

## Directors' Report

### On behalf of the Directors, I am pleased to present the Annual Unconsolidated Financial Statements and the Auditors' Report for the year ended December 31<sup>st</sup>, 2009.

#### 2009: Review

2009 has been a challenging year: the global economy was still dealing with the ramifications of the Global Financial Crisis. Pakistan was impacted not only by the economic crisis, which arose from a slowdown in exports but also had to face serious security concerns, an energy crisis and record inflation levels. As a result the GDP growth rate was restricted to 2.5%.

In a challenging operating environment HBL registered a steady performance, whilst maintaining its market positioning as the largest retail bank in Pakistan in terms of branches and deposits. HBL is committed to providing its more than five million customers with products that improve their quality of life. It is with this intention that the bank focuses on product development and improving service quality across its network. HBL adopted a prudent approach for its portfolio management in 2009 in light of the slowdown in demand in private sector credit and thus HBL's lending was directed primarily towards funding the Government's commodity requirements.

The HBL has closed 2009 with a Profit before Tax of Rs. 19.5 billion, which is 23% higher than its 2008 closing (Rs.15.9 billion). This result has been achieved by controlling the cost of funds as well as effective cost management. The Bank's net worth grew by 21.6 % to Rs.79 billion; in 2008 this was at Rs. 65 billion. Overall deposits grew by 14.2% to Rs. 653 billion (2008: Rs 572 billion), thus HBL has increased its market share from 13.35% in 2008 to 13.44% in 2009.

HBL's associate in Nigeria – Bank PHB came under scrutiny in 2009 by Central Bank of Nigeria (CBN) as part of their overall investigation into the banking sector. Subsequent actions by the CBN and the new management have resulted in huge provisions leading to negative equity. As a result of these actions, market value of the shares of PHB has significantly declined at Nigerian Stock Exchange. Therefore, investment in Bank PHB has been tested for impairment on market value and impairment loss of Rs. 1.8 billion has been recorded.

HBL will continue its strong focus on retail banking operations whilst continuing to upgrade its networks: today HBL's global operations are run on a single database banking system. HBL's product development is targeted towards the individual account holder, small and medium business owners as well as the large corporate. With more than 1400 branches in Pakistan, HBL is looking at developing its Islamic Banking services and also looking at developing SME related and micro finance products. The bank is also looking into further enhancing its alternate delivery channels for increasing outreach and servicing people who do not have access to financial services in Pakistan.

We consider HBL to be the global representative of Pakistani banks; we are continuing to expand our operations in South Asia, UAE, and the Gulf and the UK where there is a large South Asian Diaspora. HBL also has its outreach in Africa and Central Asia through its shareholdings in regional banks such as Diamond Trust Bank, Kenya and Kyrgyz Investment and Credit Bank, Kyrgyz Republic. The Far East operations continue to focus on the trade finance business.

We are pleased to inform our shareholders that HBL has been awarded Best Bank, Best Trade Finance Provider and Best Foreign Exchange Provider in Pakistan by Global Finance for 2009, as well as the best bank in Pakistan by The Banker.

## Corporate Reporting Framework

The Board is committed to ensure that requirements of the Code of Corporate Governance set by the Securities and Exchange Commission of Pakistan and Listing Regulations are fully met. The Bank has adopted corporate governance practices and the Directors are pleased to inform the Members that:

- The financial statements prepared by the management of the Bank present a true and fair view of the state of its affairs, operational results, cash flows and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Policies adopted during the year have been separately disclosed in this report.
- The company has followed international accounting standards (as applicable to Banks in Pakistan) in the preparation of accounts and there is no departure from the said standards.
- As a continuous process, efforts have been made to effectively implement the internal control system. HBL is in the process of adopting an internationally accepted COSO Internal Control – Integrated Framework as per SBP Guidelines and is set to achieve external auditors' certification on internal controls over financial reporting by 2010.
- There are no doubts about the Banks' ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the regulations.
- Key operating and financial data for the last ten years is presented in the financial statements under the section "Progress since 1999 to 2009 – Consolidated".
- The Directors, CEO, CFO and Company Secretary has confirmed that neither they nor their spouses are engaged in the business of stock brokerage.
- Risk Management, Human Resource and Audit Committees constituted by the Board are functioning efficiently in accordance with their Terms of Reference. The Board has met regularly and held seven meetings in the year.

The Statement of Internal Control, Statement of Compliance, Review Report to the Members on Statement of Compliance and the Auditors' reports are attached to the Financial Statements.

## Corporate Social Responsibility

HBL is committed to fulfilling its role as a responsible corporate citizen, and in that connection has formed the HBL Foundation, which has been mandated to promote development and advance the welfare and well being of the people of Pakistan and of other countries of the world with the object of improving their quality of life.

## Change in Accounting Policies

The Bank has changed its accounting policies effective from January 01, 2009 in the following areas;

- Customer Loyalty Programmes
- Ijarah under IFAS 2
- Determination and Presentation of Operating Segments
- Presentation of Financial Statements

Detailed disclosure of the change in accounting policies has been given in note 2.3 of the financial statements.

## Dividend

The Directors approved payment of Cash Dividend of 55% (Rs. 5.50 per share) and 20% bonus shares (2 shares for every 10 shares held) to Shareholders entitled at close of business on March 13, 2009.

The directors proposed a cash dividend of \_\_\_ (Rs. \_\_\_per share) and \_\_\_% bonus shares \_\_\_ share for every 10 shares held) to Shareholders entitled at close of business on \_\_\_\_\_ subject to approval of the Shareholders at the Annual General Meeting. As per current IAS, this will be accounted for as of the date of approval in AGM.

### Earnings per Share

Basic and Diluted earnings per share have been disclosed in note 30 of the financial statements.

### Pattern of Shareholding

The pattern of shareholding and categories of share holders are attached to the financial statements.

### Meetings of the Board

Seven board meetings were held during 2009 and were attended by the Directors as follows:

Name	Meetings during tenure	Attendance
Mr. Sultan Ali Allana	7	7
Mr. R. Zakir Mahmood	7	7
Mr. Moez Ahamed Jamal	7	7
Mr. Sajid Zahid	7	7
Mr. Ahmed Jawad	7	7
Mr. Mushtaq Malik	7	7
Mr. Yasin Malik	6	5

### Credit Rating

You would be pleased to know that JCR-VIS Credit Rating Company Limited has maintained long term rating of "AA+" (Double A Plus) and a short-term rating of "A-1+" (A One Plus) to the Bank. The rating complements the Bank's position as a torch bearer both in terms of deposits held by the Bank and its far flung branch network, and its over emphasis on customer satisfaction.

### Value of investments in employee retirement benefits fund

The following is the value of investments of provident, gratuity, pension and benevolent funds maintained by the Bank, based on latest audited financial statements as at December 31, 2008.

	Amount in '000
Employees' Provident Fund	6,333,904
Employees' Pension Fund	10,244,597
Employees' Gratuity Fund	656,087
Employees' Benevolent Fund – Executive and Officers	907,900
Employees' Benevolent Fund – Clerical and Non- Clerical	267,204

### Auditors

The present auditors M/s KPMG Taseer Hadi and Co. Chartered Accountants retire and being eligible, offered themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the suggestion of the Audit Committee recommends M/s KPMG Taseer Hadi and Co., Chartered Accountants for the appointment of next term.

## **Appreciation and Acknowledgement**

In conclusion, I would like to thank all our customers, share holders, and employees for their continued support and trust. We also express our sincere appreciation to the Government of Pakistan, State Bank of Pakistan and Ministry of Finance for their valuable support.

On behalf of the Board

**R. Zakir Mahmood**

President and Chief Executive Officer

Karachi: February 19, 2010



**KPMG Taseer Hadi & Co.**  
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### **Auditors' Report to the Members**

We have audited the annexed unconsolidated balance sheet of Habib Bank Limited as at December 31, 2009 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated 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 82 branches which have been audited by us and 35 branches audited by auditors abroad 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes described in note 2.3 with which we concur;
  - 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;



# Unconsolidated Balance Sheet

As at December 31, 2009

2009 (US \$ in '000)	2008		Note	2009 (Rupees in '000)	2008
<b>ASSETS</b>					
944,037	669,021	Cash and balances with treasury banks	5	79,527,191	56,359,367
350,899	388,411	Balances with other banks	6	29,560,309	32,720,391
63,542	73,524	Lendings to financial institutions	7	5,352,873	6,193,787
2,485,959	1,516,908	Investments	8	209,421,147	127,786,754
5,131,474	5,172,132	Advances	9	432,283,588	435,708,660
477,053	397,553	Other assets	10	40,187,710	33,490,506
195,580	172,930	Operating fixed assets	11	16,475,939	14,567,933
97,014	124,103	Deferred tax asset	12	8,172,590	10,454,612
<u>9,745,558</u>	<u>8,514,582</u>			<u>820,981,347</u>	<u>717,282,010</u>
<b>LIABILITIES</b>					
119,195	116,107	Bills payable	13	10,041,203	9,781,077
571,234	519,523	Borrowings from financial institutions	14	48,121,649	44,022,676
7,756,886	6,794,733	Deposits and other accounts	15	653,452,460	572,399,187
50,000	50,000	Sub-ordinated loans	16	4,212,080	3,954,925
-	-	Liabilities against assets subject to finance lease		-	-
309,329	262,102	Other liabilities	17	26,058,408	22,079,734
-	-	Deferred tax liability		-	-
<u>8,806,644</u>	<u>7,742,465</u>			<u>741,885,800</u>	<u>652,237,599</u>
<u>938,914</u>	<u>772,117</u>	<b>NET ASSETS</b>		<u>79,095,547</u>	<u>65,044,411</u>
<b>REPRESENTED BY:</b>					
<b>Shareholders' equity</b>					
108,118	90,098	Share capital	18	9,108,000	7,590,000
306,285	271,626	Reserves		25,801,889	22,882,318
431,206	365,835	Unappropriated profit		36,325,458	30,818,496
845,609	727,559			71,235,347	61,290,814
93,305	44,558	Surplus on revaluation of assets - net of deferred tax	19	7,860,200	3,753,597
<u>938,914</u>	<u>772,117</u>			<u>79,095,547</u>	<u>65,044,411</u>
<b>CONTINGENCIES AND COMMITMENTS</b>					
			20		

The annexed notes 1 to 51 and annexures I to IV form an integral part of these unconsolidated financial information.

President and Chief Executive Officer

Director

Director

Director

## Unconsolidated Profit and Loss Account

For the Year Ended December 31, 2009

2009 (US \$ in '000)		2008 (US \$ in '000)			Note	2009 (Rupees in '000)		2008 (Rupees in '000)	
887,345	725,981			Mark-up / return / interest earned	22	74,751,375		61,157,813	
392,781	302,981			Mark-up / return / interest expensed	23	33,088,536		25,523,572	
<u>494,564</u>	<u>423,000</u>			Net mark-up / interest income		<u>41,662,839</u>		<u>35,634,241</u>	
98,243	80,085			Provision against non-performing loans and advances - net	9.4 / 9.5.1	8,276,180		6,746,517	
(610)	4,423			(Reversal) / charge against off-balance sheet obligations	17.1	(51,396)		372,598	
16,469	25,832			Provision against diminution in the value of investments	8.8	1,387,354		2,176,120	
-	-			Bad debts written off directly		-		-	
<u>114,102</u>	<u>110,340</u>					<u>9,612,138</u>		<u>9,295,235</u>	
<u>380,462</u>	<u>312,660</u>			Net mark-up / interest income after provisions		<u>32,050,701</u>		<u>26,339,006</u>	
<b>Non mark-up / interest income</b>									
54,844	50,430			Fee, commission and brokerage income		4,620,148		4,248,342	
5,375	13,358			Income / gain on investments	24	452,823		1,125,328	
20,094	26,469			Income from dealing in foreign currencies		1,692,776		2,229,809	
37,711	32,443			Other income	25	3,176,865		2,733,038	
<u>118,024</u>	<u>122,700</u>			Total non-mark-up / interest income		<u>9,942,612</u>		<u>10,336,517</u>	
<u>498,486</u>	<u>435,360</u>					<u>41,993,313</u>		<u>36,675,523</u>	
<b>Non mark-up / interest expense</b>									
257,989	240,423			Administrative expenses	26	21,733,407		20,253,578	
4,427	2,118			Other provisions / write offs - net		372,957		178,425	
42	769			Other charges	27	3,540		64,751	
4,721	3,841			Workers welfare fund	28	397,668		323,575	
<u>267,179</u>	<u>247,151</u>			Total non mark-up / interest expenses		<u>22,507,572</u>		<u>20,820,329</u>	
<u>231,307</u>	<u>188,209</u>			<b>Profit before taxation</b>		<u>19,485,741</u>		<u>15,855,194</u>	
<b>Taxation</b>									
92,913	96,600			- current	29	7,827,137		8,137,761	
(12,814)	2,798			- prior years		(1,079,473)		235,734	
5,216	(29,905)			- deferred		439,434		(2,519,281)	
<u>85,315</u>	<u>69,493</u>					<u>7,187,098</u>		<u>5,854,214</u>	
<u>145,992</u>	<u>118,716</u>			<b>Profit after taxation</b>		<u>12,298,643</u>		<u>10,000,980</u>	
<u>0.160</u>	<u>0.130</u>			Basic and diluted earnings per share	30	<u>13.50</u>		<u>10.98</u>	

The annexed notes 1 to 51 and annexures I to IV form an integral part of these unconsolidated financial information.

President and Chief Executive Officer

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**Unconsolidated Statement of Comprehensive Income**  
For the Year Ended December 31, 2009

2009 (US \$ in '000)	2008		2009 (Rupees in '000)	2008
145,993	118,718	<b>Profit for the year</b>	12,298,643	10,000,980
		<b>Other comprehensive income</b>		
		Effect of translation of net investment in foreign branches, joint venture and associates	1,689,707	3,253,636
20,058	38,623			
<u>166,051</u>	<u>157,341</u>	<b>Comprehensive income transferred to equity</b>	<u>13,988,350</u>	<u>13,254,616</u>
		<b>Components of comprehensive income not reflected in equity</b>		
21,589	-	Surplus on revaluation of fixed assets	1,818,705	-
(4,221)	-	Deferred tax on revaluation of fixed assets	(355,586)	-
50,583	(61,851)	Surplus / (deficit) on revaluation of investments	4,261,169	(5,210,459)
(17,656)	21,552	Deferred tax on revaluation of investments	(1,487,272)	1,815,533
<u>216,346</u>	<u>117,042</u>		<u>18,225,366</u>	<u>9,859,690</u>

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# Unconsolidated Cash Flow Statement

For the Year Ended December 31, 2009

2009 (US \$ in '000)	2008		Note	2009 (Rupees in '000)	2008
		<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
231,307	188,209	Profit before taxation		19,485,741	15,855,194
(3,337)	(11,215)	Dividend income		(281,152)	(944,802)
(2,035)	(2,143)	Gain on sale of investments - net		(171,403)	(180,526)
(5,372)	(13,358)			(452,555)	(1,125,328)
225,935	174,851			19,033,186	14,729,866
		<b>Adjustment for:</b>			
19,835	18,587	Depreciation / amortisation / adjustments		1,670,958	1,565,746
16,469	25,832	Provision against diminution in the value of investments		1,387,354	2,176,120
98,243	80,085	Provision against non-performing loans and advances - net of reversals		8,276,180	6,746,517
(3)	-	Unrealised appreciation in value of investments at fair value		(268)	-
3,053	10,148	Exchange loss on sub-ordinated loans		257,155	854,925
(349)	(497)	Gain on sale of property and equipment - net		(29,386)	(41,895)
3,817	6,541	Miscellaneous provisions		321,561	551,023
141,065	140,696			11,883,554	11,852,436
367,000	315,547			30,916,740	26,582,302
		<b>(Increase) / decrease in operating assets</b>			
9,982	(54,197)	Lendings to financial institutions		840,914	(4,565,657)
(57,586)	(951,960)	Loans and advances		(4,851,108)	(80,194,649)
(23,163)	(65,746)	Other assets - net		(1,951,264)	(5,538,584)
(70,767)	(1,071,903)			(5,961,458)	(90,298,890)
		<b>Increase / (decrease) in operating liabilities</b>			
962,153	752,747	Deposits and other accounts		81,053,273	63,412,646
48,657	(97,286)	Borrowings from financial institutions		4,098,973	(8,195,552)
3,088	(66,458)	Bills payable		260,126	(5,598,363)
48,476	49,982	Other liabilities - net		4,083,696	4,210,562
1,062,374	638,985			89,496,068	53,829,293
1,358,607	(117,371)			114,451,350	(9,887,295)
(145,594)	(136,437)	Income tax paid - net		(12,265,104)	(11,493,663)
1,213,013	(253,808)	<b>Net cash flows from / (used in) operating activities</b>		102,186,246	(21,380,958)
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
(932,899)	438,494	Net investments in securities, associates and joint venture company		(78,588,907)	36,939,474
7,415	6,931	Dividend income received		624,628	583,906
(21,784)	(31,072)	Fixed capital expenditure		(1,835,161)	(2,617,545)
1,239	1,284	Proceeds from sale of fixed assets		104,288	108,001
20,060	38,623	Exchange adjustment on translation of balances in foreign branches		1,689,707	3,253,636
(925,969)	454,260	<b>Net cash flows (used in) / from investing activities</b>		(78,005,445)	38,267,472
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(49,540)	(32,366)	Dividend paid		(4,173,059)	(2,726,620)
(49,540)	(32,366)	<b>Net cash flows used in financing activities</b>		(4,173,059)	(2,726,620)
237,504	168,086	Increase in cash and cash equivalents during the year		20,007,742	14,159,894
1,004,725	795,282	Cash and cash equivalents at beginning of the year		84,639,657	66,995,754
52,707	94,064	Effects of exchange rate changes on cash and cash equivalents		4,440,101	7,924,110
1,057,432	889,346			89,079,758	74,919,864
1,294,936	1,057,432	Cash and cash equivalents at end of the year	31	109,087,500	89,079,758

The annexed notes 1 to 51 and annexures I to IV form an integral part of these unconsolidated financial information.

President and Chief Executive Officer

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## Unconsolidated Statement of Changes in Equity

For the Year Ended December 31, 2009

Share Capital	RESERVES				Total	
	Exchange translation reserve	Statutory	General	Unappropriated profit		
(Rupees in '000)						
Balance as at December 31, 2007	6,900,000	2,535,923	10,018,849	6,073,812	25,212,980	50,741,564
<b>Total comprehensive income for the year</b>						
Profit for the year ended December 31, 2008	-	-	-	-	10,000,980	10,000,980
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	3,253,636	-	-	-	3,253,636
	-	3,253,636	-	-	10,000,980	13,254,616
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend paid at Rs 4 per share	-	-	-	-	(2,760,000)	(2,760,000)
Issue of bonus shares	690,000	-	-	-	(690,000)	-
	690,000	-	-	-	(3,450,000)	(2,760,000)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	54,634	54,634
Transferred to statutory reserves	-	-	1,000,098	-	(1,000,098)	-
Balance as at December 31, 2008	7,590,000	5,789,559	11,018,947	6,073,812	30,818,496	61,290,814
<b>Total comprehensive income for the year</b>						
Profit for the year ended December 31, 2009	-	-	-	-	12,298,643	12,298,643
<b>- Other comprehensive income</b>						
Effect of translation of net investment in foreign branches	-	1,689,707	-	-	-	1,689,707
	-	1,689,707	-	-	12,298,643	13,988,350
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend at Rs. 5.50 per share	-	-	-	-	(4,174,500)	(4,174,500)
Issued as bonus shares	1,518,000	-	-	-	(1,518,000)	-
	1,518,000	-	-	-	(5,692,500)	(4,174,500)
Transferred from surplus on revaluation of fixed assets	-	-	-	-	130,683	130,683
Transferred to statutory reserve	-	-	1,229,864	-	(1,229,864)	-
Balance as at December 31, 2009	9,108,000	7,479,266	12,248,811	6,073,812	36,325,458	71,235,347

The annexed notes 1 to 51 and annexures I to IV form an integral part of these unconsolidated financial information

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# Notes to the Unconsolidated Financial Statements

## For the Year Ended December 31, 2009

### 1 STATUS AND NATURE OF BUSINESS

Habib Bank Limited (the Bank) is incorporated in Pakistan and is engaged in commercial banking, modaraba management and asset management related services in Pakistan and overseas. The Bank's registered office is located at Habib Bank Tower, 4th Floor, Jinnah Avenue, Islamabad. The Bank's shares are listed on the stock exchanges in Pakistan. The Bank operates 1,454 (2008: 1,468) branches inside Pakistan and 40 branches (2008: 40) outside the country.

### 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 utilized and the appropriate portion of mark-up thereon.
- The US Dollar amounts shown in the financial statements are stated solely for information convenience. For the purpose of translation to US Dollars, the rate of Rs. 84.2416 per US Dollar has been used for both December 31, 2009 and 2008.

#### 2.1 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts less accumulated depreciation, trading and available for sale investments and derivative financial instruments are measured at fair value.

#### 2.2 Use of estimates and judgments

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

##### i) Classification of investments

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

##### ii) Provision against non performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of the securities and the requirement of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows, the general provision requirement set out in Prudential Regulations.

##### iii) Valuation and impairment of available for sale equity investments

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

##### iv) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks, at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Bank's future taxable profits are taken into account.

##### v) Fair value of derivatives

The fair value of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and the rates contracted.

## Notes to the Unconsolidated Financial Statements

### vi) Fixed assets, depreciation and amortisation

The bank carries its land and buildings at their respective fair values. The fair values are determined by independent valuation experts and such valuations are carried out with sufficient regularity that the valuation at year end is close to their fair values. The revaluation of major properties of the bank was carried out during the year.

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

### vii) Defined benefits plans and other benefits

Liability is determined on the basis of actuarial advice using the Projected Unit Credit Method.

### viii) Impairment of investments in associates and subsidiaries

The Bank determined that a significant or prolonged decline in the fair value of its investments in associates and subsidiaries below their cost is an objective evidence of impairment. The impairment loss is recognized when the higher of fair value less cost to sell and value in use exceeds the carrying value.

## 2.3 Change in accounting policies

Effective January 01, 2009 the Group has changed its accounting policies in the followings areas:

### Customer Loyalty Programmes

IFRIC 13 Customer Loyalty Programmes issued by the International Financial Reporting Interpretations Committee became effective January 01, 2009. The revenue from award credits for loyalty points earned on use of various products of the Group is measured by reference to their fair value and is recognised when award credits are redeemed. Due to current size of the program the effect of change is not estimated to be material and therefore previous year figures have not been restated.

### Accounting for Ijarah contracts

Pursuant to IBD circular no. 1 dated January 27, 2009 the Bank has adopted IFAS 2 - "Ijarah" for all Ijarah contracts entered on or after January 01, 2009. The policy adopted is stated in note 4.5. As the policy applied for all futures contracts, the adoption of this standard did not require any restatement.

### Determination and Presentation of Operating Segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. There is no change in the operating segments being reported as a result of adoption of IFRS 8 - Operating Segments, other than changes in certain disclosures.

### Presentation of Financial Statements

The Bank applied revised IAS 1 Presentation of Financial Statements (2007), which became effective as of January 01, 2009. As a result , the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

## 3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards 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 and Banking Companies Ordinance, 1962 and the directives issued by State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 and the directives issued by SBP shall prevail.

The State Bank of Pakistan, vide its BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. 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.

## Notes to the Unconsolidated Financial Statements

In addition, Securities and Exchange Commission of Pakistan (SECP) has notified the Islamic Financial Accounting Standard (IFAS) 1 - Murabaha issued by the Institute of Chartered Accountants of Pakistan. IFAS 1 was effective for financial periods beginning on or after January 1, 2006. The IFAS 1 has not been adopted by stand alone Islamic branches of conventional banks pending resolution of certain issues e.g. invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Banks Association and Modaraba Association of Pakistan have taken up the issue with SBP and SECP.

### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2010:

- Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Bank's financial statements.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Bank's financial statements.
- IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Bank's operations.
- IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Bank does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Bank's financial statements.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are unlikely to have an impact on the Bank's financial statements.
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs requires attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 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 July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Bank's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 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 January 01, 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.

## Notes to the Unconsolidated Financial Statements

- Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 01, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Bank's financial statements.

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Revenue recognition

##### Advances and investments

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. Where debt securities are purchased at a premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining maturity, using the effective yield method.

Interest or mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of State Bank of Pakistan or overseas regulatory authorities of countries where the branches operate, except where in the opinion of the management it would not be prudent to do so.

Dividend income from investments is recognized when the right to receive is established.

##### Lease financing

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

Unrealized lease income is suspended on classified leases, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan. Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.

##### Letters of credit and guarantees

Commission on letters of credit and guarantees etc. is recognized on time proportion basis.

##### Customer Loyalty Programmes

The revenue from award credits for loyalty points earned on use of various products of the Group is measured by reference to their fair value and is recognised when award credits are redeemed.

#### 4.2 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity.

##### Current

Current taxation is the tax payable on taxable income earned from local as well as foreign operations for the year using tax rates enacted at the balance sheet date and, any adjustments to tax payable relating to prior years.

##### Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to the assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

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

#### 4.3 Investments

The Bank classifies its investment portfolio into the following categories:

##### Held-for-trading

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

## Notes to the Unconsolidated Financial Statements

### Held-to-maturity

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

### Available-for-sale

These are investments that do not fall under the held-for-trading or held-to-maturity categories.

Investments, including those referred to in para above, are accounted for as follows:

- Quoted securities are carried at fair value.
- Unquoted equity securities are valued at lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.
- Securities classified as held-to-maturity are carried at amortised cost.

