIC Growth Fund [NIL (2009: 40,000)]	-	1,073
- Pakistan Premier Fund Limited [NIL (2009: 25,000)]	-	327
- Pakistan Strategic Allocation Fund [NIL (2009: 2,520,000)]	-	25,173
- PICIC Investment Fund [NIL (2009: 4,000)]	-	49

Investments at cost

Less: Provision for diminution in the value of investments

Investments (net of provision)

Deficit on revaluation of available for sale securities

Total investments

Note	2010 (Rupees in '000)	2009
	2,255,879	1,514,596
	35,383,717	30,016,602
9.3	(289,482)	(351,922)
	35,094,235	29,664,680
21.2	(108,572)	(127,501)
	34,985,663	29,537,179

9.3 Particulars of provision for diminution in the value of investments

	2010	2009
Opening balance	351,922	30,700
Charge for the year	46,675	321,222
Reversals recognised in capital gains	(109,115)	-
Closing balance	289,482	351,922

Note

9.3.1 Particulars of provision for diminution in the value of investments by type and segment

Available for sale securities

Listed companies including closed end fund

- Fully paid up ordinary shares of Rs. 10 each
- Fully paid up preference shares of Rs. 10 each

Unlisted companies

- Fully paid up ordinary shares of Rs. 10 each
- Pakistan Export Finance Guarantee Agency Limited

Open ended mutual fund

Held to maturity securities

Term Finance Certificates of Rs. 5,000/- each

- Gharibwal Cement Limited
- Dewan Farooque Spinning Mills Limited

Sukuk bonds of Rs. 5,000/- each

- Eden Housing Limited
- Three Star Hosiery Mills (Private) Limited
- New Allied Electronics Industries (Private) Limited

9.6

	2010	2009
- Fully paid up ordinary shares of Rs. 10 each	43,513	82,677
- Fully paid up preference shares of Rs. 10 each	31,749	-
- Fully paid up ordinary shares of Rs. 10 each	5,700	5,700
- Pakistan Export Finance Guarantee Agency Limited	61,953	127,062
- Gharibwal Cement Limited	65,102	32,733
- Dewan Farooque Spinning Mills Limited	6,250	3,750
- Eden Housing Limited	-	-
- Three Star Hosiery Mills (Private) Limited	25,215	-
- New Allied Electronics Industries (Private) Limited	50,000	100,000
	289,482	351,922

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

9.5 This includes securities having book value of Rs. 30.700 million (2009: Rs. 30.700 million) pledged with the State Bank of Pakistan and the National Bank of Pakistan as security to facilitate T. T. discounting facility to the branches of the Bank.

9.6 The bank has considered a FSV benefit of Rs. 37.5 million against Eden Housing Limited sukuk, secured against the mortgaged property in respect of provision for diminution in the value of held to maturity investments. The impact on profitability arising from availing the benefit of forced sales value under the revised guidelines resulted in reduction of provision for diminution in the value of investments of Rs. 37.5 million (2009: Rs. NIL).

9.7 This includes the Bank's initial subscription towards the paid-up capital of Khushhali Bank Limited. Under the scheme of transfer of assets and liabilities of the Khushhali Bank to Khushhali Bank Limited, as approved by the State Bank of Pakistan, vide sanction order dated 18 March 2008 and by the shareholders in their Second Extra Ordinary General Meeting held on 17 December 2007. The Khushhali Bank Limited has been granted license to operate under the Micro Finance Institution Ordinance, 2001. Further, as required under SBP BPRD Circular No. 4 dated 22 May 2008 the shares owned by the Bank have been deposited in a blocked account with the Central Depository Company of Pakistan Limited.

9.8 Market Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds are eligible for discounting with the State Bank of Pakistan.

9.9 This investment can only be sold to an existing investor.

9.10 "The Bank purchased 4,000 certificates (on 29 September 2009) of Wapda Sukuk Bonds through a market based transaction for a cash consideration of Rs. 19.8 million having a face value of Rs. 20 million. These certificates were available in the seller's CDC account and on completion of the transaction were transferred to Soneri Bank Limited's CDC account. A periodic Ijarah rental was due on 22 October 2009, which was not paid to the Bank on the plea, that certain discrepancy in the Central Depository Register was the reason for non payment. The Bank through a legal notice has clarified the position that the Bank has purchased the aforesaid Sukuk Certificates from the market for a valuable consideration when these Sukuks were already entered in the Central Depository Register of seller's account. The Banks legal advisor is certain that it will be able to recover the cost and markup therefore no provision has been made in these financial statements."

9.11 Significant particulars relating to government securities, term finance certificates and sukuk bonds are as follows:

Name of investment	Maturity	Principal payments	Coupon rate (%)	Coupon payments
Market Treasury Bills	January 2011 to December 2011	On maturity	12.04 to 13.67	At maturity
Pakistan Investment Bonds	January 2013 to January 2024	On maturity	8.00 to 14.00	Semi-annually
Term Finance Certificates	January 2011 to November 2019	Semi-annually/ quarterly	8.45 to 16.48	Semi-annually/ quarterly
Sukuk Bonds	August 2011 to January 2021	Semi-annually/ quarterly	12.49 to 16.09	Semi-annually/ quarterly

9.12 Quality of available for sale securities

Securities (at market value)	2010		2009	
	Amount	Rating	Amount	Rating
	(Rupees in '000)			
Federal Government Securities				
- Market Treasury Bills	25,897,550	N / A	21,252,380	N / A
- Pakistan Investment Bonds	1,987,360	N / A	2,010,051	N / A
- Ijarah Sukuk Bonds	25,000	N / A	-	N / A
Fully paid up ordinary shares of Rs. 10 each				
Listed companies				
- Fauji Fertilizer Company Limited	22,309	N / A	18,245	N / A
- Engro Corporation Limited (Formerly Engro Chemical Pakistan Limited)	59,693	AA(L), A1+ (S)	51,316	AA(L), A1+ (S)
- Askari Bank Limited	9,438	AA(L), A1+(S)	12,138	AA(L), A1+(S)
- Pakistan Telecommunication Company Limited	-	-	4,854	N / A
- Thal Limited	-	-	17,789	N / A
- Agriauto Industries Limited	-	-	3,984	N / A
- United Bank Limited	2,890	AA+(L), A1+ (S)	2,250	AA+(L), A1+ (S)
- Arif Habib Limited	-	-	1,044	A-(L), A2 (S)
- The Hub Power Company Limited	-	-	6,216	N / A
- National Bank of Pakistan	15,556	AAA(L), A1+(S)	12,047	AAA(L), A1+(S)
- Arif Habib Securities Limited	-	-	4,619	AA(L), A1(S)
- Fauji Fertilizer Bin Qasim Limited	-	-	7,839	N / A
- Nishat Mills Limited	3,024	A+(L), A1 (S)	2,272	A+(L), A1 (S)
- JS Bank Limited	-	-	1,270	A(L),A1 (S)
- Artistic Denim Mills Limited	-	-	2,946	N / A
Un-listed companies - at cost				
- Khushhali Bank Limited	25,000	A-(L), A-2(S)	25,000	A-(L), A-1(S)
- Pakistan Export Finance Guarantee Agency Limited	5,700	N / A	5,700	N / A
Balance carried forward	28,053,520		23,441,960	

	2010		2009	
	Amount	Rating	Amount	Rating
	(Rupees in '000)			
Balance brought forward	28,053,520		23,441,960	
Fully paid up preference shares of Rs. 10 each				
Listed companies				
- Shakarganj Mills Limited	21,711	D	40,833	BBB+(L), A2(S)
Units of Mutual Funds				
Open-ended				
- National Investment (Unit) Trust	152,672	3-Star/2-Star	188,906	5-Star
- Pakistan Cash Management Fund	100,870	AAA-FS	50,100	N / A
- MCB Cash Management Optimizer Fund	355,000	AA(f)	51,329	N / A
- NAFA Government Securities Liquid Fund	208,260	AAA(f)	101,415	N / A
- UBL Liquidity Plus Fund	258,061	AA+(f)	101,431	N / A
- Lakson Money Market Fund	249,167	AA(f)	201,532	N / A
- NIT Government Bond Fund	105,200	AM2	101,335	N / A
- Alfalah GHP Cash Fund	101,479	AA(f)	-	-
- First Habib Income Fund	-	-	10,332	N / A
- MCB Dynamic Cash Fund	-	-	47,851	N / A
- Atlas Money Market Fund	51,191	AA+(f)	-	-
- JS Income Fund	-	-	43,203	5-Star
- ABL Income Fund	197,179	A+(f)	295,159	A+
- Faysal Saving Growth Fund	308,371	A(f)	151,131	A
- NIT Income Fund	52,800	AM2	-	-
- Askari Sovereign Cash Fund	103,241	AA+(f)	-	-
- Atlas Islamic Fund	-	-	10,239	N / A
Closed-end				
- UTP Large Capital Fund	-	-	4,247	4-Star
- PICIC Growth Fund	-	-	570	N/A
- Pakistan Premier Fund Limited	-	-	149	5-Star (L), 4-Star (S)
- Pakistan Strategic Allocation Fund	-	-	11,189	4-Star
- PICIC Investment Fund	-	-	23	N/A
Total	30,318,722		24,852,934	

L represents Long Term Rating
S represents Short Term Rating
N/A represents Not Available

10 ADVANCES

Note

Loans, cash credits, running finances, etc.

	2010 (Rupees in '000)	2009
In Pakistan	51,096,958	46,594,828
Outside Pakistan	-	-
	51,096,958	46,594,828

Bills discounted and purchased (excluding treasury bills)

	2010	2009
Payable in Pakistan	1,578,156	1,280,278
Payable outside Pakistan	6,618,250	4,064,335
	8,196,406	5,344,613
Advances - gross	59,293,364	51,939,441

	2010	2009
Provision for non-performing advances	(4,617,643)	(3,212,338)
Advances - net of provision	54,675,721	48,727,103

10.1 Particulars of advances (Gross)

	2010	2009
10.1.1 In local currency	49,906,037	46,042,187
In foreign currencies	9,387,327	5,897,254
	59,293,364	51,939,441

	2010	2009
10.1.2 Short Term (for upto one year)	50,062,684	41,142,194
Long Term (for over one year)	9,230,680	10,797,247
	59,293,364	51,939,441

10.2 Advances include Rs. 7,096.036 million (2009: Rs. 5,002.417 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
OAEM*	10,797	-	10,797	-	-	-	-	-	-
Substandard	940,145	-	940,145	178,845	-	178,845	178,845	-	178,845
Doubtful	395,576	-	395,576	98,923	-	98,923	98,923	-	98,923
Loss	5,749,518	-	5,749,518	4,331,321	-	4,331,321	4,331,321	-	4,331,321
	7,096,036	-	7,096,036	4,609,089	-	4,609,089	4,609,089	-	4,609,089

Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
OAEM*	993	-	993	-	-	-	-	-	-
Substandard	302,997	-	302,997	37,367	-	37,367	37,367	-	37,367
Doubtful	1,077,759	-	1,077,759	443,954	-	443,954	443,954	-	443,954
Loss	3,620,668	-	3,620,668	2,719,017	-	2,719,017	2,719,017	-	2,719,017
	5,002,417	-	5,002,417	3,200,338	-	3,200,338	3,200,338	-	3,200,338

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

10.3 Particulars of provision against non-performing loans and advances

Note	2010				2009			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
Opening balance	3,200,338	12,000	-	3,212,338	1,869,598	20,000	-	1,889,598
Charge for the year	1,691,531	54	-	1,691,585	1,494,302	-	-	1,494,302
Reversals	(282,780)	(3,500)	-	(286,280)	(174,181)	(8,000)	-	(182,181)
	1,408,751	(3,446)	-	1,405,305	1,320,121	(8,000)	-	1,312,121
Amount written off	10.5	-	-	-	(20,002)	-	-	(20,002)
Transfer	13.3	-	-	-	30,621	-	-	30,621
Closing balance	4,609,089	8,554	-	4,617,643	3,200,338	12,000	-	3,212,338

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

10.3.2 Particulars of provision against non-performing loans and advances

	2010				2009			
	Specific	Consumer	General	Total	Specific	Consumer	General	Total
	(Rupees in '000)							
In local currency	4,609,089	8,554	-	4,617,643	3,200,338	12,000	-	3,212,338
In foreign currencies	-	-	-	-	-	-	-	-
	4,609,089	8,554	-	4,617,643	3,200,338	12,000	-	3,212,338

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

The State Bank of Pakistan vide BSD Circular No. 2 dated: 27 January 2009 introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances. During the year 2009 the said amendments were again revised by the State Bank of Pakistan vide BSD Circular No. 10 dated: 20 October 2009 by which the banks were allowed to avail the benefit of 40% (instead of 30%) of forced sales value of

pledged stocks and mortgaged commercial, residential and industrial properties (previously not allowed) held as collateral against all non-performing loans for 4 years from the date of classification for calculating provisioning requirement with effect from 31 December 2009. The impact on profitability arising from availing the benefit of forced sales value under the revised guidelines resulted in reduction of specific provisions against non-performing loans and advances of approximately Rs. 1,083.151 million (2009: Rs. 865.509 million).

Had the benefit of FSV not availed by Bank, the specific provision against Non-performing Advances and loss before tax would have been higher by approximately Rs. 1,083.15 million as at 31 December 2010 and Advances (net off provisions) would have been lower by same amount. Further the net of tax loss, amounted to Rs. 704.05 million arising from availing the benefit of forced sale value is not available for distribution amongst the shareholders either in the form of cash or stock dividend.

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

10.5 Particulars of write offs:

10.5.1 Against provisions
Directly charged to profit and loss account

10.5.2 Write offs of Rs. 500,000 and above
Write offs of below Rs. 500,000

10.6 Details of loan write offs 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 2010 is given at Annexure - I. However, this write off does not affect the Bank's right to recover the debts from these customers.

10.7 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 the year
Loans granted during the year
Repayments
Balance at end of the year

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

11 FIXED ASSETS

11.1 Capital work-in-progress

Civil works
Advances to suppliers and contractors
Advance against purchase of premises
Consultant's fee and other charges

Note	2010 (Rupees in '000)	2009
10.3	-	20,002
	256	-
	<u>256</u>	<u>20,002</u>
10.6	-	19,608
	256	394
	<u>256</u>	<u>20,002</u>

2010 (Rupees in '000)	2009
208,142	181,884
71,530	92,699
(50,581)	(66,441)
<u>229,091</u>	<u>208,142</u>

2010 (Rupees in '000)	2009
268,290	196,356
3,177,603	3,125,372
23,030	12,163
<u>3,468,923</u>	<u>3,333,891</u>

2010	2009
235,769	155,439
27,403	36,383
1,802	1,802
3,316	2,732
<u>268,290</u>	<u>196,356</u>

11.2 Property and equipment

	2010					2009					Rate of depreciation	
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	At 01 January 2010	Additions / (deletions)	Reversal due to revaluation	Revaluation surplus	Adjustments	At 31 December 2010	At 01 January 2010	Charge for the year / (depreciation on deletions)	Reversal	At 31 December 2010	Book value at 31 December 2010	
	(Rupees in '000)											
Free hold land	86,087	-	-	-	-	86,087	-	-	-	-	86,087	-
Leasehold Land and buildings on leasehold land	2,120,965	24,406	-	-	(920)	2,144,451	202,564	168,601	(50)	371,115	1,773,336	5
Leasehold improvements	326,734	42,163	-	-	920	366,218	60,820	15,294	50	73,010	293,208	5
Furniture and fixtures	150,107	14,259	-	-	23	159,606	58,550	12,050	-	66,352	93,254	10-20
Electrical, office and computer equipment	1,118,940	249,285	-	-	(14,050)	1,322,889	562,227	183,414	(5,849)	709,384	613,505	10-20
Vehicles	188,169	41,918	-	-	-	208,314	94,199	31,404	-	109,611	98,703	20
Assets held under Ijarah												
Motor Vehicles	61,831	45,704	-	-	-	107,535	7,844	20,828	-	28,672	78,863	Over the Ijarah period
Plant and Machinery	76,687	120,444	-	-	-	197,131	17,944	38,540	-	56,484	140,647	
2010	4,129,520	538,179	-	-	(14,027)	4,592,231	1,004,148	470,131	(5,849)	1,414,628	3,177,603	

	2010					2009					Rate of depreciation	
	COST / REVALUATION					ACCUMULATED DEPRECIATION						
	At 01 January 2009	Additions / (deletions)	Reversal due to revaluation	Revaluation surplus	Transfers in / transfer out	At 31 December 2009	At 01 January 2009	Charge for the year / (depreciation on deletions)	Reversal	At 31 December 2009	Book value at 31 December 2009	
	(Rupees in '000)											
Free hold land	86,087	-	-	-	-	86,087	-	-	-	-	86,087	-
Leasehold Land and buildings on leasehold land	2,008,594	74,687	-	-	37,684	2,120,965	-	202,564	-	202,564	1,918,401	5
Leasehold improvements	246,795	81,245	-	-	-	326,734	47,587	13,730	-	60,820	265,914	5
Furniture and fixtures	119,476	34,385	-	-	-	150,107	51,128	10,275	-	58,550	91,557	10-20
Electrical, office and computer equipment	834,780	296,337	-	-	-	1,118,940	424,651	148,018	-	562,227	556,713	10-20
Vehicles	158,979	42,375	-	-	-	188,169	74,851	30,097	-	94,199	93,970	20
Assets held under Ijarah												
Motor Vehicles	10,363	51,468	-	-	-	61,831	194	7,650	-	7,844	53,987	Over the Ijarah period
Plant and Machinery	58,178	18,509	-	-	-	76,687	2,901	15,043	-	17,944	58,743	
2009	3,523,252	599,006	-	-	37,684	4,129,520	601,312	427,377	-	1,004,148	3,125,372	

11.2.1 The cost of fully depreciated property and equipment still in use amounted to Rs. 389.443 million (2009: Rs. 314.177 million).

