

## **Auditors' Report to the Members**

We have audited the annexed unconsolidated statement of financial position of Habib Bank Limited as at December 31, 2010 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 26 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;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, 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 conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2010 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Date:**

**Karachi**

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**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Syed Iftikhar Anjum**

**HABIB BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2010**

| 2010<br>(US \$ in '000)              | 2009             |  | Note | 2010<br>(Rupees in '000) | 2009               |
|--------------------------------------|------------------|--|------|--------------------------|--------------------|
| <b>ASSETS</b>                        |                  |  |      |                          |                    |
| 951,892                              | 928,658          | Cash and balances with treasury banks                  | 5    | 81,516,883               | 79,527,191         |
| 420,267                              | 345,183          | Balances with other banks                              | 6    | 35,990,301               | 29,560,309         |
| 354,280                              | 62,507           | Lendings to financial institutions                     | 7    | 30,339,344               | 5,352,873          |
| 2,861,121                            | 2,445,460        | Investments  | 8    | 245,016,986              | 209,421,147        |
| 5,079,581                            | 5,047,878        | Advances   | 9    | 434,998,560              | 432,283,588        |
| 185,394                              | 192,393          | Operating fixed assets                                 | 10   | 15,876,545               | 16,475,939         |
| 103,172                              | 95,433           | Deferred tax asset                                     | 11   | 8,835,326                | 8,172,590          |
| 402,613                              | 470,988          | Other assets   | 12   | 34,478,466               | 40,333,882         |
| <u>10,358,320</u>                    | <u>9,588,500</u> |  |      | <u>887,052,411</u>       | <u>821,127,519</u> |
| <b>LIABILITIES</b>                   |                  |  |      |                          |                    |
| 114,142                              | 117,254          | Bills payable  | 13   | 9,774,749                | 10,041,203         |
| 437,083                              | 561,928          | Borrowings from financial institutions                 | 14   | 37,430,333               | 48,121,649         |
| 8,420,095                            | 7,629,703        | Deposits and other accounts                            | 15   | 721,069,137              | 653,452,460        |
| 50,000                               | 50,000           | Sub-ordinated loans                                    | 16   | 4,281,835                | 4,212,080          |
| -                                    | -                | Liabilities against assets subject to finance lease    |      | -                        | -                  |
| -                                    | -                | Deferred tax liability                                 |      | -                        | -                  |
| 291,600                              | 305,999          | Other liabilities                                      | 17   | 24,971,618               | 26,204,580         |
| <u>9,312,920</u>                     | <u>8,664,884</u> |  |      | <u>797,527,672</u>       | <u>742,031,972</u> |
| <u>1,045,400</u>                     | <u>923,616</u>   | <b>NET ASSETS</b>                                      |      | <u>89,524,739</u>        | <u>79,095,547</u>  |
| <b>REPRESENTED BY:</b>               |                  |  |      |                          |                    |
| <b>Shareholders' equity</b>          |                  |  |      |                          |                    |
| 116,993                              | 106,356          | Share capital  | 18   | 10,018,800               | 9,108,000          |
| 323,131                              | 301,294          | Reserves   |      | 27,671,813               | 25,801,889         |
| 515,209                              | 424,181          | Unappropriated profit                                  |      | 44,121,103               | 36,325,458         |
| 955,333                              | 831,831          |  |      | 81,811,716               | 71,235,347         |
| 90,067                               | 91,785           | Surplus on revaluation of assets - net of deferred tax | 19   | 7,713,023                | 7,860,200          |
| <u>1,045,400</u>                     | <u>923,616</u>   |  |      | <u>89,524,739</u>        | <u>79,095,547</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 statements.

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| 2010<br>(US \$ in '000)               | 2009<br>(US \$ in '000) |   | Note        | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|---------------------------------------|-------------------------|---|-------------|--------------------------|--------------------------|
| 934,177                               | 872,889                 | Mark-up / return / interest earned                        | 22          | 79,999,852               | 74,751,375               |
| 398,081                               | 386,383                 | Mark-up / return / interest expensed                      | 23          | 34,090,368               | 33,088,536               |
| <u>536,096</u>                        | <u>486,506</u>          | Net mark-up / interest income                             |             | <u>45,909,484</u>        | <u>41,662,839</u>        |
| 88,274                                | 96,643                  | Provision against non-performing loans and advances - net | 9.4 / 9.5.1 | 7,559,458                | 8,276,180                |
| 361                                   | (600)                   | Charge / (reversal) against off-balance sheet obligations | 17.1        | 30,895                   | (51,396)                 |
| 4,546                                 | 16,200                  | Provision against diminution in the value of investments  | 8.8         | 389,273                  | 1,387,354                |
| -                                     | -                       | Bad debts written off directly                            |             | -                        | -                        |
| <u>93,181</u>                         | <u>112,243</u>          |   |             | <u>7,979,626</u>         | <u>9,612,138</u>         |
| <u>442,915</u>                        | <u>374,263</u>          | Net mark-up / interest income after provisions            |             | <u>37,929,858</u>        | <u>32,050,701</u>        |
| <b>Non mark-up / interest income</b>  |                         |   |             |                          |                          |
| 57,554                                | 53,951                  | Fee, commission and brokerage income                      |             | 4,928,705                | 4,620,148                |
| 7,093                                 | 5,288                   | Income / gain on investments                              | 24          | 607,440                  | 452,823                  |
| 33,788                                | 19,767                  | Income from dealing in foreign currencies                 |             | 2,893,454                | 1,692,776                |
| 30,593                                | 37,097                  | Other income  | 25          | 2,619,905                | 3,176,865                |
| <u>129,028</u>                        | <u>116,103</u>          | Total non mark-up / interest income                       |             | <u>11,049,504</u>        | <u>9,942,612</u>         |
| <u>571,943</u>                        | <u>490,366</u>          |   |             | <u>48,979,362</u>        | <u>41,993,313</u>        |
| <b>Non mark-up / interest expense</b> |                         |   |             |                          |                          |
| 269,205                               | 253,786                 | Administrative expenses                                   | 26          | 23,053,860               | 21,733,407               |
| 2,080                                 | 4,355                   | Other provisions / write offs - net                       |             | 178,148                  | 372,957                  |
| 2,087                                 | 41                      | Other charges   | 27          | 178,700                  | 3,540                    |
| 5,971                                 | 4,644                   | Workers welfare fund                                      | 28          | 511,373                  | 397,668                  |
| <u>279,343</u>                        | <u>262,826</u>          | Total non mark-up / interest expenses                     |             | <u>23,922,081</u>        | <u>22,507,572</u>        |
| <u>292,600</u>                        | <u>227,540</u>          | <b>Profit before taxation</b>                             |             | <u>25,057,281</u>        | <u>19,485,741</u>        |
| <b>Taxation</b>                       |                         |   |             |                          |                          |
| 108,970                               | 91,399                  | - current   | 29          | 9,331,828                | 7,827,137                |
| 8,114                                 | (12,605)                | - prior years   |             | 694,898                  | (1,079,473)              |
| (6,802)                               | 5,131                   | - deferred  |             | (582,499)                | 439,434                  |
| <u>110,282</u>                        | <u>83,925</u>           |   |             | <u>9,444,227</u>         | <u>7,187,098</u>         |
| <u>182,318</u>                        | <u>143,615</u>          | <b>Profit after taxation</b>                              |             | <u>15,613,054</u>        | <u>12,298,643</u>        |
| <u>0.182</u>                          | <u>0.143</u>            | Basic and diluted earnings per share                      | 30          | <u>15.58</u>             | <u>12.28</u>             |

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

**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| 2010<br>(US \$ in '000) | 2009           |   | 2010<br>(Rupees in '000) | 2009              |
|-------------------------|----------------|---|--------------------------|-------------------|
| 182,317                 | 143,614        | <b>Profit for the year</b>  | 15,613,054               | 12,298,643        |
|                         |                | <b>Other comprehensive income</b>                                 |                          |                   |
| 3,604                   | 19,731         | Effect of translation of net investment in foreign branches       | 308,619                  | 1,689,707         |
| <u>185,921</u>          | <u>163,345</u> | <b>Comprehensive income transferred to equity</b>                 | <u>15,921,673</u>        | <u>13,988,350</u> |
|                         |                | <b>Components of comprehensive income not reflected in equity</b> |                          |                   |
| 1,786                   | 21,237         | Surplus on revaluation of fixed assets                            | 152,905                  | 1,818,705         |
| (144)                   | (4,152)        | Deferred tax on revaluation of fixed assets                       | (12,340)                 | (355,586)         |
| (3,046)                 | 49,759         | (Deficit) / Surplus on revaluation of investments                 | (260,823)                | 4,261,169         |
| 1,080                   | (17,367)       | Deferred tax on revaluation of investments                        | 92,577                   | (1,487,272)       |
| <u>185,597</u>          | <u>212,822</u> |   | <u>15,893,992</u>        | <u>18,225,366</u> |

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**President and Chief Executive Officer**

**Director**

**Director**

**Director**

**HABIB BANK LIMITED**  
**UNCONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| 2010<br>(US \$ in '000) | 2009      |   | Note | 2010<br>(Rupees in '000) | 2009         |
|-------------------------|-----------|---|------|--------------------------|--------------|
|                         |           | <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |      |                          |              |
| 292,600                 | 227,540   | Profit before taxation  |      | 25,057,281               | 19,485,741   |
| (3,720)                 | (3,283)   | Dividend income   |      | (318,539)                | (281,152)    |
| (3,373)                 | (2,002)   | Gain on sale of securities  |      | (288,836)                | (171,403)    |
| (7,093)                 | (5,285)   |   |      | (607,375)                | (452,555)    |
| 285,507                 | 222,255   |   |      | 24,449,906               | 19,033,186   |
|                         |           | <b>Adjustment for:</b>  |      |                          |              |
| 19,455                  | 19,513    | Depreciation / amortisation   |      | 1,666,058                | 1,670,958    |
| 4,546                   | 16,200    | Provision against diminution in the value of investments            |      | 389,273                  | 1,387,354    |
| 88,274                  | 96,643    | Provision against non-performing loans and advances - net           |      | 7,559,458                | 8,276,180    |
| (1)                     | (3)       | Unrealised gain on held for sale securities                         |      | (65)                     | (268)        |
| 815                     | 3,003     | Exchange loss on sub-ordinated loans                                |      | 69,755                   | 257,155      |
| (198)                   | (343)     | Gain on sale of property and equipment                              |      | (16,993)                 | (29,386)     |
| 2,441                   | 3,755     | Miscellaneous provisions  |      | 209,043                  | 321,561      |
| 115,332                 | 138,768   |   |      | 9,876,529                | 11,883,554   |
| 400,839                 | 361,023   |   |      | 34,326,435               | 30,916,740   |
|                         |           | <b>(Increase) / decrease in operating assets</b>                    |      |                          |              |
| (291,773)               | 9,820     | Lendings to financial institutions                                  |      | (24,986,471)             | 840,914      |
| (119,977)               | (56,648)  | Advances  |      | (10,274,430)             | (4,851,108)  |
| 68,428                  | (22,785)  | Other assets  |      | 5,859,907                | (1,951,264)  |
| (343,322)               | (69,613)  |   |      | (29,400,994)             | (5,961,458)  |
|                         |           | <b>Increase / (decrease) in operating liabilities</b>               |      |                          |              |
| 789,576                 | 946,478   | Deposits and other accounts   |      | 67,616,677               | 81,053,273   |
| (124,845)               | 47,865    | Borrowings from financial institutions                              |      | (10,691,316)             | 4,098,973    |
| (3,111)                 | 3,036     | Bills payable   |      | (266,454)                | 260,126      |
| (15,775)                | 47,686    | Other liabilities   |      | (1,350,947)              | 4,083,696    |
| 645,845                 | 1,045,065 |   |      | 55,307,960               | 89,496,068   |
| 703,362                 | 1,336,475 |   |      | 60,233,401               | 114,451,350  |
| (118,379)               | (143,223) | Income tax paid - net   |      | (10,137,565)             | (12,265,104) |
| 584,983                 | 1,193,252 | <b>Net cash flows from operating activities</b>                     |      | 50,095,836               | 102,186,246  |
|                         |           | <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |      |                          |              |
| (419,879)               | (917,701) | Net investments in securities, associates and joint venture company |      | (35,957,034)             | (78,588,907) |
| 3,730                   | 7,294     | Dividend income received  |      | 319,465                  | 624,628      |
| (11,075)                | (21,435)  | Fixed capital expenditure   |      | (948,433)                | (1,835,161)  |
| 604                     | 1,220     | Proceeds from sale of fixed assets                                  |      | 51,667                   | 104,288      |
| 3,604                   | 19,734    | Effect of translation of net investment in foreign branches         |      | 308,619                  | 1,689,707    |
| (423,016)               | (910,888) | <b>Net cash flows used in investing activities</b>                  |      | (36,225,716)             | (78,005,445) |
|                         |           | <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |      |                          |              |
| (63,649)                | (48,729)  | Dividend paid   |      | (5,450,436)              | (4,173,059)  |
| (63,649)                | (48,729)  | <b>Net cash flows used in financing activities</b>                  |      | (5,450,436)              | (4,173,059)  |
| 98,318                  | 233,635   | Increase in cash and cash equivalents during the year               |      | 8,419,684                | 20,007,742   |
| 1,267,463               | 988,358   | Cash and cash equivalents at beginning of the year                  |      | 108,541,351              | 84,639,657   |
| 6,378                   | 51,848    | Effects of exchange rate changes on cash and cash equivalents       |      | 546,149                  | 4,440,101    |
| 1,273,841               | 1,040,206 |   |      | 109,087,500              | 89,079,758   |
| 1,372,159               | 1,273,841 | Cash and cash equivalents at end of the year                        | 31   | 117,507,184              | 109,087,500  |

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

| Share Capital  | RESERVES                     |           |            |                       | Total       |             |
|--|------------------------------|-----------|------------|-----------------------|-------------|-------------|
|  | Exchange translation reserve | Statutory | General    | Unappropriated profit |             |             |
| ----- (Rupees in '000) -----   |                              |           |            |                       |             |             |
| 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 paid 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 - net of tax | -                            | -         | -          | -                     | 130,683     | 130,683     |
| Transferred to statutory reserves                                    | -                            | -         | 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  |
| <b>Total comprehensive income for the year</b>                       |                              |           |            |                       |             |             |
| Profit for the year ended December 31, 2010                          | -                            | -         | -          | -                     | 15,613,054  | 15,613,054  |
| <b>- Other comprehensive income</b>                                  |                              |           |            |                       |             |             |
| Effect of translation of net investment in foreign branches          | -                            | 308,619   | -          | -                     | -           | 308,619     |
|  | -                            | 308,619   | -          | -                     | 15,613,054  | 15,921,673  |
| <b>Transactions with owners, recorded directly in equity</b>         |                              |           |            |                       |             |             |
| Cash dividend at Rs. 6 per share                                     | -                            | -         | -          | -                     | (5,464,800) | (5,464,800) |
| Issued as bonus shares   | 910,800                      | -         | -          | -                     | (910,800)   | -           |
|  | 910,800                      | -         | -          | -                     | (6,375,600) | (5,464,800) |
| Transferred from surplus on revaluation of fixed assets - net of tax | -                            | -         | -          | -                     | 119,496     | 119,496     |
| Transferred to statutory reserve                                     | -                            | -         | 1,561,305  | -                     | (1,561,305) | -           |
| Balance as at December 31, 2010                                      | 10,018,800                   | 7,787,885 | 13,810,116 | 6,073,812             | 44,121,103  | 81,811,716  |

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

President and Chief Executive Officer

Director

Director

Director

**HABIB BANK LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 1,459 (2009: 1,454) branches inside Pakistan and 42 branches (2009: 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. 85.6367 per US Dollar has been used for both December 31, 2010 and 2009.

**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.

The unconsolidated financial statements are presented in Pakistan Rupees, which is Bank's functional currency. The amounts are rounded to nearest thousand.

**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.



**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****Murabaha**

The bank has adopted Islamic Financial Accounting Standard 1 – Murabaha issued by the Institute of Chartered Accountants of Pakistan. This policy is stated in note 4.1. The application of this standard did not have any effect on these financial statements. The financing under Murabaha mode has been disclosed in note 47.

**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.

**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 are effective for accounting periods beginning on or after January 1, 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 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 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Bank's financial statements.
- IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 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 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.
- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.
- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Bank.

#### 4 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.

###### **Murabaha**

Murabaha transactions are reflected as receivable at the invoiced amount. Actual sale and purchase are not reflected as the goods are purchased by the customer as agent of the Bank and all documents relating to purchase are in customer name. However, the profit on that sale revenue not due for payment is deferred by recording a credit to the "Deferred Murabaha Income" account.

###### **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 Bank 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.

**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 include 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).

## **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 10.3 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 10.2. 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. Provision is made in the financial statements for this benefit based on actuarial advice using the Projected Unit Credit method. The employees under officers and executives cadre are entitled to receive lump sum payments in lieu of post retirement medical facilities as a full and final settlement.

#### **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.

#### **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 with different options to avail the benefit including lump sum and monthly bases.

Provision is made in the financial statements for this benefit based on actuarial advice using the Projected Unit Credit method.

#### **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 i.e., foreign branches 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.

#### 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 25 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 business segments not shown separately. This also 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

|   | Note | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|---|------|--------------------------|--------------------------|
| <b>5. CASH AND BALANCES WITH TREASURY BANKS</b> |      |                          |                          |
| In hand including National Prize Bonds          |      |                          |                          |
| Local currency                                  |      | 10,311,999               | 8,499,419                |
| Foreign currency                                |      | <u>2,048,467</u>         | <u>1,879,718</u>         |
|   |      | 12,360,466               | 10,379,137               |
| With State Bank of Pakistan in                  |      |                          |                          |
| Local currency current account                  |      | <u>27,097,709</u>        | <u>25,996,897</u>        |
| Foreign currency deposit account                |      | <u>9,490,429</u>         | <u>9,125,330</u>         |
|   |      | 36,588,138               | 35,122,227               |
| With other Central Banks in                     |      |                          |                          |
|   | 5.1  |                          |                          |
| Foreign currency current account                |      | <u>11,611,037</u>        | <u>13,522,953</u>        |
| Foreign currency deposit account                |      | <u>12,743,643</u>        | <u>15,223,023</u>        |
|   |      | 24,354,680               | 28,745,976               |
| With National Bank of Pakistan in               |      |                          |                          |
| Local currency current account                  |      | <u>8,213,599</u>         | <u>5,279,851</u>         |
|   |      | <u>81,516,883</u>        | <u>79,527,191</u>        |

The above balances include remunerative accounts amounting to Rs. 15,788.255 million (2009: Rs. 22,426.060 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 | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|-------------------------------------|------|--------------------------|--------------------------|
| <b>6. BALANCES WITH OTHER BANKS</b> |      |                          |                          |
| In Pakistan                         |      |                          |                          |
| On current account                  |      | 367,172                  | 358,198                  |
| Outside Pakistan                    |      |                          |                          |
| On current account                  | 6.1  | <u>2,729,992</u>         | <u>2,762,122</u>         |
| On deposit account                  |      | <u>32,893,137</u>        | <u>26,439,989</u>        |
|                                     |      | <u>35,623,129</u>        | <u>29,202,111</u>        |
|                                     |      | <u>35,990,301</u>        | <u>29,560,309</u>        |

- 6.1 This includes remunerative current account balance amounting to Rs. 523.786 million (2009: Rs. 580.818 million).

|  | Note | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|--|------|--------------------------|--------------------------|
| <b>7. LENDINGS TO FINANCIAL INSTITUTIONS</b> |      |                          |                          |
| <b>7.1 In local currency</b>                 |      |                          |                          |
| Call money lendings                          |      | 900,000                  | 560,000                  |
| Repurchase agreement lendings (reverse repo) | 7.2  | <u>29,439,344</u>        | <u>4,792,873</u>         |
|  |      | <u>30,339,344</u>        | <u>5,352,873</u>         |

| 7.2 Securities held as collateral against lendings to financial institutions | 2010              |                             |                   | 2009             |                             |                  |
|--|-------------------|-----------------------------|-------------------|------------------|-----------------------------|------------------|
|  | Held by bank      | Further given as collateral | Total             | Held by bank     | Further given as collateral | Total            |
| ----- (Rupees in '000) -----   |                   |                             |                   |                  |                             |                  |
| Market treasury bills  | 29,439,344        | -                           | 29,439,344        | 3,850,151        | 942,722                     | 4,792,873        |
|  | <u>29,439,344</u> | <u>-</u>                    | <u>29,439,344</u> | <u>3,850,151</u> | <u>942,722</u>              | <u>4,792,873</u> |

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2010 amounted to Rs. 29,558.401 million (2009: Rs. 4,830.115 million).

| 8. INVESTMENTS  | Note       | 2010               |                     |                    | 2009               |                     |       |
|---|------------|--------------------|---------------------|--------------------|--------------------|---------------------|-------|
|   |            | 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                                     |            | 66,845             | -                   | 66,845             | 387,191            | 387,191             |       |
| - Shares  |            | 2,499              | -                   | 2,499              | -                  | -                   |       |
|   |            | <u>69,344</u>      | <u>-</u>            | <u>69,344</u>      | <u>396,843</u>     | <u>396,843</u>      |       |
| <b>Held-to-maturity securities (HTM)</b>                    |            |                    |                     |                    |                    |                     |       |
| <i>Federal Government Securities</i>                        |            |                    |                     |                    |                    |                     |       |
| - Pakistan Investment Bonds                                 | 8.3        | 8,155,763          | -                   | 8,155,763          | 8,373,174          | 8,373,174           |       |
| <i>Overseas Government Securities</i>                       |            |                    |                     |                    |                    |                     |       |
|   | 8.9 / 8.11 | -                  | -                   | -                  | 78,963             | 78,963              |       |
| <i>Debentures and Corporate Debt Instruments</i>            |            |                    |                     |                    |                    |                     |       |
|   |            | <u>176,544</u>     | <u>-</u>            | <u>176,544</u>     | <u>48,182</u>      | <u>48,182</u>       |       |
|   |            | 8,332,307          | -                   | 8,332,307          | 8,500,319          | 8,500,319           |       |
| <b>Available-for-sale Securities (AFS)</b>                  |            |                    |                     |                    |                    |                     |       |
| <i>Federal Government Securities</i>                        |            |                    |                     |                    |                    |                     |       |
| - Market Treasury Bills                                     | 8.9 / 8.11 | 115,398,461        | -                   | 115,398,461        | 84,407,507         | 87,966,833          |       |
| - Pakistan Investment Bonds                                 |            | 11,737,562         | 709,392             | 12,446,954         | 8,840,806          | 8,840,806           |       |
| - Government of Pakistan Guaranteed Bonds                   |            | 425,000            | -                   | 425,000            | 5,522,370          | 5,522,370           |       |
| - Government of Pakistan Bonds / Sukuk / (US Dollar / Euro) |            | 8,267,793          | -                   | 8,267,793          | 5,888,232          | 5,888,232           |       |
| <i>Overseas Government Securities</i>                       |            |                    |                     |                    |                    |                     |       |
|   |            | <u>10,452,212</u>  | <u>-</u>            | <u>10,452,212</u>  | <u>14,601,416</u>  | <u>14,601,416</u>   |       |
| <i>Fully paid-up Ordinary Shares:</i>                       |            |                    |                     |                    |                    |                     |       |
| - Listed companies  |            | 1,447,720          | -                   | 1,447,720          | 1,082,503          | 1,082,503           |       |
| - Unlisted companies  |            | 719,787            | -                   | 719,787            | 730,244            | 730,244             |       |
| <b>Debentures and Corporate Debt Instruments</b>            |            |                    |                     |                    |                    |                     |       |
| - Listed securities   |            | 4,722,625          | -                   | 4,722,625          | 4,482,005          | 4,482,005           |       |
| - Unlisted securities                                       |            | 69,892,529         | -                   | 69,892,529         | 61,447,423         | 61,447,423          |       |
| <b>NIT units</b>  |            |                    |                     |                    |                    |                     |       |
|   | 8.13       | 21,143             | -                   | 21,143             | 20,509             | 20,509              |       |
| <b>Preference shares</b>                                    |            |                    |                     |                    |                    |                     |       |
|   |            | 125,000            | -                   | 125,000            | 170,000            | 170,000             |       |
| <b>Other investments</b>                                    |            |                    |                     |                    |                    |                     |       |
|   |            | <u>1,581,864</u>   | <u>-</u>            | <u>1,581,864</u>   | <u>1,523,642</u>   | <u>1,523,642</u>    |       |
|   |            | 224,791,696        | 709,392             | 225,501,088        | 188,716,657        | 192,275,983         |       |
| Investment in Subsidiary Companies                          | 8.4        | 5,360,245          | -                   | 5,360,245          | 5,186,448          | 5,186,448           |       |
| Investment in Tier II Capital of Subsidiary                 | 8.12       | 2,828,104          | -                   | 2,828,104          | -                  | -                   |       |
| Investment in Associates and Joint Venture                  | 8.5        | 2,925,898          | -                   | 2,925,898          | 3,061,554          | 3,061,554           |       |
|   |            | <u>244,307,594</u> | <u>709,392</u>      | <u>245,016,986</u> | <u>205,861,821</u> | <u>209,421,147</u>  |       |



| 8.2 Investments by segments  | Note | 2010               | 2009               |
|--|------|--------------------|--------------------|
|  |      | (Rupees in '000)   |                    |
| Federal Government Securities  |      |                    |                    |
| - Market treasury bills  |      | 115,621,316        | 88,258,937         |
| - Pakistan investment bonds  |      | 21,763,323         | 17,924,688         |
| - Government of Pakistan guaranteed bonds  |      | 425,000            | 5,522,753          |
| - Government of Pakistan bonds / Sukuk / (US Dollar / Euro)                                  |      | 8,509,111          | 6,420,609          |
| Overseas Government Securities   |      | 10,435,099         | 14,589,448         |
| Fully paid-up Ordinary Shares  |      |                    |                    |
| - Listed companies   |      | 1,694,772          | 1,379,625          |
| - Unlisted companies   |      | 760,936            | 756,455            |
| Debentures and Corporate Debt Instruments  |      |                    |                    |
| - Listed securities  |      | 4,855,990          | 4,752,851          |
| - Unlisted securities  |      | 70,375,443         | 62,142,595         |
| NIT units  |      | 11,112             | 11,112             |
| Preference shares  |      | 200,000            | 200,000            |
| Other investments  |      | 1,784,360          | 1,819,419          |
| Investment in subsidiary companies   |      | 5,360,245          | 5,219,061          |
| Promissory notes - Tier II Capital of subsidiary   | 8.12 | 2,828,104          | -                  |
| Investment in associates and joint venture company   |      | 5,582,020          | 5,229,066          |
|  |      | 250,206,831        | 214,226,619        |
| Less: Provision for diminution / impairment in the value of investments including associates | 8.8  | (3,870,384)        | (3,747,037)        |
| Net investment   |      | 246,336,447        | 210,479,582        |
| Surplus on revaluation of held for trading securities  |      | 65                 | 268                |
| Surplus / (deficit) on revaluation of available for sale securities                          | 19.2 | (1,319,526)        | (1,058,703)        |
|  |      | <u>245,016,986</u> | <u>209,421,147</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, 2010            |              | December 31, 2009 |              |
|---|------------------------------|--------------|-------------------|--------------|
|   | Book value                   | Market value | Book value        | Market value |
|   | ----- (Rupees in '000) ----- |              |                   |              |
| - Investment classified as held-to-maturity         | 8,332,307                    | 6,990,663    | 8,500,319         | 7,011,173    |
| - Investment in listed associates and joint venture | 2,685,902                    | 6,861,508    | 2,021,558         | 6,737,033    |