Investments other than those categorised as held for trading includes transaction costs associated with the investments. In case of investments classified as held for trading, 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 investments.

Provision for impairment in the value of equity securities is made after considering objective evidence of impairment. Provision for diminution in the value of debt securities is made as per the Prudential Regulation issued by the State Bank of Pakistan.

Any unrealized surplus / deficit arising on revaluation of investments classified as 'Held-for-Trading' is taken to the profit and loss account and unrealized surplus / deficit arising on revaluation of investments classified as 'Available-for-sale' is taken directly to "surplus / deficit on revaluation of securities" in the balance sheet.

Investments in subsidiaries, associates and joint ventures are recorded at cost less impairment.

#### 4.4 Lendings to / borrowings from financial institutions

Where securities are sold subject to a commitment to re-purchase them at a pre-determined price, they remain on the balance sheet and a liability is recorded in respect of the consideration received in "borrowings from financial institutions". Conversely, securities purchased under analogous commitments to resell are not recognized on the balance sheet and the consideration paid is recorded in "lendings to financial institutions".

The difference between the sale and purchase price is recognized as mark-up / return expensed or earned on time proportion basis as the case may be.

#### 4.5 Advances

##### Loans and advances

Loans and advances and net investment in finance lease are stated net of provision for loan losses. Provision for loan losses of Pakistan operations including general provision is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off when there are no realistic prospects of recovery.

##### Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in loans and advances to customers.

##### Ijarah

Assets given on lease, after taking into account the estimated residual value, are depreciated using straight line method over the life of the lease. Impairment evaluation of loss on sale expected from the unilateral commitment given by the customer to purchase the asset at the expiry of the lease term and the Bank's policy to accept the offer is carried out by comparing the Written Down Value to the Net Present Value of the expected cash flows at the balance sheet date. Impairment losses evaluated, are booked in the Profit and Loss as and when occurred. The residual value of the lease asset is the estimated amount that Bank could obtain from disposal of assets as defined in para 6 of IAS 16 - Property, plant and equipment. This has been estimated on the basis that all assets given on lease have an economic life of ten years and if the assets were depreciated over this life the written down value at end of lease term would represent the residual value.

These leases are shown as financing against lease under advances and further analysis is provided in the note of Islamic Banking activities (note 47).



## Notes to the Unconsolidated Financial Statements

### 4.6 Operating fixed assets and depreciation

#### 4.6.1 Tangible

Fixed assets and capital work-in-progress, are stated at cost, except for land and buildings which are carried at revalued amount less accumulated depreciation, where applicable, and accumulated impairment losses (if any).

Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Land and buildings are revalued by independent professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from the fair value. Surplus arising on revaluation is credited to the 'surplus on revaluation of fixed assets' account (net of deferred tax). Under the provision of the Companies Ordinance, 1984, deficit arising on revaluation of fixed assets is adjusted against the balance in the above surplus account.

Surplus on revaluation of fixed assets to the extent of the incremental depreciation charged on the related assets is transferred by the Bank to un-appropriated profits (net of deferred tax).

All operating assets are being depreciated over their expected useful lives using the straight-line method from the date the assets are available for use.

Depreciation is calculated so as to write-off the assets over their expected useful lives at the rates specified in note 11.3 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on addition and deletion of tangible assets during the year is charged in proportion to the period of use.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred. However, renewals are capitalized.

Gains or losses arising on the disposal of fixed assets are included in income currently. Surplus on revaluation of fixed assets (net of deferred tax) realized during the year is transferred directly to un-appropriated profit.

#### 4.6.2 Intangible

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Such intangible assets are amortized using the straight-line method over their estimated useful lives. Amortization is charged at the rate stated in note 11.2. Amortization on additions and deletions of intangible assets during the year is charged in proportion to the period of use. The useful life and amortization method are reviewed and adjusted, if appropriate at each balance sheet date. Intangible assets having an indefinite useful life are stated at acquisition cost less impairment, if any.

### 4.7 Employee benefits

The Bank operates the following post retirement schemes for its employees:

- i) For those who did not opt for the pension scheme of 1977 and for new employees, the Bank operates:
  - Approved funded provident fund (defined contribution scheme)
  - Approved funded gratuity scheme (defined benefit scheme)

Liability under the gratuity scheme is determined on the basis of actuarial advice under the Projected Unit Credit method.

- ii) For those who opted for the pension scheme introduced in 1977, the Bank operates:
  - Approved funded pension scheme (defined benefit scheme) for services up to March 31, 2005
  - Contributory gratuity and provident fund schemes in lieu of pension fund for services subsequent to March 31, 2005 (defined contribution scheme).

Liability under the pension scheme is determined on the basis of actuarial advice using the Projected Unit Credit Method.

#### Post retirement medical benefits

The Bank also provides post retirement medical benefits to its clerical employees and pensioners retiring before December 31, 2005. However, effective January 01, 2006 onwards, an option of lump sum payment in lieu of post retirement medical facilities to the management cadre staff had been offered. Provision is made in the financial statements for this benefit based on actuarial advice using the Projected Unit Credit method.

#### Other post retirement benefits

The Bank provides cash benefits on retirement which are estimated as per the actuarial advice.

#### Employees' compensated absences

The Bank also makes provision in the financial statements for its liabilities towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

## Notes to the Unconsolidated Financial Statements

### Benevolent fund

The Bank operates funded benevolent schemes for its executives / officers and clerical / non-clerical employees. Under this scheme, the employees of the Bank are entitled to receive defined grants / facilities during their service and after retirement. The benevolent fund plan covers all the employees of the Bank.

An option for one time full and final payment of fair value of Pension and Benevolent fund based on actuarial valuation has been offered on retirement / early settlement at the time of availing leave prior to retirement (LPR) and / or death of an employee. Similarly, the existing beneficiaries / or prospective legal heir(s) shall have an option to receive fair value of aforesaid benefits including medical in lump sum offered by the Bank, being one time payment in full and final settlement.

### Surplus / deficit on retirement funds / schemes

Any surplus / deficit arising on actuarial valuation of these schemes (including actuarial gains / losses) available to / payable by the Bank is recognized in the year in which it arises.

## 4.8 Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated to Pakistani rupees at the exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. The fair value of forward cover taken from the State Bank of Pakistan for foreign currency deposits is added / deducted from value of foreign currency deposits. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

### Foreign operations

The assets and liabilities of foreign operations are translated to Pakistani rupees at exchange rates prevailing at the balance sheet date. The income and expense of foreign operations are translated at average rate of exchange for the year.

### Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign operations (foreign branches, joint ventures or associates) which are taken to equity under "Exchange Translation Reserve" and on disposal are recognized in profit or loss account.

### Commitments

Commitments for outstanding forward foreign exchange contracts are translated at forward rates applicable to their respective maturities. 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 balance sheet date.

## 4.9 Cash and cash equivalents

Cash and cash equivalents include cash and balances with banks in current and deposit accounts.

## 4.10 Off setting

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

## 4.11 Impairment

The carrying amount of the Bank's assets (other than deferred tax asset) are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

## 4.12 Provision for guarantee claim

Provision for guarantee claim is recognized when intimated and reasonable certainty exists that the Bank will settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net of expected recoveries.

## 4.13 Other provisions

Other provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that 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.

## Notes to the Unconsolidated Financial Statements

### 4.14 Derivative financial instruments

Derivative financial instruments are initially measured at fair value and subsequently remeasured at fair value. The gain or loss on remeasurement to fair value is recognized in profit and loss account.

### 4.15 Dividend distribution

Declarations of dividend to holders of the equity instruments of the Bank are recognised as liability in the period in which it is declared.

### 4.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged 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 Bank's primary format of reporting is based on business segments.

#### Business segments

- *Retail Banking*

Consists of retail lending, deposits and banking services to private individuals and small businesses including credit cards.

- *Corporate / Commercial Banking*

Consists of lendings for project finance, trade finance, corporate and commercial customers and investment banking, includes advices and placements to corporate mergers and acquisitions, underwriting, privatizations and securitization.

- *Treasury*

Involves the businesses of proprietary trading, fixed income, equity and foreign exchanges.

- *International Banking Group*

It represents Bank's operations in 22 countries and is considered a separate segment for monitoring purposes.

- *Head Office*

This includes balances held at Head Office level for regulatory requirements or other operational reasons and includes some non performing loans (not managed by other business segments), statutory liquidity and shareholders equity related balances and their associated cost / income.

#### Geographical segments

The Bank operates in five geographic regions, being:

- Pakistan

- Asia Pacific (including South Asia)

- Europe

- North America

- Middle East

- Others

## Notes to the Unconsolidated Financial Statements

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>5. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand including National Prize Bonds			
Local currency		8,499,419	8,006,830
Foreign currency		<u>1,879,718</u>	<u>1,900,589</u>
		10,379,137	9,907,419
With State Bank of Pakistan in			
Local currency current account		<u>25,996,897</u>	<u>19,970,173</u>
Foreign currency deposit account		<u>9,125,330</u>	<u>8,266,160</u>
		35,122,227	28,236,333
With other Central Banks in	5.1		
Foreign currency current account		<u>13,522,953</u>	<u>10,230,919</u>
Foreign currency deposit account		<u>15,223,023</u>	<u>3,331,898</u>
		28,745,976	13,562,817
With National Bank of Pakistan in			
Local currency current account		<u>5,279,851</u>	<u>4,652,798</u>
		<u>79,527,191</u>	<u>56,359,367</u>

The above balances include remunerative accounts amounting to Rs 22,426.060 million (2008: Rs 11,387.516 million).

5.1 This includes balances held with the Central Banks of the respective countries in accordance with the requirements of the local statutory / Central Bank regulations.

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>6. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current account		358,198	372,263
Outside Pakistan			
On current account	6.1	<u>2,762,122</u>	<u>1,903,355</u>
On deposit account		<u>26,439,989</u>	<u>30,444,773</u>
		<u>29,202,111</u>	<u>32,348,128</u>
		<u>29,560,309</u>	<u>32,720,391</u>

6.1 This includes remunerative current account balance amounting to Rs 580.818 million (2008: Rs. 153.545 million).

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
<b>7.1 In local currency</b>			
Call money lendings		560,000	1,850,000
Repurchase agreement lendings (reverse repo)	7.2	<u>4,792,873</u>	<u>4,343,787</u>
		<u>5,352,873</u>	<u>6,193,787</u>

## Notes to the Unconsolidated Financial Statements

7.2 Securities held as collateral against lendings to financial institutions	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- (Rupees in '000) -----					
Market treasury bills	3,850,151	942,722	4,792,873	3,786,863	556,924	4,343,787
	<u>3,850,151</u>	<u>942,722</u>	<u>4,792,873</u>	<u>3,786,863</u>	<u>556,924</u>	<u>4,343,787</u>

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2009 amounted to Rs. 4,830.115 million (2008: Rs. 4,385 million).

8. INVESTMENTS	Note	2009			2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		----- (Rupees in '000) -----					
8.1 Investments by type							
<b>Held for Trading securities (HFT)</b>							
- Pakistan Investment Bonds		9,652	-	9,652	-	-	-
- Market Treasury Bills		387,191	-	387,191	-	-	-
		396,843	-	396,843	-	-	-
<b>Held-to-maturity securities (HTM)</b>	8.3						
<i>Federal Government Securities</i>							
- Pakistan Investment Bonds	8.9 / 8.11	8,373,174	-	8,373,174	9,865,095	-	9,865,095
<i>Overseas Government Securities</i>		78,963	-	78,963	74,604	-	74,604
<i>Debentures and Corporate Debt Instruments</i>		48,182	-	48,182	48,182	-	48,182
		8,500,319	-	8,500,319	9,987,881	-	9,987,881
<b>Available-for-sale Securities (AFS)</b>							
<i>Federal Government Securities</i>							
- Market Treasury Bills	8.9 / 8.11	84,407,507	3,559,326	87,966,833	49,410,871	8,754,798	58,165,669
- Pakistan Investment Bonds		8,840,806	-	8,840,806	9,021,042	-	9,021,042
- Government of Pakistan Guaranteed Bonds		5,522,370	-	5,522,370	5,862,598	-	5,862,598
- Government of Pakistan Bonds / Sukuk / (US Dollar / Euro)		5,888,232	-	5,888,232	4,718,958	-	4,718,958
<i>Overseas Government Securities</i>		14,601,416	-	14,601,416	8,153,876	-	8,153,876
<i>Fully paid-up Ordinary Shares:</i>							
- Listed companies		1,082,503	-	1,082,503	762,671	-	762,671
- Unlisted companies		730,244	-	730,244	437,657	-	437,657
<i>Debentures and Corporate Debt Instruments</i>							
- Listed securities		4,482,005	-	4,482,005	2,227,518	-	2,227,518
- Unlisted securities	8.9	61,447,423	-	61,447,423	17,897,864	-	17,897,864
<i>NIT units</i>	8.12	20,509	-	20,509	22,463	-	22,463
<i>Preference shares</i>		170,000	-	170,000	181,700	-	181,700
<i>Other investments</i>		1,523,642	-	1,523,642	782,003	-	782,003
		188,716,657	3,559,326	192,275,983	99,479,221	8,754,798	108,234,019
<b>Investment in Subsidiary Companies</b>	8.4	5,186,448	-	5,186,448	3,517,617	-	3,517,617
<b>Investment in Associates and Joint Venture</b>	8.5	3,061,554	-	3,061,554	6,047,237	-	6,047,237
		<u>205,861,821</u>	<u>3,559,326</u>	<u>209,421,147</u>	<u>119,031,956</u>	<u>8,754,798</u>	<u>127,786,754</u>

## Notes to the Unconsolidated Financial Statements

### 8.2 Investments by segments

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
Federal Government Securities			
- Market treasury bills		88,258,937	58,226,255
- Pakistan investment bonds		17,924,688	21,158,414
- Government of Pakistan guaranteed bonds		5,522,753	5,869,634
- Government of Pakistan bonds / Sukuk / (US Dollar / Euro)		6,420,609	7,112,356
Overseas Government Securities		14,589,448	8,124,611
Fully paid-up Ordinary Shares			
- Listed companies		1,379,625	1,989,309
- Unlisted companies		756,455	471,853
Debentures and Corporate Debt Instruments			
- Listed securities		4,752,851	2,303,140
- Unlisted securities		62,142,595	18,123,271
NIT units		11,112	11,112
Preference shares		200,000	200,000
Other investments		1,819,419	1,751,388
Investment in subsidiary companies		5,219,061	4,047,978
Investment in associates and joint venture company		5,229,066	6,127,247
		<u>214,226,619</u>	<u>135,516,568</u>
Less: Provision for diminution / impairment in the value of investments including associates	8.8	(3,747,037)	(2,409,942)
Net investment		210,479,582	133,106,626
Surplus on revaluation of held for trading securities		268	-
Deficit on revaluation of available for sale securities	19.2	(1,058,703)	(5,319,872)
		<u>209,421,147</u>	<u>127,786,754</u>

8.3 The market value of investment classified as held-to-maturity (HTM) and investment in listed associates and joint venture is as follows

	December 31, 2009		December 31, 2008	
	Cost	Market value	Cost	Market value
	(Rupees in '000)			
- Investment classified as held-to-maturity	8,500,319	7,011,173	9,959,699	7,370,797
- Investment in listed associates and joint venture	5,087,252	6,737,033	5,087,252	12,994,610

### 8.4 Investment in subsidiary companies

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
Habib Allied International Bank Plc - Holding 90.5% (2008: 90.5%)		2,000,469	2,000,469
Habib Finance International Limited, Hong Kong - wholly owned		356,144	356,144
Habib Bank Financial Services (Private) Limited - wholly owned		32,500	32,500
Habib Currency Exchange (Private) Limited - wholly owned		399,998	214,865
HBL Asset Management Limited		100,000	100,000
HBL Income Fund 45.52% (2008: 24.64%) - Unlisted	8.5.1	739,586	-
HBL Multi Asset Fund 68.93% (2008: 35.59%) - Unlisted		248,181	-
HBL Stock Fund		1,309,570	813,639
		<u>5,186,448</u>	<u>3,517,617</u>

### 8.5 Investment in associates and joint venture company

	Note	2009	2008
Himalayan Bank Limited, Nepal - Holding 20% (2008: 20%) - Listed		7,197	7,197
PlatinumHabib Bank Plc, Nigeria - Holding 6.28% (2008: 6.28%) - Listed	8.5.4	925,007	2,755,439
Diamond Trust Bank Limited, Kenya - Holding 10% (2008: 10%) - Listed		1,022,884	1,022,884
Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2008: 18%) - Unlisted	8.5.2	139,996	139,996
New Jubilee Insurance Company Limited - Holding 9.64% (2008: 9.64%) - Listed		752,837	1,088,098
New Jubilee Life Insurance Company Limited - Holding 8.91% (2008: 8.91%) - Listed		213,633	213,633
HBL Income Fund 45.52% (2008: 24.64%) - Unlisted		-	650,000
HBL Multi Asset Fund 68.93% (2008: 35.59%) - Unlisted		-	169,990
		<u>3,061,554</u>	<u>6,047,237</u>

8.5.1 During the year the Group's holding in Multi asset and Income Funds managed by HBL Asset Management Limited increased above 50% due to redemption of units by other investors.

8.5.2 The Bank has significant influence in Diamond Trust Bank Limited, Kyrgyz Investment and Credit Bank, New Jubilee Insurance Company Limited and New Jubilee Life Insurance Company Limited because of Aga Khan Fund for Economic Development's holding (Parent of Bank).

8.5.3 The recoverable amount of the investment in New Jubilee Insurance Company Limited was tested for impairment based on value in use, in accordance with IAS - 36. The value in use calculations are based on cash flow projections based on the budget and forecasts approved by management for 2010. These are then extrapolated for a period of 5 years using a steady long term expected growth of 15% and terminal value determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 19%. Based on this calculation, impairment of Rs. 335 million has been accounted for.

8.5.4 The Central Bank of Nigeria (CBN) has carried out a special investigation of the books and affairs of Bank PHB, Nigeria (PHB) and identified huge provision requirements of loan losses and removed Chief Executive Officer (CEO) and Executive Directors of PHB. As a result of these actions, market value of the shares of PHB has significantly declined at Nigerian Stock Exchange. Therefore, investment in Bank PHB has been tested for impairment on market value and impairment loss of Rs. 1.8 billion has been recorded.

### 8.6 Summary of financial information of associates and joint venture company

	2009					
	Based on the financial statements as on	Assets	Liabilities	Equity	Revenue	Profit / (loss)
	(Rupees in '000)					
PlatinumHabib Bank Plc., Nigeria	September 30, 2009	407,184,107	484,353,044	(77,168,937)	117,555,405	(212,622,044)
Diamond Trust Bank Limited, Kenya	September 30, 2009	68,191,003	59,815,739	8,375,265	5,053,154	950,506
Himalayan Bank Limited, Nepal	July 15, 2009	43,798,907	40,323,671	3,475,235	2,480,622	797,328
Kyrgyz Investment and Credit Bank	December 31, 2008	8,215,241	6,597,634	1,617,607	914,676	264,968
New Jubilee Life Insurance Co. Ltd.	September 30, 2009	7,612,867	7,135,824	477,043	25,565	60,481
New Jubilee Insurance Co. Ltd.	September 30, 2009	6,692,694	4,380,631	2,312,063	2,040,260	347,521

Notes to the Unconsolidated Financial Statements

		2008					
		Assets	Liabilities	Equity	Revenue	Profit / (loss)	
		----- (Rupees in '000) -----					
	PlatinumHabib Bank Plc., Nigeria	June 30, 2008	604,536,998	506,862,507	97,674,491	50,895,806	11,438,697
	Diamond Trust Bank Limited, Kenya	September 30, 2008	47,434,250	41,200,618	6,233,632	3,256,330	790,715
	Himalayan Bank Limited, Nepal	July 15, 2008	37,199,300	34,615,190	2,584,110	1,988,389	1,056,874
	Kyrgyz Investment and Credit Bank	December 31, 2007	6,608,284	5,345,793	1,262,491	525,305	211,782
	New Jubilee Life Insurance Co. Ltd.	September 30, 2008	5,888,878	5,422,938	465,940	16,231	27,068
	New Jubilee Insurance Co. Ltd.	September 30, 2008	6,506,983	3,925,893	2,581,090	578,009	97,237
	HBL Income Fund	September 30, 2008	4,483,422	18,525	4,464,897	548,699	454,423
	HBL Multi Asset Fund	September 30, 2008	631,924	3,674	628,250	36,080	22,828

  

		2009		2008	
		Cost	Holding	Cost	Holding
		(Rupees in '000)	%	(Rupees in '000)	%
8.7	<b>Investment in associated undertakings - as per statute</b>				
	First Women Bank Limited	63,300	26.78%	63,300	26.78%
	Khushali Bank	300,000	17.60%	300,000	17.60%
		<u>363,300</u>		<u>363,300</u>	

  

8.7.1 The Bank does not have significant influence over these entities due to influence of the Government / major shareholders. Accordingly these investments are accounted for as normal investments.

8.8 **Particulars of provision held against diminution in value of investments**

Note	2009	2008
	(Rupees in '000)	
	2,409,942	421,729
	426,052	139,189
	961,302	2,036,931
	1,387,354	2,176,120
	27,529	-
	(79,622)	(187,907)
	1,834	-
8.8.1	<u>3,747,037</u>	<u>2,409,942</u>

The balances disclosed in note 8.1 are stated net of specific provision held. The analysis of total provision held is as follows:

Opening balance

Charge for the year - net

Impairment (reversal) / loss due to disposal of impaired shares or change in value of associates / subsidiary

Total charge - net

Other movement

Amount written off

Exchange adjustment

Closing balance

8.8.1 **Particulars of provision in respect of type and segment**

	2009	2008
	(Rupees in '000)	
<b>Available-for-sale Securities (AFS)</b>		
<i>Fully paid-up ordinary shares</i>		
- Listed companies	541,814	1,228,247
- Unlisted companies	26,211	34,196
<i>Preference shares</i>	68,300	18,300
<i>Debentures and Corporate Debt Instruments</i>	626,527	218,855
<i>Subsidiary</i>	34,432	530,361
<i>Associates</i>	2,165,693	80,010
<i>Units</i>	284,060	299,973
	<u>3,747,037</u>	<u>2,409,942</u>

8.9 Investments held for maintaining the liquidity requirements of the State Bank of Pakistan amounted to Rs. 113,482.568 million as at December 31, 2009 (2008: Rs. 87,384.669 million).

8.10 Investments include Rs. 491.470 million as at December 31, 2009 (2008: Rs. 483.990 million) pledged with State Bank of Pakistan and National Bank of Pakistan against TT/DD discounting facilities and demand loan facilities

8.11 Investments include Rs. 9.043 million as at December 31, 2009 (2008: Rs. 9.800 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the bank

8.12 NIT units of Rs. 15.225 million as at December 31, 2009 (2008: Rs. 16.675 million) are pledged with Multan High Court.

8.13 Information relating to investments including credit ratings in shares of listed and unlisted companies, redeemable capital and bonds, required to be disclosed as part of the financial statements by the State Bank of Pakistan, is given in Annexure "I" and is an integral part of these financial statements.

9. **ADVANCES**

Note	2009	2008
	(Rupees in '000)	
	384,534,660	367,897,038
	47,295,017	54,993,633
	431,829,677	422,890,691
	3,003,049	3,506,812
	8,319,107	12,227,536
	20,233,629	21,619,633
	28,552,736	33,847,169
	(31,101,874)	(24,536,012)
	<u>432,283,588</u>	<u>435,708,660</u>
	-	-
	12,914,799	11,976,479
	(12,914,799)	(11,976,479)
	-	-

9.1.3 Net investment in finance lease - in Pakistan

Bills discounted and purchased (excluding Government treasury bills)

Payable in Pakistan

Payable outside Pakistan

9.4 Provision against non-performing advances

**Fully provided non-performing advances classified as loss for more than five years**

In Pakistan

9.5.1 Provision

**Notes to the Unconsolidated Financial Statements**

	2009 (Rupees in '000)	2008 (Rupees in '000)
9.1 <b>Particulars of advances</b>		
9.1.1 In local currency	361,176,604	364,362,589
In foreign currency including foreign currency financing by domestic branches amounting to Rs. 16,328.404 million (2008: Rs. 14,603.966 million)	71,106,984	71,346,071
	<u>432,283,588</u>	<u>435,708,660</u>
9.1.2 Short term (for upto one year)	298,831,100	332,714,247
Long term (for over one year)	133,452,488	102,994,413
	<u>432,283,588</u>	<u>435,708,660</u>

	2009			2008		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)					
Lease rentals receivable	1,023,499	2,372,569	3,396,068	1,195,192	2,770,568	3,965,760
Residual value	421	5,517	5,938	268	3,507	3,775
Gross investment in finance lease	1,023,920	2,378,086	3,402,006	1,195,460	2,774,075	3,969,535
Unearned finance income	(15,001)	(383,956)	(398,957)	(17,398)	(445,325)	(462,723)
Net investment in finance lease	<u>1,008,919</u>	<u>1,994,130</u>	<u>3,003,049</u>	<u>1,178,062</u>	<u>2,328,750</u>	<u>3,506,812</u>

9.2 Advances include Rs. 42,309.377 million (2008: Rs. 36,086.044 million) which have been placed under non-performing status, other than those accounts classified as loss and fully provided for more than five years which have been placed in separate category as referred to in note 9.3 as detailed below:

Category of classification	2009								
	Non-performing advances			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,760,738	-	1,760,738	-	-	-	1,760,738	-	1,760,738
Substandard	4,289,633	1,086,936	5,376,569	1,032,615	264,205	1,296,820	3,257,018	822,731	4,079,749
Doubtful	7,613,079	2,588,414	10,201,493	3,859,790	1,245,809	5,105,599	3,753,289	1,342,605	5,095,894
Loss	18,790,913	6,179,664	24,970,577	17,940,223	6,178,976	24,119,199	850,690	688	851,378
	<u>32,454,363</u>	<u>9,855,014</u>	<u>42,309,377</u>	<u>22,832,628</u>	<u>7,688,990</u>	<u>30,521,618</u>	<u>9,621,735</u>	<u>2,166,024</u>	<u>11,787,759</u>
<b>General provision</b>	-	-	-	345,341	234,915	580,256	-	-	-
	<u>32,454,363</u>	<u>9,855,014</u>	<u>42,309,377</u>	<u>23,177,969</u>	<u>7,923,905</u>	<u>31,101,874</u>	<u>9,621,735</u>	<u>2,166,024</u>	<u>11,787,759</u>

Category of classification	2008								
	Non-performing advances			Provision required and held			Net non-performing loans		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
<b>Specific provision</b>									
Other assets especially mentioned	1,187,363	-	1,187,363	-	-	-	1,187,363	-	1,187,363
Substandard	6,271,877	428,534	6,700,411	1,507,622	151,419	1,659,041	4,764,255	277,115	5,041,370
Doubtful	9,825,144	564,337	10,389,481	5,063,114	398,206	5,461,320	4,762,030	166,131	4,928,161
Loss	11,457,340	6,351,449	17,808,789	10,391,600	6,279,135	16,670,735	1,065,740	72,314	1,138,054
	<u>28,741,724</u>	<u>7,344,320</u>	<u>36,086,044</u>	<u>16,962,336</u>	<u>6,828,760</u>	<u>23,791,096</u>	<u>11,779,388</u>	<u>515,560</u>	<u>12,294,948</u>
<b>General provision</b>	-	-	-	460,974	283,942	744,916	-	-	-
	<u>28,741,724</u>	<u>7,344,320</u>	<u>36,086,044</u>	<u>17,423,310</u>	<u>7,112,702</u>	<u>24,536,012</u>	<u>11,779,388</u>	<u>515,560</u>	<u>12,294,948</u>

9.2.2 Classification of overseas non-performing advances and provision there against has been made in accordance with the accounting policy as referred in note 4.5.

