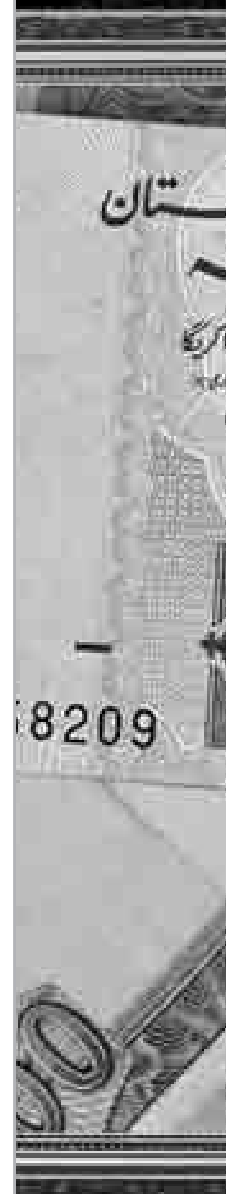
Consolidated Financial Statements of NBP and its Subsidiary Companies 2009



Independent Auditors' Report To The Members

Anjum Asim Shahid Rahman & Co.
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shara-e-Faisal
Karachi 75350, Pakistan

We have audited the annexed consolidated financial statements of **National Bank of Pakistan** (the holding company) and its subsidiary companies (together, the Group) which comprise consolidated balance sheet as of December 31, 2009 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for eighty branches, which have been audited by us and twelve branches audited by auditors abroad.

These consolidated financial statements are responsibility of the Group's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Group for the year ended December 31, 2008 were audited by Ford Rhodes Sidat Hyder & Co., Chartered Accountants and M. Yousuf Adil Saleem & Co., Chartered Accountants who through their report dated March 18, 2009 expressed an unqualified opinion thereon.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2009 and the results of its operation, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Anjum Asim Shahid Rahman & Co.
Chartered Accountants

Engagement Partner
Muhammad Shaukat Naseeb

M.Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Syed Asad Ali Shah

Karachi
Date: March 4, 2010

Consolidated Balance Sheet

As at December 31, 2009

2008	2009		Note	2009	2008
US Dollars in '000'				Rupees in '000'	
		ASSETS			
1,267,488	1,384,887	Cash and balances with treasury banks	6	116,668,514	106,778,346
468,766	341,702	Balances with other banks	7	28,786,397	39,490,729
203,445	233,649	Lendings to financial institutions - net	8	19,683,526	17,139,081
2,032,248	2,582,923	Investments - net	9	217,596,037	171,204,890
4,903,327	5,642,394	Advances - net	10	475,338,439	413,076,390
288,115	299,141	Operating fixed assets	11	25,200,870	24,271,964
38,027	36,376	Deferred tax assets - net	12	3,064,459	3,203,565
533,120	707,053	Other assets	13	59,565,027	44,912,236
9,734,536	11,228,125			945,903,269	820,077,201
		LIABILITIES			
121,303	126,076	Bills payable	14	10,621,169	10,219,061
475,337	532,122	Borrowings	15	44,828,138	40,044,291
7,423,063	8,623,904	Deposits and other accounts	16	726,513,013	625,349,269
—	—	Sub-ordinated loans		—	—
300	506	Liabilities against assets subject to finance lease	17	42,629	25,274
—	—	Deferred tax liabilities		—	—
474,669	503,961	Other liabilities	18	42,455,768	39,988,101
8,494,672	9,786,569			824,460,717	715,625,996
1,239,864	1,441,556	**NET ASSETS**		121,442,552	104,451,205
		REPRESENTED BY			
106,474	127,768	Share capital	19	10,763,702	8,969,751
243,066	277,706	Reserves		23,395,059	20,476,863
635,858	740,071	Unappropriated profit		62,346,594	53,567,323
985,398	1,145,545	Total equity attributable to share holders of the bank		96,505,355	83,013,937
1,338	1,317	Minority interest		110,930	112,699
986,736	1,146,862			96,616,285	83,126,636
253,128	294,694	Surplus on revaluation of assets - net	20	24,826,267	21,324,569
1,239,864	1,441,556			121,442,552	104,451,205
		CONTINGENCIES AND COMMITMENTS	21		

The annexed notes 1 to 44 and Annexure I, II and III form an integral part of these consolidated financial statements.

Chairman & President **Director** **Director** **Director**

Consolidated Profit and Loss Account

For the year ended December 31, 2009

2008	2009		Note	2009	2008
US Dollars in '000'				Rupees in '000'	
725,888	927,362	Mark-up / return / interest earned	23	78,124,796	61,151,818
283,436	468,262	Mark-up / return / interest expensed	24	39,448,291	23,877,804
442,452	459,100	Net mark-up / interest income		38,676,505	37,274,014
126,233	132,339	Provision against non-performing loans and advances	10.4	11,148,773	10,634,367
4,413	7,731	Provision for diminution in the value of investments - net	9.12	651,282	371,729
47	240	Provision against off balance sheet obligations		20,237	4,000
—	—	Bad debts written off directly	10.5	—	—
130,693	140,310			11,820,292	11,010,096
311,806	318,790	Net mark-up / interest income after provisions		26,856,213	26,263,918
		NON MARK-UP/INTEREST INCOME			
94,791	106,796	Fee, commission and brokerage income		8,996,973	7,985,547
34,273	22,516	Dividend income		1,896,817	2,887,314
47,731	36,841	Income from dealing in foreign currencies		3,103,673	4,021,064
4,714	54,521	Gain on sale and redemption of securities - net	25	4,593,041	397,118
20	28	Unrealized gain on revaluation of investments classified as held-for-trading	9.11	2,355	1,707
1,526	(495)	Share of (losses) / profits from joint ventures		(41,715)	128,533
75	62	Share of profits from associates - net of tax		5,238	6,290
14,908	6,564	Other income	26	552,950	1,255,903
198,038	226,833	Total non-markup / interest income		19,109,333	16,683,476
509,797	545,623			45,965,546	42,947,394
		NON MARK-UP / INTEREST EXPENSES			
217,978	270,840	Administrative expenses	27	22,816,665	18,363,344
8,919	7,459	Other provisions / write offs		628,391	751,403
6,925	3,818	Other charges	28	321,647	583,361
233,822	282,117	Total non-markup / interest expenses		23,766,703	19,698,108
275,975	263,506			22,198,843	23,249,286
—	—	Extra ordinary / unusual items		—	—
275,975	263,506	**PROFIT BEFORE TAXATION**		22,198,843	23,249,286
140,043	109,938	Taxation – Current		9,261,621	11,797,821
(22)	(49,111)	– Prior years		(4,137,307)	(1,813)
(50,220)	(12,161)	– Deferred		(1,024,513)	(4,230,776)
89,801	48,666		29	4,099,801	7,565,232
186,174	214,840	**PROFIT AFTER TAXATION**		18,099,042	15,684,054
		Attributable to:			
186,139	214,861	Shareholders of the bank		18,100,811	15,681,084
35	(21)	Minority interest		(1,769)	2,970
186,174	214,840			18,099,042	15,684,054
.... US Dollars				.... Rupees	
0.17	0.20	Basic earnings per share for profit for the year attributable to shareholders of the bank	30	16.82	14.57
0.17	0.20	Diluted earnings per share for profit for the year Dattributable to shareholders of the bank	31	16.82	14.57

The annexed notes 1 to 44 and Annexure I, II and III form an integral part of these consolidated financial statements.

Chairman & President **Director** **Director** **Director**

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2009

2008	2009		2009	2008
US Dollars in '000'			Rupees in '000'	
186,174	214,840	**Profit after taxation for the year**	18,099,042	15,684,054
		Other comprehensive income:		
30,300	13,022	Exchange adjustments on translation of net assets of foreign branches, subsidiary and joint venture	1,097,011	2,552,610
216,474	227,862	**Total comprehensive income for the year**	19,196,053	18,236,664
		Total comprehensive income attributable to:		
216,439	227,883	Share holders of the bank	19,197,822	18,233,694
35	(21)	Minority interest	(1,769)	2,970
216,474	227,862		19,196,053	18,236,664

The annexed notes 1 to 44 and Annexure I, II and III form an integral part of these consolidated financial statements.

Chairman & President	**Director**	**Director**	**Director**

Consolidated Cash Flow Statement

For the year ended December 31, 2009

2008	2009		Note	2009	2008
US Dollars in '000'				Rupees in '000'	
		CASH FLOWS FROM OPERATING ACTIVITIES			
275,975	263,506	Profit before taxation		22,198,843	23,249,286
(34,273)	(22,516)	Less: Dividend income		(1,896,817)	(2,887,314)
241,702	240,990			20,302,026	20,361,972
		Adjustments:			
9,036	10,397	Depreciation		875,846	761,232
50	71	Amortization		6,014	4,179
126,233	132,339	Provision against non-performing loans and advances		11,148,773	10,634,367
4,413	7,731	Provision for diminution in the value of investments - net		651,282	371,729
47	240	Provision against off balance sheet obligations		20,237	4,000
(94)	(94)	Gain on sale of fixed assets		(7,926)	(7,960)
128	125	Financial charges on leased assets		10,496	10,751
(1,526)	495	Share of losses / (profits) from joint ventures		41,715	(128,533)
(75)	(62)	Share of profits from associates		(5,238)	(6,290)
8,919	7,459	Other provisions / write offs		628,391	751,403
147,131	158,701			13,369,590	12,394,878
388,833	399,691			33,671,617	32,756,850
		(Increase) / decrease in operating assets			
53,619	(30,935)	Lendings to financial institutions - net		(2,606,095)	4,517,111
(2,678)	(16,279)	Held-for-trading securities		(1,371,434)	(225,566)
(985,030)	(871,406)	Advances - net		(73,410,823)	(82,982,937)
(123,437)	(118,944)	Other assets (excluding advance tax)		(10,020,357)	(10,398,820)
(1,057,526)	(1,037,564)			(87,408,709)	(89,090,212)
		Increase in operating liabilities			
37,476	4,773	Bills payable		402,108	3,157,160
348,495	58,064	Borrowings		4,891,586	29,358,678
398,036	1,200,841	Deposits and other accounts		101,163,744	33,532,217
102,342	29,173	Other liabilities (excluding current taxation)		2,457,667	8,621,704
886,349	1,292,851			108,915,105	74,669,759
(186,392)	(122,362)	Income tax paid		(10,308,272)	(15,702,406)
(128)	(125)	Financial charges paid		(10,496)	(10,751)
(186,519)	(122,487)			(10,318,768)	(15,713,157)
31,137	532,491	Net cash from operating activities		44,859,244	2,623,240
		CASH FLOWS FROM INVESTING ACTIVITIES			
124,195	(613,843)	Net (investments in)/proceeds from available-for-sale securities		(51,712,686)	10,462,712
34,534	130,209	Net proceeds from held-to-maturity securities		10,969,303	2,909,317
34,273	22,516	Dividend income received		1,896,817	2,887,314
(19,566)	(21,085)	Investment in operating fixed assets		(1,776,322)	(1,648,309)
—	(356)	Investment in associate		(30,000)	—
295	166	Sale proceeds of property and equipment disposed off		13,997	24,881
173,731	(482,393)	Net cash (used in) / from investing activities		(40,638,891)	14,635,915
		CASH FLOWS FROM FINANCING ACTIVITIES			
(213)	(308)	Payments of lease obligations		(25,915)	(17,911)
(72,467)	(69,089)	Dividend paid		(5,820,338)	(6,104,894)
(72,680)	(69,397)	Net cash used in financing activities		(5,846,253)	(6,122,805)
31,136	10,914	Effects of exchange rate changes on cash and cash equivalents		919,475	2,623,064
163,324	(8,385)	**(Decrease) / increase in cash and cash equivalents**		(706,425)	13,759,414
1,570,884	1,734,208	Cash and cash equivalents at beginning of the year	32	146,097,099	132,337,685
1,734,208	1,725,823	Cash and cash equivalents at end of the year	32	145,390,674	146,097,099

The annexed notes 1 to 44 and Annexure I, II and III form an integral part of these consolidated financial statements.