#### 8.4 Investment in subsidiary companies

|   | Note | 2010             | 2009             |
|---|------|------------------|------------------|
|   |      | (Rupees in '000) |                  |
| Habib Allied International Bank Plc - Holding 90.5% (2009: 90.5%) |      | 2,139,834        | 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           |
| HBL Currency Exchange (Private) Limited - wholly owned            |      | 399,998          | 399,998          |
| HBL Asset Management Limited - wholly owned                       |      | 100,000          | 100,000          |
| HBL Income Fund 54.67% (2009: 45.52%) - Unlisted                  |      | 739,586          | 739,586          |
| HBL Multi Asset Fund 76.32% (2009: 68.93%) - Unlisted             |      | 248,181          | 248,181          |
| HBL Stock Fund 82.14% (2009: 76.46%) - Unlisted                   |      | 1,344,002        | 1,309,570        |
|   |      | <u>5,360,245</u> | <u>5,186,448</u> |

#### 8.5 Investment in associates and joint venture company

|   |       |                  |                  |
|---|-------|------------------|------------------|
| Himalayan Bank Limited, Nepal - Holding 20% (2009: 20%) - Listed                            |       | 7,197            | 7,197            |
| Bank PHB Plc, Nigeria - Holding 6.28% (2009: 6.28%) - Listed                                |       | 672,580          | 925,007          |
| Diamond Trust Bank Limited, Kenya - Holding 10% (2009: 10%) - Listed                        |       | 1,022,884        | 1,022,884        |
| Kyrgyz Investment and Credit Bank, Kyrgyz Republic - Holding 18% (2009: 18%) - Unlisted     |       | 139,996          | 139,996          |
| New Jubilee Insurance Company Limited - Holding 9.64% (2009: 9.64%) - Listed - (Note 8.5.2) | 8.5.1 | 514,837          | 752,837          |
| New Jubilee Life Insurance Company Limited - Holding 17.95% (2009: 8.91%) - Listed          |       | 468,404          | 213,633          |
| HBL Money Market Fund - Holding 12.46% (2009: nil) - Unlisted                               |       | 100,000          | -                |
|   |       | <u>2,925,898</u> | <u>3,061,554</u> |

8.5.1 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).

8.5.2 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 4% and terminal value is determined based on long term earning multiples. The cash flows are discounted using a post-tax discount rate of 20%. Based on this calculation, impairment of Rs. 238 million has been accounted for.

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

|                                     | Based on the financial statements as on | 2010                         |             |               |           |                 |
|-------------------------------------|---|------------------------------|-------------|---------------|-----------|-----------------|
|                                     |   | Assets                       | Liabilities | Equity        | Revenue   | Profit / (loss) |
|                                     |   | ----- (Rupees in '000) ----- |             |               |           |                 |
| Bank PHB Plc, Nigeria               | March 31, 2010                          | 300,787,828                  | 407,788,941 | (107,001,113) | 7,636,524 | 1,544,594       |
| Diamond Trust Bank Limited, Kenya   | June 30, 2010                           | 80,687,182                   | 70,884,325  | 9,802,857     | 3,864,156 | 1,310,830       |
| Himalayan Bank Limited, Nepal       | July 16, 2010                           | 52,858,090                   | 48,474,926  | 4,383,164     | 3,673,539 | 609,916         |
| Kyrgyz Investment and Credit Bank   | December 31, 2009                       | 8,991,854                    | 7,075,475   | 1,916,379     | 923,933   | 270,727         |
| New Jubilee Life Insurance Co. Ltd. | September 30, 2010                      | 9,986,776                    | 9,432,444   | 554,332       | 26,483    | 70,539          |
| New Jubilee Insurance Co. Ltd.      | September 30, 2010                      | 7,959,237                    | 5,316,316   | 2,642,921     | 2,174,403 | 219,659         |
| HBL Money Market Fund               | September 30, 2010                      | 350,926                      | 5,353       | 345,573       | 13,657    | 3,044           |

|   |   | 2009                        |                |                         |                    |                 |               |
|---|---|-----------------------------|----------------|-------------------------|--------------------|-----------------|---------------|
| Based on the financial statements as on |   | Assets                      | Liabilities    | Equity                  | Revenue            | Profit / (loss) |               |
|   |   | ------(Rupees in '000)----- |                |                         |                    |                 |               |
|   | Bank PHB 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       |
|   |   | <b>2010</b>                 |                | <b>2009</b>             |                    |                 |               |
|   |   | <b>Cost</b>                 | <b>Holding</b> | <b>Cost</b>             | <b>Holding</b>     |                 |               |
|   |   | <b>(Rupees in '000)</b>     | <b>%</b>       | <b>(Rupees in '000)</b> | <b>%</b>           |                 |               |
| 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   | <u>300,000</u>              | 17.60%         | <u>300,000</u>          | 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                                     | <b>Particulars of provision held against diminution in value of investments</b>   |                             | <b>Note</b>    | <b>2010</b>             | <b>2009</b>        |                 |               |
|   |   |                             |                | <b>(Rupees in '000)</b> |                    |                 |               |
|   | 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   |                             |                | 3,747,037               | 2,409,942          |                 |               |
|   | Charge for the year - net   |                             |                | 4,651                   | 426,052            |                 |               |
|   | Impairment loss on shares (net) or change in value of associates / subsidiary   |                             |                | 384,622                 | 961,302            |                 |               |
|   | Total charge - net  |                             |                | 389,273                 | 1,387,354          |                 |               |
|   | Transfer to advances  |                             |                | (262,633)               | 27,529             |                 |               |
|   | Amount written off  |                             |                | (3,293)                 | (79,622)           |                 |               |
|   | Exchange adjustment   |                             |                | -                       | 1,834              |                 |               |
|   | Closing balance   |                             | 8.8.1          | <u>3,870,384</u>        | <u>3,747,037</u>   |                 |               |
| 8.8.1                                   | <b>Particulars of provision in respect of type and segment</b>  |                             |                |                         |                    |                 |               |
|   | <b>Available-for-sale Securities (AFS)</b>  |                             |                |                         |                    |                 |               |
|   | <i>Fully paid-up ordinary shares</i>  |                             |                |                         |                    |                 |               |
|   | - Listed companies  |                             |                | 449,597                 | 541,814            |                 |               |
|   | - Unlisted companies  |                             |                | 41,149                  | 26,211             |                 |               |
|   | Debentures and Corporate Debt Instruments   |                             |                | 347,478                 | 626,527            |                 |               |
|   | Preference shares   |                             |                | 100,000                 | 68,300             |                 |               |
|   | Other investments   |                             |                | 276,040                 | 284,060            |                 |               |
|   | Subsidiary  |                             |                | -                       | 34,432             |                 |               |
|   | Associates  |                             |                | 2,656,120               | 2,165,693          |                 |               |
|   |   |                             |                | <u>3,870,384</u>        | <u>3,747,037</u>   |                 |               |
| 8.9                                     | Investments held for maintaining the liquidity requirements of the State Bank of Pakistan amounted to Rs. 176,152.911 million as at December 31, 2010 (2009: Rs. 113,323.610 million).  |                             |                |                         |                    |                 |               |
| 8.10                                    | Investments include Rs. 544,701 million as at December 31, 2010 (2009: Rs. 491.470 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. 10.610 million as at December 31, 2010 (2009: Rs. 9.043 million) pledged with the Controller of Military Accounts in lieu of Regimental Fund Accounts being maintained at various branches of the bank.   |                             |                |                         |                    |                 |               |
| 8.12                                    | The Bank has made investments in the Variable Rate Subordinated Loan Notes issued by Habib Allied International Bank Plc, UK (Subsidiary) amounting to Rs. 2,828.104 million (US \$ 33 million). These notes are perpetual and are repayable either at the option of the Bank or five years after receipt of repayment notice from the note holder. The Financial Services Authority (FSA) approval is required prior to repayment. Interest is payable on a six monthly basis at 6 month LIBOR + 5.5%. |                             |                |                         |                    |                 |               |
| 8.13                                    | NIT units of Rs. 15.695 million as at December 31, 2010 (2009: Rs. 15.225 million) are pledged with Multan High Court.  |                             |                |                         |                    |                 |               |
| 8.14                                    | Investments include strategic investments amounting to Rs. 5,926 million as at December 31, 2010 (2009: Rs. 6,022 million) under BPD circular letter No. 16 of 2006 dated August 1, 2006.   |                             |                |                         |                    |                 |               |
| 8.15                                    | 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 "T" and is an integral part of these financial statements.  |                             |                |                         |                    |                 |               |
| 9.                                      | <b>ADVANCES</b>   |                             | <b>Note</b>    | <b>2010</b>             | <b>2009</b>        |                 |               |
|   |   |                             |                | <b>(Rupees in '000)</b> |                    |                 |               |
|   | Loans, cash credits, running finances, etc.   |                             |                |                         |                    |                 |               |
|   | In Pakistan   |                             |                | 383,910,719             | 384,534,660        |                 |               |
|   | Outside Pakistan  |                             |                | 54,519,434              | 47,295,017         |                 |               |
|   |   |                             |                | 438,430,153             | 431,829,677        |                 |               |
|   | Net investment in finance lease - in Pakistan   |                             | 9.1.3          | 3,199,755               | 3,003,049          |                 |               |
|   | Bills discounted and purchased (excluding Government treasury bills):   |                             |                |                         |                    |                 |               |
|   | Payable in Pakistan   |                             |                | 9,120,283               | 8,319,107          |                 |               |
|   | Payable outside Pakistan  |                             |                | 22,667,587              | 20,233,629         |                 |               |
|   |   |                             |                | 31,787,870              | 28,552,736         |                 |               |
|   | Provision against non-performing advances   |                             | 9.4            | (38,419,218)            | (31,101,874)       |                 |               |
|   |   |                             |                | <u>434,998,560</u>      | <u>432,283,588</u> |                 |               |
|   | <b>Fully provided non-performing advances classified as loss for more than five years</b>   |                             |                |                         |                    |                 |               |
|   | In Pakistan   |                             |                | 12,527,683              | 12,914,799         |                 |               |
|   | Provision   |                             | 9.5.1          | (12,527,683)            | (12,914,799)       |                 |               |
|   |   |                             |                | -                       | -                  |                 |               |

| 9.1 Particulars of advances  | 2010               | 2009               |
|--|--------------------|--------------------|
|  | (Rupees in '000)   |                    |
| 9.1.1 In local currency  | 347,320,983        | 361,176,604        |
| In foreign currency including foreign currency financing<br>by domestic branches amounting to Rs. 26,424.400 million<br>(2009: Rs. 16,328.404 million) | 87,677,577         | 71,106,984         |
|  | <u>434,998,560</u> | <u>432,283,588</u> |
| 9.1.2 Short term (for upto one year)   | 302,753,738        | 298,831,100        |
| Long term (for over one year)  | 132,244,822        | 133,452,488        |
|  | <u>434,998,560</u> | <u>432,283,588</u> |

| 9.1.3 Net investment in finance lease | 2010                         |   |                  | 2009                    |   |                  |
|---------------------------------------|------------------------------|---|------------------|-------------------------|---|------------------|
|                                       | 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              | 1,090,541                    | 2,527,977                               | 3,618,518        | 1,023,499               | 2,372,569                               | 3,396,068        |
| Residual value                        | 1,245                        | 16,311                                  | 17,556           | 421                     | 5,517                                   | 5,938            |
| Gross investment in finance lease     | 1,091,786                    | 2,544,288                               | 3,636,074        | 1,023,920               | 2,378,086                               | 3,402,006        |
| Unearned finance income               | (16,406)                     | (419,913)                               | (436,319)        | (15,001)                | (383,956)                               | (398,957)        |
| Net investment in finance lease       | <u>1,075,380</u>             | <u>2,124,375</u>                        | <u>3,199,755</u> | <u>1,008,919</u>        | <u>1,994,130</u>                        | <u>3,003,049</u> |

9.2 Advances include Rs. 46,677.077 million (2009: Rs. 42,309.377 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        | 2010                         |                   |                   | 2009                        |                  |                   |                             |                  |                  |
|-----------------------------------|------------------------------|-------------------|-------------------|-----------------------------|------------------|-------------------|-----------------------------|------------------|------------------|
|                                   | Non-performing advances      |                   |                   | Provision required and held |                  |                   | Net non-performing advances |                  |                  |
|                                   | Domestic                     | Overseas          | Total             | Domestic                    | Overseas         | Total             | Domestic                    | Overseas         | Total            |
|                                   | ----- (Rupees in '000) ----- |                   |                   |                             |                  |                   |                             |                  |                  |
| <b>Specific provision</b>         |                              |                   |                   |                             |                  |                   |                             |                  |                  |
| Other assets especially mentioned | 1,367,486                    | -                 | 1,367,486         | -                           | -                | -                 | 1,367,486                   | -                | 1,367,486        |
| Substandard                       | 2,843,825                    | 660,790           | 3,504,615         | 683,583                     | 132,410          | 815,993           | 2,160,242                   | 528,380          | 2,688,622        |
| Doubtful                          | 7,246,611                    | 2,168,388         | 9,414,999         | 3,623,305                   | 1,422,120        | 5,045,425         | 3,623,306                   | 746,268          | 4,369,574        |
| Loss                              | 25,136,770                   | 7,253,207         | 32,389,977        | 24,344,585                  | 6,832,347        | 31,176,932        | 792,185                     | 420,860          | 1,213,045        |
|                                   | <u>36,594,692</u>            | <u>10,082,385</u> | <u>46,677,077</u> | <u>28,651,473</u>           | <u>8,386,877</u> | <u>37,038,350</u> | <u>7,943,219</u>            | <u>1,695,508</u> | <u>9,638,727</u> |
| <b>General provision</b>          | -                            | -                 | -                 | 1,153,477                   | 227,391          | 1,380,868         | -                           | -                | -                |
|                                   | <u>36,594,692</u>            | <u>10,082,385</u> | <u>46,677,077</u> | <u>29,804,950</u>           | <u>8,614,268</u> | <u>38,419,218</u> | <u>7,943,219</u>            | <u>1,695,508</u> | <u>9,638,727</u> |

| Category of classification        | 2010                         |                  |                   | 2009                        |                  |                   |                             |                  |                   |
|-----------------------------------|------------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|
|                                   | Non-performing advances      |                  |                   | Provision required and held |                  |                   | Net non-performing advances |                  |                   |
|                                   | 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> |

9.2.1 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.

9.2.2 This includes general provision for agri loans amounting to Rs. 775 million. The Group is analyzing the impact of flood effected portfolio on account by account level, however, on prudent basis a general provision has been created.

9.3 The Bank monitors non-performing advances 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                                 | 2010                         |                  |                   | 2009              |                  |                   |
|--------------------------------------|------------------------------|------------------|-------------------|-------------------|------------------|-------------------|
|                                      | Specific                     | General          | Total             | Specific          | General          | Total             |
|                                      | ----- (Rupees in '000) ----- |                  |                   |                   |                  |                   |
| Opening balance                      | 30,521,618                   | 580,256          | 31,101,874        | 23,791,096        | 744,916          | 24,536,012        |
| Exchange adjustment / other movement | 183,112                      | 6,861            | 189,973           | 753,735           | 23,130           | 776,865           |
| Charge for the year                  | 8,643,211                    | 842,094          | 9,485,305         | 9,513,138         | 26,750           | 9,539,888         |
| Reversals                            | (910,513)                    | (48,343)         | (958,856)         | (577,625)         | (214,540)        | (792,165)         |
|                                      | <u>7,732,698</u>             | <u>793,751</u>   | <u>8,526,449</u>  | <u>8,935,513</u>  | <u>(187,790)</u> | <u>8,747,723</u>  |
| Write offs                           | (483,511)                    | -                | (483,511)         | (1,312,944)       | -                | (1,312,944)       |
| Transferred to over 5 years category | (915,567)                    | -                | (915,567)         | (1,645,782)       | -                | (1,645,782)       |
| Closing balance                      | <u>37,038,350</u>            | <u>1,380,868</u> | <u>38,419,218</u> | <u>30,521,618</u> | <u>580,256</u>   | <u>31,101,874</u> |
| In local currency                    | 28,651,473                   | 1,153,477        | 29,804,950        | 22,832,628        | 345,341          | 23,177,969        |
| In foreign currency                  | 8,386,877                    | 227,391          | 8,614,268         | 7,688,990         | 234,915          | 7,923,905         |
|                                      | <u>37,038,350</u>            | <u>1,380,868</u> | <u>38,419,218</u> | <u>30,521,618</u> | <u>580,256</u>   | <u>31,101,874</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 further availed the benefit of FSV against the non-performing advances (excluding consumer housing finance portfolio). Had this benefit of FSV not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 778.636 million and profit before taxation for the year ended December 31, 2010 would have been higher by approximately Rs 72.05 million (after taking into account the effect of discounting of FSV taken in previous year). Increase in profits net of tax amounting to Rs. 506.113 million would not be available for the distribution of cash and stock dividend to share holders.

|  | Note | 2010              | 2009              |
|--|------|-------------------|-------------------|
|  |      | (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  |      | 12,914,798        | 11,976,479        |
| Reversal   |      | (966,991)         | (471,543)         |
| Transferred during the year  | 9.4  | 915,567           | 1,645,782         |
| Write offs   | 9.7  | (335,691)         | (235,920)         |
|  |      | <u>12,527,683</u> | <u>12,914,798</u> |
| <b>9.6 Particulars of write-offs</b>   |      |                   |                   |
| 9.6.1 Against provisions   |      | <u>819,202</u>    | <u>1,548,864</u>  |
| 9.6.2 Analysis of write-offs   |      |                   |                   |
| Rs. 500,000 and above in Pakistan (Note 9.7)   |      | 325,087           | 317,224           |
| Below Rs. 500, 000 in Pakistan and overseas  |      | 494,115           | 1,231,640         |
|  |      | <u>819,202</u>    | <u>1,548,864</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, 2010 is given in Annexure II.

| 9.8 Particulars of loans and advances to directors, associated companies, etc   | 2010                |   |                                  |                             | 2009                |   |                                  |                             |
|---|---------------------|---|----------------------------------|-----------------------------|---------------------|---|----------------------------------|-----------------------------|
|   | Balance outstanding | Maximum total amount of loans and advances including temporary advances outstanding<br>** | Limit sanctioned during the year | Loan repaid during the year | Balance outstanding | Maximum total amount of loans and advances including temporary advances outstanding<br>** | 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)  | 933,700             | 1,277,800   | 384,860                          | 489,160                     | 1,038,000           | 1,054,700   | 155,890                          | 123,466                     |
| - in respect of key management personnel / Companies in which key management personnel are interested   | 339,458             | 381,128   | 85,228                           | 126,354                     | 380,584             | 392,484   | 97,511                           | 299,296                     |
| 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 | 605,998             | 1,157,647   | 292,616                          | 842,118                     | 1,155,500           | 1,155,500   | 1,657,401                        | 1,393,532                   |
| Debts due by Subsidiary company   | 5,785               | 56,092  | 108,421                          | 112,843                     | 10,207              | 155,129   | 128,592                          | 246,057                     |
| Debts due by associated companies in which key management personnel are interested  |                     |   |                                  |                             |                     |   |                                  |                             |
| - Guaranteed by Government  | 10,367,955          | 13,628,965  | 10,000,217                       | 12,296,727                  | 12,664,465          | 14,055,572  | 20,143,120                       | 9,577,800                   |
| - Others  | 43,797              | 52,729  | 28,349                           | 37,281                      | 52,729              | 418,491   | 341,064                          | 462,098                     |

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

|                                      | Note | 2010              | 2009              |
|--------------------------------------|------|-------------------|-------------------|
|                                      |      | (Rupees in '000)  |                   |
| <b>10. OPERATING FIXED ASSETS</b>    |      |                   |                   |
| Capital work-in-progress             | 10.1 | 466,183           | 805,380           |
| Intangible assets                    | 10.2 | 36,207            | 234,636           |
| Tangible fixed assets                | 10.3 | 15,374,155        | 15,435,923        |
|                                      |      | <u>15,876,545</u> | <u>16,475,939</u> |
| <b>10.1 Capital work-in-progress</b> |      |                   |                   |
| Civil works                          |      | 439,629           | 534,294           |
| Others                               |      | 26,554            | 271,086           |
|                                      |      | <u>466,183</u>    | <u>805,380</u>    |

## 10.2 Intangible assets

| 2010                       |                       |   |             |                         |                       |   |                                    |                        |             |                         |
|----------------------------|-----------------------|---|-------------|-------------------------|-----------------------|---|------------------------------------|------------------------|-------------|-------------------------|
| Description                | COST                  |   |             | AMORTISATION            |                       |   | Book value as at December 31, 2010 | Rate of amortisation % |             |                         |
|                            | As at January 1, 2010 | Additions / (deletions) during the year | Adjustments | As at December 31, 2010 | As at January 1, 2010 | Charge for the year (Amortisation on deletions) |                                    |                        | Adjustments | As at December 31, 2010 |
| ----- Rupees in '000 ----- |                       |   |             |                         |                       |   |                                    |                        |             |                         |
| Computer Software          | 1,421,219             | 1,717<br>(3,216)                        | (1,197)     | 1,418,523               | 1,186,583             | 198,942<br>(3,209)                              | -                                  | 1,382,316              | 36,207      | 33.33                   |
| 2009                       |                       |   |             |                         |                       |   |                                    |                        |             |                         |
| Description                | 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<br>(107)                         | -           | 1,421,219               | 949,804               | 236,873<br>(94)                                 | -                                  | 1,186,583              | 234,636     | 33.33                   |

## 10.3 Tangible fixed assets

| 2010                                    |                       |   |  |                         |                       |   |                                    |                        |  |                         |
|---|-----------------------|---|--|-------------------------|-----------------------|---|------------------------------------|------------------------|--|-------------------------|
| Description                             | COST / REVALUATION    |   |  | DEPRECIATION            |                       |   | Book value as at December 31, 2010 | Rate of depreciation % |  |                         |
|   | As at January 1, 2010 | Additions / (deletions) / Adjustments during the year | Surplus / (deficit) on revaluation during the year | As at December 31, 2010 | As at January 1, 2010 | Charge for the year / (depreciation on deletions) / adjustments |                                    |                        | Surplus / (deficit) on revaluation during the year | As at December 31, 2010 |
| ----- Rupees in '000 -----              |                       |   |  |                         |                       |   |                                    |                        |  |                         |
| Land                                    | 8,667,541             | 2,178<br>-  | 15,711   | 8,468,476               | -                     | -   | -                                  | -                      | 8,468,476  | -                       |
| Building including related machinery    | 4,471,255             | (216,954)   | -  | 5,264,185               | 424,348               | -   | (11,898)                           | 752,876                | 4,511,309  | 2.5-10                  |
|   |                       | 408,289<br>(811)                                      | 125,296  |                         |                       | 335,465<br>(503)  |                                    |                        |  |                         |
| Furniture, fixture and office equipment | 8,181,429             | 260,156   | -  | 8,595,244               | 5,634,449             | 5,464   | -                                  | 6,361,427              | 2,233,817  | 20-33                   |
|   |                       | 793,249<br>(362,998)                                  | -  |                         |                       | 1,076,752<br>(329,767)  |                                    |                        |  |                         |
| Vehicles                                | 400,174               | (16,436)  | -  | 394,874                 | 225,679               | -   | -                                  | 234,321                | 160,553  | 20                      |
|   |                       | 40,903<br>(33,033)                                    | -  |                         |                       | 54,899<br>(31,905)  |                                    |                        |  |                         |
| <b>2010</b>                             | 21,720,399            | 13,170  | 141,007  | 22,722,779              | 6,284,476             | 14,352  | (11,898)                           | 7,348,624              | 15,374,155   |                         |
|   |                       | 1,244,619<br>(396,842)                                | -  |                         |                       | 1,467,116<br>(362,175)  |                                    |                        |  |                         |
| ----- Rupees in '000 -----              |                       |   |  |                         |                       |   |                                    |                        |  |                         |
| 2009                                    |                       |   |  |                         |                       |   |                                    |                        |  |                         |
| Description                             | 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<br>(58,951)                                   | 802,747  | 8,667,541               | -                     | -   | -                                  | -                      | 8,667,541  | -                       |
| Building including related machinery    | 3,926,929             | 18,779  | -  | 4,471,255               | 1,047,835             | -   | (959,643)                          | 424,348                | 4,046,907  | 2.5-10                  |
|   |                       | 459,299<br>(942)                                      | 56,315   |                         |                       | 318,564<br>(137)  |                                    |                        |  |                         |
| Furniture, fixture and office equipment | 7,502,660             | 29,654  | -  | 8,181,429               | 4,750,912             | 17,729  | -                                  | 5,634,449              | 2,546,980  | 20-33                   |
|   |                       | 853,246<br>(244,525)                                  | -  |                         |                       | 1,063,609<br>(229,787)  |                                    |                        |  |                         |
| Vehicles                                | 355,813               | 70,048  | -  | 400,174                 | 210,119               | 49,715  | -                                  | 225,679                | 174,495  | 20                      |
|   |                       | 82,053<br>(40,202)                                    | -  |                         |                       | 51,912<br>(39,807)  |                                    |                        |  |                         |
| <b>2009</b>                             | 19,300,204            | 2,510   | 859,062  | 21,720,399              | 6,008,866             | 3,455   | (959,643)                          | 6,284,476              | 15,435,923   |                         |
|   |                       | 1,784,762<br>(344,620)                                | -  |                         |                       | 1,434,085<br>(269,731)  |                                    |                        |  |                         |
| ----- Rupees in '000 -----              |                       |   |  |                         |                       |   |                                    |                        |  |                         |
| ----- Rupees in '000 -----              |                       |   |  |                         |                       |   |                                    |                        |  |                         |