9.3 The Bank monitors non-performing loans classified as loss for more than five years and fully provided as a separate category as shown in note 9.5.1. This category is not included in note 9.2 and in analytical break-up of other notes.

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

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
		(Rupees in '000)					
Opening balance		23,791,096	744,916	24,536,012	17,592,094	898,604	18,490,698
Exchange adjustment and other movement		753,735	23,130	776,865	1,341,487	79,216	1,420,703
Charge for the year		9,513,138	26,750	9,539,888	7,607,586	73,033	7,680,619
Reversals		(577,625)	(214,540)	(792,165)	(144,702)	(305,937)	(450,639)
		8,935,513	(187,790)	8,747,723	7,462,884	(232,904)	7,229,980
Amounts written off	9.6	(1,312,944)	-	(1,312,944)	(1,043,186)	-	(1,043,186)
Transferred to over 5 years category	9.5.1	(1,645,782)	-	(1,645,782)	(1,562,183)	-	(1,562,183)
Closing balance		<u>30,521,618</u>	<u>580,256</u>	<u>31,101,874</u>	<u>23,791,096</u>	<u>744,916</u>	<u>24,536,012</u>
In local currency		22,832,628	345,341	23,177,969	16,962,336	460,974	17,423,310
In foreign currency		7,688,990	234,915	7,923,905	6,828,760	283,942	7,112,702
		<u>30,521,618</u>	<u>580,256</u>	<u>31,101,874</u>	<u>23,791,096</u>	<u>744,916</u>	<u>24,536,012</u>

**9.5 Amendments in Prudential Regulations in respect of provisioning against non-performing advances**

In accordance with BSD Circular No. 2 dated January 27, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2009 would have been lower by approximately Rs 850.685 million. Increase in profit would not be available for the distribution of cash and stock dividend to share holders.



## Notes to the Unconsolidated Financial Statements

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>9.5.1 Particulars of provision against fully provided non-performing advances classified as loss for more than five years</b>			
Opening balance		11,976,479	11,909,930
Reversal		(471,543)	(483,463)
Transferred during the year	9.4	1,645,782	1,562,183
Write off	9.7	(235,920)	(1,012,171)
		<u>12,914,798</u>	<u>11,976,479</u>
<b>9.6 Particulars of write-offs</b>			
9.6.1 Against provisions		<u>1,548,864</u>	<u>2,055,357</u>
9.6.2 Analysis of write-offs			
Rs 500,000 and above in Pakistan (Note 9.7)		317,224	1,030,120
Below Rs 500, 000 in Pakistan and overseas		<u>1,231,640</u>	<u>1,025,237</u>
		<u>1,548,864</u>	<u>2,055,357</u>

### 9.7 Details of loan write-off of Rs 500,000 and above

The statement required under sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2009 is given in Annexure II.

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

	2009				2008			
	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year	Balance outstanding	Maximum total amount of loans and advances including temporary advances outstanding **	Limit sanctioned during the year	Loan repaid during the year
----- (Rupees in '000) -----								
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons								
- in respect of directors	-	-	-	-	-	-	-	-
- in respect of executives * (other than KMPs)	1,038,000	1,054,700	155,890	123,466	1,005,576	1,039,416	341,604	33,840
- in respect of key management personnel / Companies in which key management personnel or their spouse are interested	380,584	392,484	97,511	299,296	582,369	594,534	278,284	12,288
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	1,155,500	1,155,500	1,657,401	1,393,532	891,631	894,419	15,295,761	15,737,463
Debts due by Subsidiary company	10,207	155,129	128,592	246,057	127,672	235,405	357,519	373,867
Debts due by companies in which key management personnel are nominated by the Bank as directors								
- Guaranteed by Government	12,664,465	14,055,572	20,143,120	9,577,800	2,099,145	2,883,582	6,533,245	6,034,147
- Others	52,729	418,491	341,064	462,098	173,763	562,180	659,263	488,106
- Retirement benefit funds	-	-	-	-	-	1,033,720	-	1,033,720

The disclosure of the year-end balance, limit/ amount sanctioned, highest amount outstanding during the year, and loan repaid during the year is considered the most meaningful information to represent the transactions during the year.

\* (These represent staff loans given by the Bank to its executives as per their terms of employment)

\*\* (Maximum amount has been arrived at by reference to month end balance)

### 10. OTHER ASSETS

	2009 (Rupees in '000)	2008 (Rupees in '000)
Income / mark-up accrued in local currency	14,815,605	12,982,966
Income / mark-up accrued in foreign currency	642,481	965,577
Advances, deposits, advance rent and other prepayments	1,061,194	1,155,641
Advance taxation (payments less provisions)	7,910,104	2,392,664
Receivable from defined benefit plans	7,919,870	6,572,013
Stationery and stamps on hand	23,224	199,436
Accrued fee income	31,169	39,360
Due from Government of Pakistan	-	295,353
Unrealised gain on forward foreign exchange contract - net	109,815	-
Non-banking assets acquired in satisfaction of claims (market value Rs. 2,908.279 million)	2,475,566	30,000
Receivable from National Saving Centre / Clearing in transit	4,743,943	7,465,756
Dividend receivable	31,333	374,809
Others	423,406	1,016,931
	<u>40,187,710</u>	<u>33,490,506</u>

## Notes to the Unconsolidated Financial Statements

	Note	2009 (Rupees in '000)	2008
<b>10.1 Provision against other assets</b>			
Opening balance		379,406	480,186
Charge for the year		428,024	134,824
Write off		(583,543)	(287,039)
Other movement		295,353	-
Exchange adjustment		4,533	51,435
Closing balance		<u>523,773</u>	<u>379,406</u>
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	805,380	830,553
Intangible assets	11.2	234,636	446,042
Tangible fixed assets	11.3	<u>15,435,923</u>	<u>13,291,338</u>
		<u>16,475,939</u>	<u>14,567,933</u>
<b>11.1 Capital work-in-progress</b>			
Civil works		534,294	613,474
Others		<u>271,086</u>	<u>217,079</u>
		<u>805,380</u>	<u>830,553</u>

### 11.2 Intangible assets

Description	2009									
	COST			AMORTISATION				Book value as at December 31, 2009	Rate of amortisation %	
	As at January 1, 2009	Additions / (deletions) during the year	Adjustments	As at December 31, 2009	As at January 1, 2009	Charge for the year/ (Amortisation on deletions)	Adjustments			As at December 31, 2009
	Rupees in 000									
Computer Software	1,395,846	25,480 (107)	-	1,421,219	949,804	236,873 (94)	-	1,186,583	234,636	33.33
	2008									
Description	COST			AMORTISATION				Book value as at December 31, 2008	Rate of amortisation %	
	As at January 1, 2008	Additions / (deletions) during the year	Adjustments	As at December 31, 2008	As at January 1, 2008	Charge for the year/ (Amortisation on deletions)	Adjustments			As at December 31, 2008
	Rupees in 000									
Computer Software	1,233,547	163,495 (1,196)	-	1,395,846	586,167	364,826 (1,189)	-	949,804	446,042	33.33

### 11.3 Tangible fixed assets

Description	2009									
	COST / REVALUATION				DEPRECIATION				Book value as at December 31, 2009	Rate of depreciation %
	As at January 1, 2009	Additions/ (deletions) / Adjustments during the year	Surplus/ (deficit) on revaluation during the year	As at December 31, 2009	As at January 1, 2009	Charge for the year/ (depreciation on deletions) / adjustments	Surplus/ (deficit) on revaluation during the year	As at December 31, 2009		
	Rupees in 000									
Land	7,514,802	390,164 (58,951) 18,779	802,746	8,667,540	-	-	-	-	8,667,540	-
Building including related machinery	3,926,929	459,299 (942) 29,654	56,316	4,471,256	1,047,835	318,564 (137) 17,729	(959,643)	424,348	4,046,908	2.5-10
Furniture, fixture and office equipment	7,502,660	853,246 (244,525) 70,048	-	8,181,429	4,750,912	1,063,609 (229,787) 49,715	-	5,634,449	2,546,980	20-33
Vehicles	355,813	82,053 (40,202) 2,510	-	400,174	210,119	51,912 (39,807) 3,455	-	225,679	174,495	20
<b>2009</b>	<u>19,300,204</u>	<u>1,784,762</u> <u>(344,620)</u> <u>120,991</u>	<u>859,062</u>	<u>21,720,399</u>	<u>6,008,866</u>	<u>1,434,085</u> <u>(269,731)</u> <u>70,899</u>	<u>(959,643)</u> <u>-</u>	<u>6,284,476</u>	<u>15,435,923</u>	

## Notes to the Unconsolidated Financial Statements

Description	2008									
	COST / REVALUATION				DEPRECIATION				Book value as at December 31, 2008	Rate of depreciation %
	As at January 1, 2008	Additions/ (deletions) / Adjustments during the year	Surplus/ (deficit) on revaluation during the year	As at December 31, 2008	As at January 1, 2008	Charge for the year/ (depreciation on deletions) / Adjustments	Surplus/ (deficit) on revaluation during the year	As at December 31, 2008		
Rupees in '000										
Land	6,974,233	496,730 (3,960) 47,799	-	7,514,802	-	- - -	-	-	7,514,802	-
Building including related machinery	3,754,025	118,960 (3,432) 57,376	-	3,926,929	835,597	164,202 (329) 48,365	-	1,047,835	2,879,094	2.5-10
Furniture, fixture and office equipment	6,272,139	1,299,325 (286,105) 217,301	-	7,502,660	3,841,841	989,921 (227,551) 146,701	-	4,750,912	2,751,748	20-33
Vehicles	265,373	112,123 (41,808) 20,125	-	355,813	192,921	46,797 (41,326) 11,727	-	210,119	145,694	20
<b>2008</b>	<b>17,265,770</b>	<b>2,027,138 (335,305) 342,601</b>	<b>-</b>	<b>19,300,204</b>	<b>4,870,359</b>	<b>1,200,920 (269,206) 206,793</b>	<b>-</b>	<b>6,008,866</b>	<b>13,291,338</b>	

- 11.4 Habib Bank Limited's (HBL) domestic properties were revalued by independent professional valuers as on June 30, 2009. These properties were revalued by Iqbal A. Nanjee & Co., professional valuers on the basis of market value. The revaluation has resulted in increasing the surplus on revaluation of fixed assets by Rs. 1,814.219 million. HBL property of Lebanon branch was revalued as on June 25, 2009 by Banking Control Commission of Lebanon resulted in a surplus of Rs. 4.486 million. HBL properties of Srilanka and Singapore branches were revalued on August 10, 2005 and September 5, 2006 by A. Y. Daniel & Son and CB Richard Ellis (Pte) Ltd. respectively, licensed valuers, on market value basis. These revaluations have resulted in a surplus of Rs. 140.834 million and the same has been recorded in the books in 2006. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

(Rupees in '000)

- Land	7,211,553
- Building including related machinery	2,781,267

The movement in surplus on revaluation of properties is given in note 19.1 to these financial statements.

### 11.5 Details of disposal of fixed assets

The information relating to disposal of fixed assets in aggregate having book value exceeding Rs. 250,000 or cost exceeding Rs. 1 million (whichever is lower), are required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure III and is an integral part of these financial statements.

- 11.6 At December 31, 2009 carrying value of properties and equipment retired from active service and held for disposal purposes amounted to Rs. 0.682 million (2008: Rs. 127.979 million). The cost / valuation of fully depreciated properties and equipment that are still in the Bank's use, as at the above date, amounted to Rs. 2,531.919 million (2008: Rs. 2,405.655 million).

### 12. DEFERRED TAX ASSET

Note

2009      2008  
(Rupees in '000)

#### *Deductible temporary differences on*

- provision against investments	908,508	419,518
- provision against doubtful debts	6,403,229	7,098,785
- provision against off balance sheet obligation	139,413	139,413
- provision against others	1,304,349	1,580,093
On revaluation of investments	370,251	1,857,523
	9,125,750	11,095,332

#### *Taxable temporary differences on*

- fixed assets	(953,160)	(640,720)
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#### **Net deferred tax asset recognised by the Bank**

<b>8,172,590</b>	<b>10,454,612</b>
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## Notes to the Unconsolidated Financial Statements

### 12.1 Movement in temporary differences during the year

	Balance as at January 1, 2008	Recognised in profit or loss	Recognised in equity	Balance as at December 31, 2008	Recognised in profit or loss	Recognised in equity	Balance as at December 31, 2009
	(Rupees in '000)						
<b>Deductible temporary differences on</b>							
- Provision against investments	110,504	309,014	-	419,518	488,990	-	908,508
- Provision against doubtful debts	5,362,476	1,736,309	-	7,098,785	(695,556)	-	6,403,229
- Provision against off balance sheet obligations	-	139,413	-	139,413	-	-	139,413
- Provision against others	1,181,437	398,656	-	1,580,093	(275,744)	-	1,304,349
- On revaluation of investments	41,990	-	1,815,533	1,857,523	-	(1,487,272)	370,251
<b>Taxable temporary differences on</b>							
- fixed assets	(577,375)	(64,111)	766	(640,720)	42,876	(355,316)	(953,160)
	<u>6,119,032</u>	<u>2,519,281</u>	<u>1,816,299</u>	<u>10,454,612</u>	<u>(439,434)</u>	<u>(1,842,588)</u>	<u>8,172,590</u>

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>13. BILLS PAYABLE</b>			
In Pakistan		9,434,879	9,025,987
Outside Pakistan		<u>606,324</u>	<u>755,090</u>
		<u>10,041,203</u>	<u>9,781,077</u>
<b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>			
In Pakistan		39,936,837	30,277,611
Outside Pakistan		<u>8,184,812</u>	<u>13,745,065</u>
		<u>48,121,649</u>	<u>44,022,676</u>
<b>14.1 Particulars of borrowings from financial institutions</b>			
In local currency		39,936,837	30,277,611
In foreign currency		<u>8,184,812</u>	<u>13,745,065</u>
		<u>48,121,649</u>	<u>44,022,676</u>
<b>14.2 Details of borrowings from financial institutions</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan under:			
- Export refinance scheme	} 14.3	22,267,455	15,736,471
- Long term financing facility - locally manufactured and imported plant & machinery		1,575,542	392,475
- Long term finance - export oriented projects		5,196,466	5,364,316
Repurchase agreement borrowings		<u>4,497,374</u>	<u>8,684,350</u>
		33,536,837	30,177,612
<b>Unsecured</b>			
In Pakistan			
- Interbank call money borrowing		6,400,000	100,000
Outside Pakistan			
- Overdrawn nostro accounts		501,341	1,793,871
- Borrowings of overseas branches		<u>7,683,471</u>	<u>11,951,193</u>
		<u>8,184,812</u>	<u>13,745,064</u>
		<u>14,584,812</u>	<u>13,845,064</u>
		<u>48,121,649</u>	<u>44,022,676</u>
<b>14.3 Borrowings from State Bank of Pakistan (SBP) under the export, locally manufactured machinery and export oriented projects refinance schemes of SBP are secured by the bank's cash and security balances held by SBP.</b>			

## Notes to the Unconsolidated Financial Statements

### 15. DEPOSITS AND OTHER ACCOUNTS

	2009 (Rupees in '000)	2008
<b>Customers</b>		
Fixed deposits	190,593,620	166,681,991
Savings chequing account	310,366,281	270,210,101
Current accounts - remunerative	1,811,833	2,739,418
Current accounts - non-remunerative	144,520,691	127,271,437
	<u>647,292,425</u>	<u>566,902,947</u>
<b>Financial institutions</b>		
Remunerative deposits	1,623,028	2,368,970
Non-remunerative deposits	4,537,007	3,127,270
	<u>6,160,035</u>	<u>5,496,240</u>
	<u>653,452,460</u>	<u>572,399,187</u>

#### 15.1 Particulars of deposits

In local currency	531,389,016	464,244,574
In foreign currencies (including foreign currency deposits of domestic branches of Rs 48,530.820 million (2008: Rs. 42,887.922 million))	122,063,444	108,154,613
	<u>653,452,460</u>	<u>572,399,187</u>

### 16 SUB-ORDINATED LOAN

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2008: US \$ 50 million). The principal amount is repayable in four equal half yearly installments commencing from the year 2013 to 2014. Interest is payable on bi - annual basis commencing from December 2007 at LIBOR + 1.75%. The loan is unsecured and subordinated as to payment of principal and interest to all other indebtedness of the bank (including deposits). The loan may not be prepaid or repaid before maturity without the prior written approval of the State Bank of Pakistan. The Bank is not exposed to significant exchange risk as the loan forms part of the Bank's foreign currency net open position.

	Note	2009 (Rupees in '000)	2008
<b>17. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		11,098,144	8,538,957
Mark-up / return / interest payable in foreign currency		525,124	657,632
Security deposits against leases		5,938	3,775
Accrued expenses		3,140,203	2,093,750
Unrealised loss on forward foreign exchange contracts - net		-	64,351
Unclaimed dividends		34,821	33,380
Provision for employees' compensated absences	33.2.8	1,513,413	1,450,272
Provision for post retirement medical benefits	33.2.3	2,072,460	2,349,341
Provision against off-balance sheet obligations	17.1	741,033	792,429
Provision for contingencies	17.2	419,167	658,432
Branch adjustment account		2,024,185	2,203,993
Provision for staff retirement benefits		1,115,486	838,381
Payable to defined benefit plan		266,245	-
Provision for workers welfare fund		721,243	323,575
Unearned commission		203,205	120,938
Qarza-e-Hasna Fund		351,142	353,802
Others		1,826,599	1,596,726
		<u>26,058,408</u>	<u>22,079,734</u>

		2009 (Rupees in '000)	2008 (Rupees in '000)
17.1	<b>Provision against off-balance sheet obligations</b>		
	Opening balance	792,429	419,831
	(Reversal) / charge for the year	(51,396)	372,598
	Closing balance	<u>741,033</u>	<u>792,429</u>
17.2	<b>Provision for contingencies</b>		
	Opening balance	658,432	740,834
	Charge / (reversal) for the year	47,600	(129,080)
	Write off	(5,732)	(600)
	Other movement	(295,353)	-
	Exchange adjustment	14,220	47,278
	Closing balance	<u>419,167</u>	<u>658,432</u>
18.	<b>SHARE CAPITAL</b>		
18.1	<b>Authorised Capital</b>		
		<b>2009</b>	<b>2008</b>
		<b>Number of shares in '000</b>	<b>(Rupees in '000)</b>
		<u>1,380,000</u>	<u>1,380,000</u>
	Ordinary shares of Rs. 10 each		
		<u>13,800,000</u>	<u>13,800,000</u>
18.2	<b>Issued, subscribed and paid-up capital</b>		
		<b>2009</b>	<b>2008</b>
		<b>Number of shares in '000</b>	<b>(Rupees in '000)</b>
		<u>690,000</u>	<u>690,000</u>
	Ordinary shares of Rs. 10 each		
	Fully paid in cash	6,900,000	6,900,000
	Issued as bonus shares	2,208,000	690,000
		<u>910,800</u>	<u>759,000</u>
		<u>9,108,000</u>	<u>7,590,000</u>
18.3	<b>Exchange translation reserve</b>		
	This comprises all foreign currency differences arising from the translation of financial statements of foreign operations.		
18.4	<b>Statutory reserves</b>		
	Every banking company incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the holding company are to be transferred to this reserve.		
18.5	<b>Dividends</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
	The following cash dividends and bonus shares were declared and paid / issued by the Bank:		
	Cash dividend: Rs. 5.50 per share (2008: Rs. 4 per share)	<u>4,174,500</u>	<u>2,760,000</u>
	Bonus share: 2 shares for every 10 shares held (2008: 1 share for every 10) shares held	<u>1,518,000</u>	<u>690,000</u>
	After December 31, 2009 the following dividends were proposed by the Directors for 2009. The dividends have not been provided for and, there are no income tax consequences.		
	Cash dividend: Rs. 6 per share	<u>5,464,800</u>	
	Bonus share: 1 share for every 10 shares held	<u>910,800</u>	
19.	<b>SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>		
		<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
	Surplus arising on revaluation of:		
	- fixed assets	19.1	8,548,652
	- investments	19.2	(688,452)
	Surplus on revaluation of assets - net of deferred tax	<u>7,860,200</u>	<u>3,753,597</u>

## Notes to the Unconsolidated Financial Statements

19.1 Surplus on revaluation of fixed assets	2009 (Rupees in '000)	2008
Surplus on revaluation of fixed assets as at January 1	7,809,013	7,889,744
Surplus on revaluation of bank's properties recognised during the year	1,818,705	-
Surplus realised on disposal of revalued properties during the year	(46,754)	(6,168)
Transferred to accumulated profit in respect of incremental depreciation charged during the year - net of deferred tax	(83,929)	(48,466)
Related deferred tax liability of incremental depreciation charged during the year	(45,192)	(26,097)
Surplus on revaluation of fixed assets as at December 31	<u>9,451,843</u>	<u>7,809,013</u>
Less: related deferred tax liability on:		
- revaluation as at January 1	593,067	619,930
- revaluation of bank's properties recognised during the year	355,586	-
- surplus realised on disposal of revalued properties during the year	(270)	(766)
- incremental depreciation charged during the year transferred to profit and loss account	(45,192)	(26,097)
	<u>903,191</u>	<u>593,067</u>
	<u>8,548,652</u>	<u>7,215,946</u>
<b>19.2 Surplus / (deficit) on revaluation of investments</b>		
Market Treasury Bills	94,837	(60,586)
Pakistan Investment Bonds	(701,073)	(2,272,277)
Sukuk and Euro Bonds	(532,377)	(2,393,398)
Listed Securities	16,482	(47,104)
NIT Units	9,397	11,350
Other Investments	54,031	(557,857)
	(1,058,703)	(5,319,872)
Add: related deferred tax asset	370,251	1,857,523
	<u>(688,452)</u>	<u>(3,462,349)</u>
<b>20. CONTINGENCIES AND COMMITMENTS</b>		
<b>20.1 Direct credit substitutes - financial guarantees</b>		
Guarantees in favour of:		
- Government	7,220,955	5,960,958
- Financial institutions	641,533	137,947
- Others	50,716,165	38,699,414
	<u>58,578,653</u>	<u>44,798,319</u>
<b>20.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
- Government	2,153,320	2,569,019
- Financial institutions	112,588	167,196
- Others	20,949,375	14,572,054
	<u>23,215,283</u>	<u>17,308,269</u>
<b>20.3 Trade-related commitments</b>		
Credit cash	97,492,487	100,179,596
Credit documentary acceptances	10,068,783	11,315,943
Credit acceptances	23,523,827	16,021,669
	<u>131,085,097</u>	<u>127,517,208</u>
<b>20.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>80,965,869</u>	<u>46,863,991</u>

## Notes to the Unconsolidated Financial Statements

### 20.5 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	2009 (Rupees in '000)	2008 (Rupees in '000)
Purchase	28,826,751	26,840,479
Sale	28,837,326	26,722,359

The above commitments have maturities falling within one year.