Chairman & President **Director** **Director** **Director**

Consolidated Statement of Changes in Equity

For the year ended December 31, 2009

		Attributable to the shareholders of the bank						
		Reserves						
		Capital		Revenue				
	Share capital	Exchange Translation	Statutory	General	Unappropriated profit	Sub Total	Minority Interest	Total
	....	....	....	(Rupees in '000')	....	....	....	....
Balance as at January 1, 2008	8,154,319	3,879,535	11,977,521	521,338	46,232,813	70,765,526	109,729	70,875,255
Total comprehensive income for the year ended December 31, 2008	—	2,552,610	—	—	15,681,084	18,233,694	2,970	18,236,664
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	—	—	—	—	130,456	130,456	—	130,456
Transfer to statutory reserve	—	—	1,545,859	—	(1,545,859)	—	—	—
Transactions with owners								
Issue of bonus shares (10%)	815,432	—	—	—	(815,432)	—	—	—
Cash dividend (Rs. 7.5 per share)	—	—	—	—	(6,115,739)	(6,115,739)	—	(6,115,739)
Balance as at December 31, 2008	**8,969,751**	**6,432,145**	**13,523,380**	**521,338**	**53,567,323**	**83,013,937**	**112,699**	**83,126,636**
Balance as at January 1, 2009	8,969,751	6,432,145	13,523,380	521,338	53,567,323	83,013,937	112,699	83,126,636
Total comprehensive income for the year ended December 31, 2009	—	1,097,011	—	—	18,100,811	19,197,822	(1,769)	19,196,053
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	—	—	—	—	123,934	123,934	—	123,934
Transfer to statutory reserve	—	—	1,821,185	—	(1,821,185)	—	—	—
Issue of bonus shares (20%)	1,793,951	—	—	—	(1,793,951)	—	—	—
Cash dividend (Rs. 6.5 per share)	—	—	—	—	(5,830,338)	(5,830,338)	—	(5,830,338)
Balance as at December 31, 2009	**10,763,702**	**7,529,156**	**15,344,565**	**521,338**	**62,346,594**	**96,505,355**	**110,930**	**96,616,285**

The annexed notes 1 to 44 and Annexure I, II and III form an integral part of these consolidated financial statements.

Chairman & President **Director** **Director** **Director**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

— National Bank of Pakistan (the bank)

	Percentage Holding	
	2009 %	2008 %
Subsidiary Companies		
— NBP Leasing Limited	100.00	100.00
— JSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
— NBP Exchange Company Limited	100.00	100.00
— NBP Modaraba Management Company Limited	100.00	100.00
— Taurus Securities Limited	58.32	58.32
— National Agriculture Limited (Note 9.9)	100.00	100.00
— Cast-N-Link Products Limited (Note 9.9)	76.51	76.51

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances and exchange transactions. Brief profile of the holding company and subsidiaries is as follows:

National Bank of Pakistan

The bank was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,265 (2008: 1,254) branches in Pakistan and 22 (2008: 22) overseas branches (including the Export Processing Zone branch, Karachi). The bank also provides services as trustee to National Investment Trust (NIT), Long-Term Credit Fund (LTCF) and Endowment Fund for student loans scheme.

NBP Leasing Limited, Pakistan

NBP Leasing Limited (NBPLL) was incorporated in Pakistan on November 7, 1995 as a public limited unquoted company under the Companies Ordinance, 1984. The registered office of NBPLL is situated at 4th Floor, P.R.C. Towers, M.T. Khan Road, Karachi. NBPLL is principally engaged in the business of leasing as licensed under the Non-Banking Finance Companies Rules, 2003 (the NBFC Rules). NBPLL was also engaged previously in the business of discounting / trade of negotiable instruments which has been discontinued, since May 15, 2008 due to changes in Non-Banking Finance Companies and Notified Entities Regulations, 2008.

JSC Subsidiary Bank of NBP in Kazakhstan

JSC Subsidiary Bank of NBP in Kazakhstan (JSC) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. JSC conducts its business under license number 25 dated October 29, 2005 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSC is located at 105, Dostyk Ave, 050051, Almaty.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the Companies Ordinance, 1984. NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R.Kiyani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions.

NBPECL has four branches, in Karachi, Islamabad, Rawalpindi and Mirpur (Azad Jammu and Kashmir).

NBP Modaraba Management Company Limited, Pakistan

NBP Modaraba Management Company Limited (NBPMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992. Its registered office is 26 - Mclagon Road, Lahore. The principal purpose of the NBPMMCL is to float and manage modarabas. NBPMMCL at present is managing First National Bank Modaraba.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unlisted company, incorporated in Pakistan on June 27,1993 under the Companies Ordinance, 1984. The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling and fund placements. TSL is a corporate member of the Karachi Stock Exchange (Guarantee) Limited.

1.2 BASIS OF CONSOLIDATION

— The consolidated financial statements include the financial statements of the bank (holding company) and its subsidiary companies together - "the Group".

— The financial statements of the subsidiaries are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.

— The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.

— Minority interest represents the portion of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.

— Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the bank 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 consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

However, the Islamic Banking branches of the bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

The financial position and results of the Islamic Banking branches of the bank have been disclosed in Annexure III to these consolidated financial statements.

2.2 The US Dollar amounts shown on the consolidated balance sheet, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 84.2441 to 1 US Dollar has been used for both 2009 and 2008 as it was the prevalent rate as on December 31, 2009.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

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

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

— Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 01, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. As explained in note 9.8.2 the bank is in process of acquiring holding of NIB Bank Limited in National Fullerton Asset Management Limited (NAFA), which will increase the bank's post acquisition holding to 53% and will give control to the bank. Currently the transaction is in process, the impact under IFRS 3 can not be determined.

— Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 01, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Group's consolidated financial statements.

— IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or after October 01, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Group's operations.

— IFRIC 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 01, 2009) states that when an entity distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Group does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Group's consolidated financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the bank's 2010 financial statements. These amendments are unlikely to have an impact on the Group's consolidated financial statements.

— Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 01, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

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

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and valuation of certain investments and derivative financial instruments at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policies

5.1.1 Presentation of Financial Statements

Starting January 01, 2009, the Group has changed its accounting policy in respect of 'Presentation of financial statements'. IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009) – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Group has opted to present the components of profit or loss in a separate statement while a statement of comprehensive income is presented separately as permitted under revised IAS 1.

As surplus on revaluation of assets does not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of assets have not been considered as part of comprehensive income and accordingly these are not included in the consolidated statement of comprehensive income presented in these consolidated financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

5.2 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts less overdrawn nostro accounts.

5.3 Investments

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

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

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

— Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus / (deficit) on revaluation being taken to consolidated profit and loss account.

— Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

— Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except for incase of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown below equity. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the consolidated profit and loss account for the period. However, for the current year, the impairment loss has been treated as explained in note 9.13.

Provision for diminution in value of investments for unquoted debt securities is calculated as per the SBP's Prudential Regulations.

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

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint ventures - The Group has interests in joint ventures which are jointly controlled entities. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying values may exceed the estimated recoverable amounts.

5.4 Discount of negotiable instruments

These are stated at amortized cost less provision for doubtful debts, if any. The provision is made in accordance with the SECP Prudential Regulations for Non-Banking Finance Companies.

5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.6 Net Investment in Finance Lease

Leases where the Group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful finances lease, if any. The provision against lease finance is made in accordance with the requirements of the NBFC Regulations and the internal criteria as approved by the Board of Directors of NBPLL.

5.7 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the consolidated profit and loss account.

5.8 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities are taken to income currently.

5.9 Advances

Advances are stated net off specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision / allowance thereagainst. Such regulations also require the bank to maintain general provision / allowance against consumer advances at specified percentage of such portfolio. Advances are written off where there are no realistic prospects of recovery.

5.10 Operating fixed assets and depreciation

Property and equipment

Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing provided to executives, which are depreciated on straight-line method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated profit and loss account during the financial period in which they are incurred.

Assets are derecognised when disposed or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in income currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Land and buildings' valuation are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the “Surplus on Revaluation of Assets" account shown below equity. The Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

— depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the consolidated profit and loss account; and

— an amount equal to incremental depreciation for the year net of deferred taxation is transferred from “Surplus on Revaluation of Fixed Assets account” to accumulated profit through consolidated statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Leased assets

Assets subject to finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

Ijarah

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

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to consolidated profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income.

5.11 Taxation

Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

Deferred

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantionally enacted at the balance sheet date.

Deferred tax relating to gain / loss recognized in surplus on revaluation of assets is charged / credited to such account.

5.12 Employee benefits

5.12.1 Defined benefit plans

Pension scheme

The Group operates approved funded pension scheme for its eligible employees. The Group's costs are determined based on actuarial valuation carried out using Projected Unit Credit Method. Actuarial gains / losses exceeding, the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees.

Where the fair value of plan assets, exceeds the present value of defined benefit obligation together with unrecognized actuarial gains or losses and unrecognized past service cost, the bank reduces the resulting asset to an amount equal to the total of present value of any economic benefit in the form of reduction in future contributions to the plan and unrecognized actuarial losses and past service costs.

Benevolent scheme

The Group also operates an un-funded benevolent scheme for its eligible employees. Provision is made in the financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are recognized in the period in which they arise.

Gratuity scheme

The Group also operates an un-funded gratuity scheme for its eligible contractual employees. Provision is made in the financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / losses are accounted for in a manner similar to pension scheme.

Post retirement medical benefits

The Group operates an un-funded post retirement medical benefits scheme for all of its employees. Provision is made in the consolidated financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains / losses are recognised over the estimated working lives of employees.

5.12.2 Defined contribution plan

The Group operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Group and employees to the fund in accordance with the fund rules.

5.12.3 Retirement and other benefit obligations -

In respect of JSC Subsidiary Bank of NBP in Kazakhstan (JSC)

The JSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.12.4 Other employee benefits

Employees' compensated absences

The Group accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

5.13 Revenue recognition

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. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services. Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to consolidated profit and loss account.