11.2.2 During the year 2008 the Bank's leasehold land and buildings on leasehold land were revalued by M/s Harvester Services (Pvt.) Limited (Valuation and Engineering Consultants) on the basis of their professional assessment of the present market value. The revaluation resulted in a net surplus of Rs. 545.858 million over the book value which was incorporated in the books of the Bank on 31 December 2008.

Had there been no revaluation the carrying amount of revalued assets at 31 December 2010 would have been Rs. 883.997 million (2009: Rs. 920.642 million).

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

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

Note	2010 (Rupees in '000)	2009
Not later than one year	2,274	3,314
Later than one year but not later than five years	217,236	109,416
Later than five years	-	-
	<u>219,510</u>	<u>112,730</u>

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

Particulars	Cost	Book value	Sale price / insurance proceeds	Mode of settlement / disposal	Particulars of buyers / insurance companies
Rupees in '000					
Leasehold improvements	1,800	171	1,750	Insurance claim	Adamjee Insurance Company Limited
----- do ----- WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	1,799	274	1,773	Insurance claim	Adamjee Insurance Company Limited
	3,599	445	3,523		
Furniture and fixtures					
----- do ----- WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	4,783	511	3,471	Various	Various
	4,783	511	3,471		
Electrical office and computer equipment					
----- do -----	2,815	1	3	Insurance claim	Adamjee Insurance Company Limited
	1,436	1	3	Insurance claim	Adamjee Insurance Company Limited
	1,052	1	-	Write off	
	1,830	1	-	Write off	
	1,084	1	-	Write off	
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	23,069	872	7,020	Various	Various
	31,286	877	7,026		
Motor vehicles	1,506	300	151	As per Service rules	Safar Ali K. Lakhani
----- do -----	1,725	1,089	1,208	As per Service rules	Ex-President / Chief Executive Officer Mrs.Kulsum Nazimuddin (w/o late Nazimuddin Chaturbhai-SEVP & GM South)
	6,462	3,551	646	As per Service rules	Safar Ali K. Lakhani
	428	270	433	Insurance claim	Ex-President / Chief Executive Officer EFU General Insurance Company Limited
WDV below Rs. 250,000/- each and cost of less than Rs. 1,000,000	11,652	571	8,471	Various	Various
	21,773	5,781	10,909		
	<u>61,441</u>	<u>7,614</u>	<u>24,929</u>		

11.3 Intangible assets

	Cost			Accumulated Amortization			Net book value at 31 December 2010	Annual rate of amortisation %		
	At 01 January 2010	Additions / (deletions)	Other adjustments	At 31 December 2010	At 01 January 2010	Charge for the year / (amortisation on deletion)			Other adjustments	
2010										
(Rupees in '000)										
Software	30,488	18,339	14,050	62,877	18,325	18,120	5,849	42,294	20,583	33.33
Trademark	-	2,517	-	2,517	-	70	-	70	2,447	33.33
	<u>30,488</u>	<u>20,856</u>	<u>14,050</u>	<u>65,394</u>	<u>18,325</u>	<u>18,190</u>	<u>5,849</u>	<u>42,364</u>	<u>23,030</u>	
2009										
(Rupees in '000)										
Software	29,184	1,304	-	30,488	8,271	10,054	-	18,325	12,163	33.33

11.4 The additions mainly represent acquisition of a networking program amounting to Rs. 18.339 million (2009: Rs. 1.304 million) for support of the new software namely Sonaware.net.

12 DEFERRED TAX ASSETS - NET

Note	2010 (Rupees in '000)	2009
	(Rupees in '000)	
Deferred debits arising in respect of		
Provision for diminution in the value of investments	53,293	49,764
Provision against non-performing advances	982,446	704,042
Deficit on revaluation of securities	10,857	44,625
	1,046,596	798,431
Deferred credits arising due to		
Accelerated tax depreciation	320,543	310,656
Surplus on revaluation of fixed assets	341,398	379,346
	661,941	(690,002)
Deferred tax asset	384,655	108,429

13 OTHER ASSETS

Income / mark-up accrued in local currency	1,620,593	1,444,217
Income / mark-up accrued in foreign currency	8,649	21,695
Dividend receivable	13,169	16,460
Advances, deposits, advance rent and other prepayments	452,383	379,821
Unrealised gain on forward foreign exchange contracts	271,842	151,645
Branch adjustment account	189,635	117,358
Suspense account	23,638	150,175
Advance taxation (provisions less payments)	837,596	636,962
Stationery and stamps in hand	75,403	59,199
Due from the State Bank of Pakistan	15,673	6,546
Membership Card of Islamabad Stock Exchange (Guarantee) Limited	11,100	11,100
Amount due in respect of payment made for acquisition of premises at Faisalabad	6,272	6,272
Others	27,242	8,047
	3,553,195	3,009,497
Less: Provision held against other assets	(142,541)	(129,570)
Other assets (net of provision)	3,410,654	2,879,927

13.1 During the year 2008, the Bank was elected as member of the Islamabad Stock Exchange (Guarantee) Limited. The bank applied for permission to establish a subsidiary company for carrying out brokerage transactions during the year 2008. The application of the Bank was not accepted by the State Bank of Pakistan. The management intends to reapply for the permission during 2011 and is confident that permission will be granted.

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

13.3 Provision against other assets

Note	2010 (Rupees in '000)	2009
Opening balance	129,570	143,783
Charge for the year	16,487	16,408
Reversal	(3,516)	-
	12,971	16,408
Transfer / Reversal	-	(30,621)
Closing balance	142,541	129,570

13.3.1 This includes provision of Rs. 129.532 million (2009: Rs. 119.180 million) in respect of fraud and forgery claims relating to cash embezzlement by certain employees of the Bank. In addition, provision against advances (note 10.3) made during the year. The Bank has initiated legal proceedings against these employees and has also taken necessary steps to further strengthen the internal control system.

14 CONTINGENT ASSETS

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

15 BILLS PAYABLE

In Pakistan
Outside Pakistan

	2010 (Rupees in '000)	2009
	1,857,810	1,763,401
	-	-
	1,857,810	1,763,401

16 BORROWINGS

In Pakistan
Outside Pakistan

16.1 Particulars of borrowings with respect to currencies

In local currency
In foreign currencies

16.2 Details of borrowings secured / unsecured

Secured

Borrowings from the State Bank of Pakistan		
Under export refinance scheme	16.2.1	6,838,582
Long Term Financing facility for plant & machinery	16.2.2	377,508
Long Term Finance - export oriented projects	16.2.3	637,147
Repurchase agreement borrowings	16.2.4	994,329
Repurchase agreement borrowings - Other banks	16.2.5	3,397,877
		12,245,443

Unsecured

Murabaha borrowings		-
Overdrawn nostro accounts		125,085
		125,085
		12,370,528

16.2.1 The Bank has entered into agreement for financing with the State Bank of Pakistan (SBP) for extending Export Finance to customers. Borrowings under the Export Refinance Scheme of SBP carry interest at rate of 7.00% to 9.50% per annum (2009: 5.00% to 7.00% per annum). These are secured against demand promissory notes.

16.2.2 This represents borrowing from SBP under scheme for Long Term Financing Facility at rates ranging from 8.20% to 9.50% per annum (2009: 7.20% to 7.70% per annum), and have varying long term maturities stipulated by SBP. Under the agreement, SBP has a right to recover the outstanding amount from the bank at the respective maturity date of each finance by directly debiting the current account of the bank maintained with SBP.

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

16.2.4 This represents repurchase agreement at rate of 12.75% per annum (2009: NIL), and have maturity date of January 3, 2011.

16.2.5 This represents repurchase agreement at rates ranging from 12.6% to 13.4% per annum (2009: 7.20% to 7.70% per annum), and having maturity date ranging between 03 January 2011 to 12 January 2011.

17 DEPOSITS AND OTHER ACCOUNTS

Customers

Remunerative
Fixed deposits
Savings deposits

Non-Remunerative
Current Accounts
Call deposits
Margin deposits
Others

Financial Institutions

Remunerative - savings deposits
Remunerative - fixed deposits
Non-remunerative current deposits

	2010 (Rupees in '000)	2009
	31,837,893	31,556,518
	32,158,780	27,870,081
	16,375,714	12,729,790
	93,333	159,388
	1,065,335	657,183
	136,568	126,760
	81,667,623	73,099,720
	348,910	448,228
	-	-
	278	278
	349,188	448,506
	82,016,811	73,548,226

17.1 Particulars of deposits

In local currency
In foreign currencies

2010	2009
(Rupees in '000)	
76,020,536	68,453,444
5,996,275	5,094,782
<u>82,016,811</u>	<u>73,548,226</u>
<u>1,197,360</u>	<u>1,197,840</u>

18 SUB-ORDINATED LOANS - UNSECURED (NON-PARTICIPATORY)

Listed Term Finance Certificates

18.1 Liability against Term Finance Certificates is stated at nominal amount. The liability is subordinated as to payment of principal and profit to all other indebtedness of the Bank (including deposits) and is not redeemable before maturity without prior approval of the State Bank of Pakistan. Rate of mark-up on the liability is based on the floating rate of six months KIBOR prevailing immediately preceding the date before the start of each six month period for the profit due at the end of the semi-annual period plus 1.60% (subject to no floor and cap) per annum payable semi-annually. The credit rating of the instrument is AA-

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

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

19 OTHER LIABILITIES

Mark-up / return / interest payable in local currency
Mark-up / return / interest payable in foreign currencies
Unearned commission and income on bills discounted
Accrued expenses
Provision for employees' compensated absences
Others

2010	2009
(Rupees in '000)	
1,189,392	1,328,890
170,817	7,514
36,705	27,187
110,769	22,426
86,711	79,706
151,102	146,359
<u>1,745,496</u>	<u>1,612,082</u>

20 SHARE CAPITAL
20.1 Authorised capital

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10/- each	10,000,000	10,000,000

20.2 Issued, subscribed and paid-up capital

	2010			2009			2010	2009
	Issued for cash	Issued as bonus shares	Total	Issued for cash	Issued as bonus shares	Total	(Rupees in '000)	
----- Number of shares -----								
Opening balance	86,738,533	415,196,578	501,935,111	86,738,533	324,683,678	411,422,211	5,019,351	4,114,222
Shares issued during the year	100,387,019	-	100,387,019	-	90,512,900	90,512,900	1,003,870	905,129
Closing balance	<u>187,125,552</u>	<u>415,196,578</u>	<u>602,322,130</u>	<u>86,738,533</u>	<u>415,196,578</u>	<u>501,935,111</u>	<u>6,023,221</u>	<u>5,019,351</u>

20.3 Major shareholders as at 31 December 2010 are as follows:
Name of shareholder

National Investment (Unit) Trust
Trustees - Alauddin Feerasta Trust
Trustees - Feerasta Senior Trust
Trustees - Alnu Trust

Name of shareholder	Number of shares held	Percentage of shareholding
National Investment (Unit) Trust	115,254,069	19.13%
Trustees - Alauddin Feerasta Trust	128,423,738	21.32%
Trustees - Feerasta Senior Trust	125,863,647	20.90%
Trustees - Alnu Trust	62,962,596	10.45%
	<u>432,504,050</u>	<u>71.80%</u>

21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX
Surplus / (deficit) on revaluation (net of tax) of:

- fixed assets
- securities

21.1 Surplus on revaluation of fixed assets - net of tax

Surplus on revaluation of fixed assets as at 01 January
Adjustment arising in respect of revaluation of fixed assets
Transferred to unappropriated profit in respect of incremental depreciation charge on related assets - net of deferred tax
Related deferred tax liability

Surplus on revaluation of fixed assets as at 31 December
Less: Related deferred tax liability

21.2 (Deficit) / surplus on revaluation of available for sale securities - net of tax

Federal Government Securities
Quoted shares / closed end mutual funds
Others - open ended mutual funds

Related deferred tax asset

22 CONTINGENCIES AND COMMITMENTS
22.1 Direct credit substitutes

Financial guarantees issued favouring:

- Government
- Others

22.2 Transaction-related contingent liabilities

Guarantees issued favouring:

- Government
- Financial institutions
- Others

22.3 Trade-related contingent liabilities

Letters of credit
Acceptances

Note	2010	2009
	(Rupees in '000)	
21.1	634,028	704,500
21.2	(97,715)	(82,876)
	<u>536,313</u>	<u>621,624</u>
	1,083,846	1,154,582
	-	37,684
	(70,473)	(70,473)
	(37,947)	(37,947)
	(108,420)	(108,420)
	975,426	1,083,846
12	(341,398)	(379,346)
	<u>634,028</u>	<u>704,500</u>
	(187,663)	(127,013)
	29,525	(2,731)
	49,566	2,243
	(108,572)	(127,501)
12	10,857	44,625
	<u>(97,715)</u>	<u>(82,876)</u>
	122,339	83,573
	108,120	124,215
	<u>230,459</u>	<u>207,788</u>
	3,302,763	3,779,518
	22,989	22,383
	1,719,223	2,021,997
	<u>5,044,975</u>	<u>5,823,898</u>
	14,267,230	11,032,838
	2,791,416	3,427,639

22.4 Commitments in respect of forward lending

Commitments to extend credit

2010	2009
(Rupees in '000)	
-	266,000

In addition, the bank has other commitments to extend credit that represent revocable commitments and will not attract any significant penalty or expense in case the facility is withdrawn unilaterally.

22.5 Commitments in respect of forward exchange contracts

Purchase

- From other banks
- From customers

2010	2009
(Rupees in '000)	
7,085,694	4,182,856
9,992,408	6,167,722
17,078,102	10,350,578
Sale	
16,100,806	8,715,941
27,668	-
16,128,474	8,715,941

Sale

- To banks
- To customers

The maturities of the above contracts are spread over a period of one year.

22.6 Other Contingencies

22.6.1 For the tax years 2009 & 2008 the Bank had filed returns under self assessment scheme as envisaged in section 120 of the Income Tax Ordinance, 2001. The income tax department have amended the assessment of tax year 2009 & 2008 under section 122(5A) and 122(5) respectively of the Income Tax Ordinance, 2001. The amended assessment orders has been passed by adding / disallowing certain expenses / deductions resulting in additional tax liability of Rs.231.821 million and Rs. 222.026 million respectively. The Bank has filed appeals before the Commissioner of Income Tax (Appeals) on these disallowances. The Bank and its tax advisor are of the view that the issues will be decided in Bank's favour as and when the appeals are taken up for hearing by the appellate authority. Therefore no additional provision has been made in these financial statements.

22.6.2 Claims against the bank not acknowledged as debts amounted to Rs. 11.5 million (2009 Rs. 11.5 million).

23 MARK-UP / RETURN / INTEREST EARNED

On loans and advances to customers
On investments:
- Available for sale securities
- Held to maturity securities
On deposits with financial institutions and the State Bank of Pakistan
On securities purchased under resale agreements
On call money lendings
On placements with financial institutions

2010	2009
(Rupees in '000)	
6,293,075	6,334,629
3,108,330	1,935,329
570,113	520,829
36,933	14,061
145,496	217,957
96,547	313,386
-	1,093
10,250,494	9,337,284

24 MARK-UP / RETURN / INTEREST EXPENSED

Deposits
Securities sold under repurchase agreements
Call borrowings
Sub -ordinated Loans
Borrowings from the State Bank of Pakistan under export re-finance scheme and export oriented projects

6,192,834	5,871,221
171,703	100,478
124,665	10,390
170,250	185,818
544,390	434,872
7,203,842	6,602,779

25 GAIN / (LOSS) ON SALE OF SECURITIES - NET

Ordinary shares - Listed companies
Mutual Fund units
Other securities

12,456	(22,787)
13,551	(22,418)
-	34,400
26,007	(10,805)

26 OTHER INCOME

Net profit on sale of property and equipment
Rent on lockers
Recovery of expenses from customers
Service charges
Rebate on bank charges on nostro accounts - net
Income on Ijarah
Miscellaneous

17,317	5,818
6,358	6,339
65,066	57,515
156,036	148,432
45,471	38,817
69,913	34,072
90,116	84,044
450,277	375,037

27 ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.
Charge for employees' compensated absences
Charge for defined benefit plan
Contribution to defined contribution plan
Non-executive directors' fees, allowances and other expenses
Rent, taxes, insurance, electricity, etc.
Legal and professional charges
Communications
Repairs and maintenance
Stationery and printing
Advertisement and publicity
Donations
Auditors' remuneration
Depreciation
Amortisation
Brokerage & commission
Automation expenses
Entertainment
Fees & subscription
Motor vehicles running expenses
Remittance charges
Service charges
Training expenses
Traveling expenses
Others

Note	2010	2009
	(Rupees in '000)	
	875,303	653,459
	31,429	21,351
33.7	29,838	28,110
34	22,828	19,075
	950	450
	345,695	263,708
	34,850	23,894
	76,477	72,300
	42,014	34,212
	42,428	41,656
	22,928	15,983
27.1	2,000	5,830
27.2	4,170	1,587
11.2	470,131	427,377
11.3	18,190	10,054
	7,807	7,609
	210,787	159,237
	49,319	43,066
	21,486	25,255
	53,134	43,242
	28,306	23,073
	129,528	104,334
	5,982	7,422
	31,838	26,521
	66,573	54,855
	2,623,991	2,113,660

27.1 This represents donation given to Aga Khan Hospital and Medical College Foundation in which none of the Bank's directors or executives or their spouses had any interest.