### Commitments in respect of foreign currency options

Purchase	2,556,777	123,241
Sale	2,556,777	123,241

### Commitments in respect of local currency interest rate swaps

Purchase	456,208	35,000
Sale	456,208	35,000

20.7 Commitments for acquisition of operating fixed assets / intangibles	548,975	761,514
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## 21. DERIVATIVE INSTRUMENTS

### 21.1. Product Analysis

Counterparties	2009			
	Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
<b>With Banks for</b>				
Hedging	-			
Market Making	2	456,208	49	2,556,777
<b>With FIs other than banks for</b>				
Hedging	-	-	-	-
Market Making	-	-	-	-
<b>With other entities for</b>				
Hedging	-	-		
Market Making	2	456,208	49	2,556,777
<b>Total</b>				
Hedging	-	-	-	-
Market Making	4	912,416	98	5,113,554
	2008			
	Interest Rate Swaps		FX Options	
	No. of Contracts	Notional Principal* (Rupees in '000)	No. of Contracts	Notional Principal * (Rupees in '000)
<b>With Banks for</b>				
Hedging	-	-	-	-
Market Making	1	35,000	4	64,762
<b>With FIs other than banks for</b>				
Hedging	-	-	-	-
Market Making	-	-	-	-
<b>With other entities for</b>				
Hedging	-	-	-	-
Market Making	1	35,000	4	64,762
<b>Total</b>				
Hedging	-	-	-	-
Market Making	2	70,000	8	129,524

\* At the exchange rate prevailing at the end of the reporting period



## Notes to the Unconsolidated Financial Statements

### 21.2. Maturity Analysis

Remaining Maturity	No. of Contracts	2009			
		Notional Principal (Rupees in '000)	Mark to Market		
			Negative	Positive	Net
6 to 12 months	2	70,000	(482)	521	39
7 to 8 years	2	842,416	(1,103)	2,224	1,121
	4	912,416	(1,585)	2,745	1,160

Remaining Maturity	No. of Contracts	2008			
		Notional Principal (Rupees in '000)	Mark to Market		
			Negative	Positive	Net
2 to 3 years	2	70,000	(464)	562	98
	2	70,000	(464)	562	98

### 22. MARK-UP / RETURN / INTEREST EARNED

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<i>On loans and advances to</i>			
- Customers		54,919,627	45,138,629
- Financial institutions		260,162	419,940
<i>On investments</i>			
- Held for Trading		42,822	-
- Available for sale		16,411,896	12,742,068
- Held to maturity		542,192	641,144
On deposits with financial institutions		772,088	1,482,322
On lendings to financial institutions		1,802,588	733,710
		<u>74,751,375</u>	<u>61,157,813</u>

### 23. MARK-UP / RETURN / INTEREST EXPENSED

Deposits		30,322,614	22,059,005
Securities sold under repurchase agreement borrowings		511,897	1,829,627
Other short term borrowings		1,800,516	1,142,886
Long term borrowings		453,509	492,054
		<u>33,088,536</u>	<u>25,523,572</u>

### 24. INCOME / GAIN ON INVESTMENTS

Dividend income		281,152	944,802
Gain on sale of securities	24.1	171,403	180,526
Unrealised appreciation in value of investments at fair value		268	-
		<u>452,823</u>	<u>1,125,328</u>

#### 24.1 Gain / (Loss) on sale of securities

<i>Federal Government Securities</i>			
- Market treasury bills		227,994	31,173
- Pakistan investment bonds		(73,653)	3,458
- Term finance certificates		35	-
<i>Shares</i>			
- Listed		(72,246)	145,895
<i>Associates</i>		89,273	-
		<u>171,403</u>	<u>180,526</u>

## Notes to the Unconsolidated Financial Statements

25. OTHER INCOME	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
Incidental charges		1,473,029	1,267,585
Rent on lockers		254,318	149,215
Gain on sale of property and equipment		29,386	41,895
Rent on property		68,040	111,782
Miscellaneous earnings		1,352,092	1,162,561
		<u>3,176,865</u>	<u>2,733,038</u>
<b>26. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances, etc.	26.3	12,548,245	11,164,631
Charge for defined benefit / contribution plan and other benefits		(158,359)	452,361
Non-executive directors' fees, allowances and other expenses		12,880	11,200
Brokerage and commission		11,953	13,476
Rent, taxes, insurance, electricity, etc.		2,048,273	1,819,475
Legal and professional charges		798,131	703,499
Communications		391,295	398,017
Repairs and maintenance		871,045	709,638
Stationery and printing		585,161	401,979
Auditors' remuneration	26.1	76,175	75,502
Advertisement and publicity		199,134	676,886
Amortization	11.2	236,873	364,826
Depreciation	11.3	1,434,085	1,200,920
Entertainment		88,214	84,270
Travelling		255,500	305,008
Conveyance and motor car		94,476	90,274
Training		124,781	164,466
Security charges		384,855	348,120
Remittance charges		125,560	88,877
Donations	26.4	48,179	27,330
Others		1,556,951	1,152,823
		<u>21,733,407</u>	<u>20,253,578</u>
<b>26.1 Auditors' remuneration</b>			
Audit fee		3,273	2,910
Fee for interim audit		2,979	2,648
Fee for audit of local branches of the Bank		7,252	6,446
Special certifications / examinations and sundry advisory services		1,390	1,330
Tax services		-	5,186
Out of pocket expenses		2,745	2,622
		<u>17,639</u>	<u>21,142</u>
Overseas branches		58,536	54,360
		<u>76,175</u>	<u>75,502</u>
26.2	The Bank operates a short term employee benefit scheme which includes cash award / special bonus for all employees. Under this scheme, the bonus for all Executives, including the Chief Executive Officer is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate amount determined for the eligible employees in respect of the above scheme relating to all Executives and for the Key Management Personnel of the Bank amounted to Rs. 504.950 million (2008: Rs. 519.584 million) and Rs. 358.630 million (2008: Rs. 393.124 million) respectively.		
26.3	The bank has paid in addition to payments under the staff retirement funds, an amount of Rs. 1,720.420 million (2008: Rs. 561.868 million) to the staff retrenched during the year and in previous years.		

## Notes to the Unconsolidated Financial Statements

26.4 Details of the donations in excess of Rupees 100,000 and above are given in Annexure IV.

27. OTHER CHARGES	2009 (Rupees in '000)	2008
Penalties imposed by State Bank of Pakistan	3,540	64,751

## 28. WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the bank is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, whichever is higher.

29. TAXATION	2009 (Rupees in '000)	2008
For Pakistan - for the year - current	6,878,293	7,221,778
- deferred	(1,339,095)	(1,291,347)
For Pakistan - prior year - current	(1,173,853)	254,895
- deferred	1,778,529	(1,227,934)
For Overseas - for the year - current	948,844	915,983
- deferred	-	-
For Overseas - prior year - current	94,380	(19,161)
- deferred	-	-
	<u>7,187,098</u>	<u>5,854,214</u>

For the purpose of taxation overseas include the Bank's branches in Azad Jammu & Kashmir region.

29.1 Relationship between tax expense and accounting profit	2009 (Rupees in '000)	2008
Accounting profit for the current year	19,485,741	15,855,194
Tax on income @ 35% (2006: 35%)	6,820,009	5,549,318
- Reduced rate income	(251,490)	145,722
- Others	618,579	159,174
Tax charge for the current year	<u>7,187,098</u>	<u>5,854,214</u>

29.2 The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2008. The tax authorities have concluded the audit of years 2002 through 2008.

While amending the assessments under section 122(5A) of the Income Tax Ordinance, 2001 the tax authorities have disallowed certain items including disallowance of double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 million and addition on account of allocation of expenses related to exempt capital gains and dividend income resulting in additional tax liability amounting to Rs. 637 million.

Management's view is that the settlement reached, after deliberations by the technical committee formed by the Prime Minister and Chairman AJ&K Council, relates to the long outstanding issue of basis of computation of income in AJK. The foreign tax credit claimed by the bank is in accordance with accounting practice and the law.

## Notes to the Unconsolidated Financial Statements

The tax authorities allocated the total operating expenses on the basis of turnover/ income. Management's view is that the law requires that expenses should be based on specific expenditure allocated in a reasonable manner, which is based on assets deployed.

Appeals against these assessments are in process. Although the bank has made partial payment of tax assessed, under protest, no provision has been made in the financial statements for the above liabilities, as the management is confident that the eventual outcome of these issues will be in the favour of the bank.

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. Through these amendments the deduction for provisions for advances and off balance sheet items will be allowed upto 1% of total advances. The amendments introduced in the Seventh Schedule do not provide for any transitional mechanism i.e. how and when the provision for bad debts disallowed upto December 31, 2007 would be allowed as a deduction. The matter was taken up by the Pakistan Banks Association (PBA) and the Institute of Chartered Accountants of Pakistan (ICAP) with the Federal Board of Revenue (FBR). FBR vide its letter reference F.No. 4(1)ITP/2008-49 dated December 23, 2009 has informed ICAP that it has decided to insert a new Rule 8(a) 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.

However, to date no SRO has been issued to incorporate the agreed amendments to the Seventh Schedule. The Bank based on advise of its tax consultant has treated the FBR commitment as effective. Accordingly, the deferred tax asset recognized through December 31, 2007 relating to provision for advances and off balance sheet items amounting to Rs. 4.095 billion has been carried forward.

With reference to allowability of provision upto 1% of total advances, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognised deferred tax asset on such provision amounting to Rs. 2.308 billion.

30.	<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	<b>2009</b>	<b>2008</b>
		<b>(Rupees in '000)</b>	
	Profit for the year attributable to equityholders of the Bank	<u>12,298,643</u>	<u>10,000,980</u>
		<b>(Number)</b>	
	Weighted average number of ordinary shares	<u>910,800,000</u>	<u>910,800,000</u>
		<b>(Rupees)</b>	
	Basic and diluted earnings per share	<u>13.50</u>	<u>10.98</u>
31.	<b>CASH AND CASH EQUIVALENTS</b>	<b>(Rupees in '000)</b>	
	Cash and balance with treasury banks	5      79,527,191	56,359,367
	Balance with other banks	6      29,560,309	32,720,391
		<u>109,087,500</u>	<u>89,079,758</u>
32.	<b>STAFF STRENGTH</b>	<b>(Number)</b>	
	Permanent	13,101	14,005
	Others	21	18
	Total staff strength	<u>13,122</u>	<u>14,023</u>

## Notes to the Unconsolidated Financial Statements

### 33. DEFINED BENEFIT PLANS AND OTHER BENEFITS

#### 33.1 Principal actuarial assumptions

The latest actuarial valuation for pension and gratuity schemes was carried out as at December 31, 2009 using the Projected Unit Credit Actuarial Cost method and assuming that no indexation of pension will take place. The following significant assumptions were used for the valuation of these schemes:

	2009	2008
	-----Per annum-----	
Valuation discount rate	13%	14%
Expected rate of increase in salary level	11%	12%
Expected rate of return on funds invested	13%	14%

#### 33.2 Pension, gratuity and benevolent fund schemes

33.2.1 Fair value of plan assets and present value of defined benefits obligations of these schemes as at December 31, 2009 are as follows:

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----							
Fair value of plan assets	11,308,988	10,235,607	770,148	651,072	1,170,236	1,276,397	-	-
Present value of defined benefit obligation	(3,823,669)	(3,958,503)	(335,598)	(357,163)	(1,432,930)	(1,249,439)	-	-
Surplus / (deficit)	7,485,319	6,277,104	434,550	293,909	(262,694)	26,958	-	-
Present value of unfunded obligation	-	-	-	-	-	-	(2,180,320)	(2,422,945)
Unrecognised past service cost	-	-	-	-	188,760	166,364	107,860	73,604
Asset / (provision) recognised in the balance sheet	7,485,319	6,277,104	434,550	293,909	(73,934)	193,322	(2,072,460)	(2,349,341)

33.2.2 The following amounts have been charged / (credited) to the profit and loss account in respect of the above-referred schemes:

Note	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----							
Current service cost	32,440	50,844	496	118	14,645	23,556	16,799	21,064
Mark-up cost	554,190	506,890	50,003	30,600	174,921	149,391	339,212	159,072
Expected return on plan assets	(1,432,985)	(1,113,460)	(91,150)	(60,238)	(178,696)	(134,198)	-	-
Other movements	(361,860)	(839,176)	(66,373)	65,811	294,148	(164,586)	(276,607)	865,126
Contributions - employees	-	-	-	-	(18,881)	(16,476)	-	-
Charge / (reversal) for the year	(1,208,215)	(1,394,902)	(107,024)	36,291	286,137	(142,313)	79,404	1,045,262

Charge for the year is included in administrative expenses (note 26 to the financial statements) under 'Charge for defined benefit plans and other benefits' account head. A sensitivity analysis to estimate the impact of increase in medical costs has not been carried out and is not likely to have a material impact on Bank's financial statements.

33.2.2.1 It represents net impact of actuarial (gain) / loss, past service cost recognized in current period.

#### 33.2.3 Movement in amounts (receivable from) / payable to defined benefit plans

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----							
Opening balance	(6,277,104)	(4,882,202)	(293,909)	(276,713)	(193,322)	(34,533)	2,349,341	1,517,413
Charge / (credit) for the year	(1,208,215)	(1,394,902)	(107,024)	36,291	286,137	(142,313)	79,404	1,045,262
Contributions during the year	-	-	(33,617)	(53,487)	(18,881)	(16,476)	-	-
Benefits paid	-	-	-	-	-	-	(356,285)	(213,334)
Closing balance	(7,485,319)	(6,277,104)	(434,550)	(293,909)	73,934	(193,322)	2,072,460	2,349,341

33.2.4 The significant portion of the assets comprises of debt securities.

#### 33.2.5 Movement of present value of defined benefit obligation

	Pension		Gratuity		Benevolent		Post-employment medical benefits	
	2009	2008	2009	2008	2009	2008	2009	2008
	----- (Rupees in '000) -----							
Opening balance	(3,958,503)	(5,086,147)	(357,163)	(325,663)	(1,249,439)	(1,515,402)	(2,422,945)	(1,609,418)
Current service cost	(32,440)	(50,844)	(496)	(118)	(14,645)	(23,556)	(16,799)	(21,064)
Mark-up cost	(554,190)	(506,890)	(50,003)	(30,600)	(174,921)	(149,391)	(339,212)	(159,072)
Benefits paid	851,763	552,109	57,483	53,487	279,433	196,046	356,285	213,334
Other movements	(130,299)	1,133,269	14,581	(54,269)	(273,358)	242,864	242,351	(846,725)
Closing balance	(3,823,669)	(3,958,503)	(335,598)	(357,163)	(1,432,930)	(1,249,439)	(2,180,320)	(2,422,945)

## Notes to the Unconsolidated Financial Statements

### 33.2.6 Movement of fair value of plan assets

	Pension		Gratuity		Benevolent	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Opening balance	10,235,607	9,968,349	651,072	602,376	1,276,397	1,341,979
Expected return on plan assets	1,432,985	1,113,460	91,150	60,238	178,696	134,198
Employer contributions	-	-	33,617	53,487	18,881	16,476
Employee contributions	-	-	-	-	18,881	16,476
Benefits paid	(851,763)	(552,109)	(57,483)	(53,487)	(279,433)	(196,046)
Actuarial gain / (loss) on plan assets	492,159	(294,093)	51,792	(11,542)	(43,186)	(36,686)
Closing balance	11,308,988	10,235,607	770,148	651,072	1,170,236	1,276,397

### 33.2.7 Actual return on plan assets

	Pension		Gratuity		Benevolent	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Expected return on plan assets	1,432,985	1,113,460	91,150	60,238	178,696	134,198
Actuarial (loss) / gain on plan assets	492,159	(294,093)	51,792	(11,542)	(43,186)	(36,686)
Actual return on plan assets	1,925,144	819,367	142,942	48,696	135,510	97,512

### 33.2.8 Other benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2009, amounted to Rs. 1,513.413 million (2008: Rs. 1,450.272 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 229.694 million (2008: 299.883 million) is included in administrative expenses (note 26 to these financial statements) under 'Charge for defined benefit plans and other benefits' account head.

## 34. DEFINED CONTRIBUTION PLAN

### 34.1 Provident Fund

For employees hired on or after 1st January, 2002 and for those who did not opt for the Bank's Pension scheme introduced in 1977, the bank operates an approved Provident Fund under which both the Bank and employees contribute at following rates:

6% of the Basic Salary	For Executives & Officers
12% of the Basic Salary	For Clerical Staff
For Contractual Employees as per their Service Contracts.	

The staff who are covered by the Bank's Pension plan now also eligible for Provident fund benefits effective from April 04, 2005 by contributing 6% of the basic pay. Bank also makes equal contributions for these employees.

Payments are made to the employees on retirement, death, resignation and discharge as specified in the rules of the Fund.

The total assets of the Fund were Rs. 7,682.228 million as at December 31, 2008 (2007: Rs. 7,219.429 million) as per latest available audited financial statements.

## 35. REMUNERATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Directors Fee	-	-	12,880	11,200	-	-
Directors - Others	-	-	1,934	957	-	-
Managerial remuneration (including allowances)	10,320	10,320			2,088,020	1,821,824
Contribution to provident and benevolent fund	900	900			55,990	47,655
Medical	156	178			95,510	76,881
House maintenance	1,689	261			-	-
Utilities	288	233			-	-
Conveyance	195	397			-	-
	13,548	12,289	14,814	12,157	2,239,520	1,946,360
Number of persons	1	1	7	7	1,193	974

The Chief Executive Officer and certain Executives are provided with free club membership and the Chairman / Chief Executive Officer are also provided with free use of the Group's maintained cars in accordance with their entitlement.

In addition to the above, all executives, including Chief Executive Officer of the Bank are also entitled to certain short term employee benefits which are disclosed in note 26.2 to these financial statements.

## 36. RELATED PARTY TRANSACTIONS

Aga Khan Fund for Economic Development S.A Switzerland holds 51% shares of the Bank. The bank has related party relationship with its subsidiaries, associated undertakings, joint venture company (refer note 8.4 and 8.5), employee benefit schemes (refer note 4.7) of the Bank / related party, and members of the Key Management Personnel of the Bank / related party, including both Executive and Non-Executive Directors and Executive officers.

## Notes to the Unconsolidated Financial Statements

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than normal risk (i.e. under the comparable uncontrolled price method) other than those under terms of employment. Details of loans and advances to related parties are given in note 9.8 to these financial statements.

Contributions to and accruals in respect of staff retirement and other benefits schemes are made in accordance with the actuarial valuation / terms of the contribution plan.

Details of transactions with related parties and balances with them as at the year-end were as follows:

	Note	2009 (Rupees in '000)	2008 (Rupees in '000)
<b>Balances outstanding as at the year end</b>			
<b>- Borrowings / Deposits from</b>			
- Joint venture and associates		1,059,454	5,654,663
- Subsidiary companies		697,748	157,103
- Retirement benefit funds		7,841,600	2,050,404
- Companies in which Directors are interested		34,573	57,174
- Companies in which key management personnel are nominated by the Bank as directors		104,424	90,330
- AKFED Group Companies		1,572,335	175,180
- Investments in Companies in which directors are interested		216,460	195,444
- Investment in companies in which key management personnel are nominated by the Bank as directors		34,113	45,512
- Receivable from defined benefit schemes	10	7,919,870	6,572,013
- Receivable from associates, subsidiary companies & companies in which key management personnel are nominated by the Bank as directors		80,195	64,569
- Payable to subsidiary companies		4,600	527,762
- Placements with subsidiary companies and associates		9,775,886	8,367,764
- Overdrawn nostro balances with subsidiaries, associates, joint venture company and companies in which key management personnel are nominated by the Bank as directors		383,809	1,362,259
- Acceptances		175,802	-
<b>Profit / Expense for the year</b>			
<b>- Interest paid</b>			
- Joint venture and associates		106,818	109,797
- Subsidiary companies		63,012	9,483
- Retirement benefit funds		318,332	7,047
- Companies in which Directors are interested		162	25,898
- Companies in which key management personnel are nominated by the Bank as directors		5,219	-
- AKFED Group Companies		1,845	1,696
- Premium paid to companies in which Directors are interested		178,043	225,641
<b>- Interest income</b>			
- Joint venture and associates		12,906	15,144
- Subsidiary companies		36,945	35,822
- Retirement benefit funds		-	36,112
- Companies in which Directors are interested		80,952	443
- Companies in which key management personnel are nominated by the Bank as directors		421,551	4,583
- In respect of debts due by key management personnel		27,800	29,279
- Insurance claim received against branch damages		-	62,561
- Other income - Subsidiaries, associates and joint ventures		353,477	142,757
- Impairment loss on subsidiary and associates - net		1,589,754	610,371
- Other expense - Subsidiaries		2,335	7,456
<b>Dividend income</b>			
- Joint venture and associates		85,742	717,114
- Subsidiary companies		3,250	4,875
- Companies in which Directors are interested		3,783	12,000
- Companies in which key management personnel are nominated by the Bank as directors		9,855	9,855

### 36.1 Key Management Personnel

Key Management Personnel comprises Members of Management Forum, Regional Management, Country Managers and Senior Executives:

	2009 (Rupees in '000)	2008 (Rupees in '000)
Managerial remuneration (including allowances)	770,819	724,165
Contribution to provident and benevolent fund	15,979	17,052
Medical	24,496	25,649
	<u>811,294</u>	<u>766,866</u>
Number of persons	<u>135</u>	<u>132</u>

In addition, Key Management Personnel are paid short-term employee benefits which are disclosed in note 26.2.

## Notes to the Unconsolidated Financial Statements

### 37. RISK MANAGEMENT FRAMEWORK

Risk taking is central to banking activity. The Bank evaluates business opportunities in terms of the risk-reward relationship. The risks that Bank takes are reasonable, controlled, within its financial resources and credit competence.

The diversity of our business requires us to identify, measure and manage our risks effectively. At the Bank, the risk is managed through a framework, organisational structure, risk management and monitoring processes that are closely aligned with the activities of the Bank and in line with the guidelines given by the State Bank of Pakistan (SBP).

#### Risk Management Principles

The following key principles form part of our approach to risk management:

- The Board, through its subcommittee, oversees risk management, reviews and approves risk policies and tolerance limits wherever required.
- Various committees at functional level oversee the implementation of risk management policies.
- Market and Liquidity risks are managed by a well-represented Assets and Liabilities Committee (ALCO), whose members are President and CEO, heads of business groups, Chief Risk Officer, Chief Financial Officer and Head of Market risk.
- Risk Management group is headed by Chief Risk Officer, who is the secretary of the Board subcommittee on risk management.
- Credit policy committee and Operational risk committee are responsible for defining and implementation of respective policies.
- The Management Risk Committee represented by Heads of various risk groups allows the Group to manage Credit, Market and Operational risk on an integrated basis.
- The structure of Risk Management group is closely aligned with the structure of Bank's business segments.
- The risk management function is independent of business groups / divisions.
- Independent risk review function is conducted by our Business risk review department operating under Internal Audit function which reports directly to The Board Audit

#### Credit Risk Management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms.

Credit risk makes up the largest part of Bank's risk exposures. The Bank's credit process is guided by centrally established credit policies, rules and guidelines continuing a close-to-the market approach with an aim to maintain a well-diversified portfolio of credit risk which produces a reliable and consistent return.

Credit risk policies are established by the Credit Policy Committee and approved by the Board through its Risk Management Committee. The Bank has a system of checks and balances in place around the extension of credit that are:

- an independent risk management function
- multiple credit approvers
- an independent audit and risk review function.

The Credit Risk Strategy reflects Bank's tolerance for risk i.e. credit risk appetite and the level of expected profitability. This, as a minimum, reflects Bank's strategy to grant credit based on various products, economic sectors, client segments etc., target markets giving due consideration to risks specific to each target market.

Salient features of our Risk approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the predefined level of authority.
- All Business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate / pre-defined level.
- Credit approval authority is assigned to individuals according to their qualifications and experience.

Certain groups of exposures /facilities are managed under product programs which are approved by various level of approving authorities as defined in the credit policy manual. Each product program contains detailed credit criteria, regulatory, compliance and documentation requirement.

The Bank uses risk rating system to supplement the credit risk measurement procedure for exposures exceeding a certain threshold. Risk rating of counterparties is an essential requirement of credit approval process. Risk management group validates the individual risk rating. The Bank is currently involved with external consultants to introduce more effective Risk Rating methodology that will align closely with the Basel II IRB guidelines.

Stress testing on the credit portfolio is performed according to the guidelines issued by SBP at defined frequency.

The disbursement, administration and monitoring of credit facilities are managed by Credit Administration Departments (CAD) linked to various business units and operates under the Risk Management Group. CAD is also responsible for collateral / documents management.

The Bank monitors its credit portfolio on continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problem loans is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposure. The bank has an established Asset Remedial Division to focus on expediting recoveries from problem credits. The division negotiates with problem borrowers and recommends restructuring and rescheduling of stuck up loans to the senior management. Cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated .

The Bank follows the guidelines of SBP or the Regulators under which it is operating in other countries for the classification / write off procedures relating to problem loans.

#### Country Risk

The Bank has in place a comprehensive country risk policy. Limits are established for Cross Border Transfer Risk (CBTR) based on the ratings assigned by internationally recognised rating agencies. The limit utilization is controlled at Head office level and Country risk exposures are reported to Board Risk Management Committee at defined frequency. CBTR arises from exposure to counterparties in Countries other than the country where exposure is located. We define transfer risk as arising where an otherwise solvent and willing debtor is unable to meet its obligation due to the imposition of governmental or regulatory controls restricting its ability to perform under its obligation toward its foreign liabilities.

#### Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by Treasury and Investments/ structural positions housed in banking book.

Market risk at Bank is managed by the Risk Management Group under the supervision of ALCO supported by Treasury Middle Office (TMO).

The Bank carries a limited amount of Market risk, the bulk is located in the banking book stemming from the mismatches in structural assets and liabilities positions.