- 10.4 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. Same has been recorded in the books in 2009. HBL properties of Srilanka and Singapore branches were revalued on October 1, 2010 and December 30, 2010 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. 152.905 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

|  | (Rupees in '000) |
|--|------------------|
| - Land                                 | 7,236,714        |
| - Building including related machinery | 2,854,728        |

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

#### 10.5 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.

- 10.6 At December 31, 2010 carrying value of properties and equipment retired from active service and held for disposal purposes amounted to Rs. 154.291 million (2009: Rs. 0.682 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. 4,023.830 million (2009: Rs. 2,531.919 million).

| 11. DEFERRED TAX ASSET                               | Note | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|--|------|--------------------------|--------------------------|
| <i>Deductible temporary differences on</i>           |      |                          |                          |
| - provision against investments                      |      | 1,068,345                | 908,508                  |
| - provision against doubtful debts                   |      | 6,818,153                | 6,403,229                |
| - provision against off balance sheet obligation     |      | 139,413                  | 139,413                  |
| - on revaluation of investments                      | 19.2 | 462,828                  | 370,251                  |
| - provision against others                           |      | 1,236,265                | 1,304,349                |
|  |      | 9,725,004                | 9,125,750                |
| <i>Taxable temporary differences on</i>              |      |                          |                          |
| - fixed assets                                       |      | (889,678)                | (953,160)                |
| <b>Net deferred tax asset recognised by the Bank</b> |      | <u>8,835,326</u>         | <u>8,172,590</u>         |

#### 11.1 Movement in temporary differences during the year

|   | Balance as<br>at January<br>1, 2009 | Recognised<br>in profit<br>or loss | Recognised<br>in equity | Balance as<br>at December<br>31, 2009 | Recognised<br>in profit<br>or loss | Recognised<br>in equity | Balance as<br>at December<br>31, 2010 |
|---|-------------------------------------|------------------------------------|-------------------------|---------------------------------------|------------------------------------|-------------------------|---------------------------------------|
| ----- (Rupees in '000) -----                      |                                     |                                    |                         |                                       |                                    |                         |                                       |
| <i>Deductible temporary differences on</i>        |                                     |                                    |                         |                                       |                                    |                         |                                       |
| - provision against investments                   | 419,518                             | 488,990                            | -                       | 908,508                               | 159,837                            | -                       | 1,068,345                             |
| - provision against doubtful debts                | 7,098,785                           | (695,556)                          | -                       | 6,403,229                             | 414,924                            | -                       | 6,818,153                             |
| - provision against off balance sheet obligations | 139,413                             | -                                  | -                       | 139,413                               | -                                  | -                       | 139,413                               |
| - provision against others                        | 1,580,093                           | (275,744)                          | -                       | 1,304,349                             | (68,084)                           | -                       | 1,236,265                             |
| - on revaluation of investments                   | 1,857,523                           | -                                  | (1,487,272)             | 370,251                               | -                                  | 92,577                  | 462,828                               |
| <i>Taxable temporary differences on</i>           |                                     |                                    |                         |                                       |                                    |                         |                                       |
| - fixed assets                                    | (640,720)                           | 42,876                             | (355,316)               | (953,160)                             | 75,822                             | (12,340)                | (889,678)                             |
|   | <u>10,454,612</u>                   | <u>(439,434)</u>                   | <u>(1,842,588)</u>      | <u>8,172,590</u>                      | <u>582,499</u>                     | <u>80,237</u>           | <u>8,835,326</u>                      |

| 12. OTHER ASSETS   | Note | 2010              | 2009              |
|--|------|-------------------|-------------------|
|  |      | (Rupees in '000)  |                   |
| Income / mark-up accrued in local currency   |      | 15,695,932        | 14,815,605        |
| Income / mark-up accrued in foreign currency   |      | 644,885           | 642,481           |
| Advances, deposits, advance rent and other prepayments   |      | 1,272,066         | 1,061,194         |
| Advances against murabaha  |      | 57,686            | -                 |
| Advance taxation (payments less provisions)  |      | 8,020,943         | 7,910,104         |
| Receivable from defined benefit plans  |      | -                 | 7,919,870         |
| Stationery and stamps on hand  |      | 37,983            | 23,224            |
| Accrued income   |      | 155,303           | 93,404            |
| Unrealised gain on forward foreign exchange contract - net   | 12.2 | 869,966           | 255,987           |
| Non-banking assets acquired in satisfaction of claims (market value Rs. 2,808.221 million (2009: Rs. 2,908.279 million))   |      | 2,512,230         | 2,475,566         |
| Receivable from National Saving Centre / Clearing in transit   |      | 4,561,473         | 4,743,943         |
| Dividend receivable  |      | 30,407            | 31,333            |
| Other non banking assets *   |      | 405,340           | -                 |
| Others   | 12.3 | 214,252           | 361,171           |
|  |      | <u>34,478,466</u> | <u>40,333,882</u> |
| * Non banking assets on which buy back option period has not yet expired.  |      |                   |                   |
| <b>12.1 Provision against other assets</b>   |      |                   |                   |
| Opening balance  |      | 523,773           | 379,406           |
| Charge for the year  |      | 105,422           | 428,024           |
| Write off  |      | (208,847)         | (583,543)         |
| Other movement   |      | -                 | 295,353           |
| Exchange adjustment  |      | 1,394             | 4,533             |
| Closing balance  |      | <u>421,742</u>    | <u>523,773</u>    |
| 12.2 Unrealised loss on foreign exchange contracts amounting to Rs. 385.633 (2009: Rs. 146.172 million) has been grossed up from unrealised gain on foreign exchange contracts and shown as part of other liability. |      |                   |                   |
| 12.3 Others have been re-arranged and reclassified into appropriate heads for better comparison.   |      |                   |                   |
| <b>13. BILLS PAYABLE</b>   |      |                   |                   |
| In Pakistan  |      | 9,326,503         | 9,434,879         |
| Outside Pakistan   |      | 448,246           | 606,324           |
|  |      | <u>9,774,749</u>  | <u>10,041,203</u> |
| <b>14. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>  |      |                   |                   |
| In Pakistan  |      | 32,416,997        | 39,936,837        |
| Outside Pakistan   |      | 5,013,336         | 8,184,812         |
|  |      | <u>37,430,333</u> | <u>48,121,649</u> |
| <b>14.1 Particulars of borrowings from financial institutions</b>  |      |                   |                   |
| In local currency  |      | 32,416,997        | 39,936,837        |
| In foreign currency  |      | 5,013,336         | 8,184,812         |
|  |      | <u>37,430,333</u> | <u>48,121,649</u> |
| <b>14.2 Details of borrowings from financial institutions</b>  |      |                   |                   |
| <b>Secured</b>   |      |                   |                   |
| Borrowings from State Bank of Pakistan under:  |      |                   |                   |
| - Export refinance scheme  | }    | 20,515,415        | 22,267,455        |
| - Long term financing facility - locally manufactured and imported plant & machinery   |      | 4,212,938         | 1,575,542         |
| - Long term finance - export oriented projects   |      | 3,224,605         | 5,196,466         |
| Repurchase agreement borrowings  |      | 714,039           | 4,497,374         |
|  |      | <u>28,666,997</u> | <u>33,536,837</u> |
| <b>Unsecured</b>   |      |                   |                   |
| In Pakistan  |      |                   |                   |
| - Interbank call money borrowing   |      | 3,750,000         | 6,400,000         |
| Outside Pakistan   |      |                   |                   |
| - Overdrawn nostro accounts  |      | 493,736           | 501,341           |
| - Borrowings of overseas branches  |      | 4,519,600         | 7,683,471         |
|  |      | <u>5,013,336</u>  | <u>8,184,812</u>  |
|  |      | 8,763,336         | 14,584,812        |
|  |      | <u>37,430,333</u> | <u>48,121,649</u> |
| 14.3 Borrowings from State Bank of Pakistan (SBP) under the export and export oriented projects refinance schemes of SBP are secured by the bank's cash and security balances held by SBP.                           |      |                   |                   |

## 15. DEPOSITS AND OTHER ACCOUNTS

|                                     | 2010               | 2009               |
|-------------------------------------|--------------------|--------------------|
|                                     | (Rupees in '000)   |                    |
| <b>Customers</b>                    |                    |                    |
| Fixed deposits                      | 186,966,167        | 190,593,620        |
| Savings chequing account            | 338,821,413        | 310,366,281        |
| Current accounts - remunerative     | 1,725,974          | 1,811,833          |
| Current accounts - non-remunerative | 179,463,384        | 144,520,691        |
|                                     | <u>706,976,938</u> | <u>647,292,425</u> |
| <b>Financial institutions</b>       |                    |                    |
| Remunerative deposits               | 9,318,596          | 1,623,028          |
| Non-remunerative deposits           | 4,773,603          | 4,537,007          |
|                                     | <u>14,092,199</u>  | <u>6,160,035</u>   |
|                                     | <u>721,069,137</u> | <u>653,452,460</u> |

## 15.1 Particulars of deposits

|   |                    |                    |
|---|--------------------|--------------------|
| In local currency   | 594,254,697        | 531,389,016        |
| In foreign currencies {including foreign currency deposits of domestic branches of Rs. 50,183.957 million (2009: Rs. 48,530.820 million)} | 126,814,440        | 122,063,444        |
|   | <u>721,069,137</u> | <u>653,452,460</u> |

## 16 SUB-ORDINATED LOAN

The Bank has obtained loan from "International Finance Corporation" (IFC) amounting to US \$ 50 million (2009: 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   | 2010              | 2009              |
|---|--------|-------------------|-------------------|
|   |        | (Rupees in '000)  |                   |
| <b>17. OTHER LIABILITIES</b>                            |        |                   |                   |
| Mark-up / return / interest payable in local currency   |        | 11,004,627        | 11,098,144        |
| Mark-up / return / interest payable in foreign currency |        | 344,916           | 525,124           |
| Security deposits                                       |        | 249,583           | 202,427           |
| Accrued expenses  |        | 3,492,603         | 3,140,203         |
| Unrealised loss on forward foreign exchange contracts   |        | 385,633           | 146,172           |
| Unclaimed dividends                                     |        | 49,185            | 34,821            |
| Provision for employees' compensated absences           | 33.2.8 | 1,591,125         | 1,513,413         |
| Provision for post retirement medical benefits          | 33.2.3 | 2,162,309         | 2,072,460         |
| Provision against off-balance sheet obligations         | 17.1   | 771,756           | 741,033           |
| Provision for contingencies                             | 17.2   | 444,048           | 490,768           |
| Branch adjustment account                               |        | 980,931           | 2,024,185         |
| Provision for staff retirement benefits                 |        | 484,234           | 1,115,486         |
| Payable to defined benefit plan                         |        | 170,882           | 266,245           |
| Provision for workers welfare fund                      |        | 728,621           | 721,243           |
| Unearned income   |        | 208,826           | 203,205           |
| Qarza-e-Hasna Fund                                      |        | 349,106           | 351,142           |
| Duties and taxes payable                                |        | 798,929           | 712,085           |
| Insurance payable                                       |        | 24,986            | 25,968            |
| Reward points payable                                   |        | 23,067            | 11,971            |
| Others  | 17.3   | 706,251           | 808,485           |
|   |        | <u>24,971,618</u> | <u>26,204,580</u> |



|      |  | 2010             | 2009                           |
|------|--|------------------|--------------------------------|
|      |  | (Rupees in '000) |                                |
| 17.1 | <b>Provision against off-balance sheet obligations</b>   |                  |                                |
|      | Opening balance  | 741,033          | 792,429                        |
|      | Charge / (reversal) for the year   | 30,895           | (51,396)                       |
|      | Exchange adjustment  | (172)            | -                              |
|      | Closing balance  | <u>771,756</u>   | <u>741,033</u>                 |
| 17.2 | <b>Provision for contingencies</b>   |                  |                                |
|      | Opening balance  | 490,768          | 658,432                        |
|      | Charge for the year  | 13,246           | 47,600                         |
|      | Write off  | (66,701)         | (5,732)                        |
|      | Other movement   | -                | (223,752)                      |
|      | Exchange adjustment  | 6,735            | 14,220                         |
|      | Closing balance  | <u>444,048</u>   | <u>490,768</u>                 |
| 17.3 | Others have been re-arranged and reclassified into appropriate heads for better comparison.  |                  |                                |
| 18.  | <b>SHARE CAPITAL</b>   |                  |                                |
| 18.1 | <b>Authorised Capital</b>  |                  |                                |
|      | 2010   | 2009             |                                |
|      | Number of shares in '000   |                  | (Rupees in '000)               |
|      | <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>  |                  |                                |
|      | 2010   | 2009             |                                |
|      | Number of shares in '000   |                  |                                |
|      |  |                  | Ordinary shares of Rs. 10 each |
|      | 690,000  | 690,000          | Fully paid in cash             |
|      | 311,880  | 220,800          | Issued as bonus shares         |
|      | <u>1,001,880</u>   | <u>910,800</u>   |                                |
|      |  |                  | <u>6,900,000</u>               |
|      |  |                  | <u>3,118,800</u>               |
|      |  |                  | <u>10,018,800</u>              |
|      |  |                  | <u>9,108,000</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>   |                  |                                |
|      |  | 2010             | 2009                           |
|      |  | (Rupees in '000) |                                |
|      | The following cash dividends and bonus shares were declared and paid / issued by the Bank:   |                  |                                |
|      | Cash dividend: Rs. 6 per share (2009: Rs. 5.50 per share)  | <u>5,464,800</u> | <u>4,174,500</u>               |
|      | Bonus share: 1 shares for every 10 shares held (2009: 2 share for every 10) shares held  | <u>910,800</u>   | <u>1,518,000</u>               |
|      | After December 31, 2010 the following dividends were proposed by the Directors for 2010. The dividends have not been provided for and, there are no income tax consequences.   |                  |                                |
|      | Cash dividend: Rs. 6.5 per share   | <u>6,512,220</u> |                                |
|      | Bonus share: 1 share for every 10 shares held  | <u>1,001,880</u> |                                |
| 19.  | <b>SURPLUS ON REVALUATION OF ASSETS - net of deferred tax</b>  |                  |                                |
|      |  | 2010             | 2009                           |
|      |  | (Rupees in '000) |                                |
|      | Surplus arising on revaluation of:   |                  |                                |
|      | - fixed assets   | 19.1             | 8,569,721                      |
|      | - investments  | 19.2             | (856,698)                      |
|      | Surplus on revaluation of assets - net of deferred tax   | <u>7,713,023</u> | <u>(688,452)</u>               |
|      |  |                  | <u>7,860,200</u>               |

| 19.1 Surplus on revaluation of fixed assets   | 2010               | 2009               |
|---|--------------------|--------------------|
|   | (Rupees in '000)   |                    |
| Surplus on revaluation of fixed assets as at January 1  | 9,451,843          | 7,809,013          |
| Surplus on revaluation of bank's properties recognised during the year  | 152,905            | 1,818,705          |
| Surplus realised on disposal of revalued properties during the year   | -                  | (46,754)           |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | (119,496)          | (83,929)           |
| Related deferred tax liability of incremental depreciation charged during the year  | (64,344)           | (45,192)           |
| Surplus on revaluation of fixed assets as at December 31  | <u>9,420,908</u>   | <u>9,451,843</u>   |
| Less: related deferred tax liability on:  |                    |                    |
| - revaluation as at January 1   | 903,191            | 593,067            |
| - revaluation of bank's properties recognised during the year   | 12,340             | 355,586            |
| - surplus realised on disposal of revalued properties during the year   | -                  | (270)              |
| - incremental depreciation charged during the year transferred to profit and loss account                                 | (64,344)           | (45,192)           |
|   | <u>851,187</u>     | <u>903,191</u>     |
|   | <u>8,569,721</u>   | <u>8,548,652</u>   |
| <br>  |                    |                    |
| 19.2 Surplus / (deficit) on revaluation of investments  |                    |                    |
| Market Treasury Bills   | (156,017)          | 94,837             |
| Pakistan Investment Bonds   | (1,160,607)        | (701,073)          |
| Sukuk and Euro Bonds  | (241,318)          | (532,377)          |
| Listed Securities   | 100,956            | 16,482             |
| NIT Units   | 10,030             | 9,397              |
| Other Investments   | 127,430            | 54,031             |
|   | (1,319,526)        | (1,058,703)        |
| Related deferred tax asset  | 462,828            | 370,251            |
|   | <u>(856,698)</u>   | <u>(688,452)</u>   |
| <br>  |                    |                    |
| 20. CONTINGENCIES AND COMMITMENTS   |                    |                    |
| 20.1 Direct credit substitutes - financial guarantees   |                    |                    |
| Guarantees in favour of:  |                    |                    |
| - Government  | 359,428            | 7,220,955          |
| - Financial institutions  | 23,776             | 641,533            |
| - Others  | 37,786,477         | 50,716,165         |
|   | <u>38,169,681</u>  | <u>58,578,653</u>  |
| <br>  |                    |                    |
| 20.2 Transaction-related contingent liabilities   |                    |                    |
| Guarantees in favour of:  |                    |                    |
| - Government  | 1,644,786          | 2,153,320          |
| - Financial institutions  | 94,145             | 112,588            |
| - Others  | 28,173,233         | 20,949,375         |
|   | <u>29,912,164</u>  | <u>23,215,283</u>  |
| <br>  |                    |                    |
| 20.3 Trade-related commitments  |                    |                    |
| Credit cash   | 80,129,369         | 97,492,487         |
| Credit documentary acceptances  | 8,025,197          | 10,068,783         |
| Credit acceptances  | 14,520,307         | 23,523,827         |
|   | <u>102,674,873</u> | <u>131,085,097</u> |
| <br>  |                    |                    |
| 20.4 Other contingencies  |                    |                    |
| Claims against the Bank not acknowledged as debts   | <u>82,647,073</u>  | <u>80,965,869</u>  |

## 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.

|   | 2010             | 2009       |
|---|------------------|------------|
|   | (Rupees in '000) |            |
| 20.6 Commitments in respect of forward foreign and local exchange contracts     |                  |            |
| Purchase  | 78,470,185       | 28,826,751 |
| Sale  | 78,261,634       | 28,837,326 |
| The above commitments have maturities falling within one year.                  |                  |            |
| <b>Commitments in respect of foreign currency options</b>                       |                  |            |
| Purchase  | -                | 2,556,777  |
| Sale  | -                | 2,556,777  |
| <b>Commitments in respect of foreign and local currency interest rate swaps</b> |                  |            |
| Purchase  | 371,092          | 456,208    |
| Sale  | 371,092          | 456,208    |
| 20.7 Commitments for acquisition of operating fixed assets / intangibles        | 422,502          | 548,975    |

## 21. DERIVATIVE INSTRUMENTS

## 21.1. Product Analysis

| Counterparties                       | 2010                |  |                     |   |
|--------------------------------------|---------------------|--|---------------------|---|
|                                      | Interest Rate Swaps |  | FX Options          |   |
|                                      | No. of<br>Contracts | Notional<br>Principal*<br>(Rupees in '000) | No. of<br>Contracts | Notional<br>Principal *<br>(Rupees in '000) |
| <b>With Banks for</b>                |                     |  |                     |   |
| Hedging                              | -                   | -  | -                   | -   |
| Market Making                        | 1                   | 371,092                                    | -                   | -   |
| <b>With FIs other than banks for</b> |                     |  |                     |   |
| Hedging                              | -                   | -  | -                   | -   |
| Market Making                        | -                   | -  | -                   | -   |
| <b>With other entities for</b>       |                     |  |                     |   |
| Hedging                              | -                   | -  | -                   | -   |
| Market Making                        | 1                   | 371,092                                    | -                   | -   |
| <b>Total</b>                         |                     |  |                     |   |
| Hedging                              | -                   | -  | -                   | -   |
| Market Making                        | 2                   | 742,184                                    | -                   | -   |
|                                      |                     |  |                     |   |
|                                      | 2009                |  |                     |   |
|                                      | Interest Rate Swaps |  | FX Options          |   |
|                                      | No. of<br>Contracts | Notional<br>Principal*<br>(Rupees in '000) | No. of<br>Contracts | Notional<br>Principal *<br>(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                                   |

\* At the exchange rate prevailing at the end of the reporting year.

## 21.2. Maturity Analysis

| Remaining Maturity | No. of Contracts | 2010                                   |                |          |       |
|--------------------|------------------|--|----------------|----------|-------|
|                    |                  | Notional Principal<br>(Rupees in '000) | Mark to Market |          |       |
|                    |                  |  | Negative       | Positive | Net   |
|                    |                  | (Rupees in '000)                       |                |          |       |
| 5 to 10 years      | 2                | 742,185                                | (9,496)        | 10,396   | 900   |
|                    | 2                | 742,185                                | (9,496)        | 10,396   | 900   |
|                    |                  | 2009                                   |                |          |       |
| Remaining Maturity | No. of Contracts | Notional Principal<br>(Rupees in '000) | Mark to Market |          |       |
|                    |                  |  | Negative       | Positive | Net   |
|                    |                  | (Rupees in '000)                       |                |          |       |
| 6 to 12 months     | 2                | 70,000                                 | (482)          | 521      | 39    |
| 5 to 10 years      | 2                | 842,416                                | (1,103)        | 2,224    | 1,121 |
|                    | 4                | 912,416                                | (1,585)        | 2,745    | 1,160 |

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

|   | Note | 2010<br>(Rupees in '000) | 2009<br>(Rupees in '000) |
|---|------|--------------------------|--------------------------|
| <i>On loans and advances to</i>         |      |                          |                          |
| - Customers                             |      | 53,584,158               | 54,919,627               |
| - Financial institutions                |      | 325,303                  | 260,162                  |
| <i>On investments</i>                   |      |                          |                          |
| - Held for Trading                      |      | 60,192                   | 42,822                   |
| - Available for sale                    |      | 22,301,681               | 16,411,896               |
| - Held to maturity                      |      | 473,810                  | 542,192                  |
| On deposits with financial institutions |      | 690,432                  | 772,088                  |
| On lendings to financial institutions   |      | 2,564,276                | 1,802,588                |
|   |      | <u>79,999,852</u>        | <u>74,751,375</u>        |

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

|   |  |                   |                   |
|---|--|-------------------|-------------------|
| Deposits  |  | 30,606,815        | 30,322,614        |
| Securities sold under repurchase agreement borrowings |  | 324,847           | 511,897           |
| Other short term borrowings                           |  | 2,619,985         | 1,800,516         |
| Long term borrowings                                  |  | 538,721           | 453,509           |
|   |  | <u>34,090,368</u> | <u>33,088,536</u> |

## 24. INCOME / GAIN ON INVESTMENTS

|   |      |                |                |
|---|------|----------------|----------------|
| Dividend income                             |      | 318,539        | 281,152        |
| Gain on sale of securities                  | 24.1 | 288,836        | 171,403        |
| Unrealised gain on held for sale securities |      | 65             | 268            |
|   |      | <u>607,440</u> | <u>452,823</u> |

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

|                                      |  |                |                |
|--------------------------------------|--|----------------|----------------|
| <i>Federal Government Securities</i> |  |                |                |
| - Market treasury bills              |  | 107,094        | 227,994        |
| - Pakistan investment bonds          |  | 25,826         | (73,653)       |
| - Other securities                   |  | 1,150          | 35             |
| Listed shares                        |  | 154,766        | (72,246)       |
| Associates                           |  | -              | 89,273         |
|                                      |  | <u>288,836</u> | <u>171,403</u> |

| 25. OTHER INCOME                       | Note | 2010             | 2009             |
|--|------|------------------|------------------|
|  |      | (Rupees in '000) |                  |
| Incidental charges                     |      | 2,070,739        | 2,300,766        |
| Rent on lockers                        |      | 270,247          | 254,318          |
| Gain on sale of property and equipment |      | 16,993           | 29,386           |
| Rent on property                       |      | 72,093           | 68,040           |
| Bad debts recovered                    |      | 65,196           | 12,629           |
| Miscellaneous earnings                 | 25.1 | <u>124,637</u>   | <u>511,726</u>   |
|  |      | <u>2,619,905</u> | <u>3,176,865</u> |

25.1. Miscellaneous earnings have been re-arranged and reclassified into appropriate heads for better comparison.

## 26. ADMINISTRATIVE EXPENSES

|   |      |                   |                   |
|---|------|-------------------|-------------------|
| Salaries, allowances, etc.  | 26.3 | 12,377,645        | 12,548,245        |
| Charge for defined benefit / contribution plan and other benefits |      | 758,710           | (158,359)         |
| Non-executive directors' fees                                     |      | 14,500            | 12,880            |
| Brokerage and commission  |      | 14,617            | 11,953            |
| Rent, taxes, insurance, electricity, etc.                         |      | 2,172,831         | 2,048,273         |
| Legal and professional charges                                    |      | 758,853           | 952,263           |
| Communications  |      | 423,219           | 401,820           |
| Repairs and maintenance   |      | 1,057,365         | 975,010           |
| Stationery and printing   |      | 444,346           | 585,161           |
| Auditors' remuneration  | 26.1 | 86,964            | 76,175            |
| Advertisement and publicity                                       |      | 811,073           | 215,309           |
| Amortization  | 10.2 | 198,942           | 236,873           |
| Depreciation  | 10.3 | 1,467,116         | 1,434,085         |
| Entertainment   |      | 92,929            | 88,214            |
| Travelling  |      | 262,397           | 267,470           |
| Conveyance and motor car  |      | 103,035           | 94,476            |
| Training  |      | 160,138           | 124,781           |
| Security charges  |      | 691,070           | 673,025           |
| Remittance charges  |      | 82,139            | 99,859            |
| Donations   | 26.4 | 395,153           | 48,179            |
| Documentation and processing charges                              |      | 404,861           | 352,735           |
| Others  | 26.5 | <u>275,957</u>    | <u>644,980</u>    |
|   |      | <u>23,053,860</u> | <u>21,733,407</u> |

### 26.1 Auditors' remuneration

|   |  |               |               |
|---|--|---------------|---------------|
| Audit fee   |  | 3,682         | 3,273         |
| Fee for interim review  |  | 3,350         | 2,979         |
| Fee for audit of local branches of the Bank                           |  | 8,159         | 7,252         |
| Special certifications / examinations<br>and sundry advisory services |  | 5,564         | 1,390         |
| Out of pocket expenses  |  | <u>3,022</u>  | <u>2,745</u>  |
|   |  | 23,777        | 17,639        |
| Overseas branches   |  | <u>63,187</u> | <u>58,536</u> |
|   |  | <u>86,964</u> | <u>76,175</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. 518.883 million (2009: Rs. 504.950 million) and Rs. 370.988 million (2009: Rs. 358.630 million) respectively.