27.2 Auditors' remuneration

Audit fee
Fee for audit of provident and gratuity funds
Audit of branches and other certifications
Fee for half yearly review of financial statements
Out-of-pocket expenses

Note	2010	2009
	(Rupees in '000)	
	1,000	800
	75	-
	2,535	170
	250	150
	310	467
	4,170	1,587

28 OTHER CHARGES

Penalties imposed by the State Bank of Pakistan
- on account of annual inspection
- on account of misreporting, non-compliance etc.
Operating fixed assets written-off
Workers welfare fund
Zakat paid

22,421	28,517
-	784
2	12
21,000	18,000
2,015	1,561
45,438	48,874

	Note	2010 (Rupees in '000)	2009
33.6 Movement in payable to defined benefit plan			
Opening balance		-	-
Charge for the year	33.7	29,838	28,110
Bank's contribution to the fund made during the year		(29,838)	(28,110)
Closing balance		-	-
33.7 Charge for defined benefit plan			
Current service cost		23,760	18,595
Interest cost		24,619	22,003
Expected return on plan assets		(20,039)	(14,299)
Amortisation of (gain) / loss		1,498	1,811
	27	29,838	28,110
33.8 Actual return on plan assets		17,469	18,475

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

	Gratuity Fund				
	2010	2009	2008	2007	2006
	----- (Rupees in '000) -----				
Present value of defined benefit obligation	183,709	185,129	151,788	121,257	85,375
Fair value of plan assets	142,546	147,142	114,894	87,656	67,609
Surplus / (Deficit)	(41,163)	(37,987)	(36,894)	(33,601)	(17,766)
Experience adjustments on plan liabilities [loss / (gain)]	1,384	2,311	8,659	18,108	13,971
Experience adjustments on plan assets [loss / (gain)]	2,570	(4,176)	(3,576)	(1,504)	(2,849)

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

	2010		2009	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Government securities	4,933	3.46%	5,329	3.62%
Others (including bank balances)	137,613	96.54%	141,813	96.38%
	142,546	100.00%	147,142	100.00%

As per the actuarial recommendations the expected return on plan assets was taken as 11.00% per annum. The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy.

33.11 The expected gratuity expense for the next year commencing 01 January 2011 works out to Rs. 43.823 million.

34 DEFINED CONTRIBUTION PLAN

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of the employees. The minimum qualifying period of service for the purpose of the Bank's contribution is five years. The contribution made by the Bank and its employees during the year amounted to Rs. 22.828 million each (2009: Rs. 19.075 million each). The number of employees as at 31 December 2010 eligible under the scheme were 1,421 (2009: 1,292 employees)

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		*Executives	
	2010	2009	2010	2009	2010	2009
	----- (Rupees in '000) -----					
Fees	-	-	950	450	-	-
Managerial remuneration	25,933	16,022	-	-	81,474	68,422
Charge for defined benefit plan	4,505	1,335	-	-	6,882	4,804
Contribution to defined contribution plan	2,160	1,335	-	-	5,593	4,762
Rent and house maintenance	11,820	7,359	-	-	32,590	27,369
Utilities	767	157	-	-	8,147	6,842
Medical	23	-	-	-	4,856	4,252
Bonus, leave encashment and others	61,725	1,542	-	-	27,733	29,812
	106,933	27,750	950	450	167,275	146,263
Number of persons	2	1	4	4	94	80

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

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

The aggregate amount charged to income for fee to directors and remuneration to other key management personnel were Rs. 0.950 million and Rs. 170.955 million (2009: Rs. 0.450 million and Rs. 76.254 million) respectively.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	2010		2009	
	Book value	Fair value	Book value	Fair value
	----- (Rupees in '000) -----			
36.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	17,078,102	17,187,731	10,350,578	10,467,377
Forward sale of foreign exchange	16,128,474	15,966,261	8,715,945	8,681,095

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	(Rupees in '000)				
31 December 2010					
Total income	444,233	477,296	777,827	9,779,569	11,478,925
Total expenses	386,842	292,953	743,471	9,915,212	11,338,478
Net income / (loss)	57,391	184,343	34,356	(135,643)	140,447
Segment assets (Gross)	3,234,217	2,798,003	6,171,308	100,951,816	113,155,344
Segment non performing loans	-	-	922,105	6,173,931	7,096,036
Segment provision required *	-	-	498,909	4,550,757	5,049,666
Segment liabilities	4,119,090	3,563,529	7,859,761	83,645,625	99,188,005
Segment return on net assets (ROA) (%)	(6)	(24)	(2)	(1)	2
Segment cost of funds (%)	9	5	7	8	8
31 December 2009					
Total income	545,165	913,911	1,202,418	7,843,983	10,505,477
Total expenses	481,341	296,646	1,127,413	8,409,664	10,315,064
Net income	63,824	617,265	75,005	(565,681)	190,413
Segment assets (Gross)	2,217,653	3,039,071	5,438,904	88,308,474	99,004,102
Segment non performing loans	-	-	549,810	4,452,607	5,002,417
Segment provision required *	-	-	438,015	3,255,815	3,693,830
Segment liabilities	2,807,788	3,847,793	6,886,242	73,965,248	87,507,071
Segment return on net assets (ROA) (%)	(18)	(110)	(6)	(6)	3
Segment cost of funds (%)	16	3	14	8	9

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

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

38 TRUST ACTIVITIES

The Bank is currently not engaged in any trust activities.

39 RELATED PARTY TRANSACTIONS

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

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

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

	Key management personnel				Other related parties					
	Bank's Chief Executive / Executives		Directors & their close family members		Related group companies		Major Shareholders		Staff Retirement Funds	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Deposits	(Rupees in '000)									
At 01 January	14,486	14,026	266,578	225,612	632,150	285,141	258,904	304,385	232,760	88,013
Received during the year	312,994	325,251	2,731,930	1,393,722	17,119,918	14,341,228	1,002,644	231,398	213,581	239,254
Transfers / Reclassification	-	-	-	-	-	-	-	-	-	-
Withdrawn during the year	(313,937)	(324,791)	(2,764,835)	(1,352,756)	(17,654,694)	(13,994,219)	(930,408)	(276,879)	(238,742)	(94,507)
At 31 December	13,543	14,486	233,673	266,578	97,374	632,150	331,140	258,904	207,599	232,760
Profit / interest expense on deposits	495	709	24,454	25,966	30,817	54,746	36,130	28,504	20,413	15,733

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

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

Advances

Balance at beginning of the year
Loans granted during the year
Repayments
Balance at end of the year

2010	2009
(Rupees in '000)	
56,730	28,334
16,583	42,731
(14,646)	(14,335)
58,667	56,730

These loans were given to key management personnel as per the terms of their employment. Mark-up on these advances amounts to Rs. 2.798 million (2009: Rs. 2.164 million)

40 CAPITAL ADEQUACY

40.1 Capital Management

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

Goals of managing capital

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

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated 15 April 2009 requires the minimum paid up capital (net of losses) for Banks to be raised to Rs. 10 billion by the year ending 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 7 billion paid up capital (net of losses) by the end of the financial year 2010. The paid up capital (net of losses) of the Bank for the year ended 31 December 2010 stood at Rs. 6,023,221 million. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10 percent of the risk weighted exposure of the Bank as at 31 December 2010. The bank's CAR as at 31 December 2010 was approximately 12.61 percent of its risk weighted exposure. The Bank has obtained permission from SBP vide SBP letter no. BSD/BAI-3/608/361/2011 dated 11 January 2011, regarding an extension to meet the minimum paid-up capital (free of losses) requirements till 30 June 2011.

Bank's regulatory capital analysed into two tiers

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

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

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 07 dated 15 April 2009. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

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

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

40.2 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy using Basel II standardised approach is presented below.

Regulatory capital base

Tier I capital

	2010 (Rupees in '000)	2009 (Rupees in '000)
Share capital	6,023,221	5,019,351
Share premium	1,405	1,405
Reserves	2,027,631	2,002,543
Unappropriated / unremitted profits (Net of Losses)	329,103	158,278
Minority in the equity of the subsidiaries	-	-
Innovative and other capital instruments (if any)	-	-
Less: Book value of goodwill and intangibles	(23,030)	(12,163)
Impairment on equity securities - net of tax not charged to profit and loss account	-	-
Calculation difference (expected losses vs eligible provisions)	-	-

Total Tier I Capital

8,358,330 7,169,414

Tier II Capital

Subordinated Debt (upto 50% of total Tier 1 Capital)	478,944	718,704
General provisions subject to 1.25% of total risk weighted assets	8,554	12,000
Revaluation reserve (upto 45%)	390,084	430,355
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	-	-

Total Tier II capital

877,582 1,161,059

Eligible Tier III capital

- -

Total regulatory capital

(a) 9,235,912 8,330,473

Risk-weighted exposures

Credit risk

Portfolios subject to standardised approach (Simple Approach)

On-Balance Sheet Items:

	2010 (Rupees in '000)		2009 (Rupees in '000)	
	Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
Sovereign and Central Banks	-	-	-	-
Public Sector Entities (PSEs)	179,397	1,793,971	167,685	1,676,848
Banks and Securities Firms	329,211	3,292,108	154,605	1,546,054
Corporates Portfolio	40.3 3,871,688	38,716,884	3,808,116	38,081,158
Retail Non Mortgages	40.3 316,186	3,161,856	286,977	2,869,770
Mortgages – Residential	11,190	111,899	10,361	103,612
Securitized Assets	-	-	-	-
Listed equities and regulatory capital issued by banks	77,808	778,081	75,552	755,515
Unlisted equity investments	342,249	3,422,492	3,750	37,500
Fixed Assets	344,589	3,445,893	332,173	3,321,728
Other Assets	192,096	1,920,963	138,585	1,385,850
Past Due Exposures	276,676	2,766,671	194,216	1,942,160
	5,941,090	59,410,818	5,172,020	51,720,195

Off balance sheet items:

Non-Market Related:-

Direct credit substitutes	40.4 283,088	2,830,878	312,028	3,120,275
Performance-related contingencies	40.4 139,031	1,390,309	140,068	1,400,675
Trade-related contingencies	40.4 229,658	2,296,581	180,674	1,806,744
Lending of securities or posting of securities as collateral	-	-	-	-
Other commitments	-	-	-	-
Other commitments with certain drawdown	-	-	26,600	266,000
	651,777	6,517,768	659,370	6,593,694

Risk-weighted exposures

Market related:-

	2010 (Rupees in '000)		2009 (Rupees in '000)	
	Capital Requirement	Risk adjusted value	Capital Requirement	Risk adjusted value
Outstanding Interest rate contracts	-	-	-	-
Outstanding Foreign Exchange Contracts	40.5 34,311	343,106	23,152	231,520
	34,311	343,106	23,152	231,520

Portfolios subject to Internal Rating Based (IRB) Approach

e.g. Corporate, Sovereign, Retail, Securitization etc.	N/A
--	-----

Equity Exposure Risk in the Banking Book

Equity portfolio subject to market-based approaches

Under simple risk weight method	N/A
Under Internal models approach	

Equity portfolio subject to PD / LGD

Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	11,403	142,538	3,637	45,463
Equity position risk	-	-	-	-
Foreign Exchange Risk	7,749	96,863	1,877	23,463
Position in Options	-	-	-	-
	19,152	239,401	5,514	68,926

Capital Requirement for portfolios subject to Internal Models Approach

Interest rate risk	N/A
Foreign exchange risk etc.	

Operational Risk

Capital Requirement for operational risks

TOTAL	(b) 7,185,871	73,254,793	6,399,552	65,358,035
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Capital Adequacy Ratio

Total eligible regulatory capital held	(a) 9,235,912	8,330,473
Total Risk Weighted Assets	(b) 73,254,793	65,358,035
Capital Adequacy Ratio	(a / b) 12.61%	12.75%

40.3 Cash margin and government securities amounting to Rs. 2,468,901 million have been deducted from gross advances using simple approach to credit risk mitigation under Basel II. Advances are not net off with general provision amounting to Rs. 8,554 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated 20 May 2006.

40.4 Cash margin and government securities amounting to Rs 1,582.631 million have been deducted from off-balance sheet items.

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

41 RISK MANAGEMENT

The primary goal of risk management is to identify, assess and monitor risks inherent in the activities of the Bank and take adequate measures to manage and control these risks on timely basis. This will help in achieving sustainable business growth and financial and non-financial targets with better protection and soundness. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

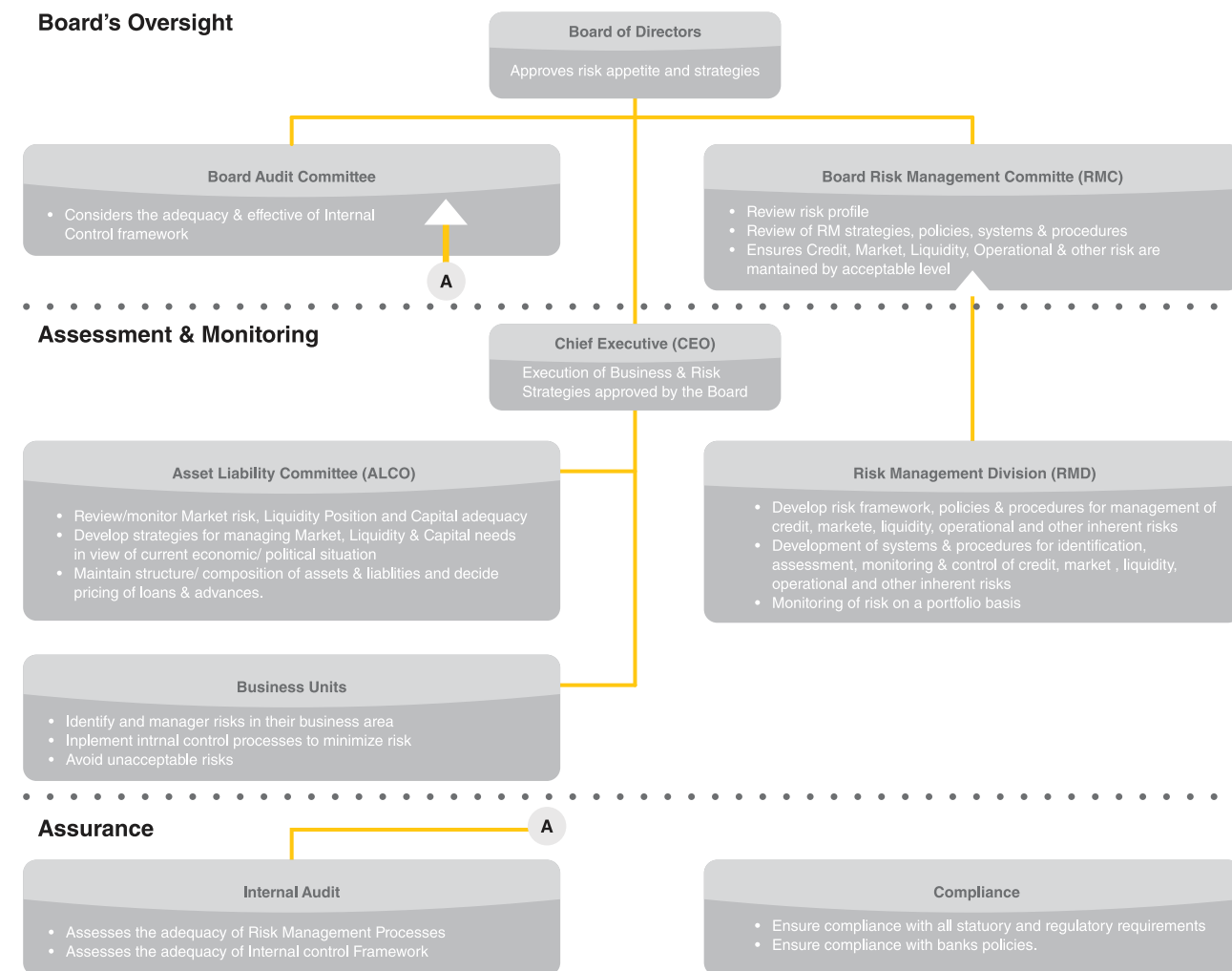
During the year, the Bank has commenced with a number of cutting-edge initiatives, in the area of measurement and management of credit, market & liquidity and operational risk. These measures are gradually providing competitive advantage to the businesses besides preparing the Bank for implementation of Base-II advanced approaches in the coming years.

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

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

The Board of Directors (BoD) approves the Bank's risk appetite, risk management strategy and policies and keeps an oversight on the Bank-wide risk management framework. On the other hand, the Risk Management Committee, a BoD level sub-committee, ensures that the Bank at all times maintains a complete and prudent integrated risk management framework and ensures that the risks exposures are maintained within the Bank's tolerance levels.

The Bank's risk management policies cover all the major risk types that the Bank is exposed to, including the risk management organization, internal controls that emphasize well-defined division of responsibilities, and a clear binding system of review and monitoring.