## Notes to the Unconsolidated Financial Statements

Tolerance limits for market risk are approved by the Board. The limit is further allocated to banking and trading book that is monitored at pre defined frequencies. Risk measurement is currently based on sensitivity analysis and stress testing. Negotiations are in process with vendors for acquiring robust systems to introduce more sophisticated methodologies including Value at Risk .

### Derivatives

SBP has granted permission to financial institutions for dealing in Derivatives. Transactions currently permitted include Foreign Currency Options (FXCO), Forward Rate Agreements (FRA), Interest Rate Swaps (IRS) and Cross Currency Interest Rate Swaps (CCIRS). At present the Bank is dealing in FXCO CCIRS and IRS on a very limited scale on purely back to back basis without carrying any open position in its books. Policies in line with SBP instructions have been formulated and are operative.

### Interest Rate Risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates i.e. the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

Substantial part of the Bank's assets and liabilities are subject to floating rates hence are re-priced simultaneously. However, the Bank is exposed to interest rate risk as a result of mismatches on a relatively small portion of its assets and liabilities. The major portion related to this risk is reflected in the banking book owing to the retail activities and investments qualifying for statutory reserve requirements. The overall potential impact of the mismatches on the earnings in short term and economic value of the portfolio in the long term is not material and is being managed with in the tolerance limits approved by the Board.

The Bank uses simulation and duration gap models to measure and monitor the interest rate sensitivity on the potential earnings and Bank's economic value.

### Foreign Exchange Risk

The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However the Bank is obliged to maintain a reasonable open position in various currencies resulting from the sizeable trade related transactions handled across the Bank.

Foreign Exchange risks are controlled and monitored through the limits approved by ALCO with in the overall limits advised by SBP. The regulatory limit for foreign exchange is relatively small compared to the size of the Bank; hence the risk generated through Foreign exchange activities is insignificant.

End of the day positions are marked to market daily according to the guidelines of SBP and sensitivity is conducted in line with the internal market risk policy of the Bank. The intra- day positions are managed by treasury through stop loss / dealers limits. Going forward the Bank will adopt VAR approaches to measure and monitor Foreign exchange risk.

### Liquidity Risk Management

Liquidity Risk is the risk that the Bank will be unable to meet its cash flow obligations as they become due, because of an inability to liquidate assets, or to obtain adequate funding.

ALCO has the responsibility for the formulation of overall strategy and oversight of the asset liability management function.

The Bank follows a comprehensive liquidity risk management policy duly approved by ALCO and Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of Bank's liquidity under normal and crisis situation (stress testing). To comply with the policy the Bank has also conducted a behavioural study on its open ended deposits to evaluate their stickiness, which may not reflect in their maturity profile. Such evaluation forms part of liquidity management process to realistically project the reliance on such funding sources. As a result of close monitoring and strict policy towards reliance on core deposit, the Bank has been able to avoid concentration / reliance on volatile deposit in its books. A comprehensive contingency plan to deal with crisis situation is also in place.

### Operational Risk

In line with the approved Operational Risk Management Policy, Bank has instituted an Operational Risk Management Department. This department is currently in the process of finalizing a detailed ORM Framework with the support of external consultants in line with the Bank's strategic direction to move from the current Basic Indicator Approach (BIA) towards a relatively advanced approach i.e. Alternative Standardized Approach (ASA).

The ORM Framework is expected to address all the significant areas of ORM within the Bank including Risk Control Self Assessment (RCSA), Key Risk Indicators, Operational Loss Data Management, Operational Risk Reporting, Capital Calculation etc. As an important tool for operational risk assessment, a detailed RCSA exercise is being conducted within the Bank, the results of which will be continually evaluated against the losses and Key Risk Indicators (KRI) data to be collected.

### Risk Management alignment with Basel II project

The Bank is one of the few organisations in Pakistan planning to adopt the advanced approaches (Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for Market Risk and Alternate Standardised Approach for operational risk) under the Basel II Framework and consequently enhancing the quality of risk management processes, methodologies, systems and reporting. In order to undertake the Basel II initiatives in a systematic manner and in full compliance with the related requirements, the Bank has sought the services of an international firm. Bank's Basel II Programme includes a number of aspects involving organisational alignments, enhancements in the existing policies, procedures processes and controls, development of new risk frameworks, existing system up gradations, selection and deployment of various risk applications, development of advanced risk management tools and methodologies and introduction of improved risk reporting MIS. A lot of effort has already gone into aligning Bank's risk management structure, policies, procedures and systems with the requirements of Basel II while the remaining initiatives are currently being undertaken in an integrated manner with the plans for completion in due course. The Bank also realises the criticality of quality human resource and is already in the process of augmenting the skill set by necessary induction and training measures to enable undertaking of planned initiatives and consistently implementing the new risk management framework in line with Basel II. Once completed, the Bank expects to achieve a number of significant business benefits from its Basel II Programme with more robust risk management and internal control environment in line with international best practices."

Notes to the Unconsolidated Financial Statements

38. CAPITAL ADEQUACY

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

38.1 Regulatory Capital Base

	2009 (Rupees in '000)	2008 (Rupees in '000) (Restated)
<b>Tier 1 Capital</b>		
1.1 Fully Paid-up capital	9,108,000	7,590,000
1.2 General Reserves as disclosed on the Balance Sheet	18,322,623	17,092,759
1.3 Un-appropriated/ un-remitted profits (net of accumulated losses, if any)	36,325,458	30,818,496
	63,756,081	55,501,255
<b>Deductions:</b>		
1.4 Book value of intangibles	234,636	446,042
1.5 Deficit on account of revaluation of investments held in AFS category	-	-
1.6 Other deductions (50% of the amount) Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	1,444,556	1,351,989
	1,679,192	1,798,031
<b>Total eligible Tier 1 capital</b>	62,076,889	53,703,224
<b>Supplementary Capital</b>		
<b>Tier 2 Capital</b>		
2.1 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets	580,256	744,916
2.2 Revaluation Reserves up to 45%	3,776,913	1,120,113
2.3 Foreign Exchange Translation Reserves	7,479,266	5,789,559
2.4 Subordinated debt -upto maximum of 50% of Total eligible Tier 1 capital	4,212,080	3,954,925
<b>Total tier 2 Capital</b>	16,048,515	11,609,513
<b>Deductions:</b>		
2.5 Other deductions (50% of the amount as calculated on CAP 2) Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	-	-
	1,444,556	1,351,989
	1,444,556	1,351,989
<b>Total eligible Tier 2 Capital</b>	14,603,959	10,257,524
<b>Tier 3 Capital</b>		
Eligible Tier 3 Capital	-	-
<b>Total Eligible Capital (1+2+3)</b>	76,680,848	63,960,748

38.2 Risk-Weighted Exposures

	Capital Requirements		Risk Weighted Assets	
	2009	2008	2009	2008
	(Rupees in '000)			
<b>Credit Risk</b>				
Claims on				
Other sovereigns, GOP, PG, SBP other than PKR	3,332,262	1,951,405	33,322,615	21,682,273
PSE's	1,890,058	1,513,721	18,900,577	16,819,128
Banks	1,613,612	1,561,423	16,136,124	17,349,142
Corporates	29,152,505	25,770,401	291,525,055	286,337,789
Retail Portfolio	4,327,171	5,771,106	43,271,706	64,123,397
Secured by residential property	255,406	200,845	2,554,064	2,231,614
Past due loans	1,224,244	1,118,405	12,242,438	12,426,721
Listed Equity investments	552,586	626,478	5,525,859	6,960,862
Unlisted equity investments	524,954	321,316	5,249,538	3,570,179
Investments in fixed assets	1,624,130	1,270,970	16,241,303	14,121,891
Other assets	2,693,246	1,919,035	26,932,462	21,322,608
	47,190,174	42,025,105	471,901,741	466,945,604
<b>Market Risk</b>				
Interest Rate Risk	19,606	25,102	245,079	313,777
Foreign Exchange Risk	2,418,044	1,043,003	30,225,553	13,037,538
	2,437,650	1,068,105	30,470,632	13,351,315
<b>Operational Risk</b>	6,761,739	6,054,612	84,521,743	75,682,654
	56,389,563	49,147,822	586,894,116	555,979,573

Capital adequacy ratio

Total eligible regulatory capital held 38.1 76,680,848 63,960,748

Total risk weighted assets 38.2 586,894,116 555,979,573

Capital adequacy ratio **13.07%** **11.50%**

38.3 Types of Exposures and ECAI's used

Exposures	JCR-VIS	PACRA	MOODYs	FITCH	STANDARD & POOR	ECA SCORES
PSE's	✓	✓				
Banks	✓	✓	✓	✓		
Corporates	✓	✓				
Sovereigns and GOP other than PKR			✓		✓	✓

## Notes to the Unconsolidated Financial Statements

### 38.4 Credit Exposures subject to Standardised approach

Exposures	Rating Category	2009			2008		
		Amount Outstanding	Deduction CRM	Net exposure	Amount Outstanding	Deduction CRM	Net exposure
		(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalent		10,379,136	-	10,379,136	9,907,420	-	9,907,420
Claims on GOP in PKR		167,619,862	27,123,265	140,496,597	105,663,567	5,356,423	100,307,144
Claims on SBP arising out of statutory obligations		9,115,279	-	9,115,279	8,251,092	-	8,251,092
Claims on other sovereigns and GOP other than PKR	1	6,093,287	-	6,093,287	3,288,330	-	3,288,330
Claims on other sovereigns and GOP other than PKR	2	17,501,791	-	17,501,791	6,124,419	-	6,124,419
Claims on other sovereigns and GOP other than PKR	3	3,345,595	-	3,345,595	2,196,098	-	2,196,098
Claims on other sovereigns and GOP other than PKR	4,5	19,144,813	-	19,144,813	15,922,447	-	15,922,447
Claims on other sovereigns and GOP other than PKR	6	6,073,636	-	6,073,636	2,043,469	-	2,043,469
Claims on other sovereigns and GOP other than PKR	Unrated	-	-	-	507,191	-	507,191
PSE	1	12,166,895	746	12,166,149	22,927,929	8,072,306	14,855,623
PSE	Unrated	209,210,437	115,588,219	93,622,218	131,661,798	53,312,053	78,349,745
Banks	1	31,695,872	784,156	30,911,716	27,692,459	1,510,730	26,181,729
Banks	2,3	5,015,390	2,891	5,012,499	3,627,771	63,175	3,564,596
Banks	Unrated	5,908,814	7,787	5,901,027	13,931,339	3,982,807	9,948,532
Bank - three months or less	1,2,3	26,172,169	9,959,245	16,212,924	28,610,764	7,986,946	20,623,818
Bank - three months or less	Unrated	13,253,015	-	13,253,015	10,304,542	-	10,304,542
Corporate	1	30,629,840	130	30,629,710	23,923,917	5,136	23,918,781
Corporate	2	9,232,149	137,760	9,094,389	9,389,815	8,481	9,381,334
Corporate	3,4	1,547,408	2,429	1,544,979	2,611,473	428,137	2,183,336
Corporate	Unrated	326,972,612	9,228,951	317,743,661	319,806,645	12,243,230	307,563,415
Retail		61,122,996	2,628,324	58,494,672	89,543,792	2,570,114	86,973,678
Residential mortgage		7,297,326	-	7,297,326	6,376,039	-	6,376,039
Past due loans		11,787,756	-	11,787,756	12,294,946	-	12,294,946
Listed equity and regulatory capital instruments		5,525,859	-	5,525,859	6,960,862	-	6,960,862
Unlisted equity		3,499,692	-	3,499,692	2,380,119	-	2,380,119
Fixed assets		16,241,303	-	16,241,303	14,121,891	-	14,121,891
Other assets		26,932,462	-	26,932,462	21,322,608	-	21,322,608
		<b>1,043,485,394</b>	<b>165,463,903</b>	<b>878,021,491</b>	<b>901,392,742</b>	<b>95,539,538</b>	<b>805,853,204</b>

### 38.5 Capital management

The Bank's lead regulator State Bank of Pakistan (SBP) sets and monitors capital requirements for the Bank as a whole. In addition the Bank's branches outside Pakistan are also required to follow capital requirements applicable in respective countries.

In implementing current capital requirements, SBP requires the Bank to maintain a prescribed ratio of 10% total capital to total risk-weighted assets. The Bank calculates requirements for market risk in its trading portfolios based upon the methodology provided by SBP which takes account of specific and general market risk, capital charge for interest rate risk and equity price risk using the maturity method.

The Bank's regulatory capital is analysed into three tiers:

- Tier I capital, which includes ordinary share capital, capital and other reserves except exchange translation reserve, minority interest, and retained profit.

- Tier II capital includes revaluation surplus, exchange translation reserve, subordinated debt and impairment allowances not kept against identified debts. The revaluation surplus is allowable as tier II capital upto 45% of the reserve. Subordinated debt is limited to 50% of Tier I capital.

- Tier III supplementary capital consists of short term subordinated debt solely for the purpose of meeting a proportion of the Capital requirements for market risks. The bank currently does not have any Tier III capital.

Total of Tier II and III capital is limited to Tier I capital.

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

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

### 38.6 The comparatives have been restated based on clarification issued by the State Bank of Pakistan.

### 39. CURRENCY RISK

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	628,488,267	578,740,094	(878,180)	48,869,993
United States Dollar	72,983,353	72,752,074	1,103,539	1,334,818
Great Britain Pound	8,187,282	7,811,886	1,598,188	1,973,584
UAE Dirham	31,181,595	23,583,399	(164,508)	7,433,688
Japanese Yen	43,754	127,042	98,528	15,240
Euro	13,968,957	12,154,177	229,891	2,044,671
Other Currencies	66,128,139	46,717,128	(1,987,458)	17,423,553
	<b>820,981,347</b>	<b>741,885,800</b>	<b>-</b>	<b>79,095,547</b>
	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	539,996,556	502,536,058	(118,120)	37,342,378
United States Dollar	76,838,532	68,362,104	(956,953)	7,519,475
Great Britain Pound	6,772,464	6,830,329	2,070,277	2,012,412
UAE Dirham	26,023,234	23,592,074	(79,833)	2,351,327
Japanese Yen	66,072	30,547	(21,910)	13,615
Euro	13,375,228	10,833,436	(499,138)	2,042,654
Other Currencies	54,209,924	40,053,051	(394,323)	13,762,550
	<b>717,282,010</b>	<b>652,237,599</b>	<b>-</b>	<b>65,044,411</b>



## Notes to the Unconsolidated Financial Statements

### 41. YIELD / INTEREST RATE RISK

#### 41.1 Interest rate risk management

A high proportion of loans and advances portfolio of the Bank comprises of working capital finances which are re-priced on a three monthly basis. The Bank's interest / mark-up rate risk is limited since the majority of customers deposits are retrospectively re-priced on a six monthly basis on the profit and loss sharing principles.

Effective yield / interest rate	Total	2009 Exposed to yield / Interest risk									Not exposed to yield / interest risk
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
(Rupees in '000)											
<b>On-balance sheet assets</b>											
<b>Financial Assets</b>											
Cash and balances with treasury banks	1.58%	79,527,191	21,448,569	387,775	2,512,007	-	-	-	-	-	55,178,840
Balances with other banks		29,560,309	18,697,447	4,309,559	3,432,983	-	-	-	-	-	3,120,320
Lendings to financial institutions	11.57%	5,352,873	4,766,397	586,476	-	-	-	-	-	-	-
Investments	11.73%	209,421,147	14,902,812	63,534,918	55,282,069	33,944,191	1,979,609	5,053,250	14,965,748	7,851,752	1,260,687
Advances	11.90%	432,283,588	34,529,483	206,036,893	143,562,729	19,411,303	4,659,720	4,458,728	5,504,431	5,261,827	2,819,597
Other assets		31,216,412	-	-	-	-	-	-	-	-	31,216,412
		787,361,520	94,344,708	274,855,621	204,789,788	53,355,494	6,639,329	9,511,978	20,470,179	13,113,579	4,080,284
<b>Financial Liabilities</b>											
Bills payable		10,041,203	-	-	-	-	-	-	-	-	10,041,203
Borrowings from financial institutions	6.43%	48,121,649	14,234,718	12,773,339	14,512,165	312,992	708,659	1,363,820	2,224,105	1,991,851	-
Deposits and other accounts	4.99%	653,452,460	55,268,042	59,832,683	331,923,843	38,036,089	7,910,516	8,947,712	40,765,685	21,399,467	69,409,648
Sub-ordinated loans	2.25%	4,212,080	-	-	4,212,080	-	-	-	-	-	-
Other liabilities		25,337,165	-	-	-	-	-	-	-	-	25,337,165
		741,164,557	69,502,760	72,606,022	350,648,088	38,349,081	8,619,175	10,311,532	42,989,790	23,391,318	19,958,775
<b>On-balance sheet gap</b>		46,196,963	24,841,948	202,249,599	(145,858,300)	15,006,413	(1,979,846)	(799,554)	(22,519,611)	(10,277,739)	(15,878,491)
<b>Non - financial net assets</b>		32,898,584	-	-	-	-	-	-	-	-	1,412,544
<b>Total Net assets</b>		79,095,547	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>											
Foreign currency forward purchases		28,826,751	12,070,511	12,008,248	4,138,582	609,410	-	-	-	-	-
Foreign currency forward sales		(28,837,326)	(14,478,557)	(7,261,440)	(7,097,329)	-	-	-	-	-	-
Interest rate swaps - long position		456,208	-	-	-	35,000	-	-	-	421,208	-
Interest rate swaps - short position		(456,208)	-	-	-	(35,000)	-	-	-	(421,208)	-
Forward currency options - long position		2,556,776	1,653,860	902,916	-	-	-	-	-	-	-
Forward currency options - short position		(2,556,776)	(1,653,860)	(902,916)	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		(10,575)	(2,408,046)	4,746,808	(2,958,747)	609,410	-	-	-	-	-
<b>Total yield / Interest risk sensitivity Gap</b>		22,433,902	206,996,407	(148,817,047)	15,615,823	(1,979,846)	(799,554)	(22,519,611)	(10,277,739)	(15,878,491)	1,412,544
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		22,433,902	229,430,309	80,613,262	96,229,085	94,249,239	93,449,685	70,930,074	60,652,335	44,773,844	46,186,388

Effective yield / interest rate	Total	2008 Exposed to yield / Interest risk									Not exposed to yield / interest risk
		Upto one month	Over one to three months	Over three to six months	Over six months to one year	Over one to two years	Over two to three years	Over three to five years	Over five to ten years	Over ten years	
(Rupees in '000)											
<b>On-balance sheet assets</b>											
<b>Financial Assets</b>											
Cash and balances with treasury banks	3.04%	56,359,367	10,726,895	538,385	-	93,989	238,788	-	-	-	44,761,310
Balances with other banks		32,720,391	16,508,218	13,573,955	280,000	82,600	-	-	-	-	2,275,618
Lendings to financial institutions	11.93%	6,193,787	5,186,863	1,006,924	-	-	-	-	-	-	-
Investments	10.26%	127,786,754	46,110,507	9,133,286	8,978,250	23,146,948	6,351,391	488,298	4,901,631	7,601,556	9,645,476
Advances	12.71%	435,708,660	35,673,815	233,888,205	118,984,911	19,332,302	6,641,683	4,655,520	3,634,222	4,136,744	4,486,778
Other assets		29,942,201	-	-	-	-	-	-	-	-	29,942,201
		688,711,160	114,206,298	258,140,755	128,243,161	42,655,839	13,231,862	5,143,818	8,535,853	11,738,300	14,132,254
<b>Financial Liabilities</b>											
Bills payable		9,781,077	-	-	-	-	-	-	-	-	9,781,077
Borrowings from financial institutions	5.76%	44,022,676	14,881,330	15,886,753	7,608,069	335,317	1,020,766	1,291,995	1,769,484	1,228,962	-
Deposits and other accounts	5.21%	572,399,187	72,519,003	70,298,706	272,819,699	40,832,023	3,558,222	4,591,742	30,950,690	15,407,501	14,509,225
Sub-ordinated loans	4.12%	3,954,925	-	-	-	3,954,925	-	-	-	-	-
Other liabilities		21,756,159	-	-	-	-	-	-	-	-	21,756,159
		651,914,024	87,400,333	86,185,459	280,427,768	45,122,265	4,578,988	5,883,737	32,720,174	16,636,463	14,509,225
<b>On-balance sheet gap</b>		36,797,136	26,805,965	171,955,296	(152,184,607)	(2,466,426)	8,652,874	(739,919)	(24,184,321)	(4,898,163)	(376,971)
<b>Non - financial net assets</b>		28,247,275	-	-	-	-	-	-	-	-	14,233,408
<b>Total Net assets</b>		65,044,411	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>											
Foreign currency forward purchases		26,840,479	13,483,247	5,477,397	6,990,283	889,552	-	-	-	-	-
Foreign currency forward sales		(26,722,359)	(14,001,069)	(4,063,364)	(8,000,774)	(657,152)	-	-	-	-	-
Interest rate swaps - long position		35,000	-	-	-	-	35,000	-	-	-	-
Interest rate swaps - short position		(35,000)	-	-	-	-	(35,000)	-	-	-	-
Forward currency options - long position		123,241	-	30,439	85,378	7,424	-	-	-	-	-
Forward currency options - short position		(123,241)	-	(30,439)	(85,378)	(7,424)	-	-	-	-	-
<b>Off-balance sheet gap</b>		118,120	(517,822)	1,414,033	(1,010,491)	232,400	-	-	-	-	-
<b>Total yield / Interest risk sensitivity Gap</b>		26,288,143	173,369,329	(153,195,098)	(2,234,026)	8,652,874	(739,919)	(24,184,321)	(4,898,163)	(376,971)	14,233,408
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>		26,288,143	199,657,472	46,462,374	44,228,348	52,881,222	52,141,303	27,956,982	23,058,819	22,681,848	36,915,256

### 42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments are based on quoted market prices and unquoted investments including investments in subsidiaries, joint venture and associates are estimated using the best available market based information. Fair value of these investments has been disclosed in note 8.

Fair value of fixed term loan, other assets and other liabilities can not 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 4.5.

The maturity and repricing profile and effective rates are stated in notes 40 and 41 respectively.

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.

### 43. CONCENTRATION OF CREDIT AND DEPOSITS

#### 43.1 Concentration of credit risk

Out of the total financial assets of Rs 787,361.519 million, financial assets which were subject to credit risk amounted to Rs 776,982.382 million. The Bank's major credit risk is concentrated in the textile sector.