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

The Group follows the 'financing method' in accounting for recognition of finance lease. At the commencement of a lease, the total unearned finance income i.e. the excess of aggregate installment contract receivables plus residual value over the cost of the leased asset is amortized over the term of the lease, applying the annuity method, so as to produce a constant periodic rate of return on the net investment in finance leases. Initial direct costs are deferred and amortized over the lease term as a yield adjustment.

Processing, front end and commitment fees and commission are recognized as income when received.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

5.14 Foreign currencies translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in the Pak Rupees which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and the assets / liabilities of foreign branches, and subsidiaries, net assets of associates and joint ventures are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

Profit and loss account balances of foreign branches, subsidiaries are translated at average exchange rate prevailing during the year. Gains / losses on translation are included in the consolidated profit and loss account except net gains / losses arising on translation of net assets of foreign branches, subsidiaries, associates and joint ventures, which is credited to an exchange equalization reserve and reflected under reserves.

5.15 Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Goodwill is tested for impairment on annual basis.

5.16 Provision for off balance sheet obligations

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

5.17 Off setting

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

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated balance sheet.

5.19 Dividend and other appropriations

Dividend and appropriation to reserves, except appropriation which are required by the law, are recognised as liability in the financial statements in the year in which these are approved.

5.20 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

5.20.1 Business segments

Corporate finance

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

Trading and sales

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

Retail banking

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

Commercial banking

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

Payment and settlement

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

Agency services

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

5.20.2 Geographical segments

The Group operates in following geographical regions:

Pakistan
Asia Pacific (including South Asia and Karachi Export Processing Zone)
Europe
United States of America
Middle East
Central Asia

5.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

5.22 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting polices. The estimates / judgments and associated assumptions used in the preparation of the consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimate and judgements in relation to these consolidated financial statements are as follows:

a) Provision against non-performing advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position of the borrower, value of collateral held and requirements of Prudential Regulations are considered.

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations and SBP directives. During the year, the management has changed the method of computing provision against non-performing advances as allowed under Prudential Regulations and explained in note 10.5.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) **Impairment of Available-for-sale investments**

The Group considers that Available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance. As of the balance sheet date the management has determine an impairment loss on available-for-sale securities as explained in note 9.13.

d) **Held-to-maturity investments**

The Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity.

e) **Income taxes**

In making the estimates for current and deferred income taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) **Fixed assets, depreciation and amortisation**

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 Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

f) **Employee benefit plans**

The liabilities for employee benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

	Note	2009	2008
		Rupees in '000'	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		7,169,662	6,394,041
Foreign currency		2,568,259	2,095,478
		9,737,921	8,489,519
With State Bank of Pakistan in			
Local currency current account	6.1	50,649,271	42,593,879
Local currency deposit account		29	572
		50,649,300	42,594,451
Foreign currency current account	6.2	1,705,892	1,443,548
Foreign currency deposit account	6.2	5,117,677	4,348,570
Foreign currency collection account		58,171	23,891
Foreign currency placement accounts	6.3	16,848,820	23,741,430
		23,730,560	29,557,439
With other central banks in			
Foreign currency current accounts	6.4	17,826,903	15,721,977
Foreign currency deposit accounts	6.5	14,723,829	10,414,960
		32,550,732	26,136,937
	32	116,668,514	106,778,346

6.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

6.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

6.3 This represents US Dollar placements and carry interest at the rate of 1.97 % per annum (2008: 4.21% per annum) with maturities within two months.

6.4 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements of respective countries.

6.5 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry interest at the rate of 0.25% per annum (2008: 2.0% per annum).

	Note	2009	2008
		Rupees in '000'	
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		20,018	98,517
On deposit account		354,958	130,019
		374,976	228,536
Outside Pakistan			
On current account		4,070,615	3,654,531
On deposit account	7.1	24,340,806	35,607,662
		28,411,421	39,262,193
	32	28,786,397	39,490,729

7.1 These include various deposits with correspondent banks and carry interest rates ranging from 7.5% to 11% per annum (2008: 0.05% to 12% per annum).

	Note	2009	2008
		Rupees in '000'	
8. LENDINGS TO FINANCIAL INSTITUTIONS - net			
Call money lendings	8.2	1,153,000	3,530,350
Repurchase agreement lendings (Reverse Repo)	8.3	18,356,176	13,470,731
Letter of placements	8.4	284,000	186,000
Lendings to financial institutions - gross	8.1	19,793,176	17,187,081
Less: Provision held against lendings		(109,650)	(48,000)
Lendings to financial institutions - net		19,683,526	17,139,081
8.1 Particulars of lendings - gross			
In local currency		19,793,176	17,187,081
In foreign currencies		—	—
		19,793,176	17,187,081

8.2 These carry mark-up at rates ranging from 12.4% to 12.9% per annum (2008: 11.5% to 19.5% per annum).

8.3 These carry mark-up at rates ranging from 12% to 12.8% per annum (2008: 9% to 16% per annum).

8.3.1 Securities held as collateral against lendings to financial institutions

	2009			2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees in '000'			Rupees in '000'		
Market Treasury Bills	16,690,799	—	16,690,799	8,873,895	—	8,873,895
Pakistan Investment Bonds	1,665,377	—	1,665,377	4,596,836	—	4,596,836
	18,356,176	—	18,356,176	13,470,731	—	13,470,731

8.3.2 Market value of the securities under repurchase agreement lendings amount to Rs.18,791 million (2008: Rs.12,848 million).

8.4 These carry mark-up at rates ranging from 11.34% to 18.5% per annum (2008: 18% to 18.5% per annum).

9. INVESTMENTS - net

	Note	2009 Held by bank	2009 Given as collateral	2009 Total	2008 Held by bank	2008 Given as collateral	2008 Total
		.... Rupees in '000		....	.... Rupees in '000		....
9.1 Investments by type:	9.12						
Held-for-trading securities							
Ordinary shares of listed companies		170,383	—	170,383	7,496	—	7,496
Market Treasury Bills		1,987,272	—	1,987,272	—	—	—
Pakistan Investment Bonds		221,275	—	221,275	—	—	—
Ijara Sukuk Bonds		—	—	—	1,000,000	—	1,000,000
Total Held-for-trading securities		2,378,930	—	2,378,930	1,007,496	—	1,007,496
Available- for- sale securities							
Ordinary shares of listed companies		15,507,402	—	15,507,402	3,673,105	—	3,673,105
Ordinary shares of unlisted companies		753,114	—	753,114	716,610	—	716,610
		16,260,516	—	16,260,516	4,389,715	—	4,389,715
Market Treasury Bills		91,064,768	23,504,630	114,569,398	64,523,811	23,990,054	88,513,865
Preference shares		294,033	—	294,033	297,500	—	297,500
Pakistan Investment Bonds		11,117,142	1,213,247	12,330,389	4,306,820	66,987	4,373,807
Federal Investment Bonds		—	—	—	940,000	—	940,000
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		30,985,145	—	30,985,145	17,876,117	—	17,876,117
Investments in mutual funds		1,041,137	—	1,041,137	1,082,700	—	1,082,700
GoP Foreign Currency Bonds		3,021,990	—	3,021,990	1,212,348	—	1,212,348
Foreign Government Securities		424,078	—	424,078	1,657,303	—	1,657,303
Investment outside Pakistan	9.6	463,295	—	463,295	463,295	—	463,295
NIT Market Opportunity Fund	9.5.2	1,530,000	—	1,530,000	1,800,000	—	1,800,000
National Investment Trust Units	9.5.1	1,042,439	—	1,042,439	7,643,084	—	7,643,084
Total Available- for- sale securities		157,244,543	24,717,877	181,962,420	106,192,693	24,057,041	130,249,734
Held-to-maturity securities							
Government Compensation Bonds		1,132,963	—	1,132,963	2,331,182	—	2,331,182
Provincial Government Securities		—	—	—	—	—	—
Pakistan Investment Bonds	9.4	8,702,404	263,661	8,966,065	9,515,583	—	9,515,583
GoP Foreign Currency Bonds		371,910	—	371,910	15,517,577	—	15,517,577
Foreign Government Securities		1,392,168	—	1,392,168	3,168,246	—	3,168,246
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		10,508,477	—	10,508,477	2,808,298	—	2,808,298
Total Held to maturity securities	9.3	22,107,922	263,661	22,371,583	33,340,886	—	33,340,886
Investments in Associates	9.7	1,185,085	—	1,185,085	1,139,778	—	1,139,778
Investments in Joint Ventures	9.8	2,412,261	—	2,412,261	2,451,411	—	2,451,411
Investments in Subsidiaries	9.9	3,245	—	3,245	3,245	—	3,245
Investments at cost		185,331,986	24,981,538	210,313,524	144,135,509	24,057,041	168,192,550
Less: Provision for diminution in value of Investments	9.10	(2,187,187)	—	(2,187,187)	(1,542,273)	—	(1,542,273)
Investments (net of provisions)		183,144,800	24,981,538	208,126,338	142,593,236	24,057,041	166,650,277
Unrealised gain on revaluation of Held-for-trading securities	9.11	2,355	—	2,355	1,707	—	1,707
Surplus/(deficit) on revaluation of Available-for-sale securities	20.2	9,466,428	916	9,467,344	4,587,441	(34,535)	4,552,906
Total investments at market value		192,613,583	24,982,454	217,596,037	147,182,384	24,022,506	171,204,890

		Note	2009	2008
			Rupees in '000'	
9.2	**Investments by segments**	9.12		
	Federal Government Securities			
	Market Treasury Bills		116,556,670	88,513,865
	Pakistan Investment Bonds	9.4	21,517,730	13,889,390
	Federal Investment Bonds		—	940,000
	Government Compensation Bonds		1,132,963	2,331,182
	GoP Foreign Currency Bonds		3,393,900	16,729,925
	Ijarah Sukuk bonds		1,000,000	1,000,000
			143,601,263	123,404,362
	Foreign Government Securities		1,816,246	4,825,549
	Fully Paid up ordinary shares			
	Listed companies		15,677,785	3,680,601
	Unlisted companies		753,114	716,610
			16,430,899	4,397,211
	Investments in mutual funds		1,041,137	1,082,700
	NIT Market Opportunity Fund	9.5.2	1,530,000	1,800,000
	National Investment Trust Units	9.5.1	1,042,439	7,643,084
	Preference Shares		294,033	297,500
	Debentures, Bonds, Participation Term Certificates and Term Finance Certificates			
	Listed		2,406,437	1,775,071
	Unlisted		38,087,185	18,909,344
			40,493,622	20,684,415
	Investment outside Pakistan	9.6	463,295	463,295
	Investments in Associates	9.7	1,185,085	1,139,778
	Investments in Joint Ventures	9.8	2,412,261	2,451,411
	Investments in Subsidiaries	9.9	3,245	3,245
	Investment at cost		210,313,524	168,192,550
	Less: Provision for diminution in value of investments	9.10	(2,187,187)	(1,542,273)
	Investments (Net of provisions)		208,126,338	166,650,277
	Unrealised gain on revaluation of Held-for-trading securities	9.11	2,355	1,707
	Surplus on revaluation of Available-for-sale securities	20.2	9,467,344	4,552,906
	Total investments at market value		217,596,037	171,204,890

9.3 Market value of held-to-maturity investments is Rs. 19,651 million (2008: Rs. 27,407 million).

9.4 These include Pakistan Investment Bonds amounting to Rs. 75 million (2008: Rs. 75 million) held by SBP as pledge against demand loans and TT / DD discounting facilities.