Significant developments during the year

During the financial year, the Bank has aligned its risk management frameworks with industry better practices and regulatory requirements, which are in their concluding phase of implementation. The risk reporting framework, including the formulation of several types of risk reports, has been significantly improved.

In addition to this, and in order to further strengthen and integrate the bank-wide risk management framework, the Bank has made significant investment, in the last year, by acquiring the license of Enterprise Risk Management (ERM) solution of SAS. In this respect, the Bank has undertaken adequate measures to ensure the timely and effective implementation of the said solution. During the year, the Bank has also initiated the process of developing statistical credit risk rating systems through the Enterprise Miner tool of the ERM solution. In this respect, a dedicated team has been deployed which is in the process of collecting required data-sets for the purpose.

The Bank has established and properly launched a rigorous (pre-approval) credit risk review function, as part of the Risk Management Division. All credit applications, raised across the Bank, that fall in the approving limits of Executive Finance Committee (EFC), are reviewed by the (centralized) Credit Risk Review function before submission to the approving authorities.

Furthermore, the Bank has undertaken adequate measures to strengthen the credit monitoring process and has established a monitoring desk which is working in co-ordination with the Risk Management Division. Any findings are relayed to the Head of Credit for any action on timely basis.

A number of analytical and statistical models are made part of the market risk management framework to assess and measure market risk in on and off balance sheet exposures of the Bank.

Significant developments have been made, during the year, in the area of operational risk management which are stated as follows:

- Risk and control assessment exercise, including the identification of key risk indicators, has been performed for four mega processes of the Bank, i.e., general banking, trade finance, consumer finance and human resource functions;
- A comprehensive and well-structured Business Continuity Plan (BCP) of central office has been developed and approved by the BoD. The Plan incorporates international better practices and regulatory requirements, and is in its early stages of implementation;
- OpRisk Monitor, part of the ERM solution of SAS, has been thoroughly tested and accepted by the senior management and is currently in the phase of implementation across the Bank. OpRisk Monitor will provide solid grounds for better, enhanced and integrated management, monitoring and reporting of operational risk throughout the Bank.

41.1 Credit Risk

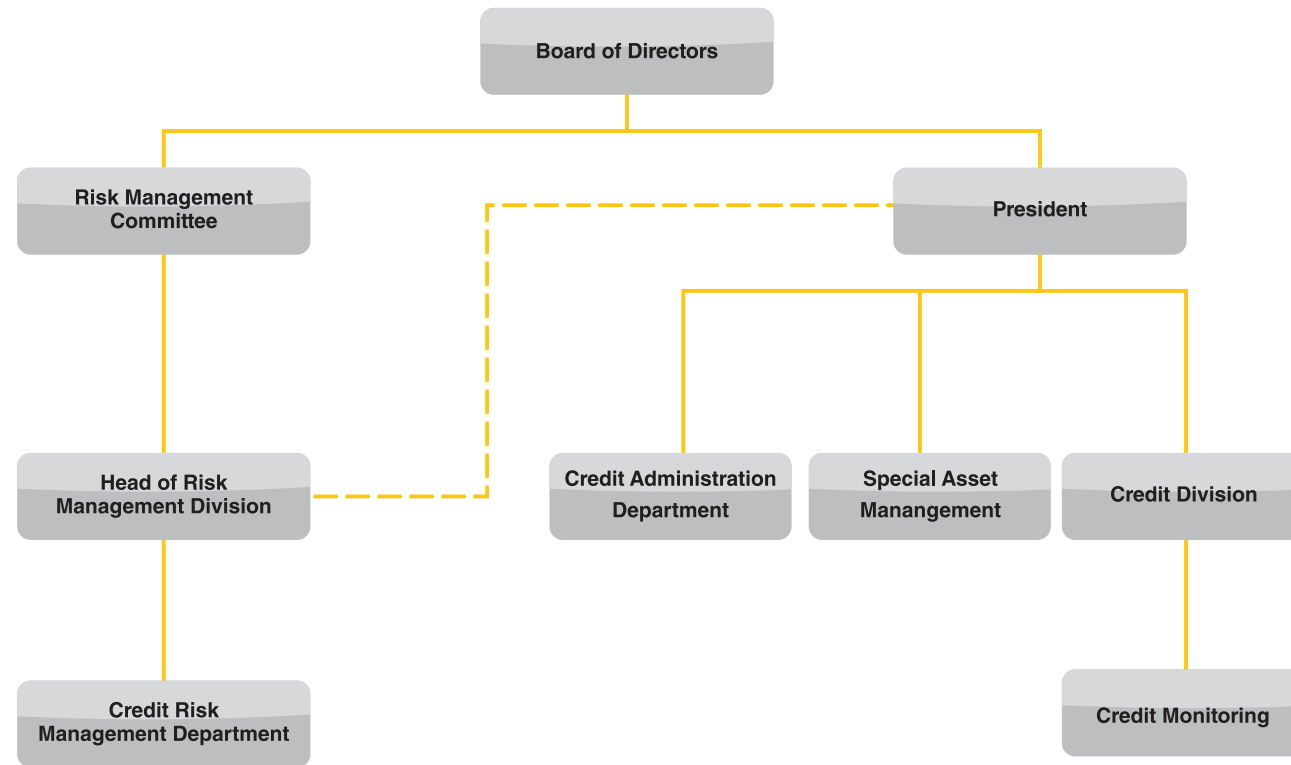
Credit Risk is a risk arising from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform is impaired resulting in financial loss to the Bank. Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any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

Credit Risk Management Objectives and Organization

Granting of credit is the core business activity, a major source of revenue and hence a significant exposure of the Bank and all of this granting is constructed mainly from the depositors' money. Therefore, in order to protect the stakeholders' wealth, the Bank has deployed considerable resources to manage, monitor and control credit risk throughout the Bank.

The main objective of the Bank's credit risk management process is to identify, assess, measure and monitor credit risk in all the credit exposures of the Bank. The Bank has established a rigorous credit risk management framework to timely and effectively manage credit risk in each and every credit transaction, as well as on portfolio level. In addition to this, the Bank has invested in purchasing the license of, and has deployed adequate resources in implementing the, Enterprise Risk Management (ERM) solution of SAS. The said solution will provide adequate grounds in making better credit decisions, measured risk-taking, better loan pricing and efficient capital allocation their against; thus efficient and effective use of funds and increase in profitability of the Bank.

The Bank has a sound organization structure, for managing credit risk, established on strong internal control environment, and equipped with adequate level of expertise and resources.



Credit Approval Authorities and Credit standards

The Board of Directors has delegated lending powers to different layers of credit approving authorities, constituted both on the central and the regional levels. Extension of credit is executed, in strong internal control environment, in the light of the Bank's credit policy and procedures and regulatory requirements. Details of all loans granted during the period, provisions and write-offs made and recoveries performed are reported to the Board of Directors on quarterly basis.

Credit Risk Portfolio Management

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

Credit Risk Rating

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

The Rating System assigns risk grades to customers in accordance with regulatory requirement, in nine categories whereas three grades have been assigned to classified loans. Separate scorecards have been developed for rating corporate, retail and consumer customers. Business units assign rating to every customer as an integral part of credit approval process. The system is playing a significant role in the assessment, monitoring and capital adequacy processes relating to credit risk management.

Credit Risk Management Policy

A sound credit risk management framework forms part of the overall credit business strategy and credit operations of the Bank. The principles for credit risk mitigation have been laid down in the Bank's credit manual and credit risk management policy. The credit risk management policy mainly includes the following:

(a) Credit Risk Assessment

The credit risk management policy, approved by the BoD, addresses the pre-approval evaluation process of credit risk embedded in each credit transaction executed by the Bank. The entire process broadly encompasses, gathering relevant information on the borrower, credit investigations and visit report, detailed credit appraisal, credit risk assessment and measurement.

(b) Limit structure

In addition to credit limits specified in the Prudential Regulations of the State Bank of Pakistan, credit limit structure of the Bank includes internal limits as established by the BoD and the senior management. Internal limits include limits with respect to industry / sector, credit approval authority, exposure with banks and NBFIs, exposure with insurance companies, and country risk. All these limits are monitored on regular basis and any exceptions are reported to the relevant authorities for their timely action where necessary.

(c) Collateral

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

(d) Early Warning Mechanism

An effective early warning system has been implemented which enables the business units / credit managers / credit administration personnel to identify and report problem loans on a prompt basis. Reports are received from business units on regular basis, which are escalated to Credit Authorities for taking necessary action on timely basis.

(e) Credit portfolio analysis

Apart from monitoring of single borrowers, the Bank monitors the overall composition and quality of the credit portfolio on a periodic basis, in particular, the composition of the credit portfolio, identification and investigation of trends within the portfolio and presence of concentrations with respect to different dimensions. Portfolio reports, along with any findings, are submitted to the RMC on quarterly basis.

(f) Remedial Management and Allowances for Impairment

The Bank has established standards for identification and classification of credit facilities, restructuring as well as related provisioning requirements and write-off policy, with clear responsibilities pertaining to all processes that are required to be followed.

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

41.1.1 Segmental information

41.1.1.1 Segments by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	1,365,997	2.30%	1,224,330	1.49%	667,100	2.99%
Textile	21,838,707	36.83%	3,070,570	3.74%	5,214,573	23.35%
Chemical and Pharmaceuticals	1,422,476	2.40%	930,353	1.13%	2,709,983	12.13%
Cement	1,238,851	2.09%	214,345	0.26%	420,574	1.88%
Sugar	697,148	1.18%	203,083	0.25%	900	0.00%
Footwear and Leather garments	1,009,484	1.70%	562,448	0.69%	122,712	0.55%
Automobile and transportation equipment	981,118	1.65%	5,304,666	6.47%	1,023,815	4.58%
Electronics and electrical appliances	2,742,515	4.63%	431,434	0.53%	3,017,255	13.51%
Construction	1,633,870	2.76%	2,441,023	2.98%	-	0.00%
Power (electricity), Gas, Water, Sanitary	384,370	0.65%	3,016,500	3.68%	-	0.00%
Wholesale and Retail Trade	1,531,267	2.58%	3,400,063	4.15%	-	0.00%
Exports/Imports	1,415,872	2.39%	2,009,154	2.45%	-	0.00%
Financial	380,328	0.64%	2,050,202	2.50%	1,502,767	6.73%
Insurance	119,139	0.20%	597,721	0.73%	-	0.00%
Individuals	2,151,902	3.63%	24,700,662	30.12%	105,464	0.47%
Others*	20,380,320	34.37%	31,860,257	38.83%	7,548,937	33.81%
	59,293,364	100.00%	82,016,811	100.00%	22,334,080	100.00%

Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Agriculture, Forestry, Hunting and Fishing	847,493	1.63%	819,928	1.11%	217,508	1.06%
Textile	20,550,828	39.57%	2,272,871	3.09%	3,920,038	19.13%
Chemical and Pharmaceuticals	1,201,021	2.31%	897,470	1.22%	1,750,080	8.54%
Cement	1,231,697	2.37%	69,444	0.09%	466,246	2.28%
Sugar	470,508	0.91%	485,113	0.66%	5,063	0.02%
Footwear and Leather garments	769,478	1.48%	512,302	0.70%	63,651	0.31%
Automobile and transportation equipment	1,282,578	2.47%	3,621,887	4.92%	909,119	4.44%
Electronics and electrical appliances	1,277,458	2.46%	886,435	1.21%	1,800,033	8.78%
Construction	1,250,248	2.41%	2,765,166	3.76%	-	0.00%
Power (electricity), Gas, Water, Sanitary	883,990	1.70%	345,290	0.47%	-	0.00%
Wholesale and Retail Trade	911,537	1.75%	3,121,017	4.24%	-	0.00%
Exports/Imports	567,329	1.09%	1,915,909	2.60%	-	0.00%
Financial	954,530	1.84%	3,815,634	5.19%	1,618,716	7.90%
Insurance	-	0.00%	344,390	0.47%	-	0.00%
Individuals	1,974,691	3.80%	21,176,056	28.79%	21,207	0.10%
Others*	17,766,055	34.21%	30,499,314	41.48%	9,720,502	47.44%
	51,939,441	100.00%	73,548,226	100.00%	20,492,163	100.00%

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

41.1.1.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	2,203,875	3.72%	10,578,929	12.90%	46,790	0.21%
Private	57,089,489	96.28%	71,437,882	87.10%	22,287,290	99.79%
	59,293,364	100.00%	82,016,811	100.00%	22,334,080	100.00%

	2009					
	Advances (Gross)		Deposits		Contingencies	
	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)	(Rupees in '000)	(Percent)
Public / Government	1,882,000	3.62%	8,956,811	12.18%	367,518	1.79%
Private	50,057,441	96.38%	64,591,415	87.82%	20,124,645	98.21%
	51,939,441	100.00%	73,548,226	100.00%	20,492,163	100.00%

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

	2010	2009
Agriculture, Forestry, Hunting and Fishing	19,478	7,787
Mining and Quarrying	-	-
Textile	3,757,345	3,070,753
Chemical and Pharmaceuticals	183,807	24,796
Cement	-	-
Sugar	13,629	14,000
Footwear and Leather garments	2,453	4,950
Automobile and transportation equipment	-	-
Electronics and electrical appliances	138,340	187,656
Construction	-	-
Power (electricity), Gas, Water, Sanitary	-	-
Wholesale and Retail Trade	-	-
Exports/Imports	-	-
Transport, Storage and Communication	-	-
Financial	-	-
Insurance	-	-
Services	-	-
Individuals	42,481	33,198
Others	2,938,503	1,659,277
	7,096,036	5,002,417

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

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	7,096,036	4,609,089	5,002,417	3,200,338
	7,096,036	4,609,089	5,002,417	3,200,338

41.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	140,447	108,105,678	8,917,673	55,540,656
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	140,447	108,105,678	8,917,673	55,540,656

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
	(Rupees in '000)			
Pakistan	190,413	95,310,272	7,803,201	39,824,682
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	190,413	95,310,272	7,803,201	39,824,682

41.2 Credit Risk – General Disclosures, Basel II Specific

The Bank has adopted Standardized Approach, under Basel II. According to the regulatory statement submitted under the Standardized Approach, the portfolio has been divided into claims fully secured by residential property, claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 90% of the total exposure, 1% represents claims fully secured by residential property and the remaining 9% exposure pertains to claims categorized as retail portfolio.

41.3 Credit Risk: Standardized Approach

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

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

Exposure	JCR-VIS	PACRA	Fitch, Moody's & S&P
Corporate	✓	✓	-
Banks	✓	✓	✓
Sovereigns	-	-	-
SME's	-	-	-
Securizations	-	-	-

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

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

Exposure	Rating category No.	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-6	40,324,907	547,101	39,777,806
Banks (local)	1-2	9,221,305	1,440,083	7,781,222
Banks (foreign)	1-5	2,044,158	-	2,044,158
Sovereigns, central banks, etc.		34,060,350	-	4,060,350
Unrated		22,168,640	481,717	21,686,923
Total		107,819,360	2,468,901	105,350,459

* CRM= Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits / government securities

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

41.4 Market Risk

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

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

Market risk in banking book arises from deposits, advances, investment in fixed income securities, equities and dealing in money market and foreign exchange transactions

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

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

In addition to these, ALCO periodically requires various other analytical reports, entailing the Bank's exposures with respect to risk factors which mainly include liquidity risk, interest rate risk, foreign exchange risk and equity price risk, from Market and Liquidity Risk Department (MLRD) for decision making purposes.

The market risk is assessed at the transaction level by the Treasury & Finance Divisions, whereas, the monitoring of market risk is being performed by MLRD. The MLRD monitors foreign exchange, money market and capital market deal transactions and ensures compliance with BOD approved limits as well as the Prudential Regulations and any other regulatory aspects.

During the year, the MLRMD has initiated the process of risk quantification, via duration analysis, for interest rate sensitive assets and liabilities held in the banking book. The Bank has initiated the measurement of impact on its net worth, arising from changes in interest rates, given the duration gap of assets and liabilities. Furthermore, the market risk management policy of the Bank was revised and approved by the RMC and BoD respectively.

41.4.2 Foreign Exchange Risk

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

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	101,231,048	91,129,793	(1,174,687)	8,926,568
United States dollar	5,445,842	5,780,512	238,445	(96,225)
Great Britain pound	644,199	1,207,974	568,907	5,132
Japanese yen	19,151	4,437	(7,370)	7,344
Euro	684,359	1,034,834	355,533	5,058
Other currencies	81,079	30,455	19,172	69,796
	108,105,678	99,188,005	-	8,917,673
	----- (Rupees in '000) -----			
	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	87,715,281	82,246,122	(1,773,263)	3,695,896
United States dollar	7,136,763	4,326,509	885,681	3,695,935
Great Britain pound	85,099	535,924	561,045	110,220
Japanese yen	21,127	9,198	(20,071)	(8,142)
Euro	211,230	366,755	335,481	179,956
Other currencies	140,772	22,563	11,127	129,336
	95,310,272	87,507,071	-	7,803,201

41.4.3 Equity Position Risk

The Bank does not have any trading position in equity securities. However, risk arising from investment in equity securities, lies in its banking book, which is measured and assessed via the Value at Risk (VaR) approach. The VaR of the portfolio is reported to the relevant authorities and the RMC on periodical basis.