The following financial assets are guaranteed by the Federal / overseas Governments or State Bank of Pakistan / other Central Banks and enterprises owned / controlled by the Government:

	2009 (Rupees in '000)
Guaranteed by the Government of Pakistan	
Investments	170,860,322
Loans and advances	56,528,508
Mark-up receivable on Government guaranteed financial assets	4,274,739
	231,663,569
Financial assets receivable from enterprises owned / controlled by Government	47,865,569
Guaranteed by overseas Governments	14,680,379
Financial assets receivable from State Bank of Pakistan	35,198,110
Financial assets receivable from other Central Banks	28,745,976
	358,153,603

## Notes to the Unconsolidated Financial Statements

### 43.2 Segment by class of business

	2009					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	24,589,266	5.31	1,461,764	0.22	8,634,311	4.06
Agribusiness	23,030,039	4.97	6,443,528	0.99	1,760,899	0.83
Textile	83,341,083	17.99	3,325,943	0.51	10,715,093	5.03
Cement	15,782,815	3.41	334,162	0.05	1,489,104	0.70
Sugar	3,229,176	0.70	580,556	0.09	1,254,731	0.59
Shoes and leather garments	2,134,380	0.46	381,744	0.06	386,736	0.18
Automobile and transportation equipment	8,568,046	1.85	4,239,810	0.65	3,506,818	1.65
Financial	9,613,765	2.07	3,689,887	0.56	33,507,347	15.74
Insurance	837,635	0.18	2,147,651	0.33	-	-
Electronics and electrical appliances	13,116,558	2.83	2,254,396	0.34	3,611,997	1.70
Production and transmission of energy	38,641,931	8.34	13,274,045	2.03	23,753,347	11.16
Education & Medical	3,916	-	3,453,750	0.53	225,793	0.11
Telecommunication	19,465,615	4.20	1,270,826	0.19	5,971,395	2.81
Printing & publishing	2,947,178	0.64	188,425	0.03	1,017,294	0.48
Construction	3,269,600	0.71	2,180,608	0.33	607,432	0.29
Mining & quarrying	2,021,297	0.44	539,082	0.08	172,485	0.08
Food, tobacco and beverages	5,440,826	1.17	1,131,561	0.17	2,863,042	1.34
Public / Government - note 43.2.1	97,917,110	21.13	114,394,826	17.51	83,998,398	39.46
Whole sale & retail trade	32,845,823	7.09	18,433,417	2.82	4,146,747	1.95
Metal and allied	5,520,867	1.19	746,210	0.11	4,098,348	1.93
Individual	36,901,573	7.96	398,273,110	60.95	276,034	0.13
Farming, cattle and dairy	1,363,743	0.29	452,983	0.07	124,910	0.06
Trust funds and non profit organization	1,489,405	0.32	24,298,924	3.72	605,123	0.28
Others	31,313,815	6.75	49,955,252	7.66	20,151,649	9.44
	<b>463,385,462</b>	<b>100.00</b>	<b>653,452,460</b>	<b>100.00</b>	<b>212,879,033</b>	<b>100.00</b>

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	26,611,399	5.78	2,188,552	0.38	8,224,930	4.34
Agribusiness	24,740,282	5.38	6,207,082	1.08	855,998	0.45
Textile	90,729,985	19.71	2,282,481	0.40	8,094,918	4.27
Cement	15,009,760	3.26	324,178	0.06	4,591,429	2.42
Sugar	5,526,476	1.20	932,207	0.16	749,259	0.40
Shoes and leather garments	2,491,605	0.54	181,473	0.03	316,870	0.17
Automobile and transportation equipment	9,874,799	2.15	1,730,594	0.30	2,483,923	1.31
Financial	16,042,505	3.49	5,905,748	1.03	26,467,603	13.96
Insurance	463,413	0.10	2,603,166	0.45	-	-
Electronics and electrical appliances	10,778,589	2.34	770,932	0.13	11,259,490	5.94
Production and transmission of energy	38,016,358	8.26	14,101,265	2.46	20,539,980	10.83
Education & Medical	47,098	0.01	2,700,481	0.47	138,729	0.07
Telecommunication	20,131,229	4.37	569,941	0.10	4,118,847	2.17
Printing & publishing	3,717,052	0.81	313,784	0.05	421,932	0.22
Construction	3,952,525	0.86	3,864,028	0.68	520,507	0.27
Mining & quarrying	2,354,443	0.51	16,268	-	3,450	-
Food, tobacco and beverages	6,159,129	1.34	1,247,912	0.22	1,574,261	0.83
Public / Government - note 43.2.1	70,098,737	15.23	100,636,429	17.58	69,916,597	36.87
Whole sale & retail trade	37,308,391	8.11	24,939,750	4.36	7,983,430	4.21
Metal and allied	7,038,627	1.53	492,788	0.09	2,725,901	1.44
Individual	33,465,903	7.27	348,250,493	60.84	806,910	0.43
Farming, cattle and dairy	1,449,361	0.31	391,565	0.07	163,014	0.09
Trust funds and non profit organization	631,741	0.14	14,456,536	2.53	663,203	0.35
Others	33,605,265	7.30	37,291,534	6.53	17,002,615	8.96
	<b>460,244,672</b>	<b>100.00</b>	<b>572,399,187</b>	<b>100.00</b>	<b>189,623,796</b>	<b>100.00</b>

## Notes to the Unconsolidated Financial Statements

### 43.2.1 Public / Government sector

	2009					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	91,505	0.08	-	-
Agribusiness	54,131,536	55.28	946,660	0.83	15	-
Textile	-	-	3	-	-	-
Cement	-	-	51	-	-	-
Automobile and transportation equipment	8,944,850	9.14	1,612,552	1.41	719,293	0.86
Financial	-	-	1,937,264	1.69	-	-
Insurance	-	-	2,640,681	2.31	1,200	-
Production and transmission of energy	27,578,814	28.17	19,472,576	17.02	20,313,254	24.18
Education & medical	296,201	0.30	19,029,421	16.63	228,426	0.27
Telecommunication	-	-	1,342,603	1.17	66,442	0.08
Printing & publishing	-	-	20,100	0.02	-	-
Construction	-	-	16,857	0.01	15,858	0.02
Mining & quarrying	-	-	-	-	-	-
Whole sale & retail trade	597,160	0.61	-	-	-	-
Metal and allied	1,114,472	1.14	1,150,889	1.01	1,009,376	1.20
Farming, cattle and dairy	-	-	4,395	-	-	-
Defence	1,003,165	1.02	5,219,379	4.56	55,747,938	66.37
Ports and shipping	-	-	18,471,918	16.15	3,649,488	4.34
Others	4,250,912	4.34	42,437,972	37.11	2,247,108	2.68
	<u>97,917,110</u>	<u>100.00</u>	<u>114,394,826</u>	<u>100.00</u>	<u>83,998,398</u>	<u>100.00</u>

  

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	-	-	174,652	0.17	72,422	0.10
Agribusiness	29,860,752	42.60	819,004	0.81	2,166	-
Textile	-	-	1	-	-	-
Cement	-	-	66	-	-	-
Automobile and transportation equipment	10,498,060	14.98	2,517,300	2.50	565,300	0.81
Financial	-	-	2,550,665	2.53	-	-
Insurance	-	-	4,334,518	4.31	1,200	-
Production and transmission of energy	25,173,948	35.91	9,978,514	9.92	8,926,814	12.77
Education & medical	338,911	0.48	17,987,052	17.87	121,328	0.17
Telecommunication	150,418	0.21	618,232	0.61	54,703	0.08
Printing & publishing	300,000	0.43	91,733	0.09	-	-
Construction	-	-	22,439	0.02	16,778	0.02
Mining & quarrying	-	-	-	-	-	-
Whole sale & retail trade	413,153	0.59	-	-	73,830	0.11
Metal and allied	1,112,946	1.59	735,513	0.73	990,952	1.42
Farming, cattle and dairy	-	-	1,412	-	-	-
Defence	1,503,876	2.15	3,522,350	3.50	55,245,189	79.02
Ports and shipping	-	-	20,699,907	20.57	466,076	0.67
Others	746,673	1.06	36,583,071	36.37	3,379,839	4.83
	<u>70,098,737</u>	<u>100.00</u>	<u>100,636,429</u>	<u>100.00</u>	<u>69,916,597</u>	<u>100.00</u>

## Notes to the Unconsolidated Financial Statements

43.2.2 Segment by sector	2009					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	97,917,110	21.13	114,394,826	17.51	83,998,398	39.46
Private	365,468,352	78.87	539,057,634	82.49	128,880,635	60.54
	<u>463,385,462</u>	<u>100.00</u>	<u>653,452,460</u>	<u>100.00</u>	<u>212,879,033</u>	<u>100.00</u>

  

43.3 Details of non-performing advances and specific provisions by class of business segment	2008					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	70,098,737	15.23	100,636,429	17.58	69,916,597	36.87
Private	390,145,935	84.77	471,762,758	82.42	119,707,199	63.13
	<u>460,244,672</u>	<u>100.00</u>	<u>572,399,187</u>	<u>100.00</u>	<u>189,623,796</u>	<u>100.00</u>

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

	2009		2008	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Chemical and Pharmaceuticals	483,920	397,684	380,751	309,657
Agribusiness	3,744,163	1,791,545	3,026,234	1,264,714
Textile	15,121,287	13,432,703	14,093,191	11,640,244
Cement	500,000	500,000	500,000	250,000
Sugar	431,881	344,003	514,506	308,041
Shoes and leather garments	218,981	156,012	521,500	438,744
Automobile and transportation equipment	1,276,062	1,163,837	751,239	430,564
Financial	5,217	5,217	4,715	4,715
Electronics and electrical appliances	2,707,489	2,400,840	2,801,426	1,409,260
Production and transmission of energy	1,613,915	879,104	29,281	27,725
Education & Medical	972	486	-	-
Telecommunication	261,470	260,729	251,138	239,448
Printing & publishing	110,841	72,471	32,516	28,963
Construction	1,804,673	893,531	2,033,686	945,885
Mining & quarrying	434,954	387,766	353,066	147,016
Food, tobacco and beverages	445,767	407,475	450,329	401,282
Whole sale & retail trade	3,548,879	2,603,537	2,138,105	1,555,098
Metal and allied	490,893	376,315	1,157,370	64,909
Individual	2,521,929	1,271,436	2,093,449	1,024,107
Farming, cattle and dairy	256,097	115,388	182,788	61,134
Trust funds and non profit organization	967	481	1,805	1,705
Others	6,329,020	3,061,058	4,768,949	3,237,885
	<u>42,309,377</u>	<u>30,521,618</u>	<u>36,086,044</u>	<u>23,791,096</u>



**Notes to the Unconsolidated Financial Statements**
**44. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES**

	2009					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	
	(Rupees in million)					
Net interest income - External	(15,281)	41,638	10,848	3,786	673	41,664
Inter segment revenue - net	43,470	(32,851)	(10,023)	-	(596)	-
Non-funded income	4,064	2,437	1,171	2,347	(78)	9,941
Net interest and non-mark-up income	32,253	11,224	1,996	6,133	(1)	51,605
Total expenses including provision (excluding impairment)	11,774	6,918	94	4,869	7,503	31,158
Impairment against investments	-	50	(669)	-	1,580	961
Inter segment administrative cost	3,905	781	113	430	(5,229)	-
Total expenses including provision	15,679	7,749	(462)	5,299	3,854	32,119
Net income / (loss) before tax	16,574	3,475	2,458	834	(3,855)	19,486
Segment assets (gross)	96,577	421,574	135,539	125,150	77,514	856,354
Segment non-performing loans	8,765	23,444	-	9,855	245	42,309
Segment provision required including general provision	5,247	19,116	667	8,062	2,281	35,373
Segment liabilities including equity	512,078	101,460	15,142	83,393	108,908	820,981
Segment return on net liability / asset (%)	12.43	14.34	9.11	6.70	2.28	-
Segment cost of funds (%)	5.42	11.16	7.71	1.74	0.07	-

	2008					Total
	Retail banking	Corporate / commercial banking	Treasury	International banking group	Head office / support services	
	(Rupees in million)					
	(Restated)					
Net interest income - External	(7,912)	30,012	9,170	3,879	485	35,634
Inter segment revenue - net	32,597	(23,983)	(8,620)	-	6	-
Non-funded income	3,054	2,833	1,716	2,637	97	10,337
Net interest and non-mark-up income	27,739	8,862	2,266	6,516	588	45,971
Total expenses including provision (excluding impairment)	11,263	6,881	(118)	3,865	6,187	28,078
Impairment against investments	-	-	1,354	-	684	2,038
Inter segment administrative cost	4,067	1,229	345	706	(6,347)	-
Total expenses including provision	15,330	8,110	1,581	4,571	524	30,116
Net income before tax	12,409	752	685	1,945	64	15,855
Segment assets (gross)	95,805	357,354	109,269	123,010	59,170	744,608
Segment non-performing loans	6,733	21,218	-	7,344	791	36,086
Segment provision required including general provision	3,434	12,815	1,354	6,979	2,744	27,326
Segment liabilities including equity	442,825	97,640	11,421	80,517	84,879	717,282
Segment return on net liability / asset (%)	11.05	12.87	8.99	5.74	1.94	-
Segment cost of funds (%)	4.37	9.85	7.45	1.74	0.06	-

**45. TRUST ACTIVITIES**

The Bank is not engaged in any significant trust activities. However, the Bank acts as security agent for some of the term finance certificates it arranges and distributes on behalf of its customers.

**46. GEOGRAPHICAL SEGMENT ANALYSIS**

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	20,285,267	693,138,409	48,830,176	190,703,426
Asia Pacific (including South Asia)	(124,710)	47,714,270	9,607,340	5,895,825
Europe	220,953	10,491,919	6,373,227	5,093,235
North America	20,539	6,271,005	1,506,161	499,933
Middle East	617,907	51,248,365	8,797,550	10,373,681
Others	296,217	11,192,372	3,056,086	312,933
Impairment loss on Bank PHB	(1,830,432)	925,007	925,007	-
	<u>19,485,741</u>	<u>820,981,347</u>	<u>79,095,547</u>	<u>212,879,033</u>
	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	13,554,061	596,152,530	37,621,548	165,900,836
Asia Pacific (including South Asia)	808,869	40,498,518	8,360,614	6,483,074
Europe	317,520	10,394,059	5,881,320	5,206,823
North America	28,596	9,965,829	1,396,009	381,279
Middle East	926,205	48,286,864	6,620,072	11,070,674
Others	219,943	11,984,210	5,164,848	581,110
	<u>15,855,194</u>	<u>717,282,010</u>	<u>65,044,411</u>	<u>189,623,796</u>

## Notes to the Unconsolidated Financial Statements

### 47. ISLAMIC BANKING BRANCH - BALANCE SHEET

Financial figures of the Islamic Banking Branch, which are included in these financial statements, are as follows

	Note	2009 (Rupees in '000)	2008
<b>ASSETS</b>			
Cash and balances with treasury banks		8,743	6,440
Investment - net		48,182	48,182
Murabaha		434,455	-
Ijara	47.1	358,036	389,173
Musharaka		100,000	150,000
Other assets		27,941	20,412
		<u>977,357</u>	<u>614,207</u>
<b>LIABILITIES</b>			
Deposit and other accounts		60,320	18,655
Other liabilities		713,412	456,107
		<u>773,732</u>	<u>474,762</u>
<b>NET ASSETS</b>			
		<u>203,625</u>	<u>139,445</u>
<b>REPRESENTED BY:</b>			
Islamic Banking Fund		100,000	100,000
Unappropriated profit		103,625	39,445
		<u>203,625</u>	<u>139,445</u>

The commitment in respect of letters of credit of Islamic Banking branches of Habib Bank Limited amounted to Rs 136.303 million (2008: Rs. 17.402 million).

47.1. This represents fixed assets given to customers under Ijarah agreement.

### 48. ISLAMIC BANKING BRANCH - PROFIT AND LOSS ACCOUNT

	2009 (Rupees in '000)	2008
Mark-up / return / profit earned	186,172	98,478
Mark-up / return / profit expensed	-	-
Net mark-up / interest income	<u>186,172</u>	<u>98,478</u>
Depreciation on assets given on lease	45,857	22,521
Loss on impairment of assets given on lease	31,528	31,050
	<u>77,385</u>	<u>53,571</u>
Net mark-up / interest income after depreciation and provisions	<u>108,787</u>	<u>44,907</u>
<b>Non mark-up / interest income</b>		
Fee, commission and brokerage income	1,486	574
Other income	2,578	133
Total non-mark-up / interest income	<u>4,064</u>	<u>707</u>
	<u>112,851</u>	<u>45,614</u>
<b>Non mark-up / interest expense</b>		
Administrative expenses	9,226	6,170
<b>Net profit for the year</b>	<u>103,625</u>	<u>39,444</u>

## Notes to the Unconsolidated Financial Statements

	2009	2008
	(Rupees in '000)	
<b>49. CHARITY FUND</b>		
Opening balance	2	-
Additions during the period	-	2
Payments / Utilization during the period	(2)	-
	<u>-</u>	<u>2</u>
<b>49.1 Remuneration to Shariah Advisor / Board</b>	1,075	210

## 50. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 19, 2010.

## 51. GENERAL

51.1 These financial statements have been prepared in accordance with the revised format for financial statements of banks issued by the State Bank of Pakistan through BSD Circular No. 4 dated February 17, 2006.

President and Chief Executive Officer

Director

Director

Director

**Annexure I - Details of Domestic Investments**  
**As at December 31, 2009**  
**Unconsolidated**

**1 Particulars of investments held in listed companies**

**1.1 Ordinary shares**

	Number of shares held	Paid-up value per share (Rupees)	Total paid-up value (Rupees in '000)	Market value	Credit Ratings Short Term
TRG Pakistan Ltd	16,017,000	10	160,170	33,956	N/A
Bank Alfalah Ltd	730,000	10	7,300	10,052	A1+
NIB Bank Ltd	13,000,000	10	130,000	62,400	A1
Arif Habib Investment Management Ltd	376,920	10	3,769	9,348	A1
Kot Addu Power Plant	312,257	10	3,123	14,323	N/A
Hussain Sugar Mills Ltd	7,018	10	70	154	N/A
Habib Sugar Mills Ltd	11,851	5	59	472	N/A
Colony Sugar Mills Limited	1,060	10	11	13	N/A
Adamjee Insurance Co Ltd	28	10	0	3	N/A
Central Insurance Corporation	641	10	6	47	N/A
Pakistan Cables Ltd	1	10	0	0	N/A
Lucky Cement Ltd	500,000	10	5,000	33,120	N/A
Pakistan State Oil	300,000	10	3,000	92,066	A1+
Pakistan Oilfields Ltd	99,000	10	990	22,846	N/A
Pakistan Petroleum Ltd	1,125,000	10	11,250	213,289	N/A
Engro Chemical Ltd	250,000	10	2,500	45,818	A1+
Fauji Fertilizer Bin Qasim Ltd	3,000,295	10	30,003	78,398	N/A
Hub Power Company Ltd	15,000,000	10	150,000	466,200	N/A
			<b>507,251</b>	<b>1,082,504</b>	

**1.2 Units**

	Number of units held	Paid-up value per share (Rupees)	Total paid-up value (Rupees in '000)	Market value	Credit Ratings Short Term (Refer Note)
<b>Mutual Funds</b>					
PICIC Investment Fund	11,104,508	10	111,045	64,628	N/A
Meezan Balanced Fund	2,454,000	10	24,540	14,969	N/A
First Dawood Mutual Fund	699,998	10	7,000	1,183	N/A
JS - Growth Fund	13,381,363	10	133,814	66,104	N/A
PICIC Growth Fund	214,453	10	2,145	3,058	N/A
Pakistan Strategic Allocation Fund	7,500,000	10	75,000	33,300	N/A
First Habib Income Fund	152,250	100	15,225	15,724	N/A
ICI Income Fund	100,109	100	10,011	10,563	N/A
Askari Asset Allocation Fund	254,955	100	25,496	16,047	N/A
Nafa Islamic Income Fund	1,500,000	10	15,000	10,590	N/A
Nafa Islamic Multi Asset Fund	2,500,000	10	25,000	23,475	N/A
KASB Balanced Fund	499,201	50	24,960	22,529	N/A
Nafa Income Fund	2,500,000	10	25,000	26,175	N/A
Pakistan Income Fund	533,860	50	26,693	28,198	N/A
Meezan Islamic Fund	158,034	50	7,902	7,377	N/A
South Asia Regional Fund	5,000	563	2,814	279	N/A
NIT Government Bond Fund	5,000,000	10	50,000	50,650	N/A
National Investment Trust	673,546	10	6,735	20,509	N/A
			<b>588,378</b>	<b>415,359</b>	

**1.3 Preference Shares**

	Number of Shares Held	Paid-up value per share	Total Paid-up value (Rupees in '000)	Market value	Credit Ratings Short Term
Chenab Ltd	10,000,000	10	100,000	70,000	N/A
Masood Textile Mills Ltd	10,000,000	10	100,000	100,000	N/A
			<b>200,000</b>	<b>170,000</b>	

**1.4 Term finance certificates (TFCs)**

	Number of certificates held	Paid-up value per certificate (Rupees)	Total paid-up value (Rupees in '000)	Market value	Credit Ratings Short Term
Allied Bank Ltd	14,277	5,000	71,385	63,813	N/A
Askari Commercial Bank Ltd	16,990	5,000	84,950	81,518	N/A
Bank Al falah Ltd	10,000	5,000	50,000	243,669	N/A
Bank Al Habib Ltd	33,000	5,000	165,000	464,640	N/A
Kashf Foundation	3,000	5,000	15,000	6,324	N/A
Faysal Bank Ltd	15,000	5,000	75,000	71,627	N/A
United Bank Ltd	41,525	5,000	207,625	182,999	N/A
NIB Bank Ltd	34,950	5,000	174,750	160,285	N/A
Pak Arab Fertilizer Ltd	165,080	5,000	825,400	2,652,518	N/A
Worldcall Telecom Ltd	96,000	5,000	480,000	452,371	N/A
Tele Card Ltd	50,000	5,000	250,000	102,242	N/A
			<b>2,399,110</b>	<b>4,482,005</b>	

**2 Particulars of investment held in unlisted companies**

**2.1 Ordinary shares**

	Percentage of holding	Number of shares / units Held	Paid-up value per share (Rupees)	Total Paid-up value (Rupees in '000)	Break up value / NAV	Based on accounts as at	Name of Chief Executive	Credit Ratings Short Term
SME Bank Ltd	0.83%	1,987,501	10	19,875	19,575	December 31, 2008	Mr. R.A. Chughtai	A-3
First Women Bank	26.78%	7,596,000	10	75,960	304,161	December 31, 2008	Ms. Zarine Aziz	A-2
Khushali Bank (Micro Finance Bank)	17.60%	30,000,000	10	300,000	326,514	December 31, 2008	Mr. M. Ghalib Nishtar	A-2
N I T Shares	8.33%	52,800	100	5,280	166,382	June 30, 2009	Mr. Tariq Iqbal Khan	N/A
Central Depository Company of Pakistan Ltd	10.50%	3,173,001	10	31,730	99,265	June 30, 2009	Mr. Muhammad Hanif Jharkura	N/A
National Inst. Facilitation Technologies (PVT) Ltd	9.07%	985,485	10	9,855	50,030	June 30, 2008	Mr. M. M. Khan	N/A
Saif Power Limited	16.64%	29,262,500	10	292,625	476,012	December 31, 2008	Mr. Omar Saifullah Khan	N/A
				<b>735,325</b>	<b>1,441,938</b>			

**2.2 Term finance certificates (TFCs)**

	No. of certificates	Paid-up value per certificate (Rupees)	Total Paid-up value (Rupees in '000)	Name of Chief Executive	Credit Ratings Short Term
Lahore Electric Supply Company Ltd	40	100,000,000	4,000,000	Mr. Munavar Baseer	N/A
Islamabad Electric Supply Company Ltd	40	100,000,000	4,000,000	Mr. Raja Abdul Chafoor	N/A
Pakistan International Airline	594,976	5,000	2,974,880	Ch. Ahmed Mukhtar	N/A
NTDC Limited	4,182,756	5,000	20,913,780	Mr. Tariq Qazi	N/A
Power Holding Pvt Ltd	4,396,800	5,000	21,984,000	Mr. Fazeel Asif	N/A
			<b>53,872,660</b>		

**Note:**

Credit Rating of Funds

*****	Superior
****	Good
***	Average
**	Weak
*	Poor

## Annexure I - Details of Domestic Investments

### 3 Particulars of investments held in bonds

	Terms of Redemption			Principal (Rupees in '000)
	Principal	Interest / Profit	Rate of Interest / Profit	
<b>3.1 Bonds (Guaranteed by Government) - denominated in Pak Rupees</b>				
Low Yield Bonds	Repayable in full on maturity	Semi - Annual	9.58%	3,523,940
Pakistan International Airline	Repayable in full on maturity	Semi - Annual	14.40%	425,000
				<b>3,948,940</b>
<b>3.2 Bonds (Private Sector) - denominated in Pak Rupees</b>				
Century Paper	Repayable in full on maturity	Semi - Annual	6 Months Kibor + 135BPS	400,000
Sitara Energy	Repayable in full on maturity	Semi - Annual	6 Months Kibor+115 BPS	28,182
Arzoo Textile	Repayable in full on maturity	Semi - Annual	6 Months Kibor+200 BPS	20,000
Quetta Textile	Repayable in full on maturity	Semi - Annual	15.78%	100,000
Dawood Hercules	Repayable in full on maturity	Semi - Annual	6 Months Kibor+ 120BPS	3,000,000
				<b>3,548,182</b>
<b>3.3 Government guaranteed bonds- denominated in US Dollars</b>				
Government of Pakistan - GOP Construction Bonds	Annual	Annual	3 Months Libor +1%	750,529
				<b>750,529</b>
<b>3.4 Government of Pakistan bonds (US Dollar / Euro)</b>				
Government of Pakistan US Dollar / Euro Bonds	Annual	Semi Annual	6.875%	2,675,264
Government of Pakistan - Sukuk Bonds	Repayable in full on maturity	Semi Annual	6 Months Libor +2.2%	3,745,345
				<b>6,420,609</b>

**Annexure II**  
**Amounts Written-off during the year 2009**

**Statement showing written-off loans or any other financial relief of five hundred thousand Rupees or above provided during the year ended December 31, 2009**

Rs in Millions

S. No.	Name & Address of the Borrower	Name of Individuals/Partners/Directors (with NIC No.)	Father's /Husband's Name	Outstanding Liabilities at beginning of year				Principal Write-off	Mark-up & Other Charges Write-off	Other Financial Relief Provided		Total
				Principal	Mark-up	Other Charges	Total			Un-Debited	Reversal	
1	RAEES-UD-DIN 117-BLOCK-2/BII TOWN SHIP,LAHORE	267-88-450535	RASHID-UD-DIN	0.275	-	-	<b>0.275</b>	0.275	-	0.401	-	<b>0.676</b>
2	REHMAT ULLAH GOKDAN TURBAT DISTRICT KECH,C/O WALEED AUTOS,TURBAT.	632-52-025295	MUHAMMAD ALI	0.499	0.170	-	<b>0.669</b>	0.499	-	1.109	0.170	<b>1.778</b>
3	SHAZADA NAEEM RAZA 992/1-A KOOCHA KARMANGIRAN,I/S. RANG-MAHAL,LAHORE.	276-91-360465	HASSAN RAZA	0.231	-	-	<b>0.231</b>	0.231	-	0.321	-	<b>0.552</b>
4	M.I.IMPEX 1ST FLOOR,FLATE.NO.9-1-L-2,HAJ I MUHAMMAD BUILDING SIDDIQUE WAHAB ROAD,KARACHI.	MUHAMMAD IQBAL 502-89-207171	ABDUL SATTAR	0.575	-	-	<b>0.575</b>	0.575	-	1.542	-	<b>2.117</b>
5	MUHAMMAD ARIF 9/3 AREA-36-B,LANDHI.NO.5,KARACHI	517-89-179248	MUHAMMAD HANIF	0.307	0.039	-	<b>0.346</b>	0.307	-	0.804	0.039	<b>1.150</b>
6	SAKHI SILK INDUSTRIES (PVT) LTD PLOT.NO.148/1 ROAD.NO.7,IND. ES ESTATE GADOON,DISTT.SWABI.	ABDUL RASHID 285-37-019418 QAISER SIDDIQUE 285-60-461645 SAEED SIDDIQUE 285-68-454727 JAMIL SIDDIQUE 285-89-461652	HAJI HIDAYAT ULLAH HAJI MUHAMMAD SIDDIQUE HAJI MUHAMMAD SIDDIQUE HAJI MUHAMMAD SIDDIQUE	17.034	0.594	-	<b>17.628</b>	6.262	-	36.582	0.443	<b>43.287</b>