26.3 The bank has paid in addition to payments under the staff retirement funds, an amount of Rs. 210.782 million (2009: Rs. 1,720.420 million) to the staff retrenched during the year and in previous years.

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

26.5 Others have been re-arranged and reclassified into appropriate heads for better comparison.

**26.6 Benazir Employees' Stock Option Scheme**

There is no liability of the bank to grant shares under this scheme and no impact on current or future cash flows of the Bank. The details of scheme are as under:

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ['the Scheme'] for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or break-up value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

An employees trust to administer the scheme for Bank's employees was formed on October 26, 2010. However, the shares have not yet been transferred to the Trust.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard 2 Share Based Payments (IFRS 2). However, keeping in view the special nature of the Scheme, various entities covered under the scheme have requested the Securities and Exchange Commission of Pakistan to grant an exemption from application of IFRS 2 to the Scheme. The exemption is currently awaited.

| 27. OTHER CHARGES                           | 2010             | 2009  |
|---|------------------|-------|
|   | (Rupees in '000) |       |
| Penalties imposed by State Bank of Pakistan | 178,700          | 3,540 |

**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                          | 2010             | 2009        |
|---------------------------------------|------------------|-------------|
|                                       | (Rupees in '000) |             |
| For Pakistan - for the year - current | 8,461,106        | 6,878,293   |
| - deferred                            | (591,192)        | (1,339,095) |
| For Pakistan - prior year - current   | 694,898          | (1,173,853) |
| - deferred                            | 8,693            | 1,778,529   |
| For Overseas - for the year - current | 870,722          | 948,844     |
| - deferred                            | -                | -           |
| For Overseas - prior year - current   | -                | 94,380      |
| - deferred                            | -                | -           |
|                                       | 9,444,227        | 7,187,098   |

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

|      |   | 2010                 | 2009                 |
|------|---|----------------------|----------------------|
|      |   | (Rupees in '000)     |                      |
| 29.1 | <b>Relationship between tax expense and accounting profit</b>   |                      |                      |
|      | Accounting profit for the current year  | <u>25,057,281</u>    | <u>19,485,741</u>    |
|      | Tax on income @ 35% (2009: 35%)   | 8,770,048            | 6,820,009            |
|      | - Reduced rate income   | (113,764)            | (251,490)            |
|      | - Others  | <u>787,943</u>       | <u>618,579</u>       |
|      | Tax charge for the current year   | <u>9,444,227</u>     | <u>7,187,098</u>     |
| 29.2 | The income tax returns of Habib Bank Limited have been submitted upto and including the bank's financial year 2009. The tax authorities have concluded the audit of years 2002 through 2009.  |                      |                      |
|      | While amending the assessment under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2006 the tax authorities have disallowed double income tax relief relating to Azad Jammu & Kashmir (AJK) branches amounting to Rs. 2,923 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.  |                      |                      |
|      | Appeal against this issue is pending at appellate stage. Although the bank has made partial payment of tax assessed, under protest, no provision has been made in the financial statements for the above liability, as the management is confident that the eventual outcome of this issue will be in the favor of the bank.  |                      |                      |
|      | Through Finance Act, 2010 certain amendments have been introduced in Seventh Schedule to the Income Tax Ordinance, 2001. The provision for advances & off balance sheet items will now be allowed at 5% of total gross advances for consumer and SMEs (as defined in SBP prudential Regulation). The provision for advances and off balance sheet items other than those falling in definition of consumer & SMEs will be allowed upto 1% of such total gross advances. |                      |                      |
|      | Further a new Rule 8(A) has been introduced in Seventh Schedule to allow for amounts provided for in tax year 2008 and prior to said tax year for doubtful debts, which were neither claimed nor allowed as tax deductible in any year shall be allowed as deduction in tax year in which such doubtful debts are written off.  |                      |                      |
|      | With reference to allowability of provision, the management has carried out an exercise at period end and concluded that full deduction of provision in succeeding years would be allowed and accordingly recognized deferred tax asset on such provision amounting to Rs. 2.849 billion.   |                      |                      |
| 30.  | <b>BASIC AND DILUTED EARNINGS PER SHARE</b>   | 2010                 | 2009                 |
|      |   | (Rupees in '000)     |                      |
|      | Profit for the year attributable to equityholders of the Bank   | <u>15,613,054</u>    | <u>12,298,643</u>    |
|      |   | (Number)             |                      |
|      | Weighted average number of ordinary shares  | <u>1,001,880,000</u> | <u>1,001,880,000</u> |
|      |   | (Rupees)             |                      |
|      | Basic and diluted earnings per share  | <u>15.58</u>         | <u>12.28</u>         |
| 31.  | <b>CASH AND CASH EQUIVALENTS</b>  | (Rupees in '000)     |                      |
|      | Cash and balance with treasury banks  | 5 81,516,883         | 79,527,191           |
|      | Balance with other banks  | 6 35,990,301         | 29,560,309           |
|      |   | <u>117,507,184</u>   | <u>109,087,500</u>   |
| 32.  | <b>STAFF STRENGTH</b>   | (Number)             |                      |
|      | Permanent   | 13,154               | 13,101               |
|      | Others  | 18                   | 21                   |
|      | Total staff strength  | <u>13,172</u>        | <u>13,122</u>        |

## 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, 2010 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:

|   | 2010                | 2009 |
|---|---------------------|------|
|   | -----Per annum----- |      |
| Valuation discount rate                   | 13%                 | 13%  |
| Expected rate of increase in salary level | 11%                 | 11%  |
| Expected rate of return on funds invested | 13%                 | 13%  |

## 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, 2010 are as follows:

|   | Pension                      |             | Gratuity  |           | Benevolent  |             | Post-employment<br>medical benefits |             |
|---|------------------------------|-------------|-----------|-----------|-------------|-------------|-------------------------------------|-------------|
|   | 2010                         | 2009        | 2010      | 2009      | 2010        | 2009        | 2010                                | 2009        |
|   | ----- (Rupees in '000) ----- |             |           |           |             |             |                                     |             |
| Fair value of plan assets                           | 3,629,930                    | 11,308,988  | 314,910   | 770,148   | 1,281,248   | 1,170,236   | -                                   | -           |
| Present value of defined benefit obligation         | (3,752,486)                  | (3,823,669) | (363,236) | (335,598) | (1,405,002) | (1,432,930) | -                                   | -           |
| Surplus / (deficit)                                 | (122,556)                    | 7,485,319   | (48,326)  | 434,550   | (123,754)   | (262,694)   | -                                   | -           |
| Present value of unfunded obligation                | -                            | -           | -         | -         | -           | -           | (2,244,246)                         | (2,180,320) |
| Unrecognised past service cost                      | -                            | -           | -         | -         | 138,027     | 188,760     | 81,937                              | 107,860     |
| Asset / (provision) recognised in the balance sheet | (122,556)                    | 7,485,319   | (48,326)  | 434,550   | 14,273      | (73,934)    | (2,162,309)                         | (2,072,460) |

33.2.1.1 The surplus on benevolent fund has not been accounted for as this is a contributory scheme with contribution both from the employees and the Bank.

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<br>medical benefits |           |
|----------------------------------|------------------------------|-------------|----------|-----------|------------|-----------|-------------------------------------|-----------|
|                                  | 2010                         | 2009        | 2010     | 2009      | 2010       | 2009      | 2010                                | 2009      |
|                                  | ----- (Rupees in '000) ----- |             |          |           |            |           |                                     |           |
| Current service cost             | 40,648                       | 32,440      | 620      | 496       | 18,389     | 14,645    | 20,475                              | 16,799    |
| Mark-up cost                     | 497,077                      | 554,190     | 43,628   | 50,003    | 186,281    | 174,921   | 283,442                             | 339,212   |
| Expected return on plan assets   | (497,077)                    | (1,432,985) | (41,812) | (91,150)  | (152,131)  | (178,696) | -                                   | -         |
| Other movements 33.2.2.1         | 81,908                       | (361,860)   | 31,922   | (66,373)  | (92,898)   | 294,148   | (54,334)                            | (276,607) |
| Contributions - employees        | -                            | -           | -        | -         | (23,924)   | (18,881)  | -                                   | -         |
| Charge / (reversal) for the year | 122,556                      | (1,208,215) | 34,358   | (107,024) | (64,283)   | 286,137   | 249,583                             | 79,404    |

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<br>medical benefits |           |
|---|------------------------------|-------------|-----------|-----------|------------|-----------|-------------------------------------|-----------|
|   | 2010                         | 2009        | 2010      | 2009      | 2010       | 2009      | 2010                                | 2009      |
|   | ----- (Rupees in '000) ----- |             |           |           |            |           |                                     |           |
| Opening balance                           | (7,485,319)                  | (6,277,104) | (434,550) | (293,909) | 73,934     | (193,322) | 2,072,460                           | 2,349,341 |
| Charge / (credit) for the year            | 122,556                      | (1,208,215) | 34,358    | (107,024) | (64,283)   | 286,137   | 249,583                             | 79,404    |
| Refunds / (contributions) during the year | 7,485,319                    | -           | 448,518   | (33,617)  | (23,924)   | (18,881)  | -                                   | -         |
| Benefits paid                             | -                            | -           | -         | -         | -          | -         | (159,734)                           | (356,285) |
| Closing balance                           | 122,556                      | (7,485,319) | 48,326    | (434,550) | (14,273)   | 73,934    | 2,162,309                           | 2,072,460 |

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<br>medical benefits |             |
|----------------------|------------------------------|-------------|-----------|-----------|-------------|-------------|-------------------------------------|-------------|
|                      | 2010                         | 2009        | 2010      | 2009      | 2010        | 2009        | 2010                                | 2009        |
|                      | ----- (Rupees in '000) ----- |             |           |           |             |             |                                     |             |
| Opening balance      | (3,823,669)                  | (3,958,503) | (335,598) | (357,163) | (1,432,930) | (1,249,439) | (2,180,320)                         | (2,422,945) |
| Current service cost | (40,648)                     | (32,440)    | (620)     | (496)     | (18,389)    | (14,645)    | (20,475)                            | (16,799)    |
| Mark-up cost         | (497,077)                    | (554,190)   | (43,628)  | (50,003)  | (186,281)   | (174,921)   | (283,442)                           | (339,212)   |
| Benefits paid        | 257,657                      | 851,763     | 26,931    | 57,483    | 95,635      | 279,433     | 159,734                             | 356,285     |
| Other movements      | 351,251                      | (130,299)   | (10,321)  | 14,581    | 136,963     | (273,358)   | 80,257                              | 242,351     |
| Closing balance      | (3,752,486)                  | (3,823,669) | (363,236) | (335,598) | (1,405,002) | (1,432,930) | (2,244,246)                         | (2,180,320) |



## 33.2.6 Movement of fair value of plan assets

|   | Pension          |            | Gratuity  |          | Benevolent |           |
|---|------------------|------------|-----------|----------|------------|-----------|
|   | 2010             | 2009       | 2010      | 2009     | 2010       | 2009      |
|   | (Rupees in '000) |            |           |          |            |           |
| Opening balance                                       | 11,308,988       | 10,235,607 | 770,148   | 651,072  | 1,170,236  | 1,276,397 |
| Expected return on plan assets                        | 497,077          | 1,432,985  | 41,812    | 91,150   | 152,131    | 178,696   |
| Employer (excess contributions refund) / contribution | (7,485,319)      | -          | (448,518) | 33,617   | 23,924     | 18,881    |
| Employee contributions                                | -                | -          | -         | -        | 23,924     | 18,881    |
| Benefits paid   | (257,657)        | (851,763)  | (26,931)  | (57,483) | (95,635)   | (279,433) |
| Actuarial gain / (loss) on plan assets                | (433,159)        | 492,159    | (21,601)  | 51,792   | 6,668      | (43,186)  |
| Closing balance                                       | 3,629,930        | 11,308,988 | 314,910   | 770,148  | 1,281,248  | 1,170,236 |

## 33.2.7 Actual return on plan assets

|  | Pension          |           | Gratuity |         | Benevolent |          |
|--|------------------|-----------|----------|---------|------------|----------|
|  | 2010             | 2009      | 2010     | 2009    | 2010       | 2009     |
|  | (Rupees in '000) |           |          |         |            |          |
| Expected return on plan assets         | 497,077          | 1,432,985 | 41,812   | 91,150  | 152,131    | 178,696  |
| Actuarial (loss) / gain on plan assets | (433,159)        | 492,159   | (21,601) | 51,792  | 6,668      | (43,186) |
| Actual return on plan assets           | 63,918           | 1,925,144 | 20,211   | 142,942 | 158,799    | 135,510  |

## 33.2.8 Other benefits - Employee compensated absences

The liability of the Bank in respect of employee compensated absences as at December 31, 2010, amounted to Rs. 1,591.125 million (2009: Rs. 1,513.413 million). Provision for this balance is held by Bank.

The charge for the year amounting to Rs. 137.943 million (2009: Rs. 229.694 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 January 1, 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 |           |
|--|------------------|--------|-----------|--------|------------|-----------|
|  | 2010             | 2009   | 2010      | 2009   | 2010       | 2009      |
|  | (Rupees in '000) |        |           |        |            |           |
| Remuneration / fee of non executives directors * | -                | -      | 23,211    | 14,814 | -          | -         |
| Managerial remuneration (including allowances)   | 19,888           | 10,320 | -         | -      | 2,855,696  | 2,088,020 |
| Contribution to provident and benevolent fund    | 1,755            | 900    | -         | -      | 74,574     | 55,990    |
| Medical  | 140              | 156    | -         | -      | 133,629    | 95,510    |
| House maintenance                                | 613              | 1,689  | -         | -      | -          | -         |
| Utilities  | 347              | 288    | -         | -      | -          | -         |
| Conveyance                                       | 251              | 195    | -         | -      | -          | -         |
|  | 22,994           | 13,548 | 23,211    | 14,814 | 3,063,899  | 2,239,520 |
| Number of persons                                | 1                | 1      | 7         | 7      | 1,562      | 1,193     |

\* As approved by the shareholders in the annual general meeting held on March 27, 2010.

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.

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  | 2010<br>(Rupees in '000) | 2009      |
|---|-------|--------------------------|-----------|
| <b>Balances outstanding as at the year end</b>  |       |                          |           |
| <b>- Borrowings / Deposits from</b>   |       |                          |           |
| - Joint venture and associates  |       | 1,439,186                | 1,059,454 |
| - Subsidiary companies  |       | 780,166                  | 697,748   |
| - Retirement benefit funds  |       | 1,959,736                | 7,841,600 |
| - Companies in which Directors are interested   |       | 2,940,247                | 34,573    |
| - Companies in which key management personnel are interested  |       | 125,447                  | 104,424   |
| - AKFED Group Companies   |       | 498,316                  | 1,572,335 |
| - Investments in Companies in which directors are interested  |       | 254,772                  | 216,460   |
| - Investment in promissory notes issued by the subsidiary   | 8.12  | 2,828,104                | -         |
| - Investment in unlisted corporate debt instruments purchased from the subsidiary   |       | 222,116                  | -         |
| - Investment in companies in which key management personnel are interested  |       | 28,613                   | 34,113    |
| - Investment in subsidiary companies  | 8.4   | 5,360,245                | 5,186,448 |
| - Investment in associates and joint venture  | 8.5   | 2,925,898                | 3,061,554 |
| - Receivable from defined benefit schemes   | 12    | -                        | 7,919,870 |
| - Payable to defined benefit schemes  | 17    | 170,882                  | 266,245   |
| - Mark-up / Other Receivable from associates, subsidiary companies & companies in which key management personnel are interested                 |       | 47,798                   | 80,195    |
| <b>- Mark-up / Other Payables to:</b>   |       |                          |           |
| - Subsidiary companies  |       | 3,218                    | 4,256     |
| - AKFED Group Companies   |       | 1                        | 2         |
| - Companies in which key management personnel are interested  |       | 703                      | 429       |
| - Companies in which directors are interested   |       | 32,041                   | 1,290     |
| - Associates  |       | 9,502                    | 529       |
| - Retirement benefit funds  |       | 27,496                   | 347,068   |
| - Placements with subsidiary companies and associates   |       | 11,096,829               | 9,775,886 |
| - Overdrawn nostro balances with subsidiaries, associates, joint venture company and companies in which key management personnel are interested |       | 1,014,400                | 383,809   |
| - Acceptances   |       | -                        | 175,802   |
| - Payable to HBL Foundation   |       | 349,512                  | -         |
| <b>Profit / Expense for the year</b>  |       |                          |           |
| <b>- Interest paid</b>  |       |                          |           |
| - Joint venture and associates  |       | 62,081                   | 160,237   |
| - Subsidiary companies  |       | 12,907                   | 67,137    |
| - Retirement benefit funds  |       | 457,595                  | 483,559   |
| - Companies in which Directors are interested   |       | 34,806                   | 26,686    |
| - Companies in which key management personnel are interested  |       | 3,651                    | 6,910     |
| - AKFED Group Companies   |       | 11,347                   | 1,908     |
| - Premium paid to companies in which Directors are interested   |       | 227,028                  | 178,043   |
| <b>- Interest income</b>  |       |                          |           |
| - Joint venture and associates  |       | 72                       | 15,476    |
| - Subsidiary companies  |       | 1,524,495                | 36,945    |
| - Companies in which Directors are interested   |       | 115,212                  | 80,952    |
| - Companies in which key management personnel are interested  |       | 1,082,419                | 421,551   |
| - In respect of debts due by key management personnel   |       | 22,940                   | 27,800    |
| - Other income - Subsidiaries and associates  |       | 552,013                  | 353,477   |
| - Impairment provision on investment in associates  | 8.8.1 | 2,656,120                | 2,165,693 |
| - Other expense - Subsidiaries  |       | 1,870                    | 2,335     |
| - Donations paid on behalf of HBL Foundation  |       | 88,500                   | -         |
| <b>Dividend income</b>  |       |                          |           |
| - Joint venture and associates  |       | 85,737                   | 85,742    |
| - Subsidiary companies  |       | -                        | 3,250     |
| - Companies in which Directors are interested   |       | 5,500                    | 3,783     |
| - Companies in which key management personnel are interested  |       | 29,229                   | 9,855     |

### 36.1 Key Management Personnel

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

|  | 2010<br>(Rupees in '000) | 2009           |
|--|--------------------------|----------------|
| Managerial remuneration (including allowances) | 837,058                  | 770,819        |
| Contribution to provident and benevolent fund  | 17,689                   | 15,979         |
| Medical  | 25,792                   | 24,496         |
|  | <u>880,539</u>           | <u>811,294</u> |
| Number of persons                              | <u>139</u>               | <u>135</u>     |

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

### 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 group allows the Bank 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 group / 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 Committee.

#### 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 internal risk rating system to supplement the credit risk measurement procedure for exposures exceeding a certain threshold. Consequently exposure amounting to over 90% is rated. 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 initiate.

The Bank follows the guidelines of SBP or the Regulators under which it is operating in other countries for the classification / provisioning / 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 it's 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 the Bank level 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.

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. The Bank has recently strengthened its Derivative platform through acquisition of sophisticated systems and skilled HR to acquire the Authorised Derivative Dealer(ADD). This will allow the bank to take position on its books, however very restricted limits have been approved which is reflective of prudent policy of the Bank for new activities.

#### **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 part 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 Management (ORM)**

In line with the approved Operational Risk Management Policy, Bank has instituted an Operational Risk Management department. Operational Risk Management Policy and a detailed ORM Framework has been prepared 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). Both ORM policy and the framework have been approved by the Board. Based on overall ORM developments, bank has also obtained approval from SBP to carry out a parallel run under ASA approach.

The ORM Framework addresses 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 has been conducted within the Bank, the results of which are being continually evaluated against the losses. Key Risk Indicators (KRI) have also been finalized in coordination with various units of the bank.