41.4.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

	Effective yield/ interest rate %	2010 Exposed to yield/ interest rate risk										Non-interest bearing financial instruments
		Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	7,247,711	-	-	-	-	-	-	-	-	-	7,247,711
Balances with other banks	5.00%	1,400,451	1,176	-	-	-	-	-	-	-	-	1,399,275
Lendings to financial and other institutions	13.21%	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-	-
Investments	12.32%	34,985,663	3,325,960	11,566,225	13,494,160	1,528,630	722,983	1,263,320	420,195	158,826	110,150	2,395,214
Advances	12.80%	54,675,721	630,453	10,629,522	43,415,746	-	-	-	-	-	-	-
Other assets	-	2,504,780	-	-	-	-	-	-	-	-	-	2,504,780
		103,346,226	4,157,589	24,527,647	56,909,906	1,528,630	722,983	1,263,320	420,195	158,826	110,150	13,546,980
Liabilities												
Bills payable	-	1,857,810	-	-	-	-	-	-	-	-	-	1,857,810
Borrowings	7.75%	12,370,528	4,392,206	6,838,582	-	-	-	1,014,655	-	-	-	125,085
Deposits and other accounts	7.84%	82,016,811	9,610,891	5,497,995	49,236,518	-	-	-	-	-	-	17,671,407
Sub-ordinated loans	14.82%	1,197,360	-	-	1,197,360	-	-	-	-	-	-	-
Other liabilities	-	1,607,877	-	-	-	-	-	-	-	-	-	1,607,877
		99,050,386	14,003,097	12,336,577	50,433,878	-	-	1,014,655	-	-	-	21,262,179
On-balance sheet gap		4,295,840	(9,845,508)	12,191,070	6,476,028	1,528,630	722,983	1,263,320	(594,460)	158,826	110,150	(7,715,199)
Non financial net assets		4,621,833										
Total net assets		8,917,673										
Off-balance sheet financial instruments												
Forward purchase of foreign exchange		17,078,102	5,461,968	6,976,878	3,953,791	685,465	-	-	-	-	-	-
Forward sale of foreign exchange		(16,128,474)	(7,325,082)	(4,008,677)	(4,794,715)	-	-	-	-	-	-	-
Off-balance sheet gap		949,628	(1,863,114)	2,968,201	(840,924)	685,465	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(11,708,622)	15,159,271	5,635,104	2,214,095	722,983	1,263,320	(594,460)	158,826	110,150	(7,715,199)
Cumulative Yield / Interest Risk Sensitivity Gap			(11,708,622)	3,450,649	9,085,753	11,299,848	12,022,831	13,286,151	12,691,691	12,850,517	12,960,667	5,245,468

Effective yield/ interest rate %	2009 Exposed to yield/ interest rate risk										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	6,471,173	-	-	-	-	-	-	-	-	-	6,471,173
Balances with other banks	12.00%	1,497,193	400,016	-	-	-	-	-	-	-	-	1,097,177
Lending to financial and other institutions	12.65%	2,755,377	1,955,377	800,000	-	-	-	-	-	-	-	-
Investments	12.39%	29,537,179	15,658	3,260,828	14,267,255	6,917,850	855,493	728,323	1,677,658	159,586	110,558	1,543,970
Advances	13.15%	48,727,103	100,499	9,301,643	39,324,961	-	-	-	-	-	-	-
Other assets	-	2,205,653	-	-	-	2,694	620	75,701	33,715	-	-	2,092,923
		91,193,678	2,471,550	13,362,471	53,592,216	6,920,544	856,113	804,024	1,711,373	159,586	110,558	11,205,243
Liabilities												
Bills payable	-	1,763,401	-	-	-	-	-	-	-	-	-	1,763,401
Borrowings	7.88%	9,385,522	-	7,709,354	500,000	-	-	-	1,017,515	-	-	158,653
Deposits and other accounts	8.69%	73,548,226	5,487,324	2,739,219	7,880,822	43,767,462	-	-	-	-	-	13,673,399
Sub-ordinated loans	15.89%	1,197,840	-	-	1,197,840	-	-	-	-	-	-	-
Other liabilities	-	1,443,041	-	-	-	-	-	-	-	-	-	1,443,041
		87,338,030	5,487,324	10,448,573	9,578,662	43,767,462	-	-	1,017,515	-	-	17,038,494
On-balance sheet gap		3,855,648	(3,015,774)	2,913,898	44,013,554	(36,846,918)	856,113	804,024	693,858	159,586	110,558	(5,833,251)
Non financial net assets		3,947,553										
Total net assets		7,803,201										
Off-balance sheet financial instruments												
Forward purchase of foreign exchange		10,350,578	6,147,921	3,138,641	932,186	131,830	-	-	-	-	-	-
Forward sale of foreign exchange		(8,715,937)	(5,636,773)	(1,882,253)	(1,196,911)	-	-	-	-	-	-	-
Off-balance sheet gap		1,634,641	511,148	1,256,388	(264,725)	131,830	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(2,504,626)	4,170,286	43,748,829	(36,715,088)	856,113	804,024	693,858	159,586	110,558	(5,833,251)
Cumulative Yield / Interest Risk Sensitivity Gap			(2,504,626)	1,665,660	45,414,489	8,699,401	9,555,514	10,359,538	11,053,396	11,212,982	11,323,540	5,490,289

- The effective interest rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument.
- The effective interest rate has been computed by excluding non-performing advances.
- The effective interest rate has been computed by excluding non-remunerative deposits.

41.5 Liquidity Risk

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

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

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

Sources of liquidity are regularly reviewed / monitored by Asset and Liability Committee (ALCO) on regular periodic basis. ALCO reviews the current economic situation, projected cash flows and asset / liability mix and approve strategy for managing appropriate liquidity. The liquidity risk management policy of the Bank encompasses liquidity contingency plan for actions to be taken in case of liquidity crises.

Stress testing exercise is conducted, on periodic basis, to test the adequacy of liquidity contingency plan and to identify the extent of liquidity stress that the Bank is able to take in current conditions.

41.5.1 MATURITIES OF ASSETS AND LIABILITIES

Total	2010									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	7,247,711	7,247,711	-	-	-	-	-	-	-	-
Balances with other banks	1,400,451	1,400,451	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-
Investments - net	34,985,663	5,721,174	11,485,775	10,537,551	1,732,210	1,576,414	2,177,638	1,108,946	530,734	115,221
Advances - net	54,675,721	630,453	10,629,522	10,805,810	23,379,256	917,093	3,414,301	3,922,483	648,156	328,647
Operating fixed assets	3,468,923	118,447	85,128	62,842	449,459	574,224	463,283	296,557	1,121,928	297,055
Deferred Tax Assets	384,655	-	-	-	384,655	-	-	-	-	-
Other assets - net	3,410,654	3,392,333	-	-	11,100	-	7,221	-	-	-
Liabilities										
Bills payable	1,857,810	1,857,810	-	-	-	-	-	-	-	-
Borrowings	12,370,528	4,517,291	6,838,582	-	-	-	1,014,655	-	-	-
Deposits and other accounts	82,016,811	27,282,298	5,497,995	15,536,991	15,198,677	8,615,878	4,106,510	22,799	5,755,663	-
Sub-ordinated loans	1,197,360	-	-	240	299,280	598,560	299,280	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,745,496	1,532,597	-	-	212,899	-	-	-	-	-
Net assets	8,917,673	(16,479,427)	12,195,748	5,868,972	10,245,824	(6,146,707)	1,649,432	4,297,753	(3,454,845)	740,923
Share capital	6,023,221									
Reserves	2,029,036									
Unappropriated profit	329,103									
Surplus on revaluation of assets	536,313									
	8,917,673									
Total										
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	6,471,173	6,471,173	-	-	-	-	-	-	-	-
Balances with other banks	1,497,193	1,497,193	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,755,377	1,955,377	800,000	-	-	-	-	-	-	-
Investments - net	29,537,179	1,561,196	3,004,742	11,428,971	7,042,821	1,220,756	1,646,624	3,032,386	479,627	120,056
Advances - net	48,727,103	100,499	9,301,643	7,102,779	24,632,455	763,040	2,254,194	3,668,254	727,487	176,752
Operating fixed assets	3,333,891	354	100	1,394	205,492	32,746	167,656	654,564	333,710	1,937,875
Deferred Tax Assets-net	108,429	-	-	-	108,429	-	-	-	-	-
Other assets - net	2,879,927	2,862,416	-	-	11,100	-	-	-	6,411	-
Liabilities										
Bills payable	1,763,401	1,763,401	-	-	-	-	-	-	-	-
Borrowings	9,385,522	158,653	7,709,354	500,000	-	-	1,017,515	-	-	-
Deposits and other accounts	73,548,226	19,160,723	2,739,219	7,880,822	22,428,245	7,809,555	6,294,012	2,080,262	5,155,388	-
Sub-ordinated loans	1,197,840	-	-	240	240	299,520	598,560	299,280	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,612,082	1,527,892	-	-	84,190	-	-	-	-	-
Net assets	7,803,201	(8,162,461)	2,657,912	10,152,082	9,487,622	(6,092,533)	(2,824,098)	3,958,147	(3,608,153)	2,234,683
Share capital	5,019,351									
Reserves	2,003,948									
Unappropriated profit	158,278									
Surplus on revaluation of assets	621,624									
	7,803,201									

Saving deposits do not have any contractual maturity however these deposits have been allocated into the above time bands based on historical withdrawal pattern of the said deposits. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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

Total	2010									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	7,247,711	7,247,711	-	-	-	-	-	-	-	-
Balances with other banks	1,400,451	1,400,451	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,531,900	200,000	2,331,900	-	-	-	-	-	-	-
Investments - net	34,985,663	5,721,174	11,485,775	10,537,551	1,732,210	1,576,414	2,177,638	1,108,946	530,734	115,221
Advances - net	54,675,721	630,453	10,629,522	10,805,810	23,379,256	917,093	3,414,301	3,922,483	648,156	328,647
Operating fixed assets	3,468,923	118,447	85,128	62,842	449,459	574,224	463,283	296,557	1,121,928	297,055
Deferred tax assets - net	384,655	-	-	-	384,655	-	-	-	-	-
Other assets - net	3,410,654	3,392,333	-	-	11,100	-	7,221	-	-	-
Liabilities										
Bills payable	1,857,810	1,857,810	-	-	-	-	-	-	-	-
Borrowings	12,370,528	4,517,291	6,838,582	-	-	-	1,014,655	-	-	-
Deposits and other accounts	82,016,811	27,282,298	5,493,363	8,263,222	8,083,292	4,724,991	2,252,031	12,502	-	-
Sub-ordinated loans	1,197,360	-	-	240	299,280	598,560	299,280	-	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,745,496	1,532,597	-	-	212,899	-	-	-	-	-
Net assets	8,917,673	(42,924,539)	12,740,380	13,142,741	17,361,209	(2,255,820)	3,503,911	4,308,050	2,300,818	740,923
Share capital	6,023,221									
Reserves	2,029,036									
Unappropriated profit	329,103									
Surplus on revaluation of assets	536,313									
	8,917,673									
Total										
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	6,471,173	6,471,173	-	-	-	-	-	-	-	-
Balances with other banks	1,497,193	1,497,193	-	-	-	-	-	-	-	-
Lending to financial & other institutions	2,755,377	1,955,377	800,000	-	-	-	-	-	-	-
Investments - net	29,537,179	1,561,196	3,004,742	11,428,971	7,042,821	1,220,756	1,646,624	3,032,386	479,627	120,056
Advances - net	48,727,103	100,499	9,301,643	7,102,779	24,632,455	763,040	2,254,194	3,668,254	727,487	176,752
Operating fixed assets	3,333,891	354	100	1,394	205,492	32,746	167,656	654,564	333,710	1,937,875
Deferred tax assets-net	108,429	-	-	-	108,429	-	-	-	-	-
Other assets - net	2,879,927	2,862,416	-	-	11,100	-	-	-	6,411	-
Liabilities										
Bills payable	1,763,401	1,763,401	-	-	-	-	-	-	-	-
Borrowings	9,385,522	158,653	7,709,354	500,000	-	-	1,017,515	-	-	-
Deposits and other accounts	73,548,226	19,160,723	2,600,985	6,076,121	13,478,774	5,503,021	4,906,370	1,525,337	177,895	-
Sub-ordinated loans	1,197,840	-	-	240	240	299,520	598,560	299,280	-	-
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,612,082	1,527,892	-	-	84,190	-	-	-	-	-
Net assets	7,803,201	(8,162,461)	2,796,146	11,956,783	18,437,093	(3,785,999)	(1,436,456)	4,513,072	1,369,340	2,234,683
Share capital	5,019,351									
Reserves	2,003,948									
Unappropriated profit	158,278									
Surplus on revaluation of assets	621,624									
	7,803,201									

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

41.6 Operational Risk

“Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. This includes legal risk as well as the reputational consequences of failures in operational risk management”.

Major sources of operational risk include: weaknesses in operational processes, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff as well as social and environmental impacts.

Operational Risk Management Framework

The operational risk management framework of the Bank comprises of the following key elements:

- Governance structure for operational risk management;
- Roles and responsibilities of BoD, Risk Management Committee, Senior Management, Head of Risk Management, and Operational Risk Management Department;
- Operational risk management strategies and processes for risk identification, assessment, monitoring, reporting and measurement.

Roles and Responsibilities of the Operational Risk Management Department (ORMD)

The ORMD is responsible for implementing the ORM framework across the Bank, in close coordination with all the business and support units of the Bank. The primary responsibilities of ORMD are:

- Risk Analysis
- Risk Monitoring
- Risk and Loss Event Reporting

Strategy for Operational Risk Identification and Assessment

The ORMD is using risk and control self assessment (RCSA) as a tool to identify and assess the operational risk inherent in all existing activities, processes and systems. RCSA exercise is being conducted within each key business and support unit of the Bank mainly through meetings/workshops with the senior management. The key business and support units are identified using the following parameters:

- Bank's operational and reporting structure;
- Qualitative and quantitative materiality;
- Discussion with the HRM and the senior management of the Bank.

Operational Risk Reporting and Measurement

The Bank's ORMD keeps a detailed track of operational loss events data being an essential prerequisite for the development and functioning of a credible operational risk reporting and measurement system. A setup has also been created whereby departments are reporting loss events/ near miss incidents to ORMD. These are being accumulated in an Operational Loss Database which assists in identifying and ensuring implementation of respected controls against these losses.

Identifying Operational Risks Assessment for New Products and Services

The ORMD also assesses all new products, as well as any change in existing products, so that risk associated with the products may be identified and mitigated. The ORMD, at its end, ensures the following:

- Review of new launch procedures and process flows;
- Inclusion of the new launches in the RCSA matrices of each unit. In case of completely new activity ORMD may consider it appropriate to develop new RCSA matrix; and
- Ensure that all risks and controls are captured and their impact and likelihood has been adequately assessed and ranked, given the Bank-wide risk assessment ratings.

Business Continuity Planning

During the year, in order to improve its operations and ensure continuity of banking services to its customers, the Bank has updated the business continuity plan (BCP), which has been approved by the Board of Directors. The updated BCP is being implemented across the Bank and will ensure continuity of the Bank's services to customers in case of any disruption.

SAS OpRisk Monitor

The ORMD is in the transition phase from manual reporting and monitoring to an efficient and effective system-based integrated operational risk management framework via OpRisk Monitor.

42 DATE OF AUTHORISATION

These financial statements were authorised for issue on 23 February 2011 by the Board of Directors of the Bank.