**Annexure II Amounts Written-off during the year 2009**

7	ZAHOO AHMED & SONS USMAN BUILDING,PLOT.NO.1812/18 13,GOW GALI,KHADDA MKT,KARACHI	ZAHOO AHMED 37405-0914185-5		1.484	0.525	-	<b>2.009</b>	-	-	1.053	-	<b>1.053</b>
8	GHAFCO INDUSTRIES SUIT.NO.B-7,3RD FLOOR MOMIN SQ UARE,BLOCK-6,GULSHAN-E-IQBAL, KARACHI.	MEHMOOD ASHRAF 42201-3496670-1 MUHAMMAD ASHRAF QURESHI NUSRAT GULZAR	ASHRAF KHAN	1.500	1.650	-	<b>3.150</b>	-	-	1.821	-	<b>1.821</b>
9	ANSAR HUSSAIN HOUSE.NO.212-B,AZIZ BHATTI TOWNN,SARGODHA.	384030-126653-3	ASHIQ HUSSAIN	2.500	0.486	-	<b>2.986</b>	-	-	0.196	0.386	<b>0.582</b>
10	TAUSEEF JAVED (EX-STAFF) 4/24,RAVI ROAD,LAHORE.	265-68-255986	MUHAMMAD YAQOOB JAVED	0.703	0.070	-	<b>0.773</b>	0.703	-	0.735	0.070	<b>1.508</b>
11	COMMODITIES TEXTILES (PVT) LIMITED PLOT.NO.67,SECTOR-28,KORANGI I INDUSTRIAL AREA,KARACHI.	IQBAL DOSSA 42201-0364551-7 ALI ASGHAR DOSSA 42301-0940756-1 PERVEZ NAIM 42301-1194215-1 ZAFAR MUHAMMAD SHAIKH 42201-2707099-1 SOHAIL IQBAL SIDDIQI 42201-1406164-5	JAFFAR ALI DOSSA IQBAL DOSSA ABDUL NAIM	85.571	-	-	<b>85.571</b>	10.499	-	7.100	-	<b>17.599</b>
12	KHOMER FILING STATION SHAHRA-E-QUAID,KHOMER GILGIT.	ABBAS ALI 750-64-114428 QURBAN ALI (DECEASED) 750-37-114426	ALI MADAD ALI MADAD	0.278	0.140	-	<b>0.418</b>	-	-	0.442	0.140	<b>0.582</b>

**Annexure II Amounts Written-off during the year 2009**

13	RAWALPINDI ENGINEERING CO.LTD 12-A NORTH CENTRAL AVENUE, DEFENCE HOUSING SOCIETY,KARACHI.	SHAMIM-UR-REHMAN ALVI  SHAMIM KHATOON	INAM-UR-REHMAN ALVI  INAM-UR-REHMAN ALVI	2.090	-	-	<b>2.090</b>	0.390	-	13.229	-	<b>13.619</b>
14	LUCKY FINE FABRICS 2-FEROZ CLOTH MARKET,NEW NAHAN ROAD,KARACHI.	ABDUL GHAFUOR 424-50-031040	GUL MUHAMMAD KHAN SHAIKH	0.163	-	-	<b>0.163</b>	0.163	-	0.451	-	<b>0.614</b>
15	HABIB DAIRY FARM WARD.NO.20,CHEELA BANDI, MUZAFFARABAD.	MUHAMMAD SHARIF KHAN 82203-9560036-7	GUL ZAMAN	0.394	0.091	-	<b>0.485</b>	0.394	-	0.034	0.091	<b>0.519</b>
16	BALUCHISTAN STEEL (PVT) LTD 415-MAHBOOB CHAMBERS,ABDULLAH- HAROON ROAD,SADDAR,KARACHI.	MUHAMMAD AZHAR SAJJAD SYED TAHIR SAJJAD SYE ZAFAR SAJJAD SYED HAIDER SAJJAD SYED GHAZANFAR A.B.ABBAS MST.MAHMOODA		0.084	-	-	<b>0.084</b>	0.084	-	1.233	-	<b>1.317</b>
17	THAL COTTON INDUSTRIES BAHAWALPUR ROAD,MULTAN.	SH.MUHAMMAD RAMZAN GHULAM HUSSAIN ALLAH BAKHSH SH.MUHAMMAD HASSAN FAZAL HAQ	ALLAH DIWAYA ALLAH DIWAYA ALI MUHAMMAD ALLAH DIWAYA ALLAH DIWAYA	0.910	1.617	-	<b>2.527</b>	-	-	9.531	-	<b>9.531</b>
18	RAWALPINDI ENGINEERING CO (PVT) LTD 12-A,NORTH CENTRAL AVENUE,DHA, KARACHI.	SHAMIM-UR-REHMAN  SHAMIM KHATOON		1.832	-	-	<b>1.832</b>	1.832	-	6.874	-	<b>8.706</b>
19	SHABBIR AHMED SHAIKH 396-A,PEOPLES COLONY,FAISALABAD	246-92-181918	SH.MUHAMMAD BASHIR	0.196	0.050	-	<b>0.246</b>	0.196	-	0.431	0.050	<b>0.677</b>



**Annexure II Amounts Written-off during the year 2009**

20	KHAWAJA ARIF JAVED 25-Y-14,MADINA TOWN,FAISALABAD	246-85-313375	KHAWAJA BASHIR AHMED	0.192	0.039	-	<b>0.231</b>	0.192	-	0.424	0.039	<b>0.655</b>
21	MUHAMMAD ARSHAD 1-A,MUTSIL-402-A,PEOPLES COLONY BABAR CHOWK,FAISALABAD.	251-89-240895	CHOUDHRY YOUSUF	0.173	0.050	-	<b>0.223</b>	0.173	-	0.371	0.050	<b>0.594</b>
22	MUHAMMAD ZUBAIR 399-B,PEOPLES COLONY,FAISALABAD	244-88-166308	KHAWAJA MUHAMMAD RAMZAN	0.254	0.036	-	<b>0.290</b>	0.254	-	0.298	0.036	<b>0.588</b>
23	MARRIAM EDMOND 262-B,BATALA COLONY,FAISALABAD	244-92-064779	K.THOMAS	0.177	0.042	-	<b>0.219</b>	0.177	-	0.382	0.042	<b>0.601</b>
24	SHAHID MEHMOOD 263-D,PEOPLES COLONY,FAISALABAD	335-85-376149	CHOUDHRY SULTAN ALI	0.196	0.050	-	<b>0.246</b>	0.196	-	0.405	0.050	<b>0.651</b>
25	ZAFAR IQBAL ZAFAR 671-C,BATALA COLONY,FAISALABAD	245-52-026122	CHOUDHRY MUHAMMAD YOUSUF	0.177	0.028	-	<b>0.205</b>	0.177	-	0.420	0.028	<b>0.625</b>
26	MUNSIF KHAN NEAR BY GHANI ARA MACHINE,NEELAM ROAD,MUZAFFARABAD,A.K.	710-94-457614	SIKANDAR KHAN	0.450	-	-	<b>0.450</b>	0.450	-	0.423	-	<b>0.873</b>
27	SHAHIDA DAULTANA HOUSE.NO.15/B,KHAYABAN-E-GHAZI PHASE-V,DHA,KARACHI.		KHALID MAHMOOD KHAN	1.562	-	-	<b>1.562</b>	1.562	-	1.347	-	<b>2.909</b>
28	SULTAN COMMERCIAL & CO B-3,R-1/64,KANDA STREET MURAD KHAN ROAD,JODIA BAZAR,KARACHI.	MUHAMMAD IRFAN 502-58-124180 JAWAID SULTAN 502-61-124182	MUHAMMAD SULTAN MUHAMMAD SULTAN	1.000	0.643	0.030	<b>1.673</b>	-	-	0.123	0.560	<b>0.683</b>

**Annexure II Amounts Written-off during the year 2009**

29	MUHAMMAD RIAZ KHAN A-42,KUTCHI PARA,NCI LIMITED,S HANTINAGAR,KARACHI.	518-54-018181	ABDUL HANNAN	0.181	-	-	<b>0.181</b>	0.181	-	0.401	-	<b>0.582</b>
30	LASBELA LIGHTERAGE CO.LTD 5-BOAT BUILDING YARD,ADJACENT, FISH HARBOUR,KARACHI.	ABID AMIN MUHAMMAD YOUSUF WAZIR AHMED JOGAZAI SHEHZADA YOUSUF SHIRIN BIBI	AMINULLAH KHAN CH.MUHAMMAD KHALIL SARDAR MUHAMMAD USMAN JOGAZAI JAM GHULAM QADIR KHAN JAM GHULAM QADIR KHAN	2.583	-	-	<b>2.583</b>	2.583	-	10.075	-	<b>12.658</b>
31	NAZIR HUSSAIN SHAH NADIRABAD.NO.2,NEAR AL-HADEES- MASJID BADIN ROAD,LAHORE CANTT	220-87-578632	SYED WALAYAT SHAH	0.302	0.043	-	<b>0.345</b>	0.302	-	0.269	0.043	<b>0.614</b>
32	NAEEMUDDIN & COMPANY 9TH IBRAHIM BUILDING,WEST WHAR F,KARACHI.	MUHAMMAD NAEEM UDDIN SIDDIQUI 42101-1704220-7	GHULAM MOINUDDIN	0.483	0.296	-	<b>0.779</b>	-	-	1.646	-	<b>1.646</b>
33	REHMANIA TEXTILE MILLS (PVT) LTD JHANG ROAD,FAISALABAD.	MIAN ABDUL REHMAN SH.MUHAMMAD HANIF SH.MUHAMMAD MUNIR MIAN MUHAMMAD AMIN MIAN MUHAMMAD RAFI KHAWAJA MUSHTAQ AHMED HAJI MIAN.M.SIDDIQUE		-	6.037	-	<b>6.037</b>	-	-	-	5.687	<b>5.687</b>
34	MUHAMMAD FAROOQ KHAN VILL.HURNA MAIRA,PO.MUJAHIDABA D,TEH.RAWALAKOT,A,K.	701-51-500993 45504-2054122-7	KHAN MUHAMMAD KHAN HAJI NOOR MUHAMMAD SOOMRO	0.242	0.076	-	<b>0.318</b>	0.242	-	0.704	0.076	<b>1.022</b>

**Annexure II Amounts Written-off during the year 2009**

35	R.G.TEXTILE 9/8 ARKAY SQUARE EXTENSION,SHA HRAH-E-LIAQUAT,KARACHI.	MUHAMMAD YOUNUS 42301-1019916-3	MUHAMMAD USMAN	1.782	0.018	-	<b>1.800</b>	-	-	4.405	-	<b>4.405</b>
36	AHMED SADIQ CHUGHTAI 440-W,PHASE-III,LCCH,LAHORE.	277-55-407570		0.160	0.249	-	<b>0.409</b>	0.160	-	0.159	0.249	<b>0.568</b>
37	M.A.SHAIKH BROTHERS 131-CIRCULAR ROAD,LAHORE,39 NE W SHALIMAR CHOWK.	SHAIKH MANZOOR AHMED 522-88-387433	MAQBOOL AHMED	6.302	2.995	-	<b>9.297</b>	5.794	-	16.293	2.995	<b>25.082</b>
38	KASWAR MEDICAL COMPLEX BAHAWALPUR ROAD,MULTAN.	SYED ALI RAZA GERDEZI 270-92-472418 SYEDA FARYAL ALI 270-92-472419 SYEDA SHABIH ZEHRA 322-30-350888	SYED MUHAMMAD KISWAR GERDEZI SYED ALI RAZA GERDAZI SYED MUHAMMAD KISWAR GERDAZI	14.272	5.728	-	<b>20.000</b>	-	-	7.925	-	<b>7.925</b>
39	MONA LOREX INDUSTRIES PVT LTD PLOT.NO.150/151/2 INDUSTRIAL ESTATE,GADOON AMAZAI,DISTT.SWABI	KHURSHID AHMED 34101-2676679-7 NASIR SIDDIQUE 285-89-461648 SHAHID RASHEED 34101-2676682-5 ZAHID RASHID 285-87-443320	HAJI HIDAYAT ULLAH MUHAMMAD SIDDIQUE ABDUL RASHID ABDUL RASHID	6.672	2.037	0.011	<b>8.720</b>	4.294	0.011	9.006	2.037	<b>15.348</b>

**Annexure II Amounts Written-off during the year 2009**

40	FATEH TEXTILE INDUSTRIES (PVT) LTD 6-K.M.SATYANA ROAD,FAISALABAD.	HAJI ABDUL RAZAQ 33100-7875199-7 WAHEED AHMED 33100-4043472-7 ABDUL REHMAN 91506-0125184-5 IFTIKHAR AHMED 33100-3023685-9 TARIQ MEHMOOD 33100-1312912-7 SHAHID MEHMOOD 33100-0925015-9	HAJI UMER DIN  HAJI ABDUL RAZZAQ  HAJI ABDUL RAZZAQ  HAJI UMER DIN  IFTIKHAR AHMED  IFTIKHAR AHMED	79.099	28.083	-	<b>107.182</b>	-	-	32.851	-	<b>32.851</b>
41	BAWANY INDUSTRIES 2ND FLOOR,HAKIM SONS BUILDING, 19-WEST WHARF ROAD,KARACHI.	ABDUL MAJID AHMED BAWANY YOUNUS ABDUL MAJID A.REHMAN VALI MUHAMMAD A.GHAFFAR.A.AMIN ABDULLAH VALI MUHAMMAD MOTEN ASHRAF.A.KARIM A.K.M.SAYEED	ABDUL MAJID BAWANY	6.384	8.283	-	<b>14.667</b>	6.384	-	21.450	8.283	<b>36.117</b>
42	NETWORK LEASING CORPORATION LIMITED 301-302,GUL TOWER,J.I.CHUNDRIG AR ROAD,KARACHI-47000.	MUHAMMAD ELIAS 42201-0312864-7 ASIF SIDDIQUI 42301-0887937-3 MUSARAT SIDDIQUI 42301-0810540-2 HANIF.A.SATTAR 516-89-106490 YOUSUF.A.SATTAR 506-89-107291	ABDUL SATTAR  MUHAMMAD ABBAS  ASIF SIDDIQUI  ABDUL SATTAR  ABDUL SATTAR	34.294	-	-	<b>34.294</b>	6.343	-	-	-	<b>6.343</b>

**Annexure II Amounts Written-off during the year 2009**

43	QAZI ELECTRIC GAS KUTCHERY ROAD,AMIN MARKET,CHAKWAL	QAZI ZAFAR IQBAL	QAZI NOOR-UL-HAQ	0.500	0.178	-	<b>0.678</b>	0.500	-	1.077	0.178	<b>1.755</b>
44	MUHAMMAD RAFIQ MAIN BAZAR NOWSHERA VIRKAN,GUJ RANWALA.	285-85-155466	DIN MUHAMMAD	0.180	0.040	-	<b>0.220</b>	0.180	-	0.391	0.040	<b>0.611</b>
45	N.P.WATER PROOF TEXTILE MILLS (PVT) LTD 704-UNI TOWER,I.I.CHUNDRIGAR ROAD,KARACHI.	SH.ZAKIR-UR-REHMAN 42201-7900769-3 REHANA REHMAN 42201-5215755-0 JUNAID-UR-REHMAN 42201-7805864-3	SH.MUHAMMAD YAHYA SH.ZAKIR-UR-REHMAN SH.ZAKIR-UR-REHMAN	-	1.846	-	<b>1.846</b>	-	-	1.509	1.246	<b>2.755</b>
46	INTERNATIONAL TRADE CENTRE 403,BUSINESS PLAZA,MUMTAZ HASS AN ROAD,I.I.CHUNDRIGAR ROAD,KARACHI	MUHAMMAD ASIF KAPADIA	MUHAMMAD ISMAIL KAPADIA	11.427	-	-	<b>11.427</b>	-	-	2.511	-	<b>2.511</b>
47	ASHRAF AGRO INDUSTRIES (PVT) LTD CHAK.NO.559/EB,TEH & DISTT.VEHARI	MUHAMMAD ASHRAF 317-56-323342 MUHAMMAD AFZAL 317-63-323345 HUMERA ASHRAF 317-60-323343	MUHAMMAD SALEEM MUHAMMAD SALEEM MUHAMMAD ASHRAF	9.551	1.433	-	<b>10.984</b>	9.551	-	21.870	1.433	<b>32.854</b>
48	AMIN SOAP & OIL INDUSTRIES 17-FAZAL CHAMBER MURAD KHAN ROAD KHORI GARDEN,PO.BOX.4602,KARACHI	KHAWAJA SALEEM AHMED 42301-9771965-9 KHAWAJA SAFDAR AMIN 42301-0111725-3 KHAWAJA KHURRAM 42301-8843698-9	KHAWAJA MUHAMMAD AMIN KHAWAJA MUHAMMAD AMIN KHAWAJA ASGHAR AMIN	37.401	3.858	-	<b>41.259</b>	-	-	6.542	-	<b>6.542</b>

**Annexure II Amounts Written-off during the year 2009**

49	FORALL FABRICS (PVT) LTD 1-K.M.JARANWALA ROAD,KURRIANWALA FAISALABAD.	SH.MUHAMMAD ALI 245-44-227512 TARIQ ALI 245-86-227516 FAISAL NADEEM 245-88-2257517 MST.TAHIRA SAMAD ABDUL SAMAD	MUHAMMAD ALI	15.014	1.485	-	<b>16.499</b>	-	-	6.150	0.939	<b>7.089</b>
50	JAMIL ENTERPRISES 28,2ND FLOOR KHAIRI MANSION,M. A,JINNAH ROAD,KARACHI.	MUHAMMAD JAMIL 501-86-753288	ABDUL AZIZ	0.594	-	-	<b>0.594</b>	0.594	-	1.046	-	<b>1.640</b>
51	AMIN ENTERPRISES 3RD ABDUL REHMAN STREET,GARDEN EAST,KARACHI.	MUHAMMAD AMIN AMTUL RASHID	SHAIKH KHURSHID AHMED	3.000	4.600	-	<b>7.600</b>	3.000	-	8.628	4.600	<b>16.228</b>
52	COXTON PRINTING PRESS FAZAL BUILDING COOPER ROAD,LAHORE	AHMED MAJEED ZAFAR IQBAL		0.070	0.031	-	<b>0.101</b>	0.070	-	0.441	0.031	<b>0.542</b>
53	PAK EXPORT ENTERPRISING CO PATEL BLDG,ELLIS STREET,KHARADAR, KARACHI	ABDUL SATTAR HAJI HASHAM		2.877	1.532	-	<b>4.409</b>	0.577	-	5.328	1.532	<b>7.437</b>
54	NEW PAK FOOD PRODUCTS (PVT) LTD B-1 SMALL INDUSTRIAL ESTATE.NO. 11, GUJRANWALA.	MUHAMMAD NAEEM QURESHI 34101-2458146-3 MUHAMMAD SALEEM QURESHI MUHAMMAD AMIN QURESHI	MUHAMMAD AMIN QURESHI MUHAMMAD AMIN QURESHI MUHAMMAD ABDULLAH QURESHI	0.926	0.483	-	<b>1.409</b>	-	-	2.819	0.116	<b>2.935</b>
55	A.Q.INDUSTRIES PLOT.NO.4,SECTOR-12/C,NORTH KARACHI	MIR EJAZ JAVED 42301-8925499-3 ABDUL MAJEED BUTT 502-85-407790	MIR MUHAMMAD YOUNAS GHULAM QADIR BUTT	1.789	0.958	-	<b>2.747</b>	1.789	-	4.375	0.958	<b>7.122</b>

**Annexure II Amounts Written-off during the year 2009**

56	IMRAN TRADERS PLOT.NO.107,BANTVA NAGAR,SIR 5 HAH SULEMAN ROAD,KARACHI.	IMRAN 511-80-118792	ABDUL AZIZ	2.212	-	-	<b>2.212</b>	2.212	-	2.853	-	<b>5.065</b>
57	IHSAN YOUSAF TEXTILE (PVT) LTD H.O.IHSAN ROAD,THAL KHANUANA,FAISALABAD.	HAJI MUHAMMAD YOUSUF 33100-0844757-9 MST.HAMEEDA BEGUM 33100-3303073-2 MUHAMMAD IKRAM 33100-0771742-9	NAWAB DIN  HAJI MUHAMMAD YOUSAF  HAJI MUHAMMAD YOUSUF	541.411	-	-	<b>541.411</b>	81.027	-	104.036	-	<b>185.063</b>
58	AL-REHMAN INTERNATIONAL 4/5 OFFICE TOWER,RIMPA PLAZA, M.A. JINNAH ROAD,	AIJAZ-UR-REHMAN 512-91-129623	ATA-UR-REHMAN	3.050	-	-	<b>3.050</b>	-	-	3.907	-	<b>3.907</b>
59	MUHAMMAD ABBAS GORAYA QILA MOLE SINGH, P.O. CHABLA SANDHWAN, THE NOWSHERA VIRKAN.	287-85-221397	SANA ULLAH	0.231	-	-	<b>0.231</b>	0.150	-	0.278	0.081	<b>0.509</b>
60	MUHAMMAD ASHRAF			0.663	-	-	<b>0.663</b>	0.663	-	2.408	-	<b>3.071</b>
61	AFSAR TEXTILE MILLS 45-THE MALL, LAHORE			0.466	-	-	<b>0.466</b>	0.003	-	0.718	0.463	<b>1.184</b>
62	ABDUL HAYEE (EX-SATFF) HOUSE NO. 85, ST-70, G-9/3, ISLAMABAD.	272-88-248792	ABDUL AZIZ KHAWAJA	0.409	-	-	<b>0.409</b>	0.409	-	0.385	-	<b>0.794</b>
63	TANVEER JAFFAR GROUP (TJG) 126-D, BLOCK-7, GULSHAN-E-IQBAL, KARACHI.	TANVEER JAFFAR 42000-0521671-1	ATEEQ-UR-REHMAN	14.517	-	-	<b>14.517</b>	-	-	1.738	13.617	<b>15.355</b>
64	A.A. AMIN & CO N.P. II/6, KHAMCHAND STREET, JODIA BAZAR, KARACHI.	MUHAMMAD RAFIQ		10.255	-	-	<b>10.255</b>	8.784	-	10.247	1.471	<b>20.502</b>

**Annexure II Amounts Written-off during the year 2009**

65	A.A. AMIN & CO N.P. II/6, KHAMCHAND STREET, JODIA BAZAR, KARACHI.	MUHAMMAD RAFIQ		4.129	-	-	<b>4.129</b>	4.129	-	5.133	-	<b>9.262</b>
66	AL-SHAD TEXTILE MILLS CA-337, SECTOR 16-C GABOOL TOWN, NORTH KARACHI.	ANWAR ALI NASEEM MUHAMMAD ABDUL SATTAR 521-91-377349 MUHAMMAD ALI	MUHAMMAD ALI MUHAMMAD SHAHBRATI	2.006	-	-	<b>2.006</b>	1.360	-	3.818	0.646	<b>5.824</b>
67	TAWAKAL (PVT) LTD 6TH FLOOR, LAKSON SQUARE BUILDING NO. 1, SARWAR SHAHEED ROAD, KARACHI.	ABDUL QADIR TAWAKAL 42301-6550081-7 RAFIQUE TAWAKAL 502-61-142266 JUNAID TAWAKAL 502-91-142269	NOOR MUHAMMAD ABDUL QADIR TAWAKAL ABDUL QADIR TAWAKAL	19.203	-	-	<b>19.203</b>	12.772	-	43.002	6.432	<b>62.206</b>
68	M. HAROON USMAN 124-KARACHI STOCK EXCHANGE BUILDING, KARACHI.	MUHAMMAD HAROON USMAN		0.830	-	-	<b>0.830</b>	0.658	-	1.365	0.172	<b>2.195</b>
69	SIND TOURS FL-31/4, BLOCK NO. 5, GULSHAN-E-IQBAL, KARACHI.	SYED JAWWAD 42301-4010156-5	MAQBOOL HASSAN	4.403	-	-	<b>4.403</b>	3.200	-	6.425	1.203	<b>10.828</b>
70	HUMAYUN MASOOD 2-B, ILYAS COLONY, ILYAS STREET, OLD MUSLIM TOWN, LAHORE.			0.183	-	-	<b>0.183</b>	0.131	-	0.325	0.052	<b>0.508</b>
71	ZAFAR ULLAH F-34/230, JAGAT RAI LANE, LAJPAT ROAD, HYDERABAD	450-68-001059	AZIZULLAH	0.260	-	-	<b>0.260</b>	0.260	-	0.475	-	<b>0.735</b>
72	MUHAMMAD SADIQ ALI 118/R, MUBARAK HOUSING SOCIETY, HYDERABAD.	451-53-003951	HYDER ALI LAKHANI	0.200	-	-	<b>0.200</b>	0.200	-	0.396	-	<b>0.596</b>
73	ABDUL GHAFOR MAGHRIO BRIKS COMPANY, MIRPUR KHAS ROAD, SANGHAR.	487-91-033963	WALIDAD MANGHIO	0.185	-	-	<b>0.185</b>	0.185	-	0.375	-	<b>0.560</b>
74	ABDUL QADIR SOOMRO SOOMRO MOHALLAH REGENT CINEMA, SUKKUR.	42301-7609500-7	RAHEEM BUX SOOMRO	0.137	-	-	<b>0.137</b>	0.137	-	0.407	-	<b>0.544</b>