9.5 Investment in Mutual Funds managed by NITL

9.5.1 National Investment (Unit) Trust [NI(U)T]

The Group had investment in 485,331,172 NI(U)T units, which included 333,746,836 covered under Letter of Comfort (LOC) and 151,584,336 units as Non-LOC units. The LOC holding represented those units in respect of which the Government of Pakistan ("GoP") had issued a letter of comfort ("LOC") to the Group and three other banks (here-in-after collectively referred to as LOC Holder's) promising that in the event the redemption price of units of NI(U)T-LOC Holders' Fund fell below Rs. 13.70 per unit and the Group desired to redeem its holding of units, the GoP would facilitate National Investment Trust Limited (NITL) in the redemption of such holding at the rate of Rs. 13.70 per unit. The LOC had been extended from time to time and expired on December 31, 2009.

In the financial year 2007, the Board of National Investment Trust Limited (NITL) decided to split the National Investment (Unit) Trust into two funds to facilitate the sale and transfer of the management rights to LOC Holders. Accordingly, the segment pertaining to LOC Holders has formed the National Investment (Unit) Trust–LOC Holders' Fund whereas the segment pertaining to Non-LOC Holders has been retained under National Investment (Unit) Trust. The Group's total holding in units was covered under NI(U)T-LOC Holders' Fund.

In the current year, the GoP communicated a methodology to settle the long outstanding issue of the LOC to NITL in December 2009, the details and draft agreements of which were intimated to the LOC holders and discussed during the Extra Ordinary General Meetings of NI(U)T-LOC Holders' Fund. Subsequent to these deliberations and in line with the methodology approved by the GoP to settle the issue of LOC, an agreement having effective date of December 31, 2009 was executed between the NITL and the Group, by virtue of such agreement it was agreed that:

— All underlying assets and liabilities of the LOC Holders' Fund would be apportioned between the investors of the NI(U)T-LOC Holders' Fund by dividing such net assets into distinct segments according to the ratio of units held by each investor. Each segment would in turn be bifurcated into two distinct asset categories, namely "Strategic Assets" and "Balance Assets".

— The Strategic Assets would comprise of frozen shares of Pakistan State Oil ("PSO") and Sui Northern Gas Pipeline Limited ("SNGPL") and cash and other receivables held in the portfolio of NI(U)T-LOC Holders' Fund. The Balance Assets would essentially constitute the remaining portfolio of NIT-LOC Holders' Fund.

— The Strategic Assets would be transferred to the Group at a rate to be determined and the cash to be paid by the Group to NI(U)T-LOC Holders' Fund would be paid to other LOC holders'.

— The Balance Assets would be transferred in specie to the LOC holders at the market value appearing in the books of the NI(U)T-LOC Holders' Fund. This would constitute the full and final settlement of units held by the LOC holders. The transfer date in relation to the Group was December 31, 2009.

— 5% of the Balance Assets of each segment would be transferred to NITL and 5% of net cash realized pursuant to transfer of Strategic Assets would be paid to NITL. The GoP is being requested by the Group to revise its decision to the extent of this 5% transfer to be made to NITL. Therefore, the transfer of this 5% would be made to NITL, until GoP makes a final decision on this matter.

— Consequent to the implementation of the settlement mechanism outlined above the NIT-LOC Holders' Fund would stand terminated / dissolved.

In accordance with the aforementioned methodology, the Group has recorded the redemption / disposal of 425,242,254 units which were attributable to the Balance Assets and in consideration of those units the Group has recorded its share of Balance Assets. The Group's share of Balance Assets comprise of the shares of both listed and unlisted companies having market value of Rs. 11,283 million as of December 31, 2009. Accordingly there is a capital gain of Rs. 3,875 million on redemption / disposal of units attributable to Balance Assets. Remaining 60,088,918 units are attributable to Strategic Assets and such units are continued to be recognized as investment in NI(U)T-Unit holders Fund as settlement of such units are yet to be finalized.

9.5.2 NIT Market Opportunity Fund

The Group's investment is Rs. 1,530 million (2008: 1,800) in NIT Market Opportunity Fund. The fund was established in the year 2008 as an open end mutual fund for the special purpose of equity market stabilization and is managed by NITL. As of the balance sheet date, the net assets value of the fund's units held by the Group amounted to Rs. 1,807 million (2008: Rs. 1,004 million).

9.6 Investment outside Pakistan - Bank Al-Jazira (BAJ)

The Group holds 17,500,000 (2008: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2008: 5.83%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. Rating of Bank Al-Jazira is BBB+ by Capital Intelligence.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

	Number of shares	Percentage holding	2009	2008
			Rupees in '000'	
9.7 Investments in associates				
Un-quoted				
Pakistan Emerging Venture Limited	12,500,000	33.33	51,415	51,415
Information System Associates Limited	2,300,000	21.89	1,719	1,719
National Fructose Company Limited	1,300,000	39.50	6,500	6,500
Pakistan Insulation Limited	494,500	24.79	695	695
Venture Capital Fund Management	33,333	33.33	—	—
Kamal Enterprises Limited	11,000	20.37	—	—
Mehran Industries Limited	37,500	32.05	—	—
Qurell Cassettes Limited	46,250	30.83	—	—
Tharparkar Sugar Mills Limited	2,500,000	21.50	—	—
Youth Investment Promotion Society	644,508	25.00	—	—
Khushhali Bank Limited	40,000,000	23.45	400,000	400,000
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	32,105	32,105
K-Agricole Limited	5,000	20.00	—	—
New Pak Limited	200,000	20.00	—	—
National Commodity Exchange Limited	3,000,000	30.00	30,000	—
Prudential Fund Management	150,000	20.00	—	—
			522,434	492,434
Quoted				
National Fibres Limited	17,119,476	20.19	—	—
First Credit and Investment Group Limited	20,000,000	30.77	259,194	255,106
Taha Spinning Mills Limited	833,800	20.59	2,501	2,501
Land Mark Spining Mills Limited	3,970,960	32.75	39,710	39,710
S.G. Fibres Limited	3,754,900	25.03	218,535	218,535
Nina Industries Limited	4,906,000	20.27	49,060	49,060
First National Bank Modaraba	7,500,000	30.00	93,651	82,432
			662,651	647,344
			1,185,085	1,139,778
Less: Provision for diminution in value of investments		Note 9.12.1	(402,240)	(402,240)
			782,845	737,538

9.7.1 Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs.577.441 million (2008: Rs. 354.489 million). Due to low trade volumes of securities, management considers that there is no active market for these quoted investments, except for First Credit and Investment Bank Limited and First National Bank Modaraba, and therefore provision for impairment has been made against the same.

9.7.2 Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.

9.7.3 The details of break-up value based on latest available financial statements of un-quoted investments in associates are as follows:

	Year ended	Break-up value of bank's share Rs. In '000'
Pakistan Emerging Venture Limited	June 30, 2008	1,906
Information System Associates Limited	June 30, 2008	24,219
Pakistan Insulation Limited	June 30, 2001	2,630
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	Sept 30, 2001	(83,140)
Khushhali Bank Limited	Dec. 31, 2008	441
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
National Commodity Exchange Limited	June 30, 2009	(136,274)

9.7.4 During 2007, the Government of Pakistan, Finance Division (Investment Wing) vide their letter no. 4(3) Inv-I/2006 dated June 5, 2007 has advised the Group to divest its shareholding in Khushali Bank Limited through public announcement. Accordingly, the Group had initiated the process for such sale and has appointed a consultant to identify the prospective buyer and negotiate the strategic sale.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000'	
9.8 Investment in joint ventures			
United National Bank Limited (UNBL)	9.8.1 & 9.8.4	2,317,250	2,348,412
National Fullerton Asset Management (NAFA)	9.8.2 & 9.8.4	95,012	102,999
		2,412,262	2,451,411

9.8.1 Under a joint venture agreement, the bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

9.8.2 NAFA has been set up for the purpose of providing asset management services with a paid-up capital of Rs. 250 million (2008: Rs.250 million) as a joint venture between the bank, NIB Bank Limited and Alexandra Fund Management PTE Limited. The bank has 27% (2008: 27%) holding as at December 31, 2009.

The bank is in the process of acquiring holding of NIB Bank Limited in NAFA and subsequent to year end, share purchase agreement has been signed with NIB Bank Limited which will increase bank's post acquisition holding from current holding of 27% to 53%. Further, the bank is in process of obtaining regulatory approvals in this regards.

9.8.3 Investments of the Group in associated companies, First Credit and Investment Bank Limited (FCIBL), First National Bank Modaraba (FNBM) and Joint Venture companies, United National Bank Limited and National Fullerton Asset Management Limited have been accounted for under equity method of accounting as at December 31, 2009 in accordance with the treatment specified in International Accounting Standard 28 "Investments in Associates" and International Accounting Standard 31 "Interests in Joint Ventures" respectively.

9.8.4 Movement Schedule for Associate and Joint Ventures

	2009				2008			
	Associate		Joint Venture		Associate		Joint Venture	
	FCIBL	FNBM	NAFA	UNBL	FCIBL	FNBM	NAFA	UNBL
	..........Rupees in '000'..........				..........Rupees in '000'..........			
Opening Balance	255,106	82,432	102,999	2,348,412	250,964	90,377	80,327	2,120,341
Addition	—	—	—	—	—	—	—	—
Dividend paid	—	—	—	(26,048)	—	—	—	—
Share of Profit / (Loss) for the year	4,088	1,150	(7,987)	(33,728)	4,142	2,148	22,672	105,861
Exchange Translation Reserve -net of Tax	—	—	—	275,481	—	—	—	(222,060)
Surplus (Deficit) on Revaluation of Properties / Securities	—	10,069	—	(246,867)	—	(10,093)	—	344,270
Closing Balance	259,194	93,651	95,012	2,317,250	255,106	82,432	102,999	2,348,412

9.9 Investments in subsidiaries

	Percentage holding	2009	2008
		Rupees in '000'	
National Agriculture Limited	100.00	2,000	2,000
Cast-N-Link Products Limited	76.51	1,245	1,245
		3,245	3,245
Less: Provision for diminution in value of investments		(3,245)	(3,245)
		—	—

		Note	2009	2008
			Rupees in '000'	
9.10	**Particulars of provision for diminution in value of investments**			
	Opening balance		1,542,273	1,173,593
	Charge for the year		872,241	394,409
	Reversals		(220,959)	(22,680)
			651,282	371,729
	Amount written off		(6,368)	(3,049)
	Closing Balance		2,187,187	1,542,273

		Note	2009	2008
9.10.1	**Particulars of provision in respect of type and segment**			
	Available-for-sale securities			
	Ordinary shares of listed companies and mutual funds		957,755	394,409
	Ordinary shares of unlisted companies		115,514	115,514
	Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		3,987	—
	Held-to-maturity securities			
	Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		704,446	626,865
	Investment in Associates	9.7	402,240	402,240
	Investment in Subsidiaries	9.9	3,245	3,245
			2,187,187	1,542,273

		2009	2008
9.11	**Unrealized gain on revaluation of investments classified as Held-for-trading**		
	Ordinary shares of listed companies	430	(4,085)
	Federal Government Securities	1,925	5,792
		2,355	1,707

9.12 Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Sukuks etc. including quality of available-for-sale securities is given in Annexure-I to the financial statements.