#### **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.

## 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

|   | 2010             | 2009       |
|---|------------------|------------|
|   | (Rupees in '000) |            |
| <b>Tier 1 Capital</b>   |                  |            |
| 1.1 Fully Paid-up capital   | 10,018,800       | 9,108,000  |
| 1.2 General Reserves as disclosed on the Balance Sheet  | 19,883,928       | 18,322,623 |
| 1.3 Un-appropriated/ un-remitted profits (net of accumulated losses, if any)  | 44,121,103       | 36,325,458 |
|   | 74,023,831       | 63,756,081 |
| <b>Deductions:</b>  |                  |            |
| 1.4 Book value of intangibles   | 44,345           | 234,636    |
| 1.5 Other deductions (50% of the amount)<br>Investments in equity and other regulatory capital of majority owned securities<br>or other financial subsidiaries not consolidated in the balance sheet                        | 2,928,291        | 1,444,556  |
|   | 2,972,636        | 1,679,192  |
| <b>Total eligible Tier 1 capital</b>  | 71,051,195       | 62,076,889 |
| <b>Supplementary Capital</b>  |                  |            |
| <b>Tier 2 Capital</b>   |                  |            |
| 2.1 General Provisions or general reserves for loan losses-up to maximum<br>of 1.25% of Risk Weighted Assets  | 1,380,868        | 580,256    |
| 2.2 Revaluation Reserves up to 45%  | 3,645,622        | 3,776,913  |
| 2.3 Foreign Exchange Translation Reserves   | 7,787,885        | 7,479,266  |
| 2.4 Subordinated debt -upto maximum of 50% of Total eligible Tier 1 capital   | 2,569,101        | 4,212,080  |
| <b>Total tier 2 Capital</b>   | 15,383,476       | 16,048,515 |
| <b>Deductions:</b>  |                  |            |
| 2.5 Other deductions (50% of the amount as calculated on CAP 2)<br>Investments in equity and other regulatory capital of majority owned securities<br>or other financial subsidiaries not consolidated in the balance sheet | -                | -          |
|   | 2,928,291        | 1,444,556  |
|   | 2,928,291        | 1,444,556  |
| <b>Total eligible Tier 2 Capital</b>  | 12,455,185       | 14,603,959 |
| <b>Tier 3 Capital</b>   |                  |            |
| Eligible Tier 3 Capital   | -                | -          |
| <b>Total Eligible Capital (1+2+3)</b>   | 83,506,380       | 76,680,848 |

## 38.2 Risk-Weighted Exposures

|   | Note | Capital Requirements |             | Risk Weighted Assets |             |
|---|------|----------------------|-------------|----------------------|-------------|
|   |      | 2010                 | 2009        | 2010                 | 2009        |
| ------(Rupees in '000)-----                   |      |                      |             |                      |             |
| <b>Credit Risk</b>                            |      |                      |             |                      |             |
| Claims on                                     |      |                      |             |                      |             |
| Other sovereigns, GoP, PG, SBP other than PKR |      | 2,988,272            | 3,332,262   | 29,882,720           | 33,322,615  |
| PSE's   |      | 1,456,038            | 1,890,058   | 14,560,377           | 18,900,577  |
| Banks   |      | 2,176,401            | 1,613,612   | 21,764,015           | 16,136,124  |
| Corporates                                    |      | 28,932,471           | 29,152,505  | 289,324,707          | 291,525,055 |
| Retail Portfolio                              |      | 4,702,956            | 4,327,171   | 47,029,559           | 43,271,706  |
| Secured by residential property               |      | 213,245              | 255,406     | 2,132,447            | 2,554,064   |
| Past due loans                                |      | 971,595              | 1,224,244   | 9,715,948            | 12,242,438  |
| Listed Equity investments                     |      | 429,393              | 552,586     | 4,293,927            | 5,525,859   |
| Unlisted equity investments                   |      | 530,906              | 524,954     | 5,309,060            | 5,249,538   |
| Investments in fixed assets                   |      | 1,583,220            | 1,624,130   | 15,832,200           | 16,241,303  |
| Other assets                                  |      | 2,237,001            | 2,693,246   | 22,370,018           | 26,932,462  |
|   |      | 46,221,498           | 47,190,174  | 462,214,978          | 471,901,741 |
| <b>Market Risk</b>                            |      |                      |             |                      |             |
| Interest Rate Risk                            |      | 852,826              | 19,606      | 10,660,320           | 245,079     |
| Equity Position Risk                          |      | 266,327              | -           | 3,329,090            | -           |
| Foreign Exchange Risk                         |      | 2,885,798            | 2,418,044   | 36,072,475           | 30,225,553  |
|   |      | 4,004,951            | 2,437,650   | 50,061,885           | 30,470,632  |
| <b>Operational Risk</b>                       |      |                      |             |                      |             |
|   |      | 7,695,787            | 6,761,739   | 96,197,337           | 84,521,743  |
|   |      | 57,922,236           | 56,389,563  | 608,474,200          | 586,894,116 |
| <b>Capital adequacy ratio</b>                 |      |                      |             |                      |             |
| <b>Total eligible regulatory capital held</b> | 38.1 | 83,506,380           | 76,680,848  |                      |             |
| <b>Total risk weighted assets</b>             | 38.2 | 608,474,200          | 586,894,116 |                      |             |
| <b>Capital adequacy ratio</b>                 |      | 13.72%               | 13.07%      |                      |             |

## 38.3 Types of Exposures and ECAI's used

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

## 38.4 Credit Exposures subject to Standardised approach

| Exposures  | Rating Category | 2010                         |                    |                    | 2009                         |                    |                    |
|--|-----------------|------------------------------|--------------------|--------------------|------------------------------|--------------------|--------------------|
|  |                 | Amount Outstanding           | Deduction CRM      | Net exposure       | Amount Outstanding           | Deduction CRM      | Net exposure       |
|  |                 | ----- (Rupees in '000) ----- |                    |                    | ----- (Rupees in '000) ----- |                    |                    |
| Cash and cash equivalent                           |                 | 12,360,485                   | -                  | 12,360,485         | 10,379,136                   | -                  | 10,379,136         |
| Claims on GoP in PKR                               |                 | 83,015,287                   | 31,709,220         | 51,306,067         | 167,619,862                  | 27,123,265         | 140,496,597        |
| Claims on SBP arising out of statutory obligations |                 | 9,479,805                    | -                  | 9,479,805          | 9,115,279                    | -                  | 9,115,279          |
| Claims on other sovereigns and GoP other than PKR  | 1               | 1,601,301                    | -                  | 1,601,301          | 6,093,287                    | -                  | 6,093,287          |
| Claims on other sovereigns and GoP other than PKR  | 2               | 6,294,105                    | -                  | 6,294,105          | 17,501,791                   | -                  | 17,501,791         |
| Claims on other sovereigns and GoP other than PKR  | 3               | 11,009,351                   | -                  | 11,009,351         | 3,345,595                    | -                  | 3,345,595          |
| Claims on other sovereigns and GoP other than PKR  | 4,5             | 13,274,603                   | -                  | 13,274,603         | 19,144,813                   | -                  | 19,144,813         |
| Claims on other sovereigns and GoP other than PKR  | 6               | 5,767,872                    | -                  | 5,767,872          | 6,073,636                    | -                  | 6,073,636          |
| Claims on other sovereigns and GoP other than PKR  | Unrated         | 1,204,582                    | -                  | 1,204,582          | -                            | -                  | -                  |
| PSE  | 1               | 1,782,888                    | 104,852            | 1,678,036          | 12,166,895                   | 746                | 12,166,149         |
| PSE  | Unrated         | 174,127,228                  | 100,697,329        | 73,429,899         | 209,210,437                  | 115,588,219        | 93,622,218         |
| Banks  | 1               | 38,406,201                   | 2,779,361          | 35,626,840         | 31,695,872                   | 784,156            | 30,911,716         |
| Banks  | 2,3             | 6,099,179                    | 956,065            | 5,143,114          | 5,015,390                    | 2,891              | 5,012,499          |
| Banks  | Unrated         | 11,278,156                   | -                  | 11,278,156         | 5,908,814                    | 7,787              | 5,901,027          |
| Bank - three months or less                        | 1,2,3           | 50,431,463                   | 28,853,280         | 21,578,183         | 26,172,169                   | 9,959,245          | 16,212,924         |
| Bank - three months or less                        | Unrated         | 18,752,721                   | -                  | 18,752,721         | 13,253,015                   | -                  | 13,253,015         |
| Corporate  | 1               | 21,609,970                   | -                  | 21,609,970         | 30,629,840                   | 130                | 30,629,710         |
| Corporate  | 2               | 19,554,532                   | 1,500              | 19,553,032         | 9,232,149                    | 137,760            | 9,094,389          |
| Corporate  | 3,4             | 2,040,637                    | -                  | 2,040,637          | 1,547,408                    | 2,429              | 1,544,979          |
| Corporate  | Unrated         | 312,661,957                  | 6,679,269          | 305,982,688        | 326,972,612                  | 9,228,951          | 317,743,661        |
| Retail   |                 | 66,090,330                   | 2,395,287          | 63,695,043         | 61,122,996                   | 2,628,324          | 58,494,672         |
| Residential mortgage                               |                 | 6,092,707                    | -                  | 6,092,707          | 7,297,326                    | -                  | 7,297,326          |
| Past due loans                                     |                 | 9,638,727                    | -                  | 9,638,727          | 11,787,756                   | -                  | 11,787,756         |
| Listed equity and regulatory capital instruments   |                 | 4,293,927                    | -                  | 4,293,927          | 5,525,859                    | -                  | 5,525,859          |
| Unlisted equity                                    |                 | 3,539,373                    | -                  | 3,539,373          | 3,499,692                    | -                  | 3,499,692          |
| Fixed assets                                       |                 | 15,832,200                   | -                  | 15,832,200         | 16,241,303                   | -                  | 16,241,303         |
| Other assets                                       |                 | 22,370,018                   | -                  | 22,370,018         | 26,932,462                   | -                  | 26,932,462         |
|  |                 | <b>928,609,605</b>           | <b>174,176,163</b> | <b>754,433,442</b> | <b>1,043,485,394</b>         | <b>165,463,903</b> | <b>878,021,491</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 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).

## 39. CURRENCY RISK

|                      | 2010                         |                    |                         |                       |
|----------------------|------------------------------|--------------------|-------------------------|-----------------------|
|                      | Assets                       | Liabilities        | Off-balance sheet items | Net currency exposure |
|                      | ----- (Rupees in '000) ----- |                    |                         |                       |
| Pakistan Rupee       | 673,477,026                  | 628,034,585        | 8,382,698               | 53,825,139            |
| United States Dollar | 84,379,586                   | 73,181,175         | (11,541,770)            | (343,359)             |
| Great Britain Pound  | 9,584,361                    | 9,084,477          | 1,516,272               | 2,016,156             |
| UAE Dirham           | 28,920,246                   | 23,711,948         | 2,825,936               | 8,034,234             |
| Japanese Yen         | 309,574                      | 80,102             | (258,989)               | (29,517)              |
| Euro                 | 15,728,848                   | 13,840,190         | 548,665                 | 2,437,323             |
| Other Currencies     | 74,652,770                   | 49,595,195         | (1,472,812)             | 23,584,763            |
|                      | <b>887,052,411</b>           | <b>797,527,672</b> | <b>-</b>                | <b>89,524,739</b>     |
|                      | 2009                         |                    |                         |                       |
|                      | Assets                       | Liabilities        | Off-balance sheet items | Net currency exposure |
|                      | ----- (Rupees in '000) ----- |                    |                         |                       |
| Pakistan Rupee       | 628,634,439                  | 578,886,266        | (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>821,127,519</b>           | <b>742,031,972</b> | <b>-</b>                | <b>79,095,547</b>     |

| Total   | 2010           |                          |                          |                             |                       |                         |                          |                        |                |
|---|----------------|--------------------------|--------------------------|-----------------------------|-----------------------|-------------------------|--------------------------|------------------------|----------------|
|   | 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>Assets</b>                                 |                |                          |                          |                             |                       |                         |                          |                        |                |
| Cash and balances with treasury banks         | 81,516,883     | 81,516,883               | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Balances with other banks                     | 35,990,301     | 35,990,301               | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Lendings to financial institutions            | 30,339,344     | 21,552,598               | 8,390,163                | 396,583                     | -                     | -                       | -                        | -                      | -              |
| Investments                                   | 245,016,986    | 12,663,050               | 49,853,928               | 41,070,555                  | 22,290,726            | 16,682,570              | 23,699,221               | 58,418,677             | 11,233,150     |
| Loans and advances                            | 434,998,560    | 196,102,442              | 30,480,333               | 61,143,912                  | 15,027,051            | 14,772,773              | 22,897,821               | 32,291,064             | 47,356,390     |
| Operating fixed assets                        | 15,876,545     | 76,871                   | 153,741                  | 230,612                     | 461,224               | 922,447                 | 922,447                  | 1,595,591              | 1,466,173      |
| Deferred tax asset                            | 8,835,326      | 9,796,070                | (19,030)                 | (28,545)                    | (57,090)              | (114,180)               | (114,180)                | (201,398)              | (205,265)      |
| Other assets                                  | 34,478,466     | 22,322,747               | 1,677,068                | 2,515,602                   | 7,963,049             | -                       | -                        | -                      | -              |
|   | 887,052,411    | 380,020,962              | 90,536,203               | 105,328,719                 | 45,684,960            | 32,263,610              | 47,405,309               | 92,103,934             | 59,850,448     |
|   |                |                          |                          |                             |                       |                         |                          |                        | 33,858,266     |
| <b>Liabilities</b>                            |                |                          |                          |                             |                       |                         |                          |                        |                |
| Bills payable                                 | 9,774,749      | 9,774,749                | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Borrowings from financial institutions        | 37,430,333     | 7,444,650                | 1,459,557                | 21,012,054                  | 284,362               | 187,221                 | 678,179                  | 4,146,876              | 2,217,434      |
| Deposits and other accounts - note 40.1       | 721,069,137    | 570,405,065              | 59,110,236               | 30,829,637                  | 33,640,883            | 7,818,464               | 8,032,356                | 6,298,120              | 4,689,057      |
| Sub-ordinated loans                           | 4,281,835      | -                        | -                        | -                           | -                     | -                       | -                        | 4,281,835              | -              |
| Deferred tax liability                        | -              | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Other liabilities                             | 24,971,618     | 18,327,540               | 41,597                   | 62,396                      | 1,487,441             | 269,995                 | 281,491                  | 604,702                | 1,242,617      |
|   | 797,527,672    | 605,952,004              | 60,611,390               | 51,904,087                  | 35,412,686            | 8,275,680               | 8,992,026                | 15,331,533             | 8,149,108      |
|   |                |                          |                          |                             |                       |                         |                          |                        | 2,899,158      |
| <b>Net gap</b>                                | 89,524,739     | (225,931,042)            | 29,924,813               | 53,424,632                  | 10,272,274            | 23,987,930              | 38,413,283               | 76,772,401             | 51,701,340     |
|   |                |                          |                          |                             |                       |                         |                          |                        | 30,959,108     |
| Share capital                                 | 10,018,800     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Reserves                                      | 27,671,813     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Unappropriated profit                         | 44,121,103     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Surplus on revaluation of assets - net of tax | 7,713,023      | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
|   | 89,524,739     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| ----- Rupees in '000 -----                    |                |                          |                          |                             |                       |                         |                          |                        |                |
| <b>Assets</b>                                 |                |                          |                          |                             |                       |                         |                          |                        |                |
| Cash and balances with treasury banks         | 79,527,191     | 79,527,191               | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Balances with other banks                     | 29,560,309     | 29,560,309               | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Lendings to financial institutions            | 5,352,873      | 4,766,397                | 586,476                  | -                           | -                     | -                       | -                        | -                      | -              |
| Investments                                   | 209,421,147    | 11,721,708               | 16,297,692               | 44,510,173                  | 40,037,830            | 2,123,473               | 8,265,259                | 68,455,639             | 8,869,818      |
| Loans and advances                            | 432,283,588    | 206,459,594              | 11,468,515               | 36,032,403                  | 44,870,588            | 19,876,462              | 11,239,592               | 48,188,079             | 37,044,997     |
| Deferred tax asset                            | 8,172,590      | 9,116,141                | (19,754)                 | (29,631)                    | (59,263)              | (118,525)               | (118,525)                | (204,976)              | (189,163)      |
| Operating fixed assets                        | 16,475,939     | 91,136                   | 182,272                  | 273,408                     | 546,817               | 1,093,634               | 1,093,634                | 1,795,841              | 1,315,242      |
| Other assets                                  | 40,333,882     | 22,065,489               | 1,457,083                | 2,138,625                   | 14,672,685            | -                       | -                        | -                      | -              |
|   | 821,127,519    | 363,307,965              | 29,972,284               | 82,924,978                  | 100,068,657           | 22,975,044              | 20,479,960               | 118,234,583            | 47,040,894     |
|   |                |                          |                          |                             |                       |                         |                          |                        | 36,123,154     |
| <b>Liabilities</b>                            |                |                          |                          |                             |                       |                         |                          |                        |                |
| Bills payable                                 | 10,041,203     | 10,041,203               | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Borrowings from financial institutions        | 48,121,649     | 10,360,531               | 5,419,394                | 25,816,979                  | 680,024               | 12,265                  | 103,539                  | 1,165,422              | 4,563,495      |
| Deposits and other accounts - note 40.1       | 653,452,460    | 504,729,132              | 52,922,280               | 33,212,812                  | 33,162,995            | 7,874,412               | 9,001,776                | 6,089,725              | 3,951,542      |
| Sub-ordinated loans                           | 4,212,080      | -                        | -                        | -                           | -                     | -                       | -                        | 4,212,080              | -              |
| Deferred tax liability                        | -              | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Other liabilities                             | 26,204,580     | 21,472,395               | 70                       | 105                         | 1,143,480             | 13,962                  | 68,870                   | 292,454                | 904,547        |
|   | 742,031,972    | 546,603,261              | 58,341,744               | 59,029,896                  | 34,986,499            | 7,900,639               | 9,174,185                | 11,759,681             | 9,419,584      |
|   |                |                          |                          |                             |                       |                         |                          |                        | 4,816,483      |
| <b>Net gap</b>                                | 79,095,547     | (183,295,296)            | (28,369,460)             | 23,895,082                  | 65,082,158            | 15,074,405              | 11,305,775               | 106,474,902            | 37,621,310     |
|   |                |                          |                          |                             |                       |                         |                          |                        | 31,306,671     |
| Share capital                                 | 9,108,000      | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Reserves                                      | 25,801,889     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Unappropriated profit                         | 36,325,458     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
| Surplus on revaluation of assets - net of tax | 7,860,200      | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |
|   | 79,095,547     | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              |

40.1 Expected maturity dates do not differ significantly from the contract dates except for the maturity of Rs. 478.704 billion (2009: Rs. 417.973) of deposits representing retail deposit accounts considered by the Bank as stable core source of funding of its operations.

## 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  | 2010 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                   | 1.47%  | 81,516,883                            | 16,316,174               | 4,308,126                | 1,517,783                   | 91,989                | -                       | -                        | -                      | -              | -                                    | 59,282,811  |
| Balances with other banks                               |        | 35,990,301                            | 21,529,331               | 6,656,011                | 4,424,624                   | 283,170               | -                       | -                        | -                      | -              | -                                    | 3,097,165   |
| Lendings to financial institutions                      | 12.97% | 30,339,344                            | 4,220,830                | 12,335,638               | 11,327,389                  | 2,455,487             | -                       | -                        | -                      | -              | -                                    | -           |
| Investments   | 12.07% | 245,016,986                           | 9,910,790                | 104,202,960              | 58,713,759                  | 27,017,326            | 6,902,730               | 10,439,590               | 4,356,499              | 2,860,119      | 9,629,470                            | 10,983,743  |
| Advances  | 13.68% | 434,998,560                           | 37,167,356               | 203,167,322              | 143,858,480                 | 20,367,285            | 5,620,523               | 3,564,083                | 6,832,707              | 5,963,778      | 2,425,578                            | 6,031,448   |
| Other assets  |        | 25,185,457                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | 25,185,457  |
|   |        | 853,047,531                           | 89,144,481               | 330,670,057              | 219,842,035                 | 50,215,257            | 12,523,253              | 14,003,673               | 11,189,206             | 8,823,897      | 12,055,048                           | 104,580,624 |
| <b>Financial Liabilities</b>                            |        |                                       |                          |                          |                             |                       |                         |                          |                        |                |                                      |             |
| Bills payable   |        | 9,774,749                             | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | 9,774,749   |
| Borrowings from financial institutions                  | 8.43%  | 37,430,333                            | 10,362,823               | 8,795,904                | 10,793,251                  | 367,946               | 807,266                 | 823,468                  | 2,718,827              | 2,759,970      | 878                                  | -           |
| Deposits and other accounts                             | 4.72%  | 721,069,137                           | 62,487,238               | 78,351,888               | 353,201,334                 | 47,532,608            | 8,104,215               | 8,213,207                | 43,146,940             | 23,047,191     | 18,794,076                           | 78,190,440  |
| Sub-ordinated loans                                     | 2.03%  | 4,281,835                             | -                        | -                        | 4,281,835                   | -                     | -                       | -                        | -                      | -              | -                                    | -           |
| Other liabilities                                       |        | 24,242,997                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | 24,242,997  |
|   |        | 796,799,051                           | 72,850,061               | 87,147,792               | 368,276,420                 | 47,900,554            | 8,911,481               | 9,036,675                | 45,865,767             | 25,807,161     | 18,794,954                           | 112,208,186 |
| <b>On-balance sheet gap</b>                             |        | 56,248,480                            | 16,294,420               | 243,522,265              | (148,434,385)               | 2,314,703             | 3,611,772               | 4,966,998                | (34,676,561)           | (16,983,264)   | (6,739,906)                          | (7,627,562) |
| <b>Non - financial net assets</b>                       |        | 33,276,259                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | -           |
| <b>Total Net assets</b>                                 |        | 89,524,739                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | -           |
| <b>Off-balance sheet financial instruments</b>          |        |                                       |                          |                          |                             |                       |                         |                          |                        |                |                                      |             |
| Foreign currency forward purchases                      |        | 78,470,185                            | 35,109,283               | 30,374,377               | 9,884,815                   | 3,073,220             | 28,490                  | -                        | -                      | -              | -                                    | -           |
| Foreign currency forward sales                          |        | (78,261,634)                          | (35,148,978)             | (30,219,652)             | (9,835,785)                 | (3,057,219)           | -                       | -                        | -                      | -              | -                                    | -           |
| Interest rate swaps - long position                     |        | 371,092                               | -                        | -                        | -                           | -                     | -                       | -                        | -                      | 371,092        | -                                    | -           |
| Interest rate swaps - short position                    |        | (371,092)                             | -                        | -                        | -                           | -                     | -                       | -                        | -                      | (371,092)      | -                                    | -           |
| <b>Off-balance sheet gap</b>                            |        | 208,551                               | (39,695)                 | 154,725                  | 49,030                      | 16,001                | 28,490                  | -                        | -                      | -              | -                                    | -           |
| <b>Total yield / interest risk sensitivity Gap</b>      |        |                                       | 16,254,725               | 243,676,990              | (148,385,355)               | 2,330,704             | 3,640,262               | 4,966,998                | (34,676,561)           | (16,983,264)   | (6,739,906)                          | (7,627,562) |
| <b>Cumulative Yield / Interest Risk Sensitivity Gap</b> |        |                                       | 16,254,725               | 259,931,715              | 111,546,360                 | 113,877,064           | 117,517,326             | 122,484,324              | 87,807,763             | 70,824,499     | 64,084,593                           | 56,457,031  |

| 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                            | 10,646,111  |
| 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                            | 6,038,877   |
| Other assets  |        | 31,362,584                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | 31,362,584  |
|   |        | 787,507,692                           | 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                            | 106,346,732 |
| <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     | 19,958,775                           | 69,409,648  |
| Sub-ordinated loans                                     | 2.25%  | 4,212,080                             | -                        | -                        | 4,212,080                   | -                     | -                       | -                        | -                      | -              | -                                    | -           |
| Other liabilities                                       |        | 25,483,337                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | 25,483,337  |
|   |        | 741,310,729                           | 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                           | 104,934,188 |
| <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)                         | 1,412,544   |
| <b>Non - financial net assets</b>                       |        | 32,898,584                            | -                        | -                        | -                           | -                     | -                       | -                        | -                      | -              | -                                    | -           |
| <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  |

## 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 loans, 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. 853,047.531 million, financial assets which were subject to credit risk amounted to Rs. 840,687.065 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:

| 2010<br>(Rupees in '000)   |             |
|--|-------------|
| <b>Guaranteed by the Government of Pakistan</b>                                      |             |
| Investments  | 204,628,576 |
| Loans and advances   | 40,087,928  |
| Mark-up receivable   | 5,231,379   |
|  | 249,947,883 |
| <b>Financial assets receivable from enterprises owned / controlled by Government</b> |             |
| Loans and advances   | 45,752,663  |
| Financial assets receivable from State Bank of Pakistan                              | 36,588,138  |
| Financial assets receivable from National Bank of Pakistan                           | 8,213,599   |
| Mark-up receivable   | 144,087     |
|  | 90,698,487  |
| Guaranteed by Overseas Governments   | 10,452,212  |
| Financial assets receivable from other central banks                                 | 24,354,679  |
|  | 375,453,261 |



## 43.2 Segment by class of business

|   | 2010               |               |                    |               |                               |               |
|---|--------------------|---------------|--------------------|---------------|-------------------------------|---------------|
|   | Gross advances     |               | Deposits           |               | Contingencies and commitments |               |
|   | (Rupees in '000)   | Percent       | (Rupees in '000)   | Percent       | (Rupees in '000)              | Percent       |
| Chemical and pharmaceuticals            | 24,517,638         | 5.18          | 5,744,531          | 0.80          | 7,704,472                     | 4.51          |
| Agribusiness                            | 32,330,970         | 6.83          | 7,093,765          | 0.98          | 1,715,940                     | 1.00          |
| Textile                                 | 83,561,176         | 17.65         | 4,172,517          | 0.58          | 16,272,470                    | 9.53          |
| Cement                                  | 14,560,022         | 3.08          | 384,852            | 0.05          | 1,888,252                     | 1.11          |
| Sugar                                   | 2,992,531          | 0.63          | 579,819            | 0.08          | 1,183,454                     | 0.69          |
| Shoes and leather garments              | 2,276,177          | 0.48          | 887,277            | 0.12          | 325,469                       | 0.19          |
| Automobile and transportation equipment | 7,393,736          | 1.56          | 2,352,831          | 0.33          | 2,891,860                     | 1.69          |
| Financial                               | 16,196,870         | 3.42          | 4,424,116          | 0.61          | 39,926,907                    | 23.38         |
| Insurance                               | 815,942            | 0.17          | 1,912,718          | 0.27          | 332                           | -             |
| Electronics and electrical appliances   | 13,673,347         | 2.89          | 5,638,670          | 0.78          | 2,386,675                     | 1.40          |
| Production and transmission of energy   | 49,557,161         | 10.47         | 10,893,967         | 1.51          | 12,363,888                    | 7.24          |
| Education & Medical                     | 1,757,766          | 0.37          | 3,794,705          | 0.53          | 672,985                       | 0.39          |
| Telecommunication                       | 17,618,474         | 3.72          | 5,123,549          | 0.71          | 1,655,118                     | 0.97          |
| Printing & publishing                   | 3,301,499          | 0.70          | 154,755            | 0.02          | 774,862                       | 0.45          |
| Construction                            | 2,829,497          | 0.60          | 1,877,621          | 0.26          | 508,088                       | 0.30          |
| Mining & quarrying                      | 267,196            | 0.06          | 84,804             | 0.01          | 1,813                         | -             |
| Food, tobacco and beverages             | 7,206,802          | 1.52          | 1,029,789          | 0.14          | 2,680,052                     | 1.57          |
| Public / Government - note 43.2.1       | 85,840,591         | 18.13         | 107,912,401        | 14.97         | 52,979,203                    | 31.03         |
| Whole sale & retail trade               | 42,971,138         | 9.08          | 38,778,670         | 5.38          | 7,214,024                     | 4.22          |
| Metal and allied                        | 8,244,456          | 1.74          | 839,836            | 0.12          | 1,412,569                     | 0.83          |
| Individual                              | 31,418,811         | 6.64          | 439,071,027        | 60.89         | 300,226                       | 0.18          |
| Farming, cattle and dairy               | 1,309,874          | 0.28          | 486,731            | 0.07          | 173,200                       | 0.10          |
| Trust funds and non profit organization | 1,325,141          | 0.28          | 16,967,757         | 2.35          | 7,633                         | -             |
| Others                                  | 21,450,963         | 4.52          | 60,862,429         | 8.44          | 15,717,226                    | 9.22          |
|   | <b>473,417,778</b> | <b>100.00</b> | <b>721,069,137</b> | <b>100.00</b> | <b>170,756,718</b>            | <b>100.00</b> |