43 GENERAL

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

ALAUDDIN FEERASTA
CHAIRMAN

ATIF BAJWA
PRESIDENT AND CHIEF
EXECUTIVE OFFICER

NOORUDDIN FEERASTA
DIRECTOR

SHAHID ANWAR
DIRECTOR

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF
OF FIVE HUNDRED THOUSAND RUPEES AND ABOVE PROVIDED
DURING THE YEAR ENDED 31 DECEMBER 2010

Annexure - I

S.NO.	Name and address of borrower	Name of Individuals/patners/directors (with CNIC No.)	Father/ Husband's Name	Outstanding liabilities at beginning of the year				Principal Written off	Interest Mark-up Written off	Other Financial Relief Provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
(Rupees in million)											
1	M/s. Mian Associates 405-N, Phase-I, DHA, Lahore	Mian Muhammad Arshad CNIC No. 35201-8305925-7	Mr. Rehmatullah	9.884	2.788	-	12.672	-	-	1.561	1.561
2	M/s. Comfort Wear 57-A, Samanabad, Faisalabad	Mr. Ghulam Abbas CNIC No. 33102-1776041-9	Mr. Noor Mohammed	2.497	0.769	-	3.266	-	-	0.849	0.849
3	M/s. Sunlite Traders Shop No. G-7, Free Port Shopping Mall, Tariq Road, Karachi	Mr. Nawab Masihuddin Ahmed CNIC No. 42201-0558966-9 Mr. Iqbal Ahmed CNIC No. 42101-7105410-5 Mr. Raj Kumar Baria CNIC No. 42201-1979769-3	Mr. Mohammad Salahuddin Ahmed Haji Mohammad Suleman Mr. Vijay Kumar Baria	9.884	1.591	-	11.475	-	-	1.834	1.834
4	M/s. Abu Obeda & Co. Plot No. 363, Sector 7-A, Korangi Industrial Estate, Karachi	Mr. Abu Zar CNIC No. 42301-7206426-9	Mr. Abu Zafar	96.929	11.514	-	108.443	-	-	16.141	16.141
5	M/s. A.M.F. Tanneries Plot No. 363, Sector 7-A, Korangi Industrial Estate, Karachi	Mr. Munawar Zafar CNIC No. 42301-7883386-1	Mr. Abu Zafar	21.531	1.804	-	23.335	-	-	2.608	2.608
6	M/s. Riaz Trading Co. House CA 283, 7th Road, Satellite Town, Rawalpindi	Sheikh Riaz Ahmed CNIC No. 37405-6985232-2	Sheikh Abdul Hakeem	19.999	1.886	-	21.885	-	-	1.186	1.186
Total				160.724	20.352	-	181.076	-	-	24.179	24.179

ISLAMIC BANKING BUSINESS

The Bank is operating six Islamic banking branches at the end of current year as compared to six Islamic banking branches at the end of prior year. The balance sheet and profit and loss account of these branches (including Islamic Banking Division) are as follows:

(i) Balance Sheet
As at 31 December 2010

ASSETS

Cash and balances with treasury banks	149,382	121,851
Balances with and due from financial institutions	1,176	200,016
Investments	429,811	362,412
Financing and receivables		
-Murahaba	1,198,663	628,032
-Ijara	62,533	112,758
-Diminishing Musharaka	45,870	-
-Salam	269,533	98,721
-Other islamic modes	34,909	6,916
Operating fixed assets	126,036	134,297
Due from Head Office	-	72,550
Other assets	368,947	235,872
Total Assets	2,686,860	1,973,425

LIABILITIES

Bills payable	25,141	34,572
Due to financial institutions	102,900	100,575
Deposits and other accounts		
- Current accounts	502,111	346,475
- Saving accounts	859,450	837,244
- Term deposits	648,181	330,842
- Others	138,367	97,603
Due to Head Office	91,049	-
Other liabilities	103,635	33,046
Total Liabilities	2,470,834	1,780,357

NET ASSETS

216,026 **193,068**

REPRESENTED BY

Islamic Banking Fund	200,000	175,000
Un-remitted profit	16,026	18,068
Total	216,026	193,068

(ii) Profit and Loss Account
For the year ended 31 December

Profit/return on financing, investments and placements earned	326,285	229,951
Return on deposits and other dues expensed	(272,243)	(187,564)
Net income earned before provision	54,042	42,387
Provision against non-performing financings	(54)	(516)
Net income earned after provision	53,988	41,871

OTHER INCOME

Fee, commission and brokerage income	95,576	49,946
Total	95,576	49,946

OTHER EXPENSES

Administrative expenses	133,538	73,749
Total	16,026	18,068

(iii) REMUNERATION TO SHARIAH ADVISOR

1,095 **1,040**

(iv) CHARITY FUND

Opening balance	21	100
Addition during the year	157	21
Payment/utilization during the year	(73)	(100)
Closing balance	105	21

Islamic Banking refers to a system of banking activity(s) which is consistent with Islamic law (Shariah) Principles and guidance for Islamic economics. We have been ordered by our religion to refrain ourselves from the interest (RIBA) and to lead our lives according to principles of Islam. In addition, Islamic law prohibits investing in business that are considered unlawful or Haraam.

Islamic Banking is now playing an important role in financing and contributing to different economic and social sectors in the country in compliance with the principles of Islamic Shariah in Islamic banking practices/ transactions.

To give a real boost to Islamic banking operations in Pakistan, it was a historic initiative, in December 2004 Soneri Bank Limited was granted Islamic Banking license by the State Bank of Pakistan to operate First Islamic Banking Branch in Karachi city.

By the Grace of Almighty ALLAH, the first Islamic branch of SONERI BANK LIMITED had been established in the country in 2004 to abolish the menace of interest from the country. This bank is playing an important role in enhancing the Islamic banking industry. In order to enhance the Islamic Banking network in the country, the bank in addition to Karachi, the Islamic banking branches have been established in Lahore, Islamabad, Hyderabad, Quetta and Peshawar.

The bank has launched Islamic Modes of Financing i.e. Murabaha, Salam and Ijarah and also launched Shariah compliant Deposit products i.e. Bachat Deposit, Munafa Deposit and Meaadi Deposit accounts. The daily transactions are being regularly checked at Cloth Market Branch, Karachi. The annual Shariah Audit of Islamic Banking branches in Islamabad, Lahore and Hyderabad has also been conducted and observed that Shariah principles, flow chart and procedure are being adhered to in the branches complying Shariah rulings. Moreover, the customers are provided guidance/ clarification needed by any customer in respect of Shariah compliant of any Islamic banking transaction.

All the agreements, contracts and documents related to Murabaha, Salam and Ijarah were studied and checked and ensured that all the terms and conditions are Shariah complied.

Deposits are accepted on the Islamic Modes of Mudaraba. The profit is distributed quarterly on the basis of weightages which are announced at the beginning of each quarter. Bank is assigning weightages on the basis of different tiers and maturities of deposits in different categories. These are in accordance with the Shariah rules and principles duly vetted by the Shariah Advisor.

Profit distribution mechanism was checked and observed that income and expenditure are correctly allocated to PLS Accounts as per policy for profit distribution with PLS Depositors, duly approved by Board of Directors, and in accordance with Shariah Guidelines provided.

However, the transactions where penalties were charged due to late payment the amount of penalties transferred to charity fund instead of retaining in the income account.

Following were major developments that took place during the year.

Islamic Mode of Financings for Agriculture sector has been launched in current year and finances have been extended to the Agriculture sector.

Moreover, the Islamic Banking has participated in Diminishing Musharaka syndicate financing with the consensus of other Islamic Banks, structured under supervision of State Bank of Pakistan for procurement of wheat by the Food Department, Government of Punjab.

Export Refinance has also been extended to the customer under Islamic Export Refinance Scheme.

During the year Islamic Banking awareness program organized weekly for understanding of the Islamic Banking concepts and products. However, due to continuous increasing number of branches and employees, this focus on training and development needs to be carried on continuous basis. The bank primarily used Murabaha, Ijarah, and Salam for its financing activities and launched Agriculture Finance during the year and also participated in Musharaka financing.

RECOMMENDATIONS

Based on the review of various transactions we recommend that:

The significant growth of the bank augments the importance of employees training related to the Islamic Banking Products and service offered by the bank. More focus should be shifted towards proper training of staff.

The bank should focus more on development and execution of customers awareness programs in the form of printed materials like brochures of products and or through seminars and workshop regarding Islamic banking and its products.

The staff should ensure the adherence to system and proper following of the recommended process flow, physical checking and verification of the goods in Murabaha and Ijarah transactions and increase the share of direct payment to the suppliers in overall Murabaha financing.

CONCLUSION

It is the responsibility of the bank management and employees to ensure the application of Shariah principles and guidelines issued by the Shariah advisor and to ensure Shariah compliance in all activities of the bank.

On the basis of inspection of transactions and Shariah audits. In our opinion, the general conduct of Islamic banking activities are Shariah complied. We pray Almighty ALLAH, for the success of Islamic banking, provide us guidance to adhere to his Shariah in day to day operations and forgive our mistakes.

MUFTI NADEEM IQBAL

Shariah Advisor

Lahore: 23 February 2011

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that **Nineteenth Annual General Meeting** of Soneri Bank Limited will be held at Avari Hotel, Lahore on Wednesday, 30 March 2011 at 10.00 a.m to transact the following business:

Ordinary Business

- 1) To confirm the minutes of last Annual General Meeting held on 30 March 2010.
- 2) To receive, consider and adopt Annual Audited Accounts together with the Directors' and Auditors' Reports thereon for the year ended 31 December 2010.
- 3) To elect seven (7) Directors of the Bank in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years commencing 28 March 2011.
- 4) To appoint Auditors of the Bank and to fix their remuneration.
- 5) To transact such other ordinary business as may be placed before the meeting with the permission of the Chair.

Special Business

- 6) To approve payment of remuneration to Non-Executive Directors of the Bank for attending the Board and its Committees meetings in compliance with the State Bank of Pakistan BPRD Circular No. 14 of 2009 dated 7 August 2009.

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business alongwith the resolution proposed to be passed is being sent to the shareholders with the Notice.

BY ORDER OF THE BOARD

Muhammad Altaf Butt
Company Secretary

Lahore: 23 February 2011

NOTES

1. In accordance with Section 178 (1) of the Companies Ordinance, 1984 the number of Directors to be elected has been fixed as seven (7). The retiring Directors are Messrs. Alauddin Feerasta, Nooruddin Feerasta, Inam Elahi, Abdul Hayee, Syed Ali Zafar, Manzoor Ahmed and Shahid Anwar. Mr. Atif Bajwa, President & Chief Executive Officer shall continue to be a deemed Director.
2. Share Transfer Books of the Bank will be closed from 23 March 2011 to 30 March 2011 (both days inclusive).
3. 3.1. In terms of Section 178(3) of the Companies Ordinance, 1984 any person who seeks to contest election to the office of a director, whether he is a retiring director or otherwise, shall file with the Bank, not later than fourteen (14) days before the date of this meeting, a notice of his intention to offer himself for election as a director.
3.2 In terms of the State Bank of Pakistan (the "SBP") BPRD Circular No. 4 of 2007 dated 23 April 2007, on Fit and Proper Test (FPT) appointment of the directors require prior clearance in writing from State Bank of Pakistan, and all requests for seeking approval of SBP for appointment of directors of the Bank should be routed through the Bank alongwith information as per proforma "Fit and Proper Test" given in the above circular.

The copies of the proforma and other documents complete in all respects must be submitted to the Bank not later than 14 days before the date of this meeting for submission to the SBP.

3.3 Any person who seeks to contest the election to the office of a director, whether he is a retiring director or otherwise, shall undertake and confirm to the bank that such person fulfills all the requirements and criteria for being elected to the office of a director of the Bank and that such person does not violate any of the provisions or conditions prescribed by SBP for holding such office and further that such person shall fully comply with all the SBP Directives issued or to be issued by the SBP in the form of circulars, notifications, directions, letters, instructions and other orders.

4. A member entitled to attend and vote at this meeting may appoint another member as his or her proxy to attend and vote. Proxies, in order to be effective, must be received at the registered office of the Bank not less than 48 hours before the time of holding the meeting. Proxy form shall be witnessed by two persons whose names, addresses and Computerized National Identity Card (CNIC) numbers shall be mentioned on the form. Proxy form is enclosed herewith.
5. The CDC account/sub account holders shall have to produce their original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting for identification purpose, alongwith participant's I.D Number and their Account No. in CDS.

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

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

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the Nineteenth Annual General Meeting of Soneri Bank Limited to be held on 30 March 2011.

Item No. 6 of the Notice:

The State Bank of Pakistan (SBP), Banking Policy & Regulations Department vide their BPD Circular Letter No: 45 dated 22 November 2004, BPRD Circular Letter No. 29 dated 11 December 2006, BPRD Circular No.3 dated 23 April 2007 and BPRD Circular No. 14 dated 07 August 2009 has allowed the Banks to pay a reasonable and appropriate remuneration to their Non Executive Directors and Chairman for attending the Board or its committees meetings. Such remuneration shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

For compliance of the SBP's directive, the following draft resolution is proposed to be passed by the shareholders at the AGM as an Ordinary Resolution:

"RESOLVED THAT approval for the payment of remuneration be and is hereby accorded to Non-Executive Directors of Soneri Bank Limited for attending the Board and its committees meetings @ Rs.25,000 per meeting effective from 01 September 2010 as approved by the Board of Directors.

FURTHER RESOLVED THAT the approval so accorded shall be valid and effectual for the remuneration paid / to be paid to the Non-Executive Directors for the calendar year ended 31.12.2011."

The Directors have no interest in the above resolution that would require further disclosure except to the extent of the meetings fee as disclosed.

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS (CDC AND PHYSICAL)

AS AT 31 DECEMBER 2010 (SECTION 236)

No. of Shareholders	From	Shareholding	To	Total Shares Held
1026	1	-	100	39,686
1501	101	-	500	399,743
1706	501	-	1,000	1,237,870
2453	1,001	-	5,000	5,770,980
2150	5,001	-	10,000	15,494,456
243	10,001	-	15,000	3,038,189
128	15,001	-	20,000	2,222,142
59	20,001	-	25,000	1,323,313
43	25,001	-	30,000	1,191,030
26	30,001	-	35,000	843,126
30	35,001	-	40,000	1,116,786
23	40,001	-	45,000	971,064
21	45,001	-	50,000	1,019,615
12	50,001	-	55,000	641,653
13	55,001	-	60,000	757,049
9	60,001	-	65,000	560,759
7	65,001	-	70,000	471,218
6	70,001	-	75,000	443,000
11	75,001	-	80,000	858,435
9	80,001	-	85,000	740,656
8	85,001	-	90,000	706,182
4	90,001	-	95,000	367,788
6	95,001	-	100,000	588,165
1	100,001	-	105,000	100,374
5	105,001	-	110,000	539,413
2	110,001	-	115,000	227,751
2	115,001	-	120,000	235,266
3	120,001	-	125,000	373,317
1	125,001	-	130,000	128,138
1	130,001	-	135,000	132,909
2	135,001	-	140,000	278,834
2	140,001	-	145,000	285,069
3	145,001	-	150,000	442,790
1	150,001	-	155,000	151,762
2	155,001	-	160,000	318,711
2	160,001	-	165,000	325,040
2	165,001	-	170,000	339,092
3	170,001	-	175,000	519,958
1	180,001	-	185,000	182,000
2	190,001	-	195,000	387,246
1	195,001	-	200,000	197,553
1	200,001	-	205,000	200,479
1	205,001	-	210,000	208,915
1	210,001	-	215,000	211,875
1	215,001	-	220,000	217,160
1	220,001	-	225,000	221,740
1	225,001	-	230,000	229,964
4	240,001	-	245,000	974,319
3	245,001	-	250,000	745,958
1	255,001	-	260,000	259,039
1	260,001	-	265,000	261,470

No. of Shareholders	From	Shareholding	To	Total Shares Held
1	265,001	-	270,000	269,334
2	280,001	-	285,000	568,516
2	290,001	-	295,000	585,600
1	295,001	-	300,000	295,602
2	300,001	-	305,000	606,855
1	305,001	-	310,000	307,876
1	325,001	-	330,000	326,037
1	330,001	-	335,000	333,604
1	340,001	-	345,000	341,305
2	345,001	-	350,000	697,708
1	360,001	-	365,000	363,137
1	430,001	-	435,000	433,580
1	435,001	-	440,000	439,200
2	490,001	-	495,000	982,925
1	565,001	-	570,000	568,897
1	590,001	-	595,000	592,053
1	605,001	-	610,000	607,694
1	640,001	-	645,000	640,118
1	660,001	-	665,000	663,701
1	695,001	-	700,000	695,059
1	755,001	-	760,000	757,860
1	795,001	-	800,000	796,432
1	1,230,001	-	1,235,000	1,233,038
1	1,345,001	-	1,350,000	1,345,082
1	1,535,001	-	1,540,000	1,538,180
1	1,725,001	-	1,730,000	1,728,881
2	1,960,001	-	1,965,000	3,924,464
1	1,995,001	-	2,000,000	2,000,000
1	2,010,001	-	2,015,000	2,013,808
1	2,080,001	-	2,085,000	2,082,359
1	2,205,001	-	2,210,000	2,209,488
1	2,820,001	-	2,825,000	2,824,838
1	3,940,001	-	3,945,000	3,943,006
1	5,175,001	-	5,180,000	5,177,694
1	9,860,001	-	9,865,000	9,862,033
1	12,255,001	-	12,260,000	12,258,286
1	14,365,001	-	14,370,000	14,365,445
1	18,665,001	-	18,670,000	18,665,689
1	24,770,001	-	24,775,000	24,771,192
1	25,735,001	-	25,740,000	25,738,014
1	38,190,001	-	38,195,000	38,191,404
1	40,600,001	-	40,605,000	40,602,443
1	46,990,001	-	46,995,000	46,990,225
1	52,670,001	-	52,675,000	52,670,778
1	72,185,001	-	72,190,000	72,187,246
1	73,190,001	-	73,195,000	73,192,869
1	81,430,001	-	81,435,000	81,433,513
9598	Total			602,322,115

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS (CDC AND PHYSICAL)

AS AT 31 DECEMBER 2010 (SECTION 236)

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Directors, Chief Executive Officer and their Spouses and minor Children			
DIRECTORS			
Mr. Alauddin Feerasta	2	8,002,532	1.3286
Mr. Nooruddin Feerasta	1	7,676	0.0013
Mr. Inam Elahi	1	585	0.0001
Syed Ali Zafar	1	585	0.0001
Mr. Abdul Hayee	1	9,997	0.0017
CHIEF EXECUTIVE OFFICER			
Mr. Atif Aslam Bajwa		0.0000	0.0000
DIRECTORS' SPOUSES AND MINOR CHILDREN			
Mrs. Aziza A. Feerasta w/o Mr. Alauddin Feerasta	1	2,952	0.0005
Mrs. Aymna N. Feerasta w/o Mr. Nooruddin Feerasta	1	3,837	0.0006
	8	8,028,164	1.3329
Associated companies / undertakings and related parties			
- Trustees Alauddin Feerasta Trust	2	128,423,738	21.3214
- Trustees Feerasta Senior Trust	2	125,863,647	20.8964
- Trustees Alnu Trust	2	62,962,596	10.4533
Executives	8	289,388	0.0480
NIT and ICP	7	115,254,670	19.1351
Banks, Development Financial Institutions, Non Banking Financial Institutions.	13	32,930,215	5.4672
Insurance Companies	12	11,236,035	1.8655
Modarabas and Mutual Funds	9	2,076,418	0.3447
Joint Stock Companies	89	2,320,373	0.3852
Foreign Companies	12	27,539,575	4.5722
General Public:			
a) Local	8,217	76,202,132	12.6514
b) Foreign	1,204	8,748,254	1.4524
Others	13	446,910	0.0742
Total:	9,598	602,322,115	100.00
Shareholders Holding 10% and above			
Trustees Alauddin Feerasta Trust		128,423,738	21.3214
Trustees Feerasta Senior Trust		125,863,647	20.8964
Trustees Alnu Trust		62,962,596	10.4533
NIT and ICP		115,254,670	19.1351
Trading in shares by Directors, CEO, CFO and Company Secretary during the year 2010			