**Annexure II Amounts Written-off during the year 2009**

75	KHUDAI RAHIM NAWAN KILLI, MUHAMMADABAD, QUETTA.	56503-1845788-3	GHULAM RASOOL	1.429	-	-	<b>1.429</b>	0.900	-	0.088	0.029	<b>1.017</b>
76	SHEIKH NASRULLAH MUSHTAQ 13-C/9, M.M. ALAM ROAD, LAHORE.	270-55-175193	SHEIKH MUSHTAQ AHMED	0.275	-	-	<b>0.275</b>	0.269	-	0.511	0.006	<b>0.786</b>
77	MUHAMMAD ASLAM MEHAR 156-C-I, FAISAL TOWN, LAHORE.			0.622	-	-	<b>0.622</b>	0.622	-	1.353	-	<b>1.975</b>
78	SHEIKH ABDUL RASHEED SHARIF MARKET, F-BLOCK, GULBERG-II, LAHORE.		HAJI MUHAMMAD SHARIF	1.016	-	-	<b>1.016</b>	0.424	-	1.982	0.591	<b>2.997</b>
79	AYUB & COMPANY RASUL CHAMBERS, LAKE ROAD, LAHORE.	CHARLES AYUB CH. BASHIR SULTAN KHAN TAREEZA ALICE BASHIR		0.178	-	-	<b>0.178</b>	0.050	-	0.509	0.128	<b>0.687</b>
80	AMBALA HOSIERY 568 JINNAH COLONY, FAISALABAD.	CH. ABDUL SATTAR 246-43-005790	CH. GHULAM QADIR	27.349	-	-	<b>27.349</b>	23.893	-	39.973	3.456	<b>67.322</b>
81	MUHAMMAD NAEEM (EX-STAFF) 157, GALI NO.11, SHAH BAIG LANE, LYARI, KARACHI.	508-88-270060	NABI BUKSH	0.251	-	-	<b>0.251</b>	0.251	-	0.442	-	<b>0.693</b>
82	MUHAMMAD TARIQ (EX-STAFF) 53/B, QUETTA SQUARE, SHAHEEN STREET, RAM SWAMI, KARACHI.	512-90-055484	ABDUL RAHIM	0.259	-	-	<b>0.259</b>	0.259	-	0.381	-	<b>0.640</b>
83	F.C.T. INTERNATIONAL 121-B, SINDHI MUSLIM CO-OPERATIVE HOUSING SOCIETY, KARACHI.	MUHAMMAD ASIF DHADUK 517-85-038650 FARAH JUNAID DHADUK 517-85-397240	MUHAMMAD HANIF DHADUK MUHAMMAD JUNAID DHADUK	0.253	-	-	<b>0.253</b>	0.253	-	0.713	-	<b>0.966</b>

**Annexure II Amounts Written-off during the year 2009**

84	F.C.T. INTERNATIONAL 147-B, SINDHI MUSLIM CO-OPERATIVE HOUSING SOCIETY, KARACHI.	MUHAMMAD ASIF DHADUK 517-85-038650 FARAH JUNAID DHADUK 517-85-397240 RUBINA MUHAMMAD IQBAL DHADUK	MUHAMMAD HANIF DHADUK MUHAMMAD JUNAID DHADUK MUHAMMAD DHADUK	1.605	-	-	<b>1.605</b>	1.208	-	3.101	0.397	<b>4.706</b>
85	MUHAMMAD AFZAL ST. MAIN SADDAR DINWALI LINEPAR, SALAMAT PURA, KAMOKE GUJRANWALA.	275-57-336053	NAZIR AHMED	0.175	-	-	<b>0.175</b>	0.115	-	0.396	0.060	<b>0.571</b>
86	NASIR MEHMOOD STREET INAYAT PATWARI LINEPAR, KAMOKE, DISTT. GUJRANWALA.	286-88-291236	GHULAM QADIR	0.196	-	-	<b>0.196</b>	0.135	-	0.472	0.061	<b>0.668</b>
87	FRIEND FLOUR MILLS PLOT NO. 14,15, SITE SHIKARPUR.	HUSSAIN AHMED 55302-1758362-1 KALDEEP KUMAR 411-69-040329 ZAHID MEHM00D 411-93-345787 SHAMSHAD BEGUM 401-93-029278 MOHSINA ZAMIR 262-87-017018	MOLVI JAMAL UDDIN PARTAB ALI AGAN SHAD BEGUM ZAMEER-UL-HASSAN	6.333	-	-	<b>6.333</b>	1.833	-	10.389	-	<b>12.222</b>
88	AHMED DAUD AL-HUSSAIN ROOM NO. 4, STOCK EXCHANGE BUILDING, LAHORE.		SARMAD MAQSOOD AL-HUSAINY	1.047	-	-	<b>1.047</b>	0.999	-	2.660	0.049	<b>3.708</b>
89	HABIB ENTERPRISES 1ST FLOOR, STATE VIEW HOUSE, I.I. CHUNDRIGAR ROAD, KARACHI.	HABIB ULLAH MANGHI	MUHAMMAD ANDAL KHAN	1.500	0.698	-	<b>2.198</b>	-	-	3.952	0.693	<b>4.645</b>

**Annexure II Amounts Written-off during the year 2009**

90	PAKISTAN INDUSTRIAL GASES LTD 17-J, BLOCK-6, PECHS, KARACHI.	MIAN NAZIR HUSSAIN MIAN ABDUL AHAD MAHMUD 35201-8034822-7 MIAN ABDUL SAMAD MIAN SHAUKAT HUSSAIN 42000-2178285-9 MIAN AZMAT HUSSAIN MIAN AJMAL WAHID MIAN SHAHID SAMAD	MIAN MUHAMMAD HUSSAIN HAJI GHULAM NABI HAJI GHULAM NABI MIAN NAZIR HUSSAIN MIAN NAZIR HUSSAIN HAJI GHULAM NABI MIAN ABDUL SAMAD	-	6.649	-	<b>6.649</b>	-	-	32.881	6.649	<b>39.530</b>
91	SHAHID ISHAQ CHUHAN SISMA ELECTRONICS, SHOP NO. 9, 1ST FLOOR, ZAMAN PLAZA, MALL ROAD, LAHORE.	272-89-420249	MUHAMMAD ISHAQ CHUHAN	0.305	-	-	<b>0.305</b>	0.235	-	0.696	-	<b>0.931</b>
92	AKBAR TEXTILE MILLS PVT LTD KOKARAI ROAD, PANR MINGORA SWAT, DISTRICT SWAT.	BAHROZ KHAN 15602-2130663-3 PUKHRAJ BIBI 15602-1390320-8	AJARH KHAN HAJI BAHROZ KHAN	4.348	0.813	-	<b>5.161</b>	2.348	-	4.707	0.813	<b>7.868</b>
93	SHABBIR ALI JUMANI (EX-STAFF) H-6, U.K. SQUARE, BLOCK-6, F.B. AREA, KARACHI.		WALI MUHAMMAD	0.543	-	-	<b>0.543</b>	0.543	-	0.186	-	<b>0.729</b>
94	RAEES AHMED BAOOT VILLAGE, MALIR CITY, KARACHI.	519-71-438790	SYED SHOAB AHMED	0.306	0.253	-	<b>0.559</b>	0.306	-	0.485	0.253	<b>1.044</b>
95	J. N. TEXTILE (PVT) LTD VILLAGE CHOWKI MUMRAIZ, G.T. ROAD, PABBI.	MUHAMMAD ISHAQ KHAN 517-39-193315 IFFAT ISHAQ KHAN 517-51-193316 MUHAMMAD PERVEZ KHAN 128-86-026841 RIFFAT PERVEZ KHAN 128-54-015095	GHULAM SARWAR KHAN MUHAMMAD ISHAQ KHAN SALAR MUHAMMAD AYUB KHAN MUHAMMAD PERVEZ KHAN	16.980	6.384	-	<b>23.364</b>	16.980	-	38.637	6.384	<b>62.001</b>

**Annexure II Amounts Written-off during the year 2009**

96	CANNON COTTON COMPANY (PVT) LTD MAUZA SHERA CHITRA, BAHAWAL NAGAR.	MUHAMMAD AAMIR AFZAL WATTOO 91509-0116107-1 FAZAL SAEED WATTOO 31101-9000110-9 MAQBOOL AHMED WATTOO 31101-7286534-9	MIAN MUHAMMAD AFZAL WATTOO  MUHAMMAD SAEED  MOLVI MASOOD AHMED WATTOO	1.493	1.021	-	<b>2.514</b>	-	-	3.859	1.021	<b>4.880</b>
97	AYUB ASSOCIATES (PVT) LTD 40-HATTAR INDUSTRIAL ESTATE HATTAR, HARIPUR.	MUHAMMAD AYUB 13503-1842559-7 K. K.AFRIDI S. MUHARRAM ALI GILLANI MASOODA AKHTAR TAHIRA AYUB AFZAL REHMAN KHATTAK COL. RETD. ABDUL SHKOOR	MUHAMMAD YAKOOB KHAN    COL. RETD. MUHAMMAD AYUB	0.963	0.381	-	<b>1.344</b>	-	-	2.321	0.344	<b>2.665</b>
98	HAROON BHAI C/O. HBL NISHTER ROAD BR., MOIN STEEL MARKET.			1.000	-	-	<b>1.000</b>	1.000	-	1.186	-	<b>2.186</b>
99	PASNI & COMPANY (PVT) LTD 5/131-B, LIAQUAT ALI KHAN ROAD, MODEL COLONY, KARACHI	MUHAMMAD NASEER DURRANI 501-49-663777 SHAMSUR REHMAN	HAJI MUHAMMAD YAQOOB DURRANI	0.277	1.563	-	<b>1.840</b>	0.277	-	-	1.563	<b>1.840</b>
100	ZARA ENTERPRISES 2ND FLOOR, AZIZ MENSION, KANDAGALI, JODIA BAZAR, KARACHI.	ABDUL GHAFAR (LATE) 511-50-049927	ABDUL SATTAR	1.311	0.986	-	<b>2.297</b>	0.686	-	5.858	0.986	<b>7.530</b>
101	MOIN IQBAL H. NO. R-15, ST-8, SHAHEED-E-MILLAT EXPRESSWAY, DEFENCE VIEW, KARACHI.	517-75-476765	ANWAR IQBAL	0.281	-	-	<b>0.281</b>	0.281	-	0.366	-	<b>0.647</b>

**Annexure II Amounts Written-off during the year 2009**

102	KHALID JAVAID & CO. 4TH FLOOR, GHAFFAR CHAMBER MARKET ROAD, HYDERABAD.	CH. MUHAMMAD HUSSAIN MUHAMMAD SHAFI CH. MUHAMMAD ALI CH. IFTIKHAR AHMED MUHAMMAD IQBAL CH. KHALID HUSSAIN 358-88-034322 CH. SHAHID HUSSAIN	CH. GHULAM NABI CH. GHULAM NABI CH. GHULAM NABI CH. MUHAMMAD SHAFI CH. SHER MUHAMMAD CH. MUHAMMAD HUSSAIN CH. MUHAMMAD HUSSAIN	1.876	-	-	<b>1.876</b>	-	-	4.175	-	<b>4.175</b>
103	K.C.A. INTERNATIONAL SC-II, BLOCK-N, NORTH NAZIMABAD, KARACHI.	IQBAL AHMED	ANSAR AHMED	6.323	1.177	-	<b>7.500</b>	-	-	9.601	-	<b>9.601</b>
104	LIAQUAT PURSE HOUSE ABDULLAH BUILDING, 1ST FLOOR, 1388-C, GUMTI BAZAR, LAHORE.	CH. LIAQUAT ALI 270-90-460929	CH. HASSAN DIN	1.031	0.414	-	<b>1.445</b>	1.031	-	2.604	0.414	<b>4.049</b>
105	MASS EXPORTS B-6, GATE NO. 5, COCHINWALA MARKET, MULJI STREET, KARACHI.	AAMIR SHAFIQ 42101-1689877-5	MUHAMMAD SHAFIQ	3.000	1.008	-	<b>4.008</b>	-	-	0.735	0.868	<b>1.603</b>
106	BALUCHISTAN GUM INDUSTRIES (PVT) LTD PLOT. 4, SECTOR-E, HUB INDUSTRIAL TRADING ESTATE, DISTT. LASBELA, BALUCHISTAN.	BRIG. (RETD) S. ABDUL KHALIQ 42201-0366035-3 LT. COL. (R) S. ASAD ABBAS ZAIDI S. MAZHER HUSSAIN MANSURA MUHAMMAD HUSSAIN 502-89-731730	S. ABDUL RAZZAQ S. TAUQIR HUSSAIN MAHMOOD HUSSAIN MUSHTAQ AHMED	17.981	6.076	-	<b>24.057</b>	17.981	-	41.064	6.076	<b>65.121</b>
107	MIRZA ASGHAR BAIG VILLAGE QA HARWALI, P.O. SUKHANA BAJWA, DISTT. GUJRANWALA.	289-89-016128	RASHID BAIG	0.283	0.124	-	<b>0.407</b>	0.283	-	0.626	0.124	<b>1.033</b>
108	ROYAL FILTERS & ENGINEERING WORKS 254-A, PECO ROAD, ABU BAKAR STREEET, KOTLAKHPAT, LAHORE.	MUHAMMAD IMRAN TAHIR 266-79-182653 MIAN MUHAMMAD KHALID 267-60-048033	MUHAMMAD NAQI TAHIR-UL-HASSAN MIAN MUHAMMAD HANIF	0.500	0.025	-	<b>0.525</b>	0.500	-	0.558	0.025	<b>1.083</b>

**Annexure II Amounts Written-off during the year 2009**

109	SHAH DIN LIMITED 30-NICHOLSON ROAD, LAHORE.	SLAH-UD-DIN AHMED SAHAF WAHEED-UD-DIN MAHMOOD SAHAF QAMAR JAVED BOKHARI PERVAIZ AKHTER	QAMARUDDIN SAHAF QAMARUDDIN SAHAF NOOR SHAH	0.974	0.051	-	<b>1.025</b>	0.474	-	2.580	0.051	<b>3.105</b>
110	MUHAMMAD SAYAM H. NO. 48, HASANABAD TOWN, GATE NO.1, KHANEWAL ROAD, MULTAN.	36302-7653639-9	SHER ZAMAN	1.317	0.181	-	<b>1.498</b>	1.317	-	0.504	0.181	<b>2.002</b>
111	KASHIF NASEER H. NO. 414-M/8, STREET NO. 1, MEO COLONY, MASOOM SHAH ROAD, MULTAN.	36302-1034781-5	MALIK NASEER BAKHSH	1.500	0.221	-	<b>1.721</b>	1.500	-	0.580	0.221	<b>2.301</b>
112	AMBER COOKING OIL & GHEE MILLS (PVT) LTD QUETTA ROAD, JACOBABAD.	QAMAR SHAKOOR 401-86-192719 YASMEEN QAMAR 401-88-215699 SHEHARZAD QAMAR 401-90-226582 MUHAMMAD ZAHIR SHAH 401-89-173142 NISAR AHMED 405-58-066815 MUHAMMAD AZEEM 405-86-085238	SADIQ ALI QAMAR SHAKOOR NASEER MUHAMMAD SHAH KHUDA DAD SHAH MUHAMMAD AMIN MANGHAN	9.200	2.177	-	<b>11.377</b>	6.458	-	16.423	2.177	<b>25.058</b>
113	AL-MUMTAZ FASHIONS AKHTER IQBAL COMPOUND, L-3, BLOCK-22, F.B. AREA, KARACHI.	MUHAMMAD MUMTAZ 503-58-373147	RAHEEM BUX	9.757	-	-	<b>9.757</b>	9.757	-	6.033	-	<b>15.790</b>
114	SCHON KNITWEAR (PVT) LIMITED C-4/A, SITE, KARACHI.	SYED TAHIR HUSSAIN 420002-107518-9 SYED NASIR HUSSAIN 420001-427717-1 SYED AAMIR HUSSAIN 42301-0980580-7	SYED ATHER HUSSAIN SYED ATHER HUSSAIN SYED ATHER HUSSAIN	8.668	-	-	<b>8.668</b>	6.271	-	22.628	-	<b>28.899</b>

**Annexure II Amounts Written-off during the year 2009**

115	TECHNIC SHOES HOUSE 3733, LYARI QTRS, LYARI TOWN, KARACHI.	FAISAL MEHMOOD ABDUL AZIZ BALOCH 42201-4973633-3	MUHAMMAD ISMAILE	1.076	0.435	-	<b>1.511</b>	0.616	-	2.813	0.435	<b>3.864</b>
116	FOPPISH IMINTERNATIONAL (PVT) LTD S.B. 36, BLOCK-K, NORTH NAZIMABAD, KARACHI.	BILQUIS HAQ SHAFIQA HAQ	SYED ALTAFUL HAQ SYED ANWAR-UL-HAQ	0.507	0.474	-	<b>0.981</b>	0.157	-	0.920	0.474	<b>1.551</b>
117	MOON LIGHT ELECTRIC H#34/2, MALIR COLONY, KARACHI.	SYED HASSAN ALI 42501-2139544-3	SYED ABDUL QADIR	0.566	0.079	-	<b>0.645</b>	0.566	-	0.190	0.079	<b>0.835</b>
118	AL-HILAL TRADERS 706-REHMAN PLAZA, SARWAR SHAHEED ROAD, DEPOT LINES, KARACHI.	SAJJAD AHMED SIDDIQUI		0.490	-	-	<b>0.490</b>	0.490	-	1.810	-	<b>2.300</b>
119	SHARMAINE KNITWEAR (PVT) LTD 16.K.M. OFF FEROPUR ROAD, LAHORE.	SH. IMRAN JAVED 231-58-143580 MUHAMMAD AKHTER CHOCHAN 35201-1420608-5	SH. MATTIULLAH CH. MUHAMMAD HUSSAIN	6.014	5.824	-	<b>11.838</b>	6.014	-	21.266	5.824	<b>33.104</b>
120	MOON LIGHT ELECTRIC H#34/2, MALIR COLONY, KARACHI.	SYED HASSAN ALI 42501-2139544-3	SYED ABDUL QADIR	0.750	-	-	<b>0.750</b>	0.750	-	0.317	-	<b>1.067</b>
121	NASIR KHAN H-102/16, MALIR COLONY, KARACHI.	519-85-172236	SHARAFAT ULLAH KHAN	0.999	0.022	-	<b>1.021</b>	0.999	-	0.490	0.022	<b>1.511</b>
122	SHAH DIN LIMITED 30-NICHOLSON ROAD, LAHORE.	SALAH-UD-DIN AHMED SAHAF WAHEED-UD-DIN MAHMOOD SAHAF QAMAR JAVED BOKHARI AMEER KHURSHID MIRZA SUHAIL ASHRAF MUHAMMAD YAQOOB	QAMARUDDIN SAHAF QAMARUDDIN SAHAF SYED NOOR SHAH SYED KHURSHID AHMED MIRZA CH. MUHAMMAD ASHRAF MUHAMMAD ISHAQ	0.961	0.408	-	<b>1.369</b>	0.961	-	2.884	0.408	<b>4.253</b>
123	WASEEM ENTERPRISES ROOM NO. 2, 3RD FLOOR, WAQAR CENTRE, JODIA BAZAR, KARACHI.	WASEEM AHMED SIDDIQUI 502-63-206346	NAFIS AHMED SIDDIQUI	13.223	1.227	-	<b>14.450</b>	12.223	-	32.141	1.227	<b>45.591</b>

**Annexure II Amounts Written-off during the year 2009**

124	ABDUL REHMAN C/O. CLOTH MERCHANT CHITKAN, PANJGUR, DISTT. PANJGUR.		DOST MUHAMMAD	0.178	-	-	<b>0.178</b>	0.178	-	0.474	-	<b>0.652</b>
125	NEW ERA KNITWEAR (PVT) LTD H-NO. 291, ST-6, CAVALRY GROUND, LAHORE.	MUHAMMAD RAFI (DR.) 35201-2783986-9 ANJUM RAFI (MRS) 35201-6707884-6 EHSAN AIZED RAFI 271-93-363293	CH. MUHAMMAD SHAFI ZAFAR  MUHAMMAD RAFI (W/O)  MUHAMMAD RAFI (DR.)	5.027	4.809	-	<b>9.836</b>	-	-	10.750	2.460	<b>13.210</b>
126	PLAZA ENTERPRISES (PVT) LTD 13/D, CIVIL LINES, DR. DAUD POTA ROAD, KARACHI.	ABDUL LATIF KHAN 42201-6750636-1 MUHAMMAD NAEEM KHAN MUHAMMAD IQBAL KHAN MUHAMMAD JAVAID KHAN ABDUL RASHID KHAN MUHAMMAD KAMAL KHAN MAHMOODA BEGUM (MST) 42201-0609115-6	RUR KHAN  A. LATIF KHAN RUR KHAN ABDUL LATEEF KHAN ABDUL LATEEF KHAN ABDUL LATEEF KHAN ABDUL LATEEF KHAN	1.000	3.324	-	<b>4.324</b>	-	-	2.627	1.124	<b>3.751</b>
127	SANAM ENTERPRISES 305-BANTVA HOUSE, SIR SHAH MUHAMMAD SULEMAN ROAD, LIAQUATABAD, KARACHI.	MUHAMMAD 512-55-103126	HAJI WALI MUHAMMAD (LATE)	-	0.619	-	<b>0.619</b>	-	-	-	0.619	<b>0.619</b>
128	LAZZAT VANASPATI (PVT) LTD 21-K.M. JARANWALA ROAD, FAISALABAD.	PERVAIZ IQBAL GILL 322-48-692714 SARWAT PERVAIZ GILL 322-49-692715 HAJI KHAN BAIG 221-93-328175	BASHIR AHMED GILL  PERVAIZ IQBAL GILL  KHAN BAHADUR	10.405	2.859	-	<b>13.264</b>	10.405	-	22.955	2.859	<b>36.219</b>
				<b>1,135.543</b>	<b>126.891</b>	<b>0.041</b>	<b>1,262.475</b>	<b>317.213</b>	<b>0.011</b>	<b>810.096</b>	<b>105.925</b>	<b>1,233.245</b>



## Annexure III - Details of Disposal of Operating Fixed Assets

For the year ended December 31, 2009

Unconsolidated

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	------(Rupees in '000)-----					
<b>Land &amp; Building</b>	<b>59,855</b>	<b>100</b>	<b>59,755</b>	<b>56,000</b>		
	56,700	-	56,700	48,250	Sale	Syed Ghayas-ud-din s/o Syed Noor Kazim
	2,645	100	2,545	7,750	Sale	Mr. Nazir-ud-din & Mr. Muhammad Anas
	510	-	510	-	Surrendered	Messrs Sindh Industrial Trading Estate Limited
<b>Furniture &amp; Fixtures</b>	<b>23,990</b>	<b>23,990</b>	<b>-</b>	<b>568</b>		
	22,705	22,705	-	36	Sale	Scrape Trader
	1,285	1,285	-	532	Sale	Al futtaim Electronic
<b>Motor Vehicle</b>	<b>10,292</b>	<b>10,292</b>	<b>-</b>	<b>5,242</b>		
	1,169	1,169	-	815	Sale	Mr. Khuram Nawaz
	1,869	1,869	-	675	Sale	Mr. Abdul Wajid
	1,634	1,634	-	1,380	Sale	Mr. Abdul Wajid
	1,580	1,580	-	1,260	Sale	Mr. Muhamad Kamran
	1,377	1,377	-	195	Sale	Mr. Abdul Hayee Ex Country Manager
	1,438	1,438	-	212	Sale	Mr. Sarfaraz Mazher (Staff)
	1,225	1,225	-	705	Sale	Mr. Mohamed Farook
Assets having cost of less than Rs. 1 million and book value of less than Rs.250,000	250,590	235,443	15,147	42,478		
	<b>344,727</b>	<b>269,825</b>	<b>74,902</b>	<b>104,288</b>		

**Annexure IV - Details of Donations of Rs. 100,000 and Above**  
**For the year ended December 31, 2009**

NAME OF BENEFICIARIES	2009 (Rupees in '000)	2008
IBA Endowment Fund	17,500	-
The Citizen Foundation	11,800	-
Bios (Women & Children Medical Care Trust)	2,900	-
The Cardiovascular Foundation	1,200	-
District General Hospital, Hangu	1,000	-
District Headquarter Hospital, Ziarat	1,000	-
Indus Valley School of Art and Architecture	1,000	-
The Kidney Centre Post Graduate Training Institute	1,000	250
Aga Khan Health Services, Pakistan	1,000	-
Aga Khan Education Services, Pakistan	1,000	-
National Institution of Child Health	1,000	-
The Jinnah Society	1,000	-
Merck (Pvt) Ltd. (Malir District Jail)	945	-
Women Prisoners Welfare Society (Malir District Jail)	850	-
Subh-e-Nau	750	-
Tabba Heart Institute	500	-
Marie Adelaide Leprosy Centre	500	500
Anwar Surgicals (Malir District Jail)	407	-
Sindh High Court Bar Association	360	-
Aga Khan Hospital & Medical College Foundation	300	6,000
Baluchistan University, Quetta	250	-
Network of Organization Working for People with disabilities, Pakistan	200	-
Al Mehrab Tibbi Imdad	150	-
Akbar Alam Charity	150	-
Sada Welfare Foundation	100	-
Disabled Welfare Association	100	-
Civil Services Academy Alumni, Sindh	100	-
Government of NWFP for victims of Bajaur Agency	-	1,000
Hashoo Foundation Sahara Fund	-	1,000
Patient fund Civil Hospital	-	5,000
Abbasi Shaheed Hospital	-	5,000
General Welfare & Amenities	-	8,000
The Oxford & Cambridge Society	-	450
	<b>47,062</b>	<b>27,200</b>

**Note :**

Donations were not made to any donee in which Habib Bank Limited, Directors or their spouse had any interest at the time of donation.