  

|   | 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> |

|   | 2010             |         |                  |         |                               |         |
|---|------------------|---------|------------------|---------|-------------------------------|---------|
|   | Gross advances   |         | Deposits         |         | Contingencies and commitments |         |
|   | (Rupees in '000) | Percent | (Rupees in '000) | Percent | (Rupees in '000)              | Percent |
| Chemical and pharmaceuticals            | -                | -       | 408,599          | 0.38    | -                             | -       |
| Agribusiness                            | 55,101,195       | 64.19   | 1,643,113        | 1.52    | 1,989,455                     | 3.76    |
| Textile                                 | -                | -       | 2                | -       | -                             | -       |
| Cement                                  | -                | -       | 97               | -       | -                             | -       |
| Sugar                                   | 141,585          | 0.16    | -                | -       | -                             | -       |
| Automobile and transportation equipment | 9,543,557        | 11.12   | 2,824,538        | 2.62    | 889,548                       | 1.68    |
| Financial                               | 1,294,117        | 1.51    | 2,269,361        | 2.10    | -                             | -       |
| Insurance                               | -                | -       | 7,968,832        | 7.38    | 3,193                         | 0.01    |
| Production and transmission of energy   | 9,869,277        | 11.50   | 21,714,052       | 20.12   | 5,814,293                     | 10.97   |
| Education & medical                     | 119,341          | 0.14    | 24,426,271       | 22.64   | 25,720                        | 0.05    |
| Telecommunication                       | 55,651           | 0.06    | 2,710,124        | 2.51    | 3,479                         | 0.01    |
| Printing & publishing                   | -                | -       | 21,850           | 0.02    | -                             | -       |
| Construction                            | 30,000           | 0.03    | 58,967           | 0.05    | -                             | -       |
| Foods, tobacco & beverages              | -                | -       | 342              | -       | -                             | -       |
| Whole sale & retail trade               | 288,453          | 0.34    | -                | -       | -                             | -       |
| Metal and allied                        | 1,119,746        | 1.30    | 794,993          | 0.74    | 31,910                        | 0.06    |
| Farming, cattle and dairy               | -                | -       | 92               | -       | -                             | -       |
| Defence                                 | 1,500,000        | 1.75    | 3,113,730        | 2.89    | 41,772,563                    | 78.85   |
| Ports and shipping                      | -                | -       | 3,573,872        | 3.31    | 641,356                       | 1.21    |
| Others                                  | 6,777,669        | 7.90    | 36,383,566       | 33.72   | 1,807,686                     | 3.40    |
|   | 85,840,591       | 100.00  | 107,912,401      | 100.00  | 52,979,203                    | 100.00  |

  

|   | 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    |
| 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    |
|   | 97,917,110       | 100.00  | 114,394,826      | 100.00  | 83,998,398                    | 100.00  |

| 2010                     |             |                  |             |                               |             |        |
|--------------------------|-------------|------------------|-------------|-------------------------------|-------------|--------|
| Gross advances           |             | Deposits         |             | Contingencies and commitments |             |        |
| (Rupees in '000)         | Percent     | (Rupees in '000) | Percent     | (Rupees in '000)              | Percent     |        |
| 43.2.2 Segment by sector |             |                  |             |                               |             |        |
| Public / Government      | 85,840,591  | 18.13            | 107,912,401 | 14.97                         | 52,979,203  | 31.03  |
| Private                  | 387,577,187 | 81.87            | 613,156,736 | 85.03                         | 117,777,515 | 68.97  |
|                          | 473,417,778 | 100.00           | 721,069,137 | 100.00                        | 170,756,718 | 100.00 |
| 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  |
|                          | 463,385,462 | 100.00           | 653,452,460 | 100.00                        | 212,879,033 | 100.00 |

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

|   | 2010                |                          | 2009                |                          |
|---|---------------------|--------------------------|---------------------|--------------------------|
|   | Classified advances | Specific provisions held | Classified advances | Specific provisions held |
| ------(Rupees in '000)-----             |                     |                          |                     |                          |
| Chemical and Pharmaceuticals            | 645,996             | 511,949                  | 483,920             | 397,684                  |
| Agribusiness                            | 3,156,736           | 1,894,460                | 3,744,163           | 1,791,545                |
| Textile                                 | 18,395,429          | 14,338,004               | 15,121,287          | 13,432,703               |
| Cement                                  | 700,228             | 700,057                  | 500,000             | 500,000                  |
| Sugar                                   | 432,604             | 388,385                  | 431,881             | 344,003                  |
| Shoes and leather garments              | 312,110             | 256,190                  | 218,981             | 156,012                  |
| Automobile and transportation equipment | 1,318,736           | 1,298,751                | 1,276,062           | 1,163,837                |
| Financial                               | 1,299,448           | 1,299,448                | 5,217               | 5,217                    |
| Electronics and electrical appliances   | 2,801,640           | 2,449,721                | 2,707,489           | 2,400,840                |
| Production and transmission of energy   | 1,808,972           | 1,790,617                | 1,613,915           | 879,104                  |
| Education & Medical                     | 759                 | 759                      | 972                 | 486                      |
| Telecommunication                       | 261,457             | 261,457                  | 261,470             | 260,729                  |
| Printing & publishing                   | 199,507             | 155,164                  | 110,841             | 72,471                   |
| Construction                            | 1,418,109           | 662,835                  | 1,804,673           | 893,531                  |
| Mining & quarrying                      | 425,002             | 423,823                  | 434,954             | 387,766                  |
| Food, tobacco and beverages             | 443,495             | 342,310                  | 445,767             | 407,475                  |
| Whole sale & retail trade               | 4,736,915           | 4,072,342                | 3,548,879           | 2,603,537                |
| Metal and allied                        | 671,012             | 600,504                  | 490,893             | 376,315                  |
| Individual                              | 2,425,627           | 1,308,339                | 2,521,929           | 1,271,436                |
| Farming, cattle and dairy               | 245,820             | 101,624                  | 256,097             | 115,388                  |
| Trust funds and non profit organization | 5,174               | 5,174                    | 967                 | 481                      |
| Others                                  | 4,972,301           | 4,176,437                | 6,329,020           | 3,061,058                |
|   | 46,677,077          | 37,038,350               | 42,309,377          | 30,521,618               |

|                             | 2010                |                          | 2009                |                          |
|-----------------------------|---------------------|--------------------------|---------------------|--------------------------|
|                             | Classified advances | Specific provisions held | Classified advances | Specific provisions held |
| ------(Rupees in '000)----- |                     |                          |                     |                          |
| 43.3.1 Segment by sector    |                     |                          |                     |                          |
| Private                     | 44,900,342          | 35,261,615               | 42,214,943          | 30,427,184               |
| Public / Government         | 1,776,735           | 1,776,735                | 94,434              | 94,434                   |
|                             | 46,677,077          | 37,038,350               | 42,309,377          | 30,521,618               |

## 44. SEGMENT DETAIL WITH RESPECT TO BUSINESS ACTIVITIES

|   | 2010                        |                                |          |                             |                                | Total   |
|---|-----------------------------|--------------------------------|----------|-----------------------------|--------------------------------|---------|
|   | Retail banking              | Corporate / commercial banking | Treasury | International banking group | Head office / support services |         |
|   | -----Rupees in million----- |                                |          |                             |                                |         |
| Net interest income - External                            | (15,802)                    | 44,367                         | 13,575   | 3,534                       | 236                            | 45,910  |
| Inter segment revenue - net                               | 47,105                      | (36,369)                       | (12,555) | -                           | 1,819                          | -       |
| Non-funded income   | 4,101                       | 2,678                          | 2,162    | 2,031                       | 78                             | 11,049  |
| Net interest and non-mark-up income                       | 35,404                      | 10,676                         | 3,182    | 5,565                       | 2,133                          | 56,959  |
| Total expenses including provision (excluding impairment) | 12,457                      | 6,531                          | 145      | 4,716                       | 7,668                          | 31,516  |
| Impairment against investments                            |                             |                                | (136)    | -                           | 521                            | 385     |
| Inter segment administrative cost                         | 6,557                       | 1,311                          | 189      | 722                         | (8,779)                        | -       |
| Total expenses including provision                        | 19,014                      | 7,842                          | 198      | 5,438                       | (590)                          | 31,901  |
| Profit before tax   | 16,390                      | 2,834                          | 2,984    | 126                         | 2,723                          | 25,058  |
| Segment assets (gross)                                    | 105,022                     | 430,553                        | 204,722  | 165,003                     | 24,464                         | 929,764 |
| Segment non-performing loans                              | 8,587                       | 27,928                         | -        | 10,082                      | 80                             | 46,677  |
| Segment provision required including general provision    | 6,636                       | 22,726                         | 498      | 8,707                       | 4,144                          | 42,711  |
| Segment liabilities including equity                      | 560,160                     | 105,357                        | 9,776    | 93,072                      | 118,688                        | 887,053 |
| Segment return on net liability / asset (%)               | 11.89%                      | 12.76%                         | 9.84%    | 3.69%                       | 3.94%                          | -       |
| Segment cost of funds (%)                                 | 5.03%                       | 10.21%                         | 8.01%    | 0.92%                       | 0.57%                          | -       |

|   | 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  |
| Profit / (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                     | 77,661                         | 856,501 |
| 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                      | 109,055                        | 821,128 |
| 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                           | -       |

## 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

|                                     | 2010                         |                       |                     |                               |
|-------------------------------------|------------------------------|-----------------------|---------------------|-------------------------------|
|                                     | Profit before taxation       | Total assets employed | Net assets employed | Contingencies and commitments |
|                                     | ----- (Rupees in '000) ----- |                       |                     |                               |
| Pakistan                            | 23,632,647                   | 756,507,355           | 53,663,738          | 138,898,171                   |
| Asia Pacific (including South Asia) | 552,749                      | 47,738,719            | 11,836,300          | 9,350,586                     |
| Europe                              | 58,733                       | 10,362,322            | 6,918,155           | 4,212,844                     |
| North America                       | 100,599                      | 3,984,490             | 1,633,210           | 1,579,758                     |
| Middle East                         | 708,129                      | 55,269,349            | 10,945,894          | 15,548,612                    |
| Others                              | 256,851                      | 12,517,596            | 3,854,862           | 1,166,747                     |
| Impairment loss on Bank PHB         | (252,427)                    | 672,580               | 672,580             | -                             |
|                                     | <u>25,057,281</u>            | <u>887,052,411</u>    | <u>89,524,739</u>   | <u>170,756,718</u>            |
|                                     | ----- (Rupees in '000) ----- |                       |                     |                               |
|                                     | 2009                         |                       |                     |                               |
|                                     | Profit before taxation       | Total assets employed | Net assets employed | Contingencies and commitments |
|                                     | ----- (Rupees in '000) ----- |                       |                     |                               |
| Pakistan                            | 20,285,267                   | 693,284,581           | 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>821,127,519</u>    | <u>79,095,547</u>   | <u>212,879,033</u>            |

## 47. ISLAMIC BANKING BRANCH - BALANCE SHEET

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

|  | Note | 2010<br>(Rupees in '000) | 2009           |
|--|------|--------------------------|----------------|
| <b>ASSETS</b>                          |      |                          |                |
| Cash and balances with treasury banks  |      | 327,364                  | 8,743          |
| Lending to Financial Institution       |      | 100,000                  | -              |
| Investment - net                       |      | 6,511,126                | 48,182         |
| Murabaha                               |      | -                        | 434,455        |
| Ijarah                                 | 47.1 | 316,940                  | 358,036        |
| Musharaka                              |      | 79,167                   | 100,000        |
| Other assets                           |      | 376,091                  | 27,941         |
|  |      | <u>7,710,688</u>         | <u>977,357</u> |
| <b>LIABILITIES</b>                     |      |                          |                |
| Bills payable                          |      | 60                       | -              |
| Borrowings from financial institutions |      | 1,500,000                | -              |
| Deposit and other accounts             |      | 5,726,476                | 60,320         |
| Other liabilities                      |      | 283,738                  | 713,412        |
|  |      | <u>7,510,274</u>         | <u>773,732</u> |
| <b>NET ASSETS</b>                      |      | <u>200,414</u>           | <u>203,625</u> |
| <b>REPRESENTED BY:</b>                 |      |                          |                |
| Islamic Banking Fund                   |      | 250,000                  | 100,000        |
| Unappropriated profit                  |      | 74,686                   | 103,625        |
|  |      | <u>324,686</u>           | <u>203,625</u> |
| Deficit on revaluation of assets       |      | (124,272)                | -              |
|  |      | <u>200,414</u>           | <u>203,625</u> |

The commitment in respect of letters of credit of Islamic Banking branch of Habib Bank Limited amounted to Rs. 50.966 million (2009: Rs. 136.303 million).

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

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

|   | 2010<br>(Rupees in '000) | 2009           |
|---|--------------------------|----------------|
| Mark-up / return / profit earned                                | 374,043                  | 186,172        |
| Mark-up / return / profit expensed                              | 135,626                  | -              |
| Net mark-up / interest income                                   | <u>238,417</u>           | <u>186,172</u> |
| Depreciation on assets given on lease                           | 47,292                   | 45,857         |
| Loss on impairment of assets given on lease                     | 40,193                   | 31,528         |
|   | <u>87,485</u>            | <u>77,385</u>  |
| Net mark-up / interest income after depreciation and provisions | <u>150,932</u>           | <u>108,787</u> |
| <b>Non mark-up / interest income</b>                            |                          |                |
| Fee, commission and brokerage income                            | 3,119                    | 1,486          |
| Other income  | 3,671                    | 2,578          |
| Total non-mark-up / interest income                             | <u>6,790</u>             | <u>4,064</u>   |
|   | <u>157,722</u>           | <u>112,851</u> |
| <b>Non mark-up / interest expense</b>                           |                          |                |
| Administrative expenses   | 82,776                   | 9,226          |
| Other charges   | 260                      | -              |
| <b>Net profit for the year</b>                                  | <u>74,686</u>            | <u>103,625</u> |

**2010**                      **2009**  
**(Rupees in '000)**

49. **CHARITY FUND**

|  |           |          |
|--|-----------|----------|
| Opening balance                          | -         | 2        |
| Additions during the period              | 23        | -        |
| Payments / Utilization during the period | -         | (2)      |
|  | <u>23</u> | <u>-</u> |

49.1 **Remuneration to Shariah Advisor / Board**

1,255                      1,075

50. **DATE OF AUTHORISATION FOR ISSUE**

These unconsolidated financial statements were authorised for issue in the Board of Directors meeting held on February 18, 2011.

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**

**HABIB BANK LIMITED**  
**DETAIL OF DOMESTIC INVESTMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**UNCONSOLIDATED**

**ANNEXURE I**  
**Amounts in 000**

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

**1.1 Ordinary shares**

|                                    | Number of<br>shares held | Paid-up value<br>per share<br>(Rupees) | Total paid-up<br>value | Market<br>value  | Credit Ratings<br>Short Term |
|------------------------------------|--------------------------|--|------------------------|------------------|------------------------------|
| United Bank Limited                | 500,000                  | 10                                     | 5,000                  | 34,115           | A-1+                         |
| NIB Bank Limited                   | 13,000,000               | 10                                     | 130,000                | 38,350           | A1+                          |
| Bank Al-Falah Limited              | 1,250,000                | 10                                     | 12,500                 | 14,013           | A1+                          |
| Faysal Bank Limited                | 600,000                  | 10                                     | 6,000                  | 9,354            | A1+                          |
| Nishat Mills Limited               | 250,000                  | 10                                     | 2,500                  | 16,043           | A1                           |
| Attock Petroleum Limited           | 400,000                  | 10                                     | 4,000                  | 133,808          | N/A                          |
| Fauji Fertilizer Bin Qasim Limited | 2,000,000                | 10                                     | 20,000                 | 71,460           | N/A                          |
| ICI Pakistan Limited               | 600,000                  | 10                                     | 6,000                  | 86,544           | N/A                          |
| Pak Oilfields Limited              | 100,000                  | 10                                     | 1,000                  | 29,596           | N/A                          |
| Arif Habib Investments Limited     | 452,304                  | 10                                     | 4,523                  | 8,033            | A1                           |
| Adamjee Insurance Company Limited  | 100,000                  | 10                                     | 1,000                  | 8,750            | N/A                          |
| Lucky Cement Limited               | 1,275,000                | 10                                     | 12,750                 | 96,632           | N/A                          |
| Habib Sugar Mills Limited          | 4,694                    | 5                                      | 23                     | 156              | N/A                          |
| Mehran Sugar Mills Limited         | 174                      | 10                                     | 2                      | 11               | N/A                          |
| Nishat Power Limited               | 500,000                  | 10                                     | 5,000                  | 8,115            | A1+                          |
| Mari Gas Company Limited           | 20,000                   | 10                                     | 200                    | 2,499            | N/A                          |
| Hub Power Company Limited          | 9,000,000                | 10                                     | 90,000                 | 336,690          | A1+                          |
| TRG Pakistan Limited               | 16,017,000               | 10                                     | 160,170                | 57,181           | N/A                          |
| Kot Addu Power Company Limited     | 4,046,739                | 10                                     | 40,467                 | 164,621          | N/A                          |
| Engro Corporation Limited          | 750,300                  | 10                                     | 7,503                  | 145,416          | A1                           |
| Dawood Hercules Limited            | 210                      | 10                                     | 2                      | 42               | N/A                          |
| Fauji Fertilizer Company Limited   | 1,500,000                | 10                                     | 15,000                 | 188,790          | N/A                          |
|                                    |                          |  | <b>523,641</b>         | <b>1,450,218</b> |                              |

**1.2 Units**

|                                     | Number of units held | Paid-up value per share (Rupees) | Total paid-up value | Market value   | Credit Ratings Short Term (Refer Note) |
|-------------------------------------|----------------------|----------------------------------|---------------------|----------------|--|
| <b>Mutual Funds</b>                 |                      |                                  |                     |                |  |
| South Asia Regional Funds           | 5,000                | 563                              | 2,814               | 279            | N/A                                    |
| PICIC Investment Fund               | 11,104,508           | 10                               | 111,045             | 71,180         | ***                                    |
| Meezan Balanced Fund                | 2,454,000            | 10                               | 24,540              | 18,405         | N/A                                    |
| JS - Growth Fund                    | 13,381,363           | 10                               | 133,814             | 74,267         | ***                                    |
| NIT Govt. Bond Fund                 | 5,000,000            | 10                               | 50,000              | 52,600         | N/A                                    |
| PICIC Growth Fund                   | 214,453              | 10                               | 2,145               | 2,842          | ***                                    |
| Pakistan Strategic Allocation Fund  | 7,500,000            | 10                               | 75,000              | 55,875         | ****                                   |
| First Habib Income Fund             | 152,250              | 100                              | 15,225              | 15,627         | AA(f)                                  |
| IGI Income Fund                     | 100,109              | 100                              | 10,011              | 10,300         | ***                                    |
| Askari Asset Allocation Fund        | 254,955              | 100                              | 25,496              | 10,239         | **                                     |
| Nafa Islamic Aggressive Income Fund | 1,500,000            | 10                               | 15,000              | 11,910         | BBB(f)                                 |
| Nafa Income Fund                    | 2,500,000            | 10                               | 25,000              | 25,725         | A(f)                                   |
| Pakistan Income Fund                | 603,823              | 50                               | 30,191              | 32,203         | AA-(f)                                 |
| National Investment Trust           | 673,546              | 10                               | 6,735               | 21,143         | ***                                    |
|                                     |                      |                                  | <b>527,015</b>      | <b>402,594</b> |  |

**1.3 Preference Shares**

|                          |            |    |                |                |     |
|--------------------------|------------|----|----------------|----------------|-----|
| Masood Textile Mills Ltd | 10,000,000 | 10 | 100,000        | 100,000        | N/A |
|                          |            |    | <b>100,000</b> | <b>100,000</b> |     |

**1.4 Term finance certificates (TFC's)**

|                                | Number of certificates held | Paid-up value per certificate (Rupees) | Total paid-up value | Market value     | Credit Ratings Medium to Long term |
|--------------------------------|-----------------------------|--|---------------------|------------------|------------------------------------|
| Askari commercial Bank Limited | 16,990                      | 5,000                                  | 84,950              | 83,051           | AA                                 |
| Bank Al falah Limited          | 20,000                      | 5,000                                  | 100,000             | 246,588          | AA                                 |
| Bank Al Habib Limited          | 45,000                      | 5,000                                  | 225,000             | 462,052          | AA+                                |
| Allied Bank Limited            | 14,277                      | 5,000                                  | 71,385              | 68,561           | AA-                                |
| Faysal Bank Limited            | 30,000                      | 5,000                                  | 150,000             | 315,091          | AA-                                |
| Telecard Limited               | 50,000                      | 5,000                                  | 250,000             | 87,924           | BBB                                |
| NIB Bank Limited               | 34,950                      | 5,000                                  | 174,750             | 169,898          | AA-                                |
| United Bank Limited            | 96,000                      | 5,000                                  | 480,000             | 197,339          | AA+                                |
| Pak Arab Fertilizer Limited    | 1,130,160                   | 5,000                                  | 5,650,800           | 2,692,600        | AA                                 |
| Worldcall Telecom Limited      | 96,000                      | 5,000                                  | 480,000             | 399,523          | AA                                 |
|                                |                             |  | <b>7,666,885</b>    | <b>4,722,625</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 | Break up value / NAV | Based on accounts as at | Name of Chief Executive    | Credit Ratings Short Term |
|---|-----------------------|-------------------------------|----------------------------------|---------------------|----------------------|-------------------------|----------------------------|---------------------------|
| SME Bank Limited  | 0.83%                 | 1,987,501                     | 10                               | 19,875              | 19,872               | December 31, 2009       | Mr. R.A. Chughtai          | A-3                       |
| First Woman Bank Limited                                    | 26.78%                | 7,596,000                     | 10                               | 75,960              | 283,412              | December 31, 2009       | Ms. Shafqat Sultana        | A-2                       |
| Khushhali Bank.Limited                                      | 17.60%                | 30,000,000                    | 10                               | 300,000             | 361,091              | December 31, 2009       | Mr. M. Ghalib Nishtar      | A-2                       |
| N.I.T. Shares   | 8.33%                 | 79,200                        | 100                              | 7,920               | 149,480              | June 30, 2010           | Wazir Ali Khoja            | N/A                       |
| Central Depository Company of Pakistan Ltd                  | 6.35%                 | 3,173,001                     | 10                               | 31,730              | 99,265               | June 30, 2010           | Mr. Muhammad Hanif Jhakura | N/A                       |
| National Inst. Facilitation Technologies (PVT) Ltd          | 9.07%                 | 985,485                       | 10                               | 9,855               | 149,480              | June 30, 2010           | Mr. M. M. khan             | N/A                       |
| Saif Power Limited (Provided on the basis of Breakup value) | 10.14%                | 32,268,354                    | 10                               | 322,684             | 312,034              | December 31, 2009       | Mr. Omar Saifullah Khan    | A1+                       |
| Sweet Water Diaries Pakistan Ltd                            | 3.63%                 | 2,074,000                     | 10                               | 20,740              | 23,785               | June 30, 2010           | Rashid Shuja Butt          | N/A                       |
|   |                       |                               |                                  | <b>768,023</b>      | <b>1,398,418</b>     |                         |                            |                           |

2.2 Term finance certificates (TFC's)

|  | No. of certificates | Paid-up value per certificate (Rupees) | Total Paid-up value | Credit Ratings Medium to Long term |
|--|---------------------|--|---------------------|------------------------------------|
| Pakistan International Airline         | 594,976             | 5,000                                  | 2,973,095           | N/A                                |
| Power Holding Pvt Limited (Note 2.2.1) | 4,396,800           | 5,000                                  | 56,897,780          | N/A                                |
|  |                     |  | <b>59,870,875</b>   |                                    |

2.2.1 Represents amount guaranteed by Government of Pakistan and includes partial overdue amounts.

3 Particulars of investments held in bonds

| Terms of Redemption   |                                      |                   |                           |                  |
|---|--------------------------------------|-------------------|---------------------------|------------------|
|   | Principal                            | Interest / Profit | Rate of Interest / Profit | Principal        |
| <b>3.1 Bonds (Guaranteed by Government) - denominated in Pak Rupees</b> |                                      |                   |                           |                  |
| Pakistan International Airline  | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor +175bps    | 425,000          |
|   |                                      |                   |                           | <u>425,000</u>   |
| <b>3.2 Bonds (Private Sector) - denominated in Pak Rupees</b>           |                                      |                   |                           |                  |
| Century Paper   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor+135 BPS    | 320,000          |
| Arzoo Textile - Note 3.2.1  | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor+200 BPS    | 10,000           |
| Quetta Textile  | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor+150 BPS    | 96,667           |
| Dawood Hercules   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor+120 BPS    | 2,000,000        |
|   |                                      |                   |                           | <u>2,426,667</u> |
| <b>3.2.2 Investment by Islamic Banking Branch</b>                       |                                      |                   |                           |                  |
| Engro Fertilizers Limited   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor + 150 BPS  | 25,000           |
| Engro Fertilizers Limited   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor + 150 BPS  | 50,000           |
| Engro Fertilizers Limited   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor + 150 BPS  | 25,000           |
| Engro Fertilizers Limited   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor + 150 BPS  | 41,885           |
| Sitara Energy   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor + 115 BPS  | 24,659           |
| Dawood Hercules   | Repayable in full on maturity        | Semi - Annual     | 6 Months Kibor+120 BPS    | 714,399          |
|   |                                      |                   |                           | <u>880,943</u>   |
|   |                                      |                   |                           | <u>3,307,610</u> |
| <b>3.2.3</b>  | This investment in bonds is overdue. |                   |                           |                  |

Note

Credit Rating Definitions

**Short Term Rating**

- A1+** Obligation supported by the highest capacity for timely repayment
- A1** Obligation supported by the strong capacity for timely repayment
- A2** Obligation supported by the satisfactory capacity for timely repayment, although such capacity may be susceptible to adverse changes in business, economic, or financial conditions
- D** Obligation which have a high risk of default or which are currently in default

**Long Term Rating**

- AA** Low credit risk; strong capacity for timely payment
- A** Low credit risk; strong capacity for timely payment; capacity vulnerable to to changes in economic conditions
- BBB** Low credit risk; adequate capacity for timely payment; economic condition are likely to impair the capacity
- BB** Possibility of credit risk; adequate capacity for timely payment; economic condition are likely to impair the capacity

**Mutual Fund Rating**

- \*\*\*\*\* Superior
- \*\*\*\* Good
- \*\*\* Average
- \*\* Weak
- \* Poor

**Fund Stability Rating**

- AA (f)** A very strong capacity to maintain relative stability in returns and processes very low exposure to risks
- A (f)** A strong capacity to maintain relative stability in returns and processes very low exposure to risks. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions.
- BBB (f)** An adequate capacity to maintain relative stability in returns and processes very low exposure to risks. This capacity may be impacted adversely by changes in circumstances or in economic conditions.