----- NIL -----

LIST OF BRANCHES

HEAD OFFICE

3rd Floor, 90-B-C-II, Liberty Market
Gulberg-III, Lahore
Tel. No : (+92-42) 35772362-5, 35772376-7 & 35772365
Fax. No : (+92-42) 35772366
Swift : SONEPKKAGLH
E-mail : gulberg.lahore@soneribank.com

CENTRAL OFFICE

5th Floor, Al-Rahim Tower,
I.I. Chundrigar Road, P. O. Box: 5856, Karachi
Tel. No : (+92-21)32439562-7, 32446994, 32444401-5
Fax. No : (+92-21) 32439561, 32446661 & 32430639
Swift : SONEPKKAXXX
E-mail : info@soneribank.com

CENTRAL REGION

Main Branch, Lahore
Tel : (042) 36368141-8 & 111-567-890

Wahdat Road Branch, Lahore
Tel. No: (042) 37578211-3

Ghulam Muhammadabad Br., Faisalabad
Tel. No: (041) 2680113-4

Defence Branch, Lahore
Tel : (042) 35897181-3 & 35730760-1

Gunpat Road Branch, Lahore
Tel. No: (042) 37361607-9

Small Industrial Estate Branch, Sialkot
Tel. No: (052) 3242607-9

Gulberg Branch, Lahore
Tel : (042) 35713445-8

Airport Road Branch, Lahore
Tel. No: (042) 35700115-7

Pasur Road Branch, Sialkot
Tel. No: (052) 3521655 & 3521755

Circular Road Branch, Lahore
Tel : (042) 37670486 & 37670489

Ravi Road Branch, Lahore
Tel. No: (042) 37725356-7

Sheikhupura Branch
Tel. No: (056) 3613570 & 3813133

Model Town Branch, Lahore
Tel : (042) 35889311-2

Shahdara Chowk Branch, Lahore
Tel. No: (042) 37941741-3

Nankana Sahib Branch
Tel. No: (056) 2876342-3

Akbar Chowk Branch, Lahore
Tel : (042) 35177800-2 & 35221410

Manga Mandi Branch, Lahore
Tel. No: (042) 35383517

Wazirabad Branch
Tel. No: (055) 6603703-4 & 111-567-890

Cavalry Ground Branch, Lahore
Tel : (042) 36653728-9

Badian Road Branch, Lahore
Tel. No: (042) 35749741-2

Ghakar Mandi Branch
Tel. No: (055) 3832611-2

Qartaba Chowk Branch, Lahore
Tel : (042) 37211991-3

Mughalpur Branch, Lahore
Tel. No: (042) 36880892-4

Main Branch, Multan
Tel. No: (061) 4519927 & 4511022

Allama Iqbal Town Branch, Lahore
Tel : (042) 35437613-5

Samanabad More Branch, Lahore
Tel. No: (042) 37591404-6

Shah Rukn-e-Alam Branch, Multan
Tel. No: (061) 6784052 & 4

Baghbanpura Branch, Lahore
Tel : (042) 36832811-3

Islampur Branch, Lahore
Tel. No: (042) 37214394-6

Bosan Road Branch, Multan
Tel. No: (061) 6510690-2

Thokar Niaz Baig Branch, Lahore
Tel : (042) 35313651-3

Garhi Shahu Branch, Lahore
Tel. No: (042) 36294201-2

Lodhran Branch
Tel. No: (0608) 3364766-7

Ghazi Chowk Branch, Lahore
Tel : (042) 35188505-7

Zarrar Shaheed Road Branch, Lahore
Tel. No: (042) 36635167-8

Rahim Yar Khan Branch
Tel. No: (068) 5886042-4

Islamic Banking New Garden Town Branch, Lahore
Tel : (042) 35940611-3

Hamdard Chowk Kot Lakhpat Br., Lahore
Kana Kacha Branch, Lahore

Liaquatpur Br., Distt. Rahim Yar Khan
Tel. No: (068) 5792041-2

DHA Phase-III Branch, Lahore
Tel : (042) 35734083-5

Gujranwala Branch
Tel. No: (055) 3843560-2

Sadiqabad Branch
Tel. No: (068) 5702162

Chungi Amer Sadhu Branch, Lahore
Tel : (042) 35808611-3

Main Branch, Faisalabad
Tel. No: (041) 2639877-8

Bahawalpur Branch
Tel. No: (062) 2731703-4

Johar Town Branch, Lahore
Tel : (042) 35204191-3

Peoples Colony Branch, Faisalabad
Tel. No: (041) 8555715-6

Sargodha Branch
Tel. No: (048) 3726021-3

Khanewal Branch
Tel. No: (065) 2551560-2

Mian Channu Branch
Tel. No: (065) 2662201-2

Burewala Branch
Tel. No: (067) 3773110

Depalpur Branch
Tel. No: (044) 4541341-2

Okara Branch
Tel. No: (044) 2553012-4

Sahiwal Branch
Tel. No: (040) 4467742-3

Kharoor Pacca Branch
Tel. No: (0608) 341041-2

Muzafargarh Branch
Tel. No: (066) 2422901, 3 & 5

Fazal Garh Sanawan Br., Distt. Muzafargarh
Tel. No: (066) 2250214, 5, 6 & 7

Shahbaz Khan Road Branch, Kasur
Tel. No: (0492) 764891-2

Hafizabad Branch
Tel. No: (0547) 541641-2

Pattoki Branch
Tel. No: (049) 4422435-6

Sambrial Branch
Tel. No: (052) 6523451-2

Vehari Branch
Tel. No: (067) 3360015

Bahawalnagar Branch
Tel. No: (063) 2274795-6

SOUTH REGION

Main Branch, Karachi
Tel. No: (021) 32436990-4
UAN 111-567-890

Clifton Branch, Karachi
Tel. No: (021) 35877773-4, 35822592
(021) 35861286

Garden Branch, Karachi
Tel. No: (021) 32232877-8

F. B. Area Branch, Karachi
Tel. No: (021) 36373782-3

Korangi Industrial Area Branch, Karachi
Tel. No: (021) 35113898-9 & 35113900-1

AKUH Branch, Karachi
Tel. No: (021) 34852252-3

Haidery Branch, Karachi
Tel. No: (021) 36638617 & 36630409

Jodia Bazar Branch, Karachi
Tel. No: (021) 32413627,
32414920 & 37090140

Shahrah-e-Faisal Branch, Karachi
Tel. No: (021) 34535553-4

DHA Branch, Karachi
Tel. No: (021) 35852209

Gulshan-e-Iqbal Branch, Karachi
Tel. No: (021) 34811832

SITE Branch, Karachi
Tel. No: (021) 32568213

Zamzama Branch, Karachi
Tel. No: (021) 35375836-7

Gole Market Branch, Karachi
Tel. No: (021) 36618932 & 36681324

Gulistan-e-Jauhar Branch, Karachi
Tel. No: (021) 34020944-5

M. A. Jinnah Road Branch, Karachi
Tel. No: (021) 32213972 & 32634293

Gulbahar Branch, Karachi
Tel. No: (021) 36607744

North Karachi Branch, Karachi
Tel. No: (021) 36920140-1 & 34246806-7

Block-7 Gulshan-e-Iqbal Branch, Karachi
Tel. No: (021) 34815811-2

Islamic Banking Cloth Market Branch, Karachi
Tel. No: (021) 32442961 & 32442977

Paria Street Kharadar Branch, Karachi
Tel. No: (021) 32201059-60

Suparco Branch, Karachi
Tel. No: (021) 34970560 & 37080810

Chandni Chowk Branch, Karachi
Tel. No: (021) 34937933

Allama Iqbal Road Branch, Karachi
Tel. No: (021) 34387673-4

Nishtar Road Branch, Karachi
Tel. No: (021) 32239711 & 3

Waterpump Branch, Karachi
Tel. No: (021) 36312108 & 36312113

Apwa Complex Branch, Karachi
Tel. No: (021) 32253143 & 32253216

Clifton Block-2 Branch, Karachi
Tel. No: (021) 35361115-6

Malir Branch, Karachi
Tel. No: (021) 34518730 & 34517983

Bahadurabad Branch, Karachi
Tel. No: (021) 34135842-3

New Challi Branch, Karachi
Tel. No: (021) 32625246 & 32625279

Shah Faisal Colony Branch, Karachi
Tel. No: (021) 34602446-7

Zaibunissa Street Saddar Branch, Karachi
Tel. No: (021) 35220026-7

Liaquatabad Branch, Karachi
Tel. No: (021) 34860723-6 & 34860725

Lea Market Branch, Karachi
Tel. No: (021) 32526193-4

Korangi Township No: 3 Branch, Karachi
Tel. No: (021) 36007572

North Karachi Ind. Area Branch, Karachi
Tel. No: (021) 36962851-3

F. B. Industrial Area Branch, Karachi
Tel. No: (021) 36829961-3

Napier Road Branch, Karachi
Tel. No: (021) 32713538-9

Gulshan-e-Hadeed Branch, Karachi
Tel. No: (021) 34710252 & 34710256

Metroville Branch, Karachi
Tel. No: (021) 36752206-7

Defence Phase-II Extension Branch, Karachi
Tel. No: (021) 35386910 & 11

North Karachi Township Branch, Karachi
Tel. No: (021) 36968605-6

Karachi Stock Exchange Branch, Karachi
Tel. No: (021) 32414003-4

Gulshan-e-Jamal Branch, Karachi
Tel. No: (021) 34682682-3

Alyabad Branch, Karachi
Tel. No: (021) 36826727 & 36332517

Saudabad Branch, Malir, Karachi
Tel. No: (021) 34111904-5

Orangi Town Branch, Karachi
Tel. No: (021) 36694381-4

Safoora Chowk Branch, Karachi
Tel. No: (021) 34657271-2

Barkat-e-Haidery Branch, Karachi
Tel. No: (021) 6645688-9

Shadman Town Branch, Karachi
Tel. No: (021) 36903038-9

New Town Branch, Karachi
Tel. No: (021) 32220704

Enquiry Office Nazimabad No: 2 Br., Karachi
Tel. No: (021) 36601504

Block:13-D Gulshan-e-Iqbal Br., Karachi

Main Branch, Hyderabad
Tel. No: (022) 2781528-9 & UAN 111-567-890

F. J. Road Branch, Hyderabad
Tel. No: (022) 2728131 & 2785997

Latifabad Branch, Hyderabad
Tel. No: (022) 3816309

Islamic Banking Isra University Branch, Distt. Hyderabad
Tel. No: (022) 2032322 & 2030161-4

Prince Ali Road Branch, Hyderabad
Tel. No: (022) 2638515-6

S.I.T.E. Branch, Hyderabad
Tel. No: (022) 3880068-9

Faqir Jo Pir Branch, Hyderabad
Tel. No: (022) 2612685-6

Matyari Branch, Distt. Matyari
Tel. No: (022) 2760125-6

Sukkur Branch
Tel. No: (071) 5622382 & 5622925

Sanghar Branch, Distt. Sanghar
Tel. No: (0235) 543367 & 5433768

Golarchi Branch, Distt. Badin
Tel. No: (0297) 853193-4

Talhar Branch, Distt. Badin
Tel. No: (0297) 830389

Deh. Sonhar Branch, Distt. Badin
Tel. No: (0297) 810025-6

Matli Branch
Tel. No: (0297) 840171-2

Buhara Branch, Distt. Thatta
Tel. No: (0298) 608301 & 624911

Jati Town Branch, Distt. Thatta
Tel. No: (0298) 777120

Gawadar Branch
Tel. No: (086) 4211702-3

Hub Branch, Distt. Lasbela
Tel. No: (0853) 310225-7

Ranipur Branch, Distt. Khairpur
Tel. No: (0243) 630256-7

Tando Allah Yar Branch
Tel. No: (022) 3890261

Sultanabad Branch, Distt. Tando Allah Yar
Tel. No: (0233) 509649

Shahdadpur Branch, Distt. Sanghar

Tando Bago Branch, Distt. Badin

Umerkot Branch

Nawabshah Branch

Main Branch, Quetta
Tel. No: (081) 2821610 & 2821641

Islamic Banking Hazar Gunji Branch, Quetta
Tel. No: (081) 2471985-6

NORTH REGION

Main Branch, Peshawar
Tel. No: (091) 5277914-6 & 5277394

Chowk Yadgar Branch, Peshawar
Tel. No: (091) 2573335-6

Islamic Banking Khyber Bazar Branch, Peshawar
Tel. No: (091) 2566812-3

Main Branch, Rawalpindi
Tel. No: (051) 5522901-3 & 5700519

Chandni Chowk Branch, Rawalpindi
Tel. No: (051) 4455071-2

22 Number Chungi Branch, Rawalpindi
Tel. No: (051) 5563577-8

Muslim Town Branch, Rawalpindi
Tel. No: (051) 4425925, 6 & 9

Pindora Branch, Rawalpindi
Tel. No: (051) 4419018-22

Gulraiz Branch, Rawalpindi
Tel. No: (051) 5595148-9

Bewal Br., Distt. Rawalpindi
Tel. No: (051) 3360274-5

Main Branch, Islamabad
Tel. No: (051) 2277551, 2272460 & UAN 111-567-890

G-9 Markaz Branch, Islamabad
Tel. No: (051) 2850171-3

Islamic Banking I-10 Markaz Branch, Islamabad
Tel. No: (051) 4101733

I-9 Markaz Branch, Islamabad

Tel. No: (051) 4858101-3

E-11 Branch, Islamabad

Tel. No: (051) 2228756-9

DHA Phase-II Extn. Br., Islamabad

Tel. No: (051) 2502908

Lathrar Road Br., Tariail, Distt. Islamabad

Tel. No: (051) 2241662-6

Taxila Branch

Tel. No: (051) 4544733 & 4544735-6

Gujar Khan Branch

Tel. No: (051) 3516329 & 3516331

Waisa Branch, Distt. Attock

Tel. No: (057) 2651066-8

Swabi Branch, Distt. Swabi

Tel. No: (0938) 221741, 3 & 4

Mirpur Branch, (AJK)

Tel. No: (05827) 44488, 448044 & 448048

Islamgarh Branch, (AJK)

Tel. No: (05827) 423981-2

Chaksawari Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 454775-6

Dadyal Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 465555 & 465560-3

Jattlan Branch, Distt. Mirpur (AJK)

Tel. No: (05827) 403591-5

Gilgit Branch

Tel. No: (05811) 453749

Denyore Branch, Distt. Gilgit

Tel. No: (05811) 459978-9

Jutial Branch, Distt. Gilgit

Tel. No: (05811) 457231-5

Aliabad Branch, Hunza

Tel. No: (05813) 455000

Gahkuch Branch

Tel. No: (05814) 450408-10

Skardu Branch

Tel. No: (05815) 450327 & 450189

Mansehra Road Branch, Abbottabad

Tel. No: (0992) 385231-3 & 383075-6

Jhelum Branch

Tel. No: (0544) 625794-5

Booni Branch, Distt. Chitral

Tel. No: (0943) 470413-4

Chitral Branch, Distt. Chitral

Tel. No: (0943) 413754 & 412078-9

Kharian Branch

Tel. No: (053) 7535446-8

Chakwal Branch

Tel. No: (0543) 543128-30

Gujrat Branch

Country	Name of Bank
Algeria	- Citibank N.A. Algeria
Argentina	- ABN-AMRO Bank N.V. - Banco de Galicia Y Buenos Aires
Australia	- Australia & New Zealand Banking Group Limited - Citibank Limited - Commonwealth Bank of Australia - HSBC Bank Australia Limited - J. P. Morgan Chase Bank NA - Royal Bank of Scotland NV (Australia)
Austria	- Erste Bank der Oesterreichischen Sparkassen AG - Raiffeisen Zentralbank Osterreich AG-RZB Austria - UniCredit Bank Austria AG
Bahrain	- Arab Investment Company - Al-Baraka Islamic Bank - Citibank N.A. - Habib Bank Limited - Standard Chartered Bank - United Bank Limited
Bangladesh	- Habib Bank Limited - Standard Chartered Bank
Belgium	- Bank J. Van Breda & Co. NV - Citibank International PLC - Commerzbank AG - Dexia Bank Belgium S.A. - Deutsche Bank AG - Fortis Bank SA/NV - Habib Bank Limited - ING Belgium SA/NV - KBC Bank NV
Brazil	- Banco Fibra S.A. - Deutsche Bank SA - Banco Alemao
Bulgaria	- Citibank N.A.
Canada	- Canadian Imperial Bank of Commerce - Habib Canadian Bank - HSBC Bank Canada - National Bank of Canada - Royal Bank of Canada - Royal Bank of Scotland NV (Canada)
Chile	- Banco de Credito E Inversiones
China	- Agricultural Bank of China - Bank of Communications - Citibank (China) Co. Ltd. - China Citic Bank - China Construction Bank Corporation - Commerzbank AG - Deutsche Bank (China) Co. Ltd. - HSBC Bank (China) Company Ltd. - Jinan City Commercial Bank Co. Ltd. - Royal Bank of Scotland (China) Co. Ltd. - Standard Chartered Bank (China) Limited
Cyprus	- Bank of Cyprus Public Company Ltd. - Hellenic Bank Ltd. - Marfin Popular Bank Public Co. Ltd.