9.13 Provision for diminution (impairment loss) in value of available-for-sale listed equity shares and mutual fund units

Due to unprecedented decline in equity security prices and prevalent financial crisis in previous year, the SBP vide its BSD Circular No. 4 dated February 13, 2009 had allowed that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as 'available-for-sale' to quoted market prices, may be shown under the equity and to be transferred to profit and loss account on quarterly basis during the financial year 2009.

In light of the above circular, the impairment loss on equity securities classified as available-for-sale aggregating to Rs. 2,028 million (net of tax Rs. 1,782 million) as on December 31, 2008 had not been recognized as impairment in the profit and loss account for that year in accordance with the option provided by SBP through the aforementioned circular. Had that loss been recognized as impairment in the profit and loss account, the profit before tax and after tax for the year ended December 31, 2008 would have been reduced by the said amounts and earnings per share would have been reduced by Rs. 1.88 per share.

In the current year, the bank recorded total impairment loss of Rs. 550 million after making quarterly adjustments. Therefore, the bank did not retain any impairment loss in equity as on December 31, 2009.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000'	
10. ADVANCES - net			
Loans, cash credits, running finances, etc.			
In Pakistan		468,860,532	389,450,214
Outside Pakistan		39,050,979	45,292,545
		507,911,511	434,742,759
Net investment in finance lease			
In Pakistan	10.2	365,210	467,392
Outside Pakistan		—	—
		365,210	467,392
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		2,854,682	2,973,812
Payable outside Pakistan		19,911,141	19,518,940
		22,765,823	22,492,752
Margin Financing		60,963	255,453
Advances - gross	10.1	531,103,507	457,958,356
Less: Provision for non-performing advances	10.4	55,765,068	44,881,966
Advances - net of provision		475,338,439	413,076,390

10.1 Particulars of advances - gross

		2009	2008
10.1.1	In local currency	472,523,181	384,870,383
	In foreign currencies	58,580,326	73,087,973
		531,103,507	457,958,356
10.1.2	Short term (for upto one year)	366,570,838	334,777,881
	Long term (for over one year)	164,532,669	123,180,475
		531,103,507	457,958,356

10.2 Net investment in finance lease

	2009				2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	205,038	118,885	—	323,923	332,927	96,424	—	429,351
Residual value	54,573	41,275	—	95,848	—	112,502	—	112,502
Minimum lease payments	259,611	160,160	—	419,771	332,927	208,926	—	541,853
Financial charges for future periods	45,436	9,125	—	54,561	34,746	39,715	—	74,461
	214,175	151,035	—	365,210	298,181	169,211	—	467,392

The leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintained financial ratios, as required under the SECP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 10.75% to 18% and KIBOR + 2% (2006: 10.75% to 18% and KIBOR + 2%) per annum.

10.3 Advances include Rs.71,174 million (2008: Rs.56,503 million) which have been placed under non-performing status as detailed below:-

	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000'								
Category of Classification									
Other Assets Especially Mentioned	748,091	—	748,091	—	—	—	—	—	—
Substandard	6,868,363	2,639	6,871,002	1,497,832	660	1,498,492	1,497,832	660	1,498,492
Doubtful	6,595,335	648,234	7,243,569	2,870,299	324,117	3,194,416	2,870,299	324,117	3,194,416
Loss	55,013,578	1,297,794	56,311,372	48,433,404	623,842	49,057,246	48,433,404	623,842	49,057,246
	69,225,367	1,948,667	71,174,034	52,801,535	948,619	53,750,154	52,801,535	948,619	53,750,154

	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000'								
Category of Classification									
Other Assets Especially Mentioned	667,170	—	667,170	—	—	—	—	—	—
Substandard	6,149,457	59,853	6,209,310	1,545,067	14,963	1,560,030	1,545,067	14,963	1,560,030
Doubtful	9,760,535	28,682	9,789,217	4,811,887	14,341	4,826,228	4,811,887	14,341	4,826,228
Loss	39,103,789	733,097	39,836,886	36,262,001	122,490	36,384,491	36,262,001	122,490	36,384,491
	55,680,951	821,632	56,502,583	42,618,955	151,794	42,770,749	42,618,955	151,794	42,770,749

10.3.1 Classification of overseas non-performing advances and provisions there against has been in accordance with the accounting policy as stated in note 5.9.

10.4 Particulars of provision against non-performing advances

		2009			2008		
		Specific	General	Total	Specific	General	Total
		Rupees in '000'					
Opening balance		42,770,749	2,111,217	44,881,966	32,351,815	2,061,287	34,413,102
Exchange adjustments		8,975	25,092	34,067	20,507	65,613	86,120
Charge for the year		15,127,706	8,940	15,136,646	12,999,585	85,425	13,085,010
Reversal during the year		(3,857,538)	(130,335)	(3,987,873)	(2,373,121)	(77,522)	(2,450,643)
		11,270,168	(121,395)	11,148,773	10,626,464	7,903	10,634,367
Amounts written off	10.5	(299,738)	—	(299,738)	(590,858)	(23,586)	(614,444)
Other movements		—	—	—	362,821	—	362,821
Closing balance		53,750,154	2,014,914	55,765,068	42,770,749	2,111,217	44,881,966

10.4.1 Particulars of provision against non-performing advances:

	2009			2008		
	Specific	General	Total	Specific	General	Total
	Rupees in '000'					
In local currency	52,801,535	1,587,413	54,388,948	42,618,955	1,717,748	98,725,651
In foreign currencies	948,619	427,501	1,376,120	151,794	393,469	1,921,383
	53,750,154	2,014,914	55,765,068	42,770,749	2,111,217	44,881,966

During the year, the SBP vide its BSD Circular No.10 dated October 20, 2009 has amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are effective from September 30, 2009 has increased the percentage of benefit of Forced Sale Value (FSV) from 30% to 40% for mortgaged residential and commercial properties held as collateral against advances by the bank and aforesaid regulation also allowed the benefit of FSV in respect of mortgaged industrial properties (land and building only). FSV benefit shall be considered in determining provisioning against non-performing advances classified during the last three years.

The aforesaid changes in the computation of provisioning has resulted in reduction of provision against non-performing advances by Rs. 2,068 million and a consequent increase in profit after tax by Rs. 1,344 million.

During the year, total FSV benefit availed by the bank resulted in increase in after tax profit of Rs. 2,700 million (2008: Rs. 315 million). Accordingly, as of December 31, 2009, the accumulated increase in profit after tax of Rs.2,596 million (2008: Rs. 315 million) shall not available for payment of cash or stock dividend as required by aforementioned SBP directives.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000'	
10.5 Particulars of write offs:			
10.5.1 Against provisions	10.4	299,738	614,444
Directly charged to profit and loss account		—	—
		299,738	614,444
10.5.2 Write offs of Rs. 500,000 and above		297,597	584,160
Write offs of below Rs. 500,000	10.6	2,141	30,284
		299,738	614,444

10.6 Details of loan write off of Rs.500,000/- and above:

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs.500,000 or above allowed to a person(s) during the year ended December 31, 2009 is given in Annexure-II.

	Note	2009	2008
		Rupees in '000'	
10.7 Particulars of loans and advances to directors, associated companies, etc. :			
Debts due by directors, executives or officers & staff of the bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		17,148,248	14,326,577
Loans granted during the year		6,571,649	6,322,024
Repayments		(4,227,524)	(3,500,353)
Balance at end of year		19,492,373	17,148,248
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			
Balance at beginning of year		—	199,391
Loans granted during the year		—	—
Repayments		—	(199,391)
Balance at end of year		—	—
Debts due by controlled firms, managed modarabas and other related parties			
Balance at beginning of year		1,269,498	1,515,120
Loans granted during the year		18,444	—
Repayments		—	(245,622)
Balance at end of year		1,287,942	1,269,498
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,477,125	1,019,059
Property and equipment	11.2	23,694,432	23,232,627
Intangible assets	11.3	29,313	20,278
		25,200,870	24,271,964
11.1 Capital work-in-progress			
Civil works		869,357	481,881
Equipments		3,088	2,249
Advances to suppliers and contractors		98,787	110,813
License Fee for Core Banking Software		505,893	424,116
		1,477,125	1,019,059

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

11.2 Property and equipment

	Cost/revalued amount				Accumulated depreciation				
	At January 1, 2009	Revaluation / * transfers / (adjustments)	Additions / (deletions) (adjustments)	At December 31, 2009	At January 1, 2009	Charge for the year / (deletions)	At December 31, 2009	Book Value at December 31, 2009	Rate of depreciation
	Rupees in '000'								
Owned									
Land									
- freehold	9,516,046	—	—	9,516,046	—	—	—	9,516,046	Nil
- leasehold	7,200,877	—	3,179	7,297,134	—	—	—	7,297,134	Nil
		122,923 *							
		(29,845)							
Buildings on land:									
- freehold	2,446,909	—	57,111	2,442,383	—	124,382	124,382	2,318,001	5% on book value
		(61,637)							
- leasehold	1,929,129	90,195	285,204	2,180,285	—	100,338	100,338	2,079,947	5% on book value
		(122,923) *							
		(1,320)							
Furniture and fixtures	1,476,662	—	221,120 (3,816)	1,693,966	925,675	105,010 (2,437)	1,028,248	665,718	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives and re-furbishment of branches.
Computer & peripheral equipments	1,621,310	—	200,533	1,821,843	1,270,869	163,864	1,434,733	387,109	33% on cost
Electrical & office equipments	1,991,453	—	311,658	2,303,095	1,265,537	189,120	1,454,795	848,300	20% on book value
			(15)			(14)			
						152			
Vehicles	667,086	—	158,441	798,818	358,153	114,137	448,779	350,040	20% on cost
			(26,709)			(23,511)			
	26,849,472	90,195	1,237,246	28,053,570	3,820,234	796,852	4,591,275	23,462,296	
		(92,802)	(30,540)			(25,963)			
						152			
Assets held under finance lease									
Vehicles	169,377	—	38,379	204,074	102,212	16,094	116,117	87,958	20% on cost
			(3,682)			(2,189)			
Office equipment	2,469	—	4,890	7,359	1,640	4,965	6,605	754	20% on book value
Assets held under Ijarah									
Machinery	174,016	—	65,961	239,977	38,618	57,935	96,553	143,424	25% to 33% on cost
2009	**27,195,334**	**90,195**	**1,346,476**	**28,504,981**	**3,962,704**	**875,846**	**4,810,550**	**23,694,432**	
		(92,802)	**(34,222)**			**(28,152)**			