**HABIB BANK LIMITED**
**AMOUNTS WRITTEN OFF FROM JANUARY 01, 2010 TO DECEMBER 31, 2010**
**ANNEXURE - II**  
**Amounts in Million**

| S. No. | Name & Address of the Borrower  | Name of Individuals / Partners / Directors<br>(with NIC No.)   | Father's / Husband Name  | Outstanding Liabilities at beginning of the year |         |               |               | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|---|--|--|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |   |  |  | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 1      | CH.MUHAMMAD AHMER<br>C-105,CANTT BAZAR MALIR CANTT,<br>KARACHI.             | -  |  | 0.187  | 0.198   | -             | <b>0.385</b>  | 0.187                  | -                                       | 0.275                           | 0.198    | <b>0.660</b>  |
| 2      | ZAFAR AZIZ<br>1-150,SHAH FAISAL COLONY,KARACHI                              | 518-86-088713  | AZIZ UDDIN   | 0.150  | 0.111   | -             | <b>0.261</b>  | 0.150                  | -                                       | 0.266                           | 0.111    | <b>0.527</b>  |
| 3      | QADIR BUX<br>SIRAJ AHMED GOTH,MALIR CITY,KARACHI                            | 522-90-072509  | WAHEED DAR   | 0.192  | 0.143   | -             | <b>0.335</b>  | 0.192                  | -                                       | 0.324                           | 0.143    | <b>0.659</b>  |
| 4      | MANZOOR AHMED<br>28-CHAMBER LANE ROAD,LAHORE.                               | 303-89-195430  | RASHEED AHMED (LATE)   | 0.297  | -       | -             | <b>0.297</b>  | 0.297                  | -                                       | 0.398                           | -        | <b>0.695</b>  |
| 5      | ALPLA INDUSTRIES<br>10-K.M.SHEIKHUPURA ROAD,<br>MALIK TOWN,LAHORE.          | MUHAMMAD SHAHRUKH SAMI<br>274-88-160972<br><br>MUHAMMAD SHOAB SAMI<br>274-60-160971  | SHAIKH MUHAMMAD SAMI<br><br>SHAIKH MUHAMMAD SAMI   | 6.849  | 1.134   | -             | <b>7.983</b>  | -                      | -                                       | 0.932                           | 0.664    | <b>1.596</b>  |
| 6      | MIAN SONS KNITTING (PVT) LTD<br>76-KOT LAKHPAT,INDUSTRIAL ESTATE,<br>LAHORE | MIAN MEHMOOD AHMED<br>270-44-514965<br><br>ANOOD SHAMS<br>274-74-460644<br><br>RUKHSANA MEHMOOD<br>270-51-514966<br><br>HUMA MEHMOOD<br>270-78-514969<br><br>SANA MEHMOOD<br>270-79-514970 | MIAN MUHAMMAD DIN<br><br>MUHAMMAD SHAMS MAHMOOD SIDANA<br><br>MIAN MEHMOOD AHMED<br><br>MIAN MEHMOOD AHMED<br><br>MIAN MEHMOOD AHMED | 88.811   | 0.189   | -             | <b>89.000</b> | -                      | -                                       | 27.904                          | -        | <b>27.904</b> |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.)   | Father's / Husband Name  | Outstanding Liabilities at beginning of the year |         |               |       | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total |
|--------|--|--|--|--|---------|---------------|-------|------------------------|---|---------------------------------|----------|-------|
|        |  |  |  | Principal  | Mark-up | Other Charges | Total |                        |   | Un-Debited                      | Reversal |       |
| 7      | KING FOAM INDUSTRIES<br>132-FEROZPUR ROAD, ICHHRA, LAHORE                                      | QAISER ABBAS BUKHARI   | -  | 0.678  | 1.427   | -             | 2.105 | -                      | -                                       | 3.294                           | 0.905    | 4.199 |
| 8      | MODERN ASIATIC ENGINEERING CO<br>WATER COURSE ROAD, LIGHT HOUSE,<br>M.A. JINNAH ROAD, KARACHI. | NAZIR AHMED SHAIKH   | MUNIR ZAFAR SHAIKH   | 0.301  | 0.369   | -             | 0.670 | 0.301                  | -                                       | 0.885                           | 0.369    | 1.555 |
| 9      | BHURI INDUSTRIES<br>MERANAKA CHAKIWARA ROAD, KARACHI   | ZAKRIA BHURI   | -  | 0.146  | 0.240   | -             | 0.386 | 0.146                  | -                                       | 0.335                           | 0.240    | 0.721 |
| 10     | TIJARAT INCORPORATED<br>116-T, BLOCK-2, P.E.C.H.S. KARACHI                                     | SYED MAHTAB HAIDER RIZVI<br>AKHTAR SULTANA   | -  | 0.147  | -       | -             | 0.147 | 0.147                  | -                                       | 0.859                           | -        | 1.006 |
| 11     | PALWASHA INDUSTRIES (PVT) LTD<br>INDUSTRIAL ESTATE, GADOON AMAZAI,<br>DISTT. SWABI.            | BAZ MUHAMMAD KHAN<br>135-41-031784<br>YASMIN SHELA<br>143-52-497005<br>IRANA MAHSUD<br>203-56-309457 | KHAWAJA MUHAMMAD HANIF<br>LT.COL(RETD), RIAZ-UL-HAQ<br>ZAKIM KHAN MAHSUD | 2.460  | 2.194   | 0.081         | 4.735 | 0.460                  | 0.081                                   | 5.657                           | 2.194    | 8.392 |
| 12     | ABDUL RAZZAQUE MOREJO<br>MOHALLA GODU SHOP, KHAIRPUR.  | ABDUL RAZZAQUE MOREJO<br>439-59-059568   | HAJI MUHAMMAD PANJAL MOREJO  | 1.800  | -       | 0.038         | 1.838 | 0.300                  | -                                       | 0.800                           | -        | 1.100 |
| 13     | MUNZIR AHMED KHAN (EX-STAFF)<br>67/11, 4TH COMMERCIAL STREET,<br>PHASE-V, DHA, KARACHI         | -  | MANZOOR AHMED KHAN   | 0.606  | 0.089   | -             | 0.695 | 0.606                  | -                                       | 1.243                           | 0.089    | 1.938 |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.)  | Father's / Husband Name                     | Outstanding Liabilities at beginning of the year |         |               |               | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|--|---|---|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |   |   | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 14     | RIZWAN SHARIF (EX-STAFF)<br>FLAT.D-26,A-ONE PLAZA,3RD FLOOR,<br>BLOCK-17,F.B.AREA,KARACHI.                   | 42101-1372642-1   | NIAMAT ULLAH                                | 0.483  | 0.042   | -             | <b>0.525</b>  | 0.483                  | -                                       | -                               | 0.042    | <b>0.525</b>  |
| 15     | PAK TIKKA SHOP<br>30-CHAMBER LANE ROAD,LAHORE.   | ANJUM SHAHZAD<br>275-58-297913  | ZAKA-UD-DIN                                 | 0.428  | -       | -             | <b>0.428</b>  | 0.428                  | -                                       | 0.240                           | -        | <b>0.668</b>  |
| 16     | ASIF HUSSAIN JAFFARY (EX-STAFF)<br>FLATE.NO.L-5,APSARA APPARTMENT<br>.NO.3,BLOCK-16,GULSHAN-E-IQBAL,KARACHI. | -   | LATE.SYED KHAN BAHADUR                      | 0.778  | -       | -             | <b>0.778</b>  | 0.778                  | -                                       | 0.198                           | -        | <b>0.976</b>  |
| 17     | JUNEJO RICE MILLS<br>RADHAN STATION,TALUKA.MEHAR,<br>DISTT.DADU.   | IMDAD ALI JUNEJO<br>42501-1604073-7   | MUHAMMAD BUX JUNEJO                         | 1.688  | 0.056   | -             | <b>1.744</b>  | -                      | -                                       | 2.847                           | -        | <b>2.847</b>  |
| 18     | SAIF NADEEM KAWASAKI MOTORS<br>3RD FLOOR,UNI CENTRE,ABDULLAH<br>HAROON ROAD,SADDAR,KARACHI.                  | ZAKARIA GHANI<br>ABDUL WAHAB GHANI<br>IDREES GHANI<br>MUHAMMAD UMER HAJI GHANI<br>YOUSUF DADA<br>ABDUL RAUF DEVAN | M. OMER HAJI GHANI<br>-<br>-<br>-<br>-<br>- | 11.919   | 5.260   | -             | <b>17.179</b> | 11.919                 | -                                       | 49.032                          | 5.260    | <b>66.211</b> |
| 19     | Z.A.ENTERPRISES<br>PLOT # 35/40,NEW SABZI MANDL<br>SUPER HIGHWAY,KARACHI.                                    | MUHAMMAD BOOTA BHATTI   | JALAL DIN BHATTI                            | 2.021  | -       | -             | <b>2.021</b>  | -                      | -                                       | 1.712                           | -        | <b>1.712</b>  |
| 20     | RAFIQ UDDIN DECORATION<br>9/16,LIAQUATABAD,KARACHI.  | MUHAMMAD RAFIQ UDDIN<br>501-55-334270   | ZAMIR UDDIN                                 | 0.150  | 0.030   | -             | <b>0.180</b>  | -                      | -                                       | 0.558                           | -        | <b>0.558</b>  |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.) | Father's / Husband Name | Outstanding Liabilities at beginning of the year |         |               |               | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|--|--|-------------------------|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |  |                         | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 21     | SUNNY ENTERPRISES<br>ROOM#33-A,3RD FLOOR,CHEMICAL<br>CHAMBER,JODIA BAZAR,KARACHI.              | ABDUL WAHAB QASSIM<br>512-54-074644                          | QASSIM MOOSA            | 16.989   | 6.149   | -             | <b>23.138</b> | 16.989                 | -                                       | 56.676                          | 6.149    | <b>79.814</b> |
| 22     | KAZIM HUSSAIN (EX-STAFF)<br>FLAT#D-24,3RD FLOOR,C.S-62,BLOCK-17,<br>A-1 PLAZA,F.B.AREA,KARACHI | 459-89-045482  | MUHAMMAD SADIQ          | 0.614  | -       | -             | <b>0.614</b>  | 0.614                  | -                                       | -                               | -        | <b>0.614</b>  |
| 23     | MUHAMMAD RAZA SOMANI<br>S-2,RAIZ APARTMENT,CHANDNI CHOWK,<br>UNIVERSITY ROAD,KARACHI.          | 516-90-143627  | BAHADUR ALI SOMANI      | 0.469  | 0.010   | -             | <b>0.479</b>  | 0.469                  | -                                       | 1.271                           | 0.010    | <b>1.750</b>  |
| 24     | PROMETHEUS ASSOCIATES<br>R-974,BLOCK-20,F.B.AREA,KARACHI                                       | HASAN JAVED<br>RASHEED AHMED IBRAHIM                         | -<br>-                  | 0.185  | 0.233   | -             | <b>0.418</b>  | 0.169                  | -                                       | 0.513                           | 0.233    | <b>0.915</b>  |
| 25     | MAFRAK TRADING CORPORATION<br>403-WNDSONG PLACE,4TH FLOOR,<br>A/16,BLOCK-7&8,K.C.H.S.KARACHI   | MUHAMMAD HABIB   | MUHAMMAD SALIM          | 1.944  | -       | -             | <b>1.944</b>  | 1.944                  | -                                       | 7.062                           | -        | <b>9.006</b>  |
| 26     | MUHAMMAD NASIR<br>H.NO.98/93,MUSLIM ROAD,UMER<br>PARK,NAWAN KOT,LAHORE.                        | 272-86-346923  | MUHAMMAD SADIQ          | 0.162  | -       | -             | <b>0.162</b>  | 0.162                  | -                                       | 0.432                           | -        | <b>0.594</b>  |
| 27     | MIAN WASEEM<br>4/D,MAIN BAZAR,DATA DARBAR,SHEIKH<br>HINDI COLONY,O/S.BHATI GATE,LAHORE.        | 273-88-315165  | MIAN DEEN MUHAMMAD      | 0.400  | -       | -             | <b>0.400</b>  | 0.400                  | -                                       | 0.736                           | -        | <b>1.136</b>  |
| 28     | SHAMAILA SHEHZAD KHAN<br>1312-E,STREET.NO.96,LOONIAN MANDI<br>SADAR BAZAR,LAHORE CANTT.        | 277-80-353470  | AJMAL SHEHZAD KHAN      | 0.243  | -       | -             | <b>0.243</b>  | 0.243                  | -                                       | 0.511                           | -        | <b>0.754</b>  |

| S. No. | Name & Address of the Borrower  | Name of Individuals / Partners / Directors<br>(with NIC No.)   | Father's / Husband Name  | Outstanding Liabilities at beginning of the year |         |               |              | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total        |
|--------|---|--|--|--|---------|---------------|--------------|------------------------|---|---------------------------------|----------|--------------|
|        |   |  |  | Principal  | Mark-up | Other Charges | Total        |                        |   | Un-Debited                      | Reversal |              |
| 29     | UMER ELECTRONICS<br>54-KHATIC STREET,MUSTAFABAD,LAHORE                                  | MUHAMMAD UMAR<br>273-78-436120   | MUHAMMAD IMRAN MALIK   | 0.490  | -       | -             | <b>0.490</b> | 0.490                  | -                                       | 0.946                           | -        | <b>1.436</b> |
| 30     | MUHAMMAD RAFIQ<br>47/49,AKRAM PARK,AMIR ROAD,<br>SHAD BAGH,LAHORE.                      | 266-53-326168  | GHULAM MUHAMMAD  | 0.300  | -       | -             | <b>0.300</b> | 0.300                  | -                                       | 0.588                           | -        | <b>0.888</b> |
| 31     | RAHEELA TAJAMMAL<br>485-RAZA BLOCK,<br>ALLAMA IQBAL TOWN,LAHORE.                        | 272-88-493576  | TAJAMMAL HUSSAIN   | 0.342  | -       | -             | <b>0.342</b> | 0.342                  | -                                       | 0.702                           | -        | <b>1.044</b> |
| 32     | MUHAMMAD ANWAR<br>HOUSE.NO.4,STREET.NO.46,OLD DHOBI<br>GHAT,CHAH MIRAH,LAHORE.          | 269-60-344825  | MUHAMMAD MISKEEN KHAN  | 0.262  | -       | -             | <b>0.262</b> | 0.262                  | -                                       | 0.667                           | -        | <b>0.929</b> |
| 33     | SHAHID MEHMOOD<br>H.NO.138-E,MUSLIM ST.NO.4,OPP.<br>GENERAL HOSPITAL,LAHORE.            | 270-92-252028  | MUHAMMAD RASHID  | 0.363  | -       | -             | <b>0.363</b> | 0.363                  | -                                       | 0.733                           | -        | <b>1.096</b> |
| 34     | MODERN CONSTRUCTION<br>22-KAZI COURT,1ST FLOOR,S. ALI<br>AKBER ROAD,BAHADURABAD,KARACHI | DR.MUHAMMAD TABARAK HUSSAIN<br>AUN SAEED HASHMI<br>MUHAMMAD ANAM HASHMI<br>TARIQ YOUSUF HASHMI<br>SYED RAFAT HAYAT SHAH<br>ANISA BEGUM | LATE.ABDUL GHAFOOR<br>ABDUL HAMID HASHMI<br>MUHAMMAD AKRAM HASHMI<br>YOUSUF HASHMI<br>SYED HAYAT SHAH<br>ABDULLAH KHAN | -  | 3.204   | -             | <b>3.204</b> | -                      | -                                       | -                               | 3.204    | <b>3.204</b> |

| S. No. | Name & Address of the Borrower  | Name of Individuals / Partners / Directors<br>(with NIC No.)          | Father's / Husband Name                  | Outstanding Liabilities at beginning of the year |         |               |              | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|---|---|--|--|---------|---------------|--------------|------------------------|---|---------------------------------|----------|---------------|
|        |   |   |  | Principal  | Mark-up | Other Charges | Total        |                        |   | Un-Debited                      | Reversal |               |
| 35     | BEG ENTERPRISES<br>21-A,7TH STREET,BATH ISLAND,<br>CLIFTON,KARACHI.                   | SABIHA BABER<br>510-92-345676<br><br>ANWAR JAN BABER<br>510-92-345675 | ANWAR JAN BABER<br><br>AMAN KHAN         | 2.550  | 0.537   | -             | <b>3.087</b> | 2.550                  | -                                       | 6.814                           | 0.537    | <b>9.901</b>  |
| 36     | FAIRDEAL CORPORATION<br>2-B,ARFAT CHAMBER,VEERJEE STREET,<br>JODIA BAZAR,KARACHI.     | MUHAMMAD IBRAHIM MUNSHI<br>511-39-039221                              | ABDUL GHANI MUNSHI                       | 1.277  | -       | -             | <b>1.277</b> | 1.277                  | -                                       | 4.490                           | -        | <b>5.767</b>  |
| 37     | QAISER RASHID<br>FLAT.NO.56-D,ARMY FLAT COLONY,<br>SARFRAZ RAFIQUE ROAD,LAHORE CANTT. | 281-93-528744   | BASHIR AHMED RAZA                        | 0.264  | -       | -             | <b>0.264</b> | 0.264                  | -                                       | 0.512                           | -        | <b>0.776</b>  |
| 38     | WEEKLY PAIGHAM-E-SINDH<br>UMER KOT ROAD,KHARI QUARTERS,<br>MIRPUR KHAS,SINDH.         | DOST ALI BHATTI   | MUHAMMAD USMAN                           | -  | -       | -             | -            | -                      | -                                       | 0.623                           | -        | <b>0.623</b>  |
| 39     | SHAHID ANJUM & COMPANY<br>1ST FLOOR MOTANDAS BUILDING,<br>M.A.JINNAH ROAD,KARACHI.    | SHAHID OMER<br>ANJUM SHEHZAD  | HAJI MUHAMMAD UMER<br>HAJI MUHAMMAD UMER | 5.733  | 3.620   | -             | <b>9.353</b> | 5.733                  | -                                       | 14.735                          | 3.620    | <b>24.088</b> |
| 40     | ILYAS AHMED<br>MOUZA PIAGAN,CHAK-3.DISTT.D.G. KHAN                                    | 309-88-031627   | FAZAL AHMED                              | 0.300  | 0.147   | -             | <b>0.447</b> | 0.300                  | -                                       | 0.727                           | 0.147    | <b>1.174</b>  |



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|--------|--|--|---|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |  |   | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 41     | TAXILA COTTON MILLS LTD<br>270,SECTOR-19,INDUSTRIAL AREA,<br>ISLAMABAD.                        | MAHBOOB ELLAHI<br>61101-1999531-3<br>MAHFOOZ ELLAHI<br>61101-1999527-5<br>MUHAMMAD MASOOD AKHTAR<br>61101-1903396-3<br>SHAIKH FARRUKH AHMED<br>37405-0376518-1<br>ABDUL RASHID<br>61101-5788796-1<br>SYED MUHAMMAD RAUNAQ-UD-DIN<br>42101-1408298-7<br>NAVEED AKHTAR IDREES<br>37405-0376519-1 | MUHAMMAD HUSSAIN<br>MAHBOOB ELLAHI<br>ABDUL HAQ<br>SHAIKH MUHAMMAD IDREES<br>ABDUL MAJEED<br>SYED MUHAMMAD FARIDUDDIN<br>SHAIKH MUHAMMAD IDREES | 26.486   | 10.982  | -             | <b>37.468</b> | -                      | -                                       | 9.518                           | 10.982   | <b>20.500</b> |
| 42     | MUHAMMAD TARIQ<br>C/O.CANTT BRACNH,LAHORE.   | -  | -   | 0.239  | 0.105   | -             | <b>0.344</b>  | 0.239                  | -                                       | 0.216                           | 0.105    | <b>0.560</b>  |
| 43     | MUHAMMAD ISMAIL QURESHI (EX-STAFF)<br>HOUSE.NO.430-3/RH,BLOCK.NO.5,<br>MUHALLAH EIDGAH,LAYYAH. | -  | RAB NAWAZ   | 0.604  | 0.139   | -             | <b>0.743</b>  | 0.604                  | -                                       | 1.144                           | 0.139    | <b>1.887</b>  |
| 44     | JAVED IQBAL QURESHI<br>MANAN MANZIL,UPPER PLATE,<br>MUZAFFARABAD(A.K.).                        | 82203-1170307-9  | ABDUL MANNAN QURESHI  | 1.082  | 0.226   | -             | <b>1.308</b>  | 0.109                  | -                                       | 0.467                           | -        | <b>0.576</b>  |
| 45     | GHULAM MURTAZA<br>H.NO.15,GALL.NO.8-A,VANDALA<br>ROAD,CHOWK ISLAMNAGAR,<br>SHAHDARA,LAHORE.    | 266-88-202855  | GHULAM MUSTAFA  | 0.261  | -       | -             | <b>0.261</b>  | 0.261                  | -                                       | 0.349                           | -        | <b>0.610</b>  |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.) | Father's / Husband Name | Outstanding Liabilities at beginning of the year |         |               |              | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total        |
|--------|--|--|-------------------------|--|---------|---------------|--------------|------------------------|---|---------------------------------|----------|--------------|
|        |  |  |                         | Principal  | Mark-up | Other Charges | Total        |                        |   | Un-Debited                      | Reversal |              |
| 46     | SULTAN MEHMOOD<br>H.NO.15-B,GALL.NO.8-A,VANDALA<br>ROAD CHOWK,ISLAMNAGAR,<br>SHAHDARA,LAHORE.              | 302-78-768887  | GHULAM SARWAR           | 0.264  | -       | -             | <b>0.264</b> | 0.264                  | -                                       | 0.371                           | -        | <b>0.635</b> |
| 47     | ALTAF AHMED QAISRANI (EX-STAFF)<br>BASTI DAW GALI WALI,MOUZA LITRA<br>SHUMALI,TEHSIL TAUNSA,DISTT.D.G.KHAN | -  | LAKHI MUHAMMAD          | 0.246  | 0.013   | -             | <b>0.259</b> | 0.246                  | -                                       | 0.630                           | 0.013    | <b>0.889</b> |
| 48     | EHSAN QADIR PITAFI (EX-STAFF)<br>HOUSE.NO.16,BLOCK.NO.10,<br>DERA GHAZI KHAN                               | 309-52-306737  | ALI MUHAMMAD PITAFI     | 0.311  | -       | -             | <b>0.311</b> | 0.311                  | -                                       | 0.698                           | -        | <b>1.009</b> |
| 49     | SALEEM KAUSAR (EX-STAFF)<br>HOUSE.NO.48,BLOCK.NO.11,<br>DERA GHAZI KHAN                                    | 32102-8038984-1  | ALLAH WASAYA            | 0.318  | 0.129   | -             | <b>0.447</b> | 0.318                  | -                                       | 0.842                           | 0.129    | <b>1.289</b> |
| 50     | AL-MADAR RICE MILLS<br>ARAIN ROAD,SUKKUR.  | MUHAMMAD ASLAM<br>42101-9889543-7                            | NAFEES AHMED            | 1.098  | -       | -             | <b>1.098</b> | -                      | -                                       | 1.773                           | -        | <b>1.773</b> |
| 51     | JAWAID SIDDIQUI (EX-STAFF)<br>HOUSE.NO.272,JABAL POOL COLONY,<br>P.I.B.KARACHI.                            | 510-87-209008  | QASIM HUSSAIN           | 0.428  | 0.366   | -             | <b>0.794</b> | 0.428                  | -                                       | -                               | 0.366    | <b>0.794</b> |
| 52     | MUBARIK ALI (EX-STAFF)<br>AL-HILAL FACTORY SHOORKOT ROAD<br>TOBA TEK SINGH,PO.KHAS,LAILPUR                 | 253-55-182937  | HAKIM ALI               | 0.545  | 0.024   | -             | <b>0.569</b> | 0.545                  | -                                       | 0.052                           | 0.024    | <b>0.621</b> |
| 53     | MUHAMMAD SAGHEER<br>980-BLOCK-H,SABZA ZAR COLONY,LAHORE  | 272-76-606175  | MUHAMMAD SAEED QURESHI  | 0.309  | -       | -             | <b>0.309</b> | 0.309                  | -                                       | 0.226                           | -        | <b>0.535</b> |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.) | Father's / Husband Name                         | Outstanding Liabilities at beginning of the year |         |               |               | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|--|--|---|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |  |   | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 54     | KAISER MANZOOR<br>VILLAGE CHANDAR KE RAJ PUTAN,<br>TEH. & DISTT.NAROWAL.           | 303-92-013850  | CH. MANZOOR AHMED                               | 0.301  | 0.221   | -             | <b>0.522</b>  | 0.301                  | -                                       | 0.533                           | 0.221    | <b>1.055</b>  |
| 55     | MEHBOOB-UL-HAQ (EX-STAFF)<br>H.NO.58/6,MALIR EXT COLONY,KARACHI.                   | 503-90-300793  | SHAMIM AHMED                                    | 0.564  | -       | -             | <b>0.564</b>  | 0.564                  | -                                       | -                               | -        | <b>0.564</b>  |
| 56     | SH.MUHAMMAD NAEEM (DECEASED)<br>789-B,PEOPLES COLONY.NO.1,FAISALABAD.              | 244-86-553275  | SH.MUHAMMAD BASHIR                              | 0.439  | 0.419   | -             | <b>0.858</b>  | 0.439                  | -                                       | -                               | 0.419    | <b>0.858</b>  |
| 57     | MUHAMMAD AHSAN<br>THATHYARAN,DASKA,DISTT.SIALKOT                                   | 285-86-348005  | ABDUL REHMAN                                    | 0.199  | 0.135   | -             | <b>0.334</b>  | 0.199                  | -                                       | 0.214                           | 0.135    | <b>0.548</b>  |
| 58     | MUHAMMAD SAEED ASGHAR<br>VILL.&PO.SANKHTARA,TEH&DISTT.NAROWAL                      | 303-72-510818  | ALI ASGHAR                                      | 0.281  | -       | -             | <b>0.281</b>  | 0.281                  | -                                       | 0.331                           | -        | <b>0.612</b>  |
| 59     | SHOES INTERNATIONAL (PVT) LIMITED<br>11-ABU BAKAR BLOCK,NEW GARDEN<br>TOWN,LAHORE. | ASAD AMIN SHEIKH<br>FAROOQ RASHID SHAIKH                     | MUHAMMAD AMIN SHEIKH<br>MUHAMMAD RASHID SHAEIKH | 5.042  | 7.733   | -             | <b>12.775</b> | 5.042                  | -                                       | 29.483                          | 7.733    | <b>42.258</b> |