Czech Republic	<ul style="list-style-type: none"> - Ceskoslovenska Obchodni Banka A.S. - Commerzbank AG - UniCredit Bank Czech Republic A.S. - Komerční Banka A.S. - Royal Bank of Scotland NV (Czech Republic) - UniCredit Bank Czech Republic AS 		<ul style="list-style-type: none"> - J. P. Morgan Chase Bank N.A. - Mashreqbank psc - National Bank of Pakistan - Royal Bank of Scotland NV (HongKong) - Standard Chartered Bank (Hong Kong) Limited - UBAF (HongKong) Limited - UniCredito Italiano Spa
Denmark	<ul style="list-style-type: none"> - Danske Bank - Nordea Bank Denmark A.S - Royal Bank of Scotland NV (Denmark) 		
Egypt	<ul style="list-style-type: none"> - Banque Misr - Citibank Cairo - Mashreq Bank psc 	Hungary	<ul style="list-style-type: none"> - CIB Bank Ltd. - Citibank Budapest RT - Raiffeisen Bank RT
Ethiopia	<ul style="list-style-type: none"> - Dashen Bank SC 	India	<ul style="list-style-type: none"> - Citibank N.A. - Deutsche Bank AG - HongKong and Shanghai Banking Corporation Limited - ICICI Bank Limited - Mashreqbank psc - Punjab and Sind Bank - Royal Bank of Scotland NV (India) - Standard Chartered Bank
Finland	<ul style="list-style-type: none"> - Nordea Bank Finland PLC 	Indonesia	<ul style="list-style-type: none"> - Bank Indonesia - Citibank N.A. - HongKong and Shanghai Banking Corporation Limited (The) - Bank Mandiri (Persero) P.T. - Royal Bank of Scotland NV Jakarta Branch - Standard Chartered Bank
France	<ul style="list-style-type: none"> - ABC International Bank Plc - Bank Saderat Iran - BNP-Paribas S.A. - Citibank International plc - Credit Agricole S.A. - Credit Du Nord - CM - CIC Banques - Habib Bank Limited - HSBC Bank plc - National Bank of Pakistan - Societe Generale - Union de Banques Arabes et Francaises - UBAF 	Iran	<ul style="list-style-type: none"> - Bank Saderat Iran - Bank Melli Iran - Bank Sepah - Export Development Bank of Iran
Germany	<ul style="list-style-type: none"> - UniCredit Bank AG (Hypovereins bank) - Commerzbank AG - DZ Bank AG Deutsche Zentral - Genossenschafts - Deutsche Bank AG - Deutsche Bank Private-Und Geschaeftskunden AG - Dresdner Bank AG - Hamburger Sparkasse - HSH Nordbank AG - HSBC Trinkaus & Bukhardt KGaA - ING Bank Deutscheland AG - Landesbank Baden-Wuerttemberg - M. M. Warburg & Co. KGaA - National Bank of Pakistan - Royal Bank of Scotland NV (Germany) - SEB AG - Standard Chartered Bank GmbH - WGZ Bank Westdeutsche 	Ireland	<ul style="list-style-type: none"> - Citibank Europe plc - Royal Bank of Scotland NV
Ghana	<ul style="list-style-type: none"> - Standard Chartered Bank Ghana Limited 	Italy	<ul style="list-style-type: none"> - Banca Agricola Mantovana SpA - Banca Antoveneta Spa - Banca Carige SPA - Banca Delle Marche SPA - Banca Popolare di Lodi - Banca Popolare Commerciale E Industria SCaRL - Banca Popolare dell'Emilia Romagna SCaRL - Banca Popolare di Novara SpA - Banca Popolare di Vicenza SCPaRL - Banca Popolare di Verona e Novara Scrl - Banca UBAE Spa - Bipop Carire SpA - Capitalia Societa Per Azioni - Cassa di Risparmio in Bologna S.P.A. - Carisbo SPA - Cassa di Risparmio di Venezia S.P.A. - Citibank N.A. - Commerzbank AG - Fortis Bank NV/SA - HSBC Bank plc - ING Bank N.V. - Intesia Sanpaolo S.P.A. - Royal Bank of Scotland NV - Sanpaolo Banco di Napoli SpA - Unicredit SPA - UniCredito Italiano SpA - Unione de Banche Italiane SCPA
Greece	<ul style="list-style-type: none"> - Alpha Bank AE - Bank of Cyprus Public Company Ltd. - Citibank International plc - Greek Br. - Piraeus Bank S.A. - Royal Bank of Scotland 	Japan	<ul style="list-style-type: none"> - Bank of Tokyo Mitsubishi Limited - Citibank Japan Limited - Credit Agricole CIB (Calyon CIB) - Mizuho Corporate Bank - National Bank of Pakistan - Resona Bank Ltd.
Hong Kong	<ul style="list-style-type: none"> - Bank of China (Hong Kong) Limited - Citibank N.A. - DBS Bank (Hong Kong) Limited - Deutsche Bank AG - Fortis Bank - HBZ Finance Limited - Habib Finance International Limited - The HongKong and Shanghai Banking Corporation Limited - Industrial and Commercial Bank of China (Asia) Ltd. 		

	<ul style="list-style-type: none"> - Royal Bank of Scotland plc - Saitama Resona Bank Ltd. - Sumitomo Mitsui Banking Corporation - Standard Chartered Bank - The Tokushima Bank Limited - Union de Banque Arabes et Francaises - U.B.A.F. 		
Jordan	<ul style="list-style-type: none"> - Citibank N.A. - The Housing Bank for Trade & Finance 		
Kenya	<ul style="list-style-type: none"> - Citibank N.A. - Habib Bank Limited - Kenya Commercial Bank Limited - Standard Chartered Bank Kenya Limited 		
Korea (South)	<ul style="list-style-type: none"> - The Bank of Tokyo-Mitsubishi UFJ Ltd. - Citibank Korea Inc. - Deutsche Bank - The Daegu Bank Ltd. - Hana Bank - HongKong & Shanghai Banking Corporation Limited (The) - Industrial Bank of Korea - Korea Exchange Bank - National Bank of Pakistan - Royal Bank of Scotland NV - Shinhan Bank - Standard Chartered First Bank Korea Ltd. - Union de Banques Arabes et Francaises - UBAF - Woori Bank 		
Kuwait	<ul style="list-style-type: none"> - Alahli Bank of Kuwait KSC - Citibank NA - National Bank of Kuwait - The Commercial Bank of Kuwait SAK 		
Kyrgyzstan	<ul style="list-style-type: none"> - National Bank of Pakistan 		
Lebanon	<ul style="list-style-type: none"> - Banque Libano Francaise 		
Luxembourg	<ul style="list-style-type: none"> - RBS Global Banking (Luxembourg) SA 		
Macau	<ul style="list-style-type: none"> - Standard Chartered Bank 		
Malaysia	<ul style="list-style-type: none"> - Citibank Berhad - Hong Leong Bank Bhd - HSBC Bank Malaysia Berhad - Royal Bank of Scotland Berhad - Standard Chartered Bank Malaysia Berhad 		
Mauritius	<ul style="list-style-type: none"> - Habib Bank Limited - The Mauritius Commercial Bank Limited 		
Mexico	<ul style="list-style-type: none"> - Banco Nacional de Mexico SA - Royal Bank of Scotland Mexico SA 		
Netherlands	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Credit Europe Bank N.V. - Fortis Bank (Nederland) - F-Van Lanschot Bankiers NV - Habib Bank Limited - Hollandsche Bank-Unie NV - ING Bank NV 		
New Zealand	<ul style="list-style-type: none"> - Australia and New Zealand Banking Group Limited - Bank of New Zealand - Citibank N.A. 		
Norway	<ul style="list-style-type: none"> - DNB Nor Bank ASA - Handelsbanken SA - Nordea Bank Norge ASA - Skandinaviska Enskilda Banken 		
		Northern Ireland	<ul style="list-style-type: none"> - Bank of Ireland
		Oman	<ul style="list-style-type: none"> - Bank Sohar - Oman International Bank SAOG
		Panama	<ul style="list-style-type: none"> - Banco Continental de Panama S.A.
		Philippines	<ul style="list-style-type: none"> - Bank of Tokyo Mitsubishi Ltd. - HongKong and Shanghai Banking Corporation Limited (The) - Standard Chartered Bank
		Poland	<ul style="list-style-type: none"> - BRE Bank SA - Bank Handlowy W Wearszawie SA - Danske Bank AS/SA Odzial W Polsce
		Portugal	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Banco BPI SA - Caixa Geral de Depositos SA - Fortis Bank NV/SA
		Qatar	<ul style="list-style-type: none"> - HSBC Bank Middle East Limited - Standard Chartered Bank - United Bank Limited
		Romania	<ul style="list-style-type: none"> - Banca Comerciala Romana SA - Citibank Europe PLC, Dublin-Sucursala Romania - RBS Bank (Romania) SA - UniCredit Tiriack Bank SA
		Russia	<ul style="list-style-type: none"> - Citibank N.A.
		Saudi Arabia	<ul style="list-style-type: none"> - J. P. Morgan Chase Bank - National Bank of Pakistan - National Commercial Bank (The) - Samba Financial Group - Saudi Hollandi Bank
		Serbia	<ul style="list-style-type: none"> - Findomestic Banka AD
		Singapore	<ul style="list-style-type: none"> - Bank Mandiri (Persero) PT - Bank of Tokyo Mitsubishi UFJ Ltd. - Citibank N.A. - Fortis Bank - Habib Bank Limited - HongKong & Shanghai Banking Corporation Limited (The) - HSH Nordbank AG - J. P. Morgan Chase Bank NA - National Bank of Kuwait SAK - Royal Bank of Scotland NV - Standard Chartered Bank - Union de Banque Arabes et Francaises
		Slovakia	<ul style="list-style-type: none"> - Ceskoslovenska Obchodna Banka AS
		Slovenia	<ul style="list-style-type: none"> - Bank Austria Creditanstalt d.d. Ljubljana
		South Africa	<ul style="list-style-type: none"> - ABN-AMRO Bank N.V. - Citibank South Africa - FirstRand Bank Ltd. - HBZ Bank Limited - Standard Bank of South Africa Limited
		Spain	<ul style="list-style-type: none"> - Banco Pastor - Banco de Sabadell - Bilbao Bizkaia Kutxa - Caja Mediterraneo - Caja de Ahorros de Valencia, Castellon Y Alicante BANCAJA - Caja de Ahorros y Pensiones de Barcelona 'la Caixa - Citibank International plc

	<ul style="list-style-type: none"> - Commerzbank AG - Deutsche Bank - HSBC Bank plc - Royal Bank of Scotland NV Sucursal en Espana 	U.A.E.	<ul style="list-style-type: none"> - Abu Dhabi Commercial Bank - Citibank N.A. - Deutsche Bank AG - Dubai Islamic Bank - First Gulf Bank - Habib Bank AG Zurich - Habib Bank Limited - HSBC Bank Middle East Limited - Mashreq Bank psc - Royal Bank of Scotland NV (United Arab Emirates) - Standard Chartered Bank - United Bank Limited
Sri-Lanka	<ul style="list-style-type: none"> - Bank of Ceylon - Commercial Bank of Ceylon Limited - Habib Bank Limited - Hatton National Bank Limited - HongKong & Shanghai Banking Corporation Limited (The) - MCB Bank Limited - People's Bank - Standard Chartered Bank 	Ukraine	<ul style="list-style-type: none"> - JSC The State Export-Import Bank of Ukraine - UKREXIMBANK (State Export Import Bank of Ukraine)
Sweden	<ul style="list-style-type: none"> - Nordea Bank Sweden AB - Royal Bank of Scotland NV - Skandinaviska Enskilda Banken AB - Svenska Handelsbanken AB 	U.K.	<ul style="list-style-type: none"> - Bank Mandiri (Europe) Limited - Citibank N.A. - Clydesdale Bank plc - Commerzbank AG - Habib Bank AG Zurich - Habib Allied International Bank plc - Habibsons Bank Limited - HSBC Bank plc - MashreqBank Psc - National Westminster Bank - Royal Bank of Scotland NV (London) - Standard Chartered Bank - United National Bank Ltd.
Switzerland	<ul style="list-style-type: none"> - ABN AMRO Bank (Switzerland) AG - Banque de Commerce et de Placements S.A. - Banque Cantonale Vaudoise - BNP Paribas (Suisse) SA - Credit Agricole (Suisse) S.A. - Credit Suisse AG - Danske Bank AS, Severige Filial - Deutsche Bank AG - Dresdner Bank (Schweiz) AG - Habib Bank AG Zurich - HSBC Private Bank (Suisse) SA - Nordea Bank Sweden AB - Neue Aargauer Bank - Royal Bank of Scotland NV Amsterdam - Skandinaviska Enskilda Banken AB - UBS AG - United Bank AG (Zurich) - Zurcher Kantonalbank 	U.S.A.	<ul style="list-style-type: none"> - Amsouth Bank - Bank of America NA - Bank of New York - Bank of the West - Bank of Oklahoma N.A. - Branch Banking & Trust Co. - The Bank of Tokyo-Mitsubishi UFJ Ltd., - Calyon - Capital One N.A. - Citibank N.A. - Deutsche Bank Trust Company Americas - Deutsche Bank AG - Habib American Bank - Habib Bank Limited - HSBC Bank USA - Israel Discount Bank of New York - J. P. Morgan Chase Bank - KeyBank National Association - MashreqBank psc - National Bank of Pakistan - Royal Bank of Scotland NV - Sovereign Bank - Standard Chartered Bank - U.S. Bank N.A - United Bank Limited - Wells Fargo Bank N.A.
Taiwan	<ul style="list-style-type: none"> - Australia and New Zealand Banking Group Limited - Citibank Taiwan Limited - HongKong & Shanghai Banking Corporation Limited - Standard Chartered Bank 		
Tanzania	<ul style="list-style-type: none"> - Standard Chartered Bank Tanzania Ltd. 		
Thailand	<ul style="list-style-type: none"> - Citibank N.A. - HongKong and Shanghai Banking Corporation Ltd. (The) - Kasikornbank Public Company Ltd - Mizuho Corporate Bank Ltd. - Royal Bank of Scotland NV - Standard Chartered Bank (Thai) PLC - The Siam Commercial Bank Public Company Limited - Thanachart Bank Public Company Limited 		
Turkeminstan	<ul style="list-style-type: none"> - National Bank of Pakistan 		
Turkey	<ul style="list-style-type: none"> - Akbank T.A.S. - Alternatifbank A.S. - Citibank A.S. - Finansbank - Habib Bank Limited - HSBC Bank A.S. - Royal Bank of Scotland NV - Turkey Garanti Bankasi AS - Turkiye Vakiflar Bankasi TAO - Yapi Ve Kredi Bankasi AS 	Vietnam	<ul style="list-style-type: none"> - ABN AMRO Bank NV - Citibank NA - Standard Chartered Bank
Tunisia	<ul style="list-style-type: none"> - Union Bancaire Pour Le Commerce et l'Industrie SA - Tunis International Bank 	Yemen (Republic of)	<ul style="list-style-type: none"> - National Bank of Yemen - Yemen Commercial Bank
		Yugoslavia	<ul style="list-style-type: none"> - Unicredit Bank Srbija AD

FORM OF PROXY

(19th Annual General Meeting)

I/WE _____

OF _____

BEING MEMBER(S) OF SONERI BANK LIMITED, HOLDING _____

ORDINARY SHARES, HEREBY APPOINT _____

OF _____ OR FAILING HIM/HER

OF _____ WHO IS/ARE ALSO MEMBER(S) OF SONERI BANK LIMITED AS MY/OUR PROXY IN MY/OUR ABSENCE TO ATTEND AND VOTE FOR ME/US AND ON MY/OUR BEHALF AT THE 19TH ANNUAL GENERAL MEETING OF THE BANK TO BE HELD ON 30 MARCH 2011 AND/OR ANY ADJOURNMENT THEREOF.

AS WITNESS MY/OUR HAND/SEAL THIS _____ DAY OF _____ 2011

SIGNED BY _____

IN THE PRESENCE OF _____

SHAREHOLDER NO.

SIGNATURE ON
REVENUE STAMP OF
APPROPRIATE VALUE

THE SIGNATURE SHOULD AGREE WITH THE
SPECIMEN REGISTERED WITH THE COMPANY

IMPORTANT

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

Soneri Bank Limited

AFFIX
CORRECT
POSTAGE

The Company Secretary
Soneri Bank Limited
Rupali House 241-242
Upper Mall Scheme
Anand Road
Lahore-54000