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

Property and equipment

	Cost/revalued amount				Accumulated depreciation					
	At January 1, 2008	Revaluation Surplus/ (deficit)	Additions / (deletions)	At December 31, 2008	At January 1, 2008	Charge for the year / (deletions)	Revaluation / (adjustments)	At December 31, 2008	Book Value at December 31, 2008	Rate of depreciation
	Rupees in '000'									
Owned										
Land										
- freehold	11,055,039	(1,539,343)	350	9,516,046	—	—	—	—	9,516,046	Nil
- leasehold	9,501,737	(2,316,548)	15,688	7,200,877	—	—	—	—	7,200,877	Nil
Buildings on land:										
- freehold	1,830,774	695,070	27,381	2,446,909	—	101,657	(101,496)	—	2,446,909	5% on book value
		(101,496)	(4,820)			(161)				
- leasehold	1,345,116	499,402	162,290	1,929,129	—	77,215	(76,961)	—	1,929,129	5% on book value
		(76,961)	(718)			(254)				
Furniture and fixtures	1,310,625	—	170,119 (4,083)	1,476,661	863,299	64,581 (2,205)	—	925,675	550,986	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives and re-furbishment of branches.
Computer & peripheral equipments	1,461,473	—	160,420	1,621,309	1,109,938	161,391	—	1,270,869	350,440	33% on cost
		—	(584)		—	(460)				
Electrical & office equipments	1,654,703	—	337,111	1,991,454	1,115,361	150,325	—	1,265,539	725,915	20% on book value
			(360)			(147)				
Vehicles	497,190	—	218,175	667,087	239,627	157,892		358,153	308,934	20% on cost
			(48,278)			(39,366)				
	28,656,657	(2,661,419)	1,091,533	26,849,472	3,328,225	713,061	(178,457)	3,820,236	23,029,236	
		(178,457)	(58,843)			(42,593)				
Assets held under finance lease										
Vehicles	163,131	—	7,798	169,377	93,318	9,775	—	102,212	67,165	20% on cost
			(1,552)			(881)				
Office equipment	820	—	1,648	2,468	655	985	—	1,640	827	20% on book value
Assets held under Ijarah										
Machinery	95,358	—	78,658	174,016	1,207	37,411	—	38,618	135,398	25% to 33% on cost
2008	**28,915,966**	**(2,661,419)**	**1,179,638**	**27,195,333**	**3,423,405**	**761,232**	**(178,457)**	**3,962,706**	**23,232,627**	
		(178,457)	**(60,395)**			**(43,474)**				

11.3 Intangible assets

	Cost			Accumulated amortization				
	At January 1, 2009	Additions	At December 31, 2009	At January 1, 2009	Charge for the year	At December 31, 2009	Book value at December 31, 2009	Rate of amortization
	Rupees in '000'							
Computer software	26,948	15,049	41,997	19,328	6,014	25,342	16,655	33.33% on cost
Website	1,041	—	1,041	1,041	—	1,041	—	33.33% on cost
Room and Membership Card	12,591	—	12,591	—	—	—	12,591	Nil
Others	2,601	—	2,601	2,534	—	2,534	67	20% `on cost
	43,181	**15,049**	**58,230**	**22,902**	**6,014**	**28,917**	**29,313**	

	Cost			Accumulated amortization				
	At January 1, 2008	Additions	At December 31, 2008	At January 1, 2008	Charge for the year	At December 31, 2008	Book value at December 31, 2008	Rate of amortization
	Rupees in '000							
Computer software	26,086	862	26,948	15,149	4,179	19,328	7,620	33.33% on cost
Website	1,041	—	1,041	1,041	—	1,041	—	33.33% on cost
Room and Membership Card	12,591	—	12,591	—	—	—	12,591	Nil
Others	2,601	—	2,601	2,534	—	2,534	67	20% on cost
	42,319	**862**	**43,181**	**18,724**	**4,179**	**22,902**	**20,278**	

11.4 Revaluation of properties

During the year a revaluation of building and construction of Bishkek branch was carried out to ascertain that assets are carried at no more than their recoverable amount. The revaluation was carried out by LLC The Agency of Services "Burana Asia" . This has resulted in surplus of Rs. 90.195 million. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2009 would have been as follows:

	Rupees in '000'
Building on leasehold land	2,623

11.5 The Islamic Banking Branches of the bank have entered into Ijarah transactions with customers during the year. The significant Ijarah transactions have been entered in respect of heavy duty earth moving machinery. The rate of profit is 6 months KIBOR + 1.5% to 2.75% and 3 months KIBOR + 2.5% to 5% (2008: 3 months KIBOR + 3% and 6 months KIBOR + 1.5%).

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

	Rupees in '000'
Not later than one year	80,534
Later than one year but not later than five years	72,552

11.6 Details of disposals of property and equipment

Details of property and equipment whose original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees respectively, whichever is lower are given below:

Particulars of assets	Original cost	Book value	Sale proceeds	Gain / (loss)	Mode of Disposal	Particulars of Purchaser
	.... Rupees in '000'					
Motor Vehicle	939	355	388	33	As per service rules on retirement	Mrs. Shahida N. Abbasi Ex - EVP
Motor Vehicle	969	517	630	113	As per service rules on separation from bank	Mr. Tajammul H. Bokhare EX - EVP
Motor Vehicle	1,506	803	376	(427)	As per service rules on separation from bank	Mr. Masood Karim Shaikh EX - SEVP
Motor Vehicle	3,598	—	2,953	2,953	Auction	Pakistan Auction Mart
Motor Vehicle	1,245	—	655	655	Auction	Pakistan Auction Mart
Motor Vehicle	969	419	769	350	As per service rules on retirement	Mr. Riaz Khokar Ex - EVP
Motor Vehicle	3,368	1,179	1,179	—	As per service rules on separation from bank	Mr. Masood Karim Shaikh EX - SEVP
Furniture and Fixtures	680	295	295	—	As per service rules on separation from bank	Mr. Masood Karim Shaikh EX - SEVP
Other assets (having book value of less than Rs.250,000 and cost of less than Rs.1,000,000)	20,948	2,503	6,753	4,250		
	34,222	6,070	13,997	7,927		

		2009	2008
		Rupees in '000'	
12.	**DEFERRED TAX ASSETS - net**		
	Deductible temporary differences on :		
	Provision for diminution in the value of investments	553,506	357,446
	Provision against advances	4,720,840	4,093,904
	Other provision	281,966	376,111
	Charge against defined benefit plans	927,443	666,181
	Provision against off-balance sheet obligation	116,622	116,622
		6,600,377	5,610,264
	Taxable temporary differences on :		
	Excess of accounting book value of leased assets over lease liabilities	(7,065)	(5,600)
	Difference between accounting book value of fixed assets and tax base	(222,293)	(169,754)
	Revaluation of securities	(2,028,859)	(895,673)
	Revaluation of fixed assets	(1,276,951)	(1,334,665)
	Others	(750)	(1,007)
		(3,535,918)	(2,406,699)
	Net deferred tax liabilities	3,064,459	3,203,565

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

12.1 Movement in temporary differences during the year

	January 1, 2008	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2008	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2009
	....	....	....	Rupees in '000'	....	....	....
Deferred tax assets rising in respect of:							
Provision for diminution in the value of investments	228,408	129,038	—	357,446	196,060	—	553,506
Provision against advances	636,600	3,457,304	—	4,093,904	626,936	—	4,720,840
Other provision	103,806	272,305	—	376,111	(94,145)	—	281,966
Charge against defined benefits plans	289,333	376,848	—	666,181	261,262	—	927,443
Provision against off-balance sheet obligations	115,222	1,400	—	116,622	—	—	116,622
	1,373,369	4,236,895	—	5,610,264	990,113	—	6,600,377
Less: Deferred tax (liabilities) arising in respect of:							
Excess of accounting book value of leased assets over lease liabilities	(3,196)	(2,404)	—	(5,600)	(1,465)	—	(7,065)
Difference between accounting book value of fixed assets and tax base	(85,259)	(84,495)	—	(169,754)	(52,539)	—	(222,293)
Revaluation of securities	(5,382,510)	—	4,486,837	(895,673)	—	(1,133,186)	(2,028,859)
Revaluation of fixed assets	(986,846)	70,246	(418,065)	(1,334,665)	66,733	(9,019)	(1,276,951)
Others	(14,618)	10,534	3,077	(1,007)	257	—	(750)
	(6,472,429)	(16,653)	4,082,161	(2,406,699)	12,729	(1,142,205)	(3,535,918)
Net deferred tax assets	(5,099,060)	4,230,776	4,071,849	3,203,565	1,024,513	(1,142,205)	3,064,459

	Note	2009	2008
		Rupees in '000'	
13. OTHER ASSETS			
Income / mark-up / interest accrued in local currency		14,888,440	12,063,169
Income / mark-up accrued in foreign currencies		870,380	1,638,916
Advances, deposits, advance rent and other prepayments	13.1	15,129,701	2,838,139
Advance taxation (payments less provisions)		8,140,008	13,761,340
Income tax refund receivable	13.5	10,805,291	—
Receivable form GoP	13.2	5,648	283,871
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		497,490	622,857
Branch adjustment account - net		2,308,352	3,194,657
Derivative: Un-realized gain on forward foreign exchange contracts		183,145	2,114,857
Commission receivable		2,755,941	1,821,824
Stationery and stamps on hand		415,733	369,751
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Receivable from Government under VHS scheme	13.4	418,599	417,875
Less: amount charged/provision		(418,599)	(417,875)
		—	—
Receivable from pension fund	34.1.2	3,666,344	4,496,943
Prize bonds on hand		235,239	311,109
Others		2,234,740	3,536,036
		62,655,023	47,572,040
Less: Provision held against other assets			
Income / mark-up accrued in local currency / foreign currencies		327,081	327,081
Advances, deposits, advance rent and other prepayments		800,000	400,000
Stationery and stamps on hand		51,200	51,200
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Others	13.6.1	1,393,144	1,362,952
	13.6	3,089,996	2,659,804
		59,565,027	44,912,236

13.1 This includes Rs.13,547 million (2008: Rs.800 million) advance against Pre-IPO placement of Term Finance Certificates.

13.2 Upon dissolution of CIRC and take over by the bank with effect from September 22, 2006, the said amount represents receivable from GoP.

13.3 This represents amount receivable from Government of Pakistan on account of encashment of various instruments handled by the bank for Government of Pakistan as an agent of SBP.

13.4 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from Government of Pakistan. Due to uncertainty about its recoverability, full amount has been provided for.