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|--------|---|--|--|--|---------|---------------|----------------|------------------------|---|---------------------------------|----------|----------------|
|        |   |  |  | Principal  | Mark-up | Other Charges | Total          |                        |   | Un-Debited                      | Reversal |                |
| 60     | INTERNATIONAL GHEE INDUSTRIES LTD<br>3-B,INDUSTRIAL ESTATE JAMRUD<br>ROAD,PESHAWAR. | NASIM JAVAID<br>135-53-031029<br><br>FARMEEN BEGUM<br>137-86-545456<br><br>GUL MARJAN<br>137-86-506488<br><br>BIBI NOOR<br>139-46-191908<br><br>ABDUL QAYYUM<br>129-88-560676<br><br>S.ARSHAD ALI KAZMI<br>516-90-201532<br><br>GHULAM MURTAZA KHAN<br>101-92-154421 | UMER BAKHSH<br><br>NOWAS KHAN<br><br>QASIM KHAN<br><br>GUL AKBAR KHAN<br><br>MUHAMMAD AKBER<br><br>S. MAQSOOM SHAH<br><br>GUL AHMED KHAN | 226.579  | 7.189   | -             | <b>233.768</b> | 178.538                | -                                       | 139.003                         | 7.182    | <b>324.723</b> |
| 61     | AL-NOOR TRADING CO<br>6-MOTAN DAS MARKET,M.A.JINNAH<br>ROAD,KARACHI.                | MRS. SHAKIRA<br>AAMIR<br>REHMAN  | SHAIKH ZIAUDDIN<br>SHAIKH ZIAUDDIN<br>SHAIKH ZIAUDDIN  | 2.972  | -       | -             | <b>2.972</b>   | 2.972                  | -                                       | 7.796                           | -        | <b>10.768</b>  |
| 62     | RAMZAN ALI KHOWAJA<br>SHAHBAZ ROAD,BADIN.   | -  | ABDULLAH   | 0.605  | 0.023   | -             | <b>0.628</b>   | 0.522                  | -                                       | 0.233                           | 0.023    | <b>0.778</b>   |
| 63     | MUHAMMAD ARIF<br>VILL.CHANDAR KAY,RAJ POOTAN,<br>DISTT.NAROWAL.                     | 303-92-117450  | MUKHTAR AHMED  | 0.301  | 0.221   | -             | <b>0.522</b>   | 0.301                  | -                                       | 0.533                           | 0.221    | <b>1.055</b>   |
| 64     | RANA ATIF AKRAM<br>MUHALLA BATH,NEAR.MASJID MUBARIK<br>NOWHSERA VIRKAN.             | 287-78-455295  | MUHAMMAD AKRAM   | 0.239  | 0.307   | -             | <b>0.546</b>   | 0.239                  | -                                       | 0.351                           | 0.307    | <b>0.897</b>   |

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|--------|--|--|---|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |  |   | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 65     | GHULAM ALI MUNDRANWALA<br>49-A,5TH FLOOR,HANIF MANZIL,KARACHI.               | 511-56-061610  | YOUSUF ALI  | 0.443  | 0.072   | -             | <b>0.515</b>  | 0.443                  | -                                       | 0.105                           | 0.072    | <b>0.620</b>  |
| 66     | MUKHTAR AHMED SHAHID<br>MOHALLAH.FAZALABAD,EIDGAH ROAD<br>MALAKWAL.          | 227-66-077957  | FAQIR MUHAMMAD  | 0.327  | -       | -             | <b>0.327</b>  | 0.327                  | -                                       | 0.262                           | -        | <b>0.589</b>  |
| 67     | WASEEM AHMED KHAN<br>H.NO.26,KHAN COLONY,LMQ ROAD,MULTAN                     | 322-79-643033  | AZIZ AHMED KHAN   | 0.251  | -       | -             | <b>0.251</b>  | 0.251                  | -                                       | 0.451                           | -        | <b>0.702</b>  |
| 68     | MUHAMMAD ASIF<br>VILLAGE&POST OFFICE.BAMBANWALA,<br>TEH.DASKA,DISTT.SIALKOT. | 302-87-042090  | ABDUL RASHID  | 0.242  | 0.130   | -             | <b>0.372</b>  | 0.242                  | -                                       | 0.429                           | 0.130    | <b>0.801</b>  |
| 69     | MUHAMMAD ILYAS<br>VILLAGE.MIANWALI,PO.SATTRAH,<br>TEH.DASKA,DISTT.SIALKOT.   | 302-90-382538  | HIDAYAT ULLAH   | 0.187  | 0.108   | -             | <b>0.295</b>  | 0.187                  | -                                       | 0.322                           | 0.108    | <b>0.617</b>  |
| 70     | INTERNATIONAL GHEE IND LTD<br>3-B,INDUSTRIAL ESTATE JAMRUD<br>ROAD,PESHAWAR. | NASIM JAVIAD<br>135-53-031029<br><br>FARMEEN BEGUM<br>137-86-545456<br><br>GUL MARJAN<br>137-86-506488<br><br>BIBI NOOR<br>139-46-191908<br><br>ABDUL QAYYUM<br>129-88-560676<br><br>S.ARSHAD ALI KAZMI<br>516-90-201532<br><br>GHULAM MURTAZA KHAN<br>101-92-154421 | UMER BAKHSH<br><br>NOWAS KHAN<br><br>QASIM KHAN<br><br>AKBAR KHAN<br><br>MUHAMMAD AKBAR<br><br>S. MAQSOOM SHAH<br><br>W/O. GUL AHMED KHAN | 10.637   | -       | -             | <b>10.637</b> | 8.314                  | -                                       | 2.510                           | -        | <b>10.824</b> |

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|--------|--|---|--|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |  |   |  | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 71     | JUNAID JOUZY & CO.<br>11-WEST WHARF ROAD,HAQ NAWAZ<br>BUILDING,KARACHI.                        | SH.KHURSHID AHMED<br>REHANA KHURSHID<br>SURRIYA AHMED   | W/O. KHURSHID<br>W/O. JAWED  | 0.790  | 0.476   | -             | <b>1.266</b>  | 0.790                  | -                                       | 2.563                           | 0.476    | <b>3.829</b>  |
| 72     | ZULFIQAR ALI<br>HOUSE.NO.1272,MOHALLAH BHADUR<br>MAL,TEH.CHUNIAN,DISTT.KASUR.                  | 229-90-739499   | MUHAMMAD ISMAIL  | 0.257  | -       | -             | <b>0.257</b>  | 0.257                  | -                                       | 0.455                           | -        | <b>0.712</b>  |
| 73     | PESHAWAR HOUSE<br>SADDAR ROAD,PESHAWAR CANTT.  | MUHAMMAD ZAHID HUSSAIN<br>136-52-072609<br>MUHAMMAD ABID HUSSAIN<br>136-89-072598<br>MIAN ALTAF HUSSAIN | MIAN ALTAF HUSSAIN<br>MIAN ALTAF HUSSAIN                               | 0.482  | 0.158   | -             | <b>0.640</b>  | 0.005                  | -                                       | 0.373                           | 0.158    | <b>0.536</b>  |
| 74     | LIAQUAT ALI (EX-STAFF)<br>MASHALLAH MANSION,G.K.5/13,PARIA<br>STREET,KHARADAR,KARACHI.         | 511-62-048230   | HABIB ALI  | 0.246  | -       | -             | <b>0.246</b>  | 0.246                  | -                                       | 0.442                           | -        | <b>0.688</b>  |
| 75     | GHARO TEXTILE MILLS LIMITED<br>36-A/4,LALAZAR,OPP.BEACH LUXUARY<br>HOTEL,M.T.KHAN ROAD,KARACHI | ABDUL SHAKOOR ANSARI<br>449-53-318108<br>KHALID LATIF ANSARI<br>449-05-006243<br>IMTIAZ RASHID ANSARI   | AHMED KHAN ANSARI<br>ABDUL LATIF ANSARI<br>ABDUL RASHID ANSARI         | 22.451   | 4.318   | -             | <b>26.769</b> | 14.609                 | -                                       | 64.343                          | 4.318    | <b>83.270</b> |
| 76     | KARIM-RE-ROLLING MILLS KOTRI<br>F/2-B.S.I.T.E.KOTRI.   | SYED MUHAMMAD FAROOQ<br>SYED ABDUL WAHID<br>SYED ABDUL MAJEED<br>SYED ABDUL HAMEED                      | SYED ABDUL SALAM<br>SYED KARIM BUX<br>SYED KARIM BUX<br>SYED KARIM BUX | -  | 0.485   | -             | <b>0.485</b>  | -                      | -                                       | 2.377                           | 0.485    | <b>2.862</b>  |

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|--------|---|--|--|--|---------|---------------|---------------|------------------------|---|---------------------------------|----------|---------------|
|        |   |  |  | Principal  | Mark-up | Other Charges | Total         |                        |   | Un-Debited                      | Reversal |               |
| 77     | TIP TOP TRADERS<br>N.P.11/50 KILLAN STREET,JODIA<br>BAZAR KARACHI.                                  | MUHAMMAD HANIF   | HASHIM   | 1.860  | -       | -             | <b>1.860</b>  | 1.860                  | -                                       | 5.229                           | -        | <b>7.089</b>  |
| 78     | MUSTAFA DAIRY FARM<br>ABDULLAH GABOL GOTH,BEHIND GUL<br>SHAN-E-MAYMAR,K.D.A.SCEHEME-45,<br>KARACHI. | GHULAM MUSTAFA SOOMRO<br>405-85-077334<br>NAEEM MUSTAFA SOOMRO<br>405-89-077338<br>TAJ MUSTAFA SOOMRO<br>405-85-077337<br>MST. FARZANA SOOMRO<br>405-85-077336 | MIRAN BUKSH SOOMRO<br>GHULAM MUSTAFA SOOMRO<br>GHULAM MUSTAFA SOOMRO<br>D/O. GHULAM MUSTAFA SOOMRO | 5.000  | 5.105   | -             | <b>10.105</b> | 5.000                  | -                                       | 16.478                          | 5.105    | <b>26.583</b> |
| 79     | SHAKZ INTERNATIONAL LEATHERS (PVT) LTD<br>336-SECTOR-7-A,KORANGI INDUSTRIAL<br>AREA,KARACHI.        | LATE.HABIB-UR-REHMAN<br>42301-9922859-1<br>KAMRAN HABIB<br>42301-1472874-3<br>ZEESHAN HABIB<br>42301-9939369-9   | ATTA MUHAMMAD<br>HABIB-UR-REHMAN<br>HABIB-UR-REHMAN  | 24.123   | 1.195   | -             | <b>25.318</b> | 13.609                 | -                                       | 24.810                          | 1.195    | <b>39.614</b> |
| 80     | AL-MADINA RICE MILL<br>ARAIN ROAD,SUKKUR.   | BASHIR AHMED BHUTTO<br>45504-3037154-1   | GHULAM HYDER   | 1.000  | 0.142   | -             | <b>1.142</b>  | -                      | -                                       | 1.467                           | -        | <b>1.467</b>  |
| 81     | MUHAMMAD TANVEER<br>GALI MOHSIN KHAN WALLI,HAVELI<br>LAKHA,DISTT.OKARA.                             | 336-91-102648  | CH.MUHAMMAD SHAFIQUE   | 0.197  | -       | -             | <b>0.197</b>  | 0.197                  | -                                       | 0.389                           | -        | <b>0.586</b>  |
| 82     | SAKHAWAT ALI KHAN RANA<br>PUNJAB ELECTRONICS MULTAN ROAD,<br>PHOOL NAGAR.                           | 279-64-310926  | RANA SHOUKAT ALI   | 0.221  | 0.036   | -             | <b>0.257</b>  | 0.221                  | -                                       | 0.415                           | 0.036    | <b>0.672</b>  |

| S. No. | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.)   | Father's / Husband Name                             | Outstanding Liabilities at beginning of the year |         |               |              | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total        |
|--------|--|--|---|--|---------|---------------|--------------|------------------------|---|---------------------------------|----------|--------------|
|        |  |  |   | Principal  | Mark-up | Other Charges | Total        |                        |   | Un-Debited                      | Reversal |              |
| 83     | NAVEED AKHTAR (EX-STAFF)<br>MUHALLA BAKHRI AHMEDPUR EAST,<br>DISTT.BAHAWALPUR.               | -  | MAHMOOD AKHTAR                                      | 0.304  | -       | -             | <b>0.304</b> | 0.304                  | -                                       | 0.208                           | -        | <b>0.512</b> |
| 84     | HABIB-UR-REHMAN<br>H.NO.133,IQBAL NAGAR,TOBA TEK SINGH                                       | 253-59-027905  | ATTA MUHAMMAD                                       | 0.450  | 0.132   | -             | <b>0.582</b> | 0.450                  | -                                       | 0.062                           | 0.132    | <b>0.644</b> |
| 85     | MUHAMMAD ARIF ANSARI<br>A-13,SHAHEEN APARTMENT,BLOCK-3,<br>.GULSHAN-E-IQBAL,KARACHI.         | 501-88-509249  | YOUSUF AKHTAR ANSARI                                | 0.412  | -       | -             | <b>0.412</b> | 0.412                  | -                                       | 0.224                           | -        | <b>0.636</b> |
| 86     | MUHAMMAD FAROOQ<br>MOHALLA RAHMAN PURA,SADIQ ROMAL,<br>GUJRANWALA.                           | 285-91-455337  | GHULAM MUSTAFA                                      | 0.280  | 0.200   | -             | <b>0.480</b> | 0.280                  | -                                       | 0.131                           | 0.200    | <b>0.611</b> |
| 87     | MUHAMMAD KHAN (EX-STAFF)<br>HOUSE ST VILLAGE BASEL,TEHJAND,<br>DISTT.ATTOCK.                 | 37104-8929597-7  | ABDUL WAHID   | 0.512  | -       | -             | <b>0.512</b> | 0.498                  | -                                       | 0.323                           | -        | <b>0.821</b> |
| 88     | SHAKZ INTERNATIONAL LEATHERS (PVT) LTD<br>336 SECTOR-7-A,KORANGI INDUSTRIAL<br>AREA,KARACHI. | LATE.HABIB-UR-REHMAN<br>42301-9922859-1<br>KAMRAN HABIB<br>42301-1472874-3<br>ZEESHAN HABIB<br>42301-9939369-9 | ATTA MUHAMMAD<br>HABIB-UR-REHMAN<br>HABIB-UR-REHMAN | 2.921  | -       | -             | <b>2.921</b> | 2.921                  | -                                       | 2.772                           | -        | <b>5.693</b> |
| 89     | FEROZUDDIN QURESHI (EX-STAFF)<br>HOUSE.NO.49,JINNAH TOWN,KHANPUR<br>DISTT.RAHIM YAR KHAN.    | 31301-0403728-3  | SIRAJUDDIN QURESHI                                  | 0.581  | -       | -             | <b>0.581</b> | 0.581                  | -                                       | 0.268                           | -        | <b>0.849</b> |



| S. No. | Name & Address of the Borrower  | Name of Individuals / Partners / Directors<br>(with NIC No.) | Father's / Husband Name | Outstanding Liabilities at beginning of the year |         |               |              | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |          | Total         |
|--------|---|--|-------------------------|--|---------|---------------|--------------|------------------------|---|---------------------------------|----------|---------------|
|        |   |  |                         | Principal  | Mark-up | Other Charges | Total        |                        |   | Un-Debited                      | Reversal |               |
| 90     | HAJI MUHAMMAD IQBAL & SONS<br>SHOP.NO.127-A,PIPAL MANDI,<br>PESHAWAR CITY.              | IMDAD HUSSAIN<br>17301-1265606-9                             | MUHAMMAD IQBAL          | 0.450  | 0.135   | -             | <b>0.585</b> | 0.307                  | -                                       | 0.585                           | 0.135    | <b>1.027</b>  |
| 91     | SHAHZADA ASAD ALI KHAN<br>MOHALLAH.ABDUL MAJEED KHAN WALA<br>PIPLAN.                    | 35202-2921415-3  | SHAHZADA MUHAMMAD DARA  | 2.000  | 0.679   | -             | <b>2.679</b> | -                      | -                                       | -                               | 0.562    | <b>0.562</b>  |
| 92     | S.A.TRADERS<br>20-MADINA CENTRE AKHUND ROAD,<br>JODIA BAZAR,KARACHI.                    | SAJJAD AHMED   | MUHAMMAD IQHLAQ         | 2.525  | 0.117   | -             | <b>2.642</b> | 2.525                  | -                                       | 8.692                           | 0.117    | <b>11.334</b> |
| 93     | NASEER AHMED<br>VILLAGE.SUNGRAN,PO.DOMEL,DISTT.<br>MUZAFFARABAD.                        | 61101-2017448-1  | FAQEER MUHAMMAD         | 0.449  | 0.026   | -             | <b>0.475</b> | 0.449                  | -                                       | 0.225                           | 0.026    | <b>0.700</b>  |
| 94     | GHULAM DASTAGIR<br>BULLEY WALA,TEH&DISTT.GUJRANWALA                                     | 286-86-470310  | MUKHTAR AHMED           | 0.200  | 0.087   | -             | <b>0.287</b> | 0.200                  | -                                       | 0.408                           | 0.087    | <b>0.695</b>  |
| 95     | MUHAMMAD TUFAIL<br>SHOP.NO.245,GENERAL BUS<br>PARKING BUS STAND,BADAMI BAGH,<br>LAHORE. | 244-58-521738  | MUHAMMAD BASHIR         | 0.281  | -       | -             | <b>0.281</b> | 0.281                  | -                                       | 0.531                           | -        | <b>0.812</b>  |
| 96     | TANZEEL ENTERPRISES<br>ROOM.NO.409,4TH FLOOR PANORAMA<br>CENTRE,SADDAR KARACHI.         | MUHAMMAD ALI<br>42101-7384933-5                              | MUHAMMAD NABI           | 7.006  | 1.335   | -             | <b>8.341</b> | 2.999                  | -                                       | 15.019                          | 1.335    | <b>19.353</b> |

| S. No.                    | Name & Address of the Borrower   | Name of Individuals / Partners / Directors<br>(with NIC No.) | Father's / Husband Name | Outstanding Liabilities at beginning of the year |               |               |                | Principal<br>Write-off | Mark-up &<br>Other Charges<br>Write-off | Other Financial Relief Provided |               | Total          |
|---------------------------|--|--|-------------------------|--|---------------|---------------|----------------|------------------------|---|---------------------------------|---------------|----------------|
|                           |  |  |                         | Principal  | Mark-up       | Other Charges | Total          |                        |   | Un-Debited                      | Reversal      |                |
| 97                        | GENERAL ENGG SERVICES<br>D-3,SOUTHERN CO-OPERATIVE SOCIETY,<br>106 DEPOT LINE,SADDAR KARACHI | EHSAN AZIZ<br>271-51-187875                                  |                         | 1.715  | 0.452         | -             | 2.167          | 1.715                  | -                                       | 5.652                           | 0.452         | 7.819          |
| 98                        | GRAF KNIT & WOVEN<br>PLOT.NO.42,SECTOR-15,KORANGI I<br>INDUSTRIAL AREA,KARACHI.              | EJAZ HANIF<br>42301-7223192-7                                | MUHAMMAD HANIF          | 98.910   | 0.041         | -             | 98.951         | 18.910                 | -                                       | 4.516                           | 0.041         | 23.467         |
| 99                        | SOHA Z.P.TRADERS<br>77-DARAKSHAN SOCIETY KALA BOAR<br>D,MALIR,KARACHI.                       | -  |                         | 3.300  | -             | -             | 3.300          | 3.300                  | -                                       | 4.857                           | -             | 8.157          |
| 100                       | HIRA COMMISSION SHOP<br>SHOP.53/A,AGHA QADIRDAD,DATES<br>MARKET,ROHRLDISTT.SUKKUR.           | MAHESH LAL<br>439-92-069309                                  | NOTAN DAS               | 1.200  | -             | -             | 1.200          | 0.100                  | -                                       | 1.769                           | -             | 1.869          |
|                           |  | PARKASH MAL<br>45504-9115122-7                               | NOTAN DAS               |  |               |               |                |                        |   |                                 |               |                |
| <b>Total &gt;&gt;&gt;</b> |  |  |                         | <b>614.901</b>                                   | <b>69.043</b> | <b>0.119</b>  | <b>684.063</b> | <b>325.087</b>         | <b>0.081</b>                            | <b>560.922</b>                  | <b>67.284</b> | <b>953.374</b> |

**DETAILS OF DISPOSAL OF OPERATING  
FIXED ASSETS as at December 31, 2010  
HOLDING**

**ANNEXURE III**

Amounts in 000

| Description  | Original cost  | Accumulated depreciation | Book value    | Sale proceeds | Mode of disposal | Particulars of buyer  |
|--|----------------|--------------------------|---------------|---------------|------------------|-----------------------|
| <b>Furniture &amp; Fixtures</b>  | <b>10,235</b>  | <b>10,235</b>            | <b>0</b>      | <b>106</b>    |                  |                       |
|  | 2,134          | 2,134                    | 0             | 1             | Sale             | Sharif Enterprises    |
|  | 2,742          | 2,742                    | 0             | 1             | Sale             | Sharif Enterprises    |
|  | 2,571          | 2,571                    | 0             | 1             | Sale             | Sharif Enterprises    |
|  | 1,386          | 1,386                    | 0             | 101           | Insurance Claim  | NJI                   |
|  | 1,403          | 1,403                    | 0             | 2             | Sale             | KHALID BROTHER        |
| <b>Motor Vehicle</b>   | <b>7,037</b>   | <b>5,840</b>             | <b>1,197</b>  | <b>2,294</b>  |                  |                       |
|  | 1,239          | 42                       | 1,197         | 1,115         | Insurance Claim  | NJI                   |
|  | 1,162          | 1,162                    | 0             | 283           | Auction          | Tahir Saeed Malik     |
|  | 1,266          | 1,266                    | 0             | 612           | Negotiation      | Mominul Huq           |
|  | 1,729          | 1,729                    | 0             | 83            | Auction          | Mustafa Niyaz         |
|  | 1,641          | 1,641                    | 0             | 202           | Negotiation      | Zulfiqar Ahmed Bhatti |
| Assets having cost of less than Rs. 1 million and book value of less than Rs.250,000 | 382,786        | 349,309                  | 33,477        | 49,266        |                  |                       |
|  | <b>400,058</b> | <b>365,384</b>           | <b>34,674</b> | <b>51,667</b> |                  |                       |

**HABIB BANK LIMITED**  
**Details of Donations of Rs. 100,000 and Above**  
**For the year ended December 31, 2010**

ANNEXURE IV

Amounts in 000

| NAME OF BENEFICIARIES  | 2010             | 2009          |
|--|------------------|---------------|
|  | (Rupees in '000) |               |
| HBL Foundation Trust   | 349,512          | -             |
| Prime Minister Relief Fund   | 20,000           | -             |
| Flood Effectees  | 13,852           | -             |
| Army Relief Fund   | 10,000           | -             |
| Pukaar Foundation  | 3,000            | -             |
| Quaid-e-Azam Medical College and Hospital, Bahawalpur                  | 1,725            | -             |
| Indus Valley School of Art and Architecture                            | -                | 1,000         |
| IBA Endowment Fund   | -                | 17,500        |
| Subh-e-Nau   | 1,500            | 750           |
| Sialkot Zone Volleyball Association                                    | 500              | -             |
| Sketch Printers  | 400              | -             |
| Karachi Port Trust   | 400              | -             |
| Memon Professional Forum   | 300              | -             |
| Pakistan Squash Federation   | 300              | -             |
| Pak Herald Publications Pvt Limited                                    | 234              | -             |
| ZAWN Printers  | 206              | -             |
| Pakistan National Committee for the ICC                                | 172              | -             |
| Pakistan Air Force   | 150              | -             |
| Karachi Golf Club  | 120              | -             |
| 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         |
| The Kidney Centre Post Graduate Training Institute                     | -                | 1,000         |
| 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           |
| Tabba Heart Institute  | -                | 500           |
| Marie Adelaide Leprosy Centre  | -                | 500           |
| Anwar Surgicals (Malir District Jail)                                  | -                | 407           |
| Sindh High Court Bar Association                                       | -                | 360           |
| Aga Khan Hospital & Medical College Foundation                         | -                | 300           |
| 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              | 100           |
| Disabled Welfare Association   | -                | 100           |
| Civil Services Academy Alumni, Sindh                                   | -                | 100           |
| Ziauddin University  | 100              | -             |
| E-commerce Gateway   | 100              | -             |
| Karachi Centre for Dispute Resolution                                  | 100              | -             |
| Nut Shell Forum  | 100              | -             |
|  | <b>402,870</b>   | <b>47,062</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.