13.5 During the year, various appeal effects from Income Tax Appellate Tribunal (ITAT) pertaining to assessment years 1998 - 1999 to 2002 - 2003 and tax year 2006 and 2007 were received, which resulted in determined refunds. The Federal Board of Revenue (FBR) will issue bonds in lieu of these determined refunds.

	Note	2009	2008
		Rupees in '000'	
13.6 Provisions against other assets			
Opening balance		2,659,804	1,895,840
Charge for the year		582,771	768,119
Reversals		(152,579)	(4,155)
Closing balance		3,089,996	2,659,804

13.6.1 This includes Rs. 800 million (2008: Rs. 400 million) as provision against Pre-IPO of one Term Finance Certificate.

	Note	2009	2008
14. BILLS PAYABLE			
In Pakistan		10,546,471	10,147,427
Outside Pakistan		74,698	71,634
		10,621,169	10,219,061
15. BORROWINGS			
In Pakistan		44,707,396	38,309,981
Outside Pakistan		120,742	1,734,310
	15.1 & 15.2	44,828,138	40,044,291
15.1 Particulars of borrowings with respect to currencies			
In local currency		44,707,396	38,309,981
In foreign currencies		120,742	1,734,310
	15.2	44,828,138	40,044,291
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme		7,028,312	4,921,924
Long Term Financing under Export Oriented Project (LTF- EOP)		2,587,196	2,971,599
Under Locally Manufactured Machinery (LMM) scheme		1,436,715	—
Finance to payoff liabilities relating to former MBL		—	188,000
		11,052,223	8,081,523
Repurchase agreement borrowings		24,558,891	23,460,682
		35,611,114	31,542,205
Unsecured			
Call borrowings		9,081,987	8,259,310
Overdrawn nostro accounts		64,237	171,976
Others		70,800	70,800
		9,217,024	8,502,086
		44,828,138	40,044,291

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

15.2.1 Mark-up / interest rates and other terms are as follows:

- — The bank has entered into agreements with SBP for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the date of maturity of finances by directly debiting the current account maintained by the bank with SBP. Export refinance loans from SBP are at the rate of 7.0% per annum (2008: 7.5% per annum).
- — Call borrowings carry interest ranging from 11.25% to 12.65% per annum (2008: 12% to 16.5% per annum).
- — Repurchase agreement borrowings carry mark-up at the rate of 9.25% to 12.1% per annum (2008: 8.75% to 15% per annum).
- — Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2008: 10% per annum).

15.3 Borrowings from State Bank of Pakistan (SBP) under export oriented projects refinance schemes of SBP are secured by bank's cash and security balances held by SBP.

	Note	2009	2008
		Rupees in '000'	
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		194,851,862	142,315,907
Savings deposits		196,374,087	179,807,686
Current Accounts - Remunerative		74,321,341	50,740,004
Current Accounts - Non-remunerative		169,043,847	143,412,718
		634,591,137	516,276,315
Financial Institutions			
Remunerative deposits		48,399,678	38,438,503
Non-remunerative deposits		43,522,198	70,634,451
		91,921,876	109,072,954
	16.1	726,513,013	625,349,269

16.1 Particulars of deposits

	2009	2008
In local currency	574,913,643	470,899,374
In foreign currencies [including deposits of foreign branches of Rs. 116,561 million (2008: Rs. 124,533 million)]	151,599,370	154,449,895
	726,513,013	625,349,269

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2009			2008		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future Periods	Principal outstanding
	.... Rupees in '000'			.... Rupees in '000'		
Not later than one year	24,624	5,611	19,013	17,796	2,567	15,229
Later than one year and not later than five years	27,306	3,690	23,616	11,335	1,290	10,045
	51,930	9,301	42,629	29,131	3,857	25,274

The Group has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 0.9% to KIBOR + 4.00% per annum (2008: 11.59% to 19.65% per annum and KIBOR + 2.25% to KIBOR + 4.00% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000'	
18. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		11,948,693	8,809,941
Mark-up/ return/ interest payable in foreign currencies		564,017	1,019,751
Unearned commission and income on bills discounted		218,041	133,324
Accrued expenses		2,128,112	1,937,496
Advance Payment		7,343	210,883
Unclaimed dividends		33,494	23,494
Derivative :			
Un-realized loss on forward foreign exchange contracts		1,253,135	2,657,506
Un-realized loss on derivative financial instruments		2,260,864	2,065,687
Provision against off-balance sheet obligations	18.1	450,061	429,824
Employment benefits:			
Post retirement medical benefits	34.1.3	3,407,225	2,946,554
Compensated absences	34.2	2,397,308	2,246,752
Benevolent fund	34.1.4	838,123	765,748
Gratuity scheme	34.1.5	123,789	106,270
Staff welfare fund		371,257	424,880
Liabilities relating to:			
Bangladesh (Former East Pakistan)		—	227,089
Barter trade agreements		11,657,389	11,001,952
Special separation packages		78,422	78,422
Payable to GOP for acquisition of assets from CIRC	12.2	232,460	638,772
Others [including provision of Rs. 246 million (2008: Rs. 246 million) for contingencies]		4,486,036	4,263,756
		42,455,768	39,988,101

18.1 Provision against off balance sheet obligations

	2009	2008
Opening balance	429,824	425,824
Charge for the year	20,237	4,000
Closing balance	450,061	429,824

18.1.1 This represents provision against non-funded exposure of borrowers where the bank considers that the borrower will not be able to meet its contractual obligations at the time of amount becoming due.

19. SHARE CAPITAL

19.1 Authorized Capital

2008	2009		2009	2008
Number of shares			Rupees in '000'	
1,000,000,000	2,500,000,000	Ordinary shares of Rs.10 each	25,000,000	10,000,000

19.2 Issued, subscribed and paid-up

2008	2009		2009	2008
		Ordinary shares of Rs.10 each		
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
756,587,100	935,982,200	Issued as fully paid bonus shares	9,359,822	7,565,871
896,975,100	1,076,370,200		10,763,702	8,969,751

The Federal Government and the SBP held about 75.60% shares of the bank as at the year ended December 31, 2009 (2008: 75.60%).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

		Note	2009	2008
			Rupees in '000'	
20.	**SURPLUS ON REVALUATION OF ASSETS - net**			
	Available-for-sale securities	20.1	7,438,463	3,647,140
	Fixed assets	20.2	17,387,804	17,677,429
			24,826,267	21,324,569
20.1	**Surplus on revaluation of available-for-sale securities - net of tax**			
	Federal Government Securities		(106,461)	(872,274)
	Term Finance Certificates		(763,248)	(84,886)
	Quoted Shares and mutual fund's		1,740,074	(491,588)
	Overseas GoP Bonds		556,772	(679,108)
	NIT Units		616,024	2,386,570
	NIT Market Opportunity Fund		360,573	(796,196)
	Bank Al-Jazira		7,063,613	5,090,388
			9,467,347	4,552,906
	Deferred tax liability recognised	12	(2,028,859)	(895,673)
	Share of revaluation loss on securities of associates		(25)	(10,093)
			7,438,463	3,647,140
20.2	**Movement in surplus on revaluation of properties**			
	Surplus on revaluation on January 1,		18,667,824	21,529,945
	Net surplus on revaluation of bank's properties during the year		90,195	(2,661,419)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax		(123,934)	(130,456)
	Related deferred tax liability		(66,733)	(70,246)
			(190,667)	(200,702)
			18,567,352	18,667,824
	Less: Related deferred tax liability on:			
	Revaluation as at January 1,		1,334,665	986,846
	Revaluation of bank's properties during the year		9,019	418,065
	Incremental depreciation charged during the year transferred to profit and loss account		(66,733)	(70,246)
		12	1,276,951	1,334,665
	Share of surplus on revaluation of properties of joint venture		97,403	344,270
	Surplus on revaluation of fixed assets on December 31,		17,387,804	17,677,429

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

Includes general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities in favor of:

	2009	2008
— Government	17,443,452	15,444,979
— Financial institutions	4,469,377	5,873,517
— Others	11,214,383	11,762,514
	33,127,212	33,081,010

21.2 Transaction-related contingent liabilities

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

	2009	2008
— Government	18,524,777	18,660,550
— Financial institutions	4,232,783	5,060
— Others	9,237,363	7,904,339
	31,994,923	26,569,949

		2009	2008
		Rupees in '000'	
21.3	**Trade-related contingent liabilities**		
	Letters of credit		
	Issued in favour of		
	— Government	126,151,618	133,467,937
	— Financial institutions	161,208	1,007,327
	— Others	38,736,236	36,292,676
		165,049,062	170,767,940
21.4	**Other Contingencies**		
	Claim against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 175 million (2008: Rs.172 million) and claims relating to former MBL amounting to Rs.965 million (2008: Rs.965 million)].	6,561,411	11,442,569

21.4.1 Taxation

The income tax returns of the bank for global operations and for Azad Jammu Kashmir have been filed under section 120 and amended by the Taxation Officer under section 122(5A) of the Income Tax Ordinance, 2001 upto the tax year 2009 (accounting year ended December 31, 2008).

During the year, the bank received various appellate decisions from the Income Tax Appellate Tribunal (ITAT) from assessment year 1998-99 through assessment year 2002-2003, in which substantial reliefs were allowed including matters related to interest credited to suspense account. Also appeal effects of such decisions have been obtained from the tax department giving rise to aggregate tax refund of Rs. 10,800 million.

The management has also taken effects of the decisions by bringing the tax provision created in the books of account as at December 31, 2008, equal to the tax demands determined in rectified orders upto the tax year 2009, except on four matters under appeal where management is confident that the appellate decisions will provide necessary relief to the bank. These matters are interest credited to suspense account, allocation of common expenditure between taxable and exempt / low tax rate, disallowance for bad debts on the basis of State Bank of Pakistan certificates and disallowance of loss on Barter Trader Balances.

The aggregate effect of aforementioned contingencies amounts to Rs. 7,368 million (2008: Rs. 14,024 million). No provision has been made against the aforementioned four matters based on the opinion of tax consultants of the bank who expect favourable outcome from the appellate forums where appeals are pending adjudication.

21.4.2 Provident Fund

In 1977, in accordance with the GoP policy, the bank's employees' benefits were changed from the Contributory Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The bank considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of bank's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in the year 1980 before Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Inter Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the division bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, appeal was finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal interpretation obtained, commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977. Bank's review petition against this judgment of Supreme Court was dismissed.

For the purpose of settlement, interest was calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield of Central Government Rupee Loans of twenty years maturity or thereabout and such interest was calculated in accordance with Rule 19, i.e. to ex-employees upto the date of retirement or death and upto the date of payment in case of serving employees.

Some Ex-Employees not being satisfied with the payment filed contempt petition against the bank in 2004. The petitioners claimed that the amount being paid to them against bank's contribution is far less than that due to them. The bank filed a reply and submitted before the Honourable Court that the payment being made is in accordance with the bank's Provident Fund Rules.

A review petition has been filed by the petitioners against the judgment of Honourable Supreme Court of Pakistan dated May 04, 2009, which has not been admitted so far.

The difference / excess interest amount lying in Provident Fund ledger has been adjusted in bank's books of accounts.

21.4.4 Barter Trade Agreements

In order to reduce pressure on the balance of payment, the GoP had entered into barter trade agreements with various countries and designated the NBP to handle the related transactions on behalf of GoP. Accordingly, NBP executed banking arrangements with the designated banks of these countries and opened accounts in their names. In one of the barter agreement, repayments made to NBP by the GoP could not be utilized due to non-finalization of repayment arrangements after 1994 at Government level, which was required under the relevant barter agreement. The concerned bank is now demanding payment of interest on the balances in its accounts with NBP. Since these balances are maintained in current accounts and there is also no clause for payment of any interest in the relevant banking arrangement, therefore the bank strongly refused such claims.

21.4.5 Golden Handshake (GHS)

In 1997 Golden Handshake Scheme (GHS) was introduced with the cut-off date of October 31, 1997. However, despite the lapse of due date, many GHS optees continued their services till 1998 and 1999. In February 1998, a circular was issued for enhancement in salaries, which was not applicable to GHS optees. In calculating dues of GHS optees, their pensionary benefits were taken uptill the cut-off date of August 10, 1997. Such employees filed suit against the bank in various courts including Federal Services Tribunal and the High Court for enhancement/recalculation of their dues.

In some cases, High Court decided against the bank, despite the disclaimer signed by such optees not to claim any more benefits than what the bank had worked out. This disclaimer came up for interpretation before the Supreme Court, which upheld the bank's view that such disclaimer bars / prohibits the optees to claim any excess amount than what they had received.

Lahore and Sindh High Courts, in some cases, decided against the bank, and directed it, to pay additional benefits by calculating upto the actual date of the optees released from the service. In response the bank filed petitions against both Lahore and Sindh High Courts, for leave to appeal, which has been granted to the bank for re-examining the issue afresh.

The previous order of the Supreme Court as mentioned above is conclusive. However, in case a larger bench reverses the earlier decision, the benefits claimed can be payable only to the plaintiffs.

		2009	2008
		Rupees in '000'	
21.5	**Commitments in respect of forward exchange contracts**		
	Purchase	87,829,307	69,361,297
	Sale	38,568,464	55,563,737
21.6	**Commitments in respect of trading of government securities**		
	Sale	5,000,000	5,200,000
	Purchase	—	5,200,000
21.7	**Commitments for the acquisition of operating fixed assets**	1,537,996	490,396
21.8	**Other commitments**		
	— Cross currency swaps	6,914,649	8,082,780
21.9	**Commitments for purchase pf NIT Market Opportunity Fund units**	—	200,000
21.10	**Commitments for Investment in NIT Enterprise Fund**	—	7,000,000

22. DERIVATIVE INSTRUMENTS

22.1 The bank is involved in derivative transactions including interest rate swaps, cross currency swaps and equity futures. The bank also enter into forward foreign exchange contracts, the un-realized gain and loss on such contracts are disclosed in note 13 and 18 respectively.

The Asset Liability Committee regularly reviews the bank's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The bank has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are mentioned in note 5.7.

22.2 Product Analysis

	2009							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		FX Options	
Counterparties	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	6,914,649	-	-	-	-
	-	-	10	6,914,649	-	-	-	-

	2008							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		FX Options	
Counterparties	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)	No. of Contracts	Notional Principal (Rupees in '000)
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	8,082,780	-	-	-	-
	-	-	10	8,082,780	-	-	-	-

22.3 Maturity Analysis

Cross Currency Swaps

	2009 ----------------- Rupees in '000 -------------------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
3 to 5 Years	10	6,914,649	8,786,137	6,525,273	(2,260,864)

	2008 ----------------- Rupees in '000 -------------------				
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
3 to 5 Years	2	1,475,890	5,085,538	3,976,549	(1,108,989)
5 to 10 years	8	6,606,890	5,057,839	4,101,141	(956,698)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

		Note	2009	2008
			Rupees in '000'	
23.	**MARK-UP / RETURN / INTEREST EARNED**			
	On Loans and advances to:			
	Customers		53,426,190	42,386,209
	Financial institutions		1,252,607	726,789
			54,678,797	43,112,998
	On Investments in:			
	Held for trading securities		2,578,487	1,306,934
	Available-for-sale securities		16,346,889	9,795,484
	Held to maturity securities		957,938	2,325,658
			19,883,314	13,428,076
	On Deposits with financial institutions		1,739,502	2,955,971
	On securities purchased under resale agreements		1,823,183	1,532,721
	On derivative financial instruments		—	122,052
			78,124,796	61,151,818
24.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		36,415,573	22,478,370
	Securities sold under repurchase agreements		1,817,889	766,533
	Short-term borrowings		1,214,829	520,691
	Long-term borrowings		—	12,710
	On derivative financial instruments		—	99,500
			39,448,291	23,877,804
25.	**GAIN ON SALE AND REDEMPTION OF SECURITIES - net**			
	Federal Government Securities			
	Market Treasury Bills		236,871	41,987
	Pakistan Investment Bonds		25,139	(32,861)
			262,010	9,126
	Gain on Redemption of NIT Units - LOC Holder's Fund	9.5.1	3,875,689	—
	Shares and Mutual Funds		271,194	383,527
	Gain on Sale of Foreign Government / Corporate Securities		184,148	—
	Ijara Sukkuk		—	4,465
			4,593,041	397,118
26.	**OTHER INCOME**			
	Rent on property		40,047	24,467
	Net profit on sale of property and equipment	11.6	7,927	7,960
	Others	26.1	504,976	1,223,476
			552,950	1,255,903

26.1 This includes Rs. Nil (2008: Rs. 988 million) for compensation of delayed refunds determined under Section 121 of Income Tax Ordinance 2001.

	Note	2009	2008
		Rupees in '000'	
27. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		13,299,352	11,393,654
Charge for defined benefit plan	27.3	2,400,444	1,018,791
Non-executive directors' fees, allowances and other expenses	35	17,994	9,131
Rent, taxes, insurance, electricity, etc.		1,297,121	1,033,976
Legal and professional charges		245,669	210,659
Communications		401,866	473,349
Repairs and maintenance		330,293	261,839
Finance charges on leased assets		10,496	10,751
Stationery and printing		828,410	581,582
Advertisement and publicity		239,138	171,573
Donations	27.1	102,950	33,449
Auditors' remuneration	27.2	100,160	73,455
Depreciation	11.2	875,846	761,231
Amortisation	11.3	6,014	4,179
Conveyance		109,879	115,198
Entertainment		41,040	35,756
Travelling		251,908	232,537
Security services		912,702	752,133
Outsourcing		141,121	284,337
Others		1,204,261	905,763
		22,816,665	18,363,344

27.1 Donations include following amounts exceeding Rs. 0.1 million.

	2009	2008
Quaid-e-Azam Academy	250	—
Poor Patients Aid Society - Civil Hospital	100	—
Institute of Business Administration	50,000	—
Armed forces Institute of Cardiology, NIHD	500	—
Marie Adelaide Leprosy Centre	2,000	—
Agha Khan Hospital & Medical College Foundation	100	—
Chief Minister (NWFP) Fund for Internally Displaced Persons	10,000	—
Prime Minister Fund for Internally Displaced Persons	40,000	—
Ali Hassan Mangi Memorial Trust	—	450
Establishment of Central Library at NAB Headquarter Islamabad	—	1,000
Fund Raising Campaign for Earthquake victims of Peoples Republic of China	—	1,000
Chief Minister (N.W.F.P.) Flood Relief Fund	—	7,000
Balochistan Chief Minister Earthquake Relief Fund	—	10,000
Home Department, Government of Sindh Police	—	13,990
	102,950	33,440

None of the directors / executives or their spouses have any interest in the donee, except Mr. Tariq Kirmani who is the member Board of the Governors' in Marie Adelaide Leprosy Centre.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

27.2 Auditors' remuneration

	M.Yousuf Adil Saleem & Co.	Anjum Asim Shahid Rahman	2009 Total	2008 Total
	Rupees in '000'			
Audit fee - Annual	5,660	5,660	11,320	5,708
- Interim	1,980	1,980	3,960	3,168
Fee for audit of domestic branches	4,600	4,600	9,200	7,980
Fee for taxation, special certifications and sundry advisory services	6,313	15,657	21,970	4,720
Fee for audit of overseas branches & subsidiary including advisory services and out-of-pocket expenses	—	—	48,617	47,783
Fee for audit of subsidiaries	815	278	1,093	1,096
Out-of-pocket expenses	2,000	2,000	4,000	3,000
	21,368	30,175	100,160	73,455

27.3 This includes Rs 1,416 million (2008: Nil) additional charge for pension fund due to revision in pension factor.

	Note	2009	2008
		Rupees in '000'	
28. OTHER CHARGES			
Penalties imposed by SBP		321,647	562,535
Others		—	20,826
		321,647	583,361
29. TAXATION			
For the year			
Current	29.1	9,261,621	11,797,821
Deferred		(1,024,513)	(4,230,776)
	29.2	8,237,108	7,567,045
For prior years			
Current		(4,137,307)	(1,813)
		4,099,801	7,565,232

29.1 Current taxation includes Rs. 611 million (2008: Rs. 612 million) of overseas branches.

29.2 Relationship between tax expense and accounting profit

	2009	2008
Accounting profit before tax	22,198,843	23,249,288
Income tax at statutory rate @ 35% (2008: 35%)	7,769,595	8,137,251
Increase / (decrease) in taxes resulting from:		
Inadmissible differences	293,017	171,151
Income taxed at reduced rate	(1,458,958)	(826,357)
Timing differences no more available	1,623,454	—
Overseas taxation	10,000	85,000
Prior year tax effects	(4,137,307)	(1,813)
Tax charge for current year	4,099,801	7,565,232

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

			2009	2008
30.	**BASIC EARNINGS PER SHARE**			
	Profit attributable to shareholders of the bank	**Rupees in '000'**	18,100,811	15,681,084
	Weighted average number of ordinary shares	**Numbers in '000'**	1,076,370	1,076,370
	Basic earnings per share	**Rupees**	16.82	14.57

30.1 Earnings per share for the year 2008 has been restated for the effect of bonus shares issued during the year.

31. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

		2009	2008
		Rupees in '000'	
32.	**CASH AND CASH EQUIVALENTS**		
	Cash and Balance with Treasury Banks	116,668,514	106,778,346
	Balance with other banks	28,786,397	39,490,729
	Overdrawn nostros	(64,237)	(171,976)
		145,390,674	146,097,099

		2009	2008
		Number	
33.	**STAFF STRENGTH**		
	Permanent	15,607	15,219
	Temporary/on contractual basis	1,689	796
	Total Staff Strength	17,296	16,015

33.1 In addition to the above, the group is utilizing the services of other companies for outsourcing purposes and the number of persons deployed by such companies as at year end are 6,406 (2008: 6,010).

34. DEFINED BENEFIT PLANS

34.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.12 to the financial statements.

Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2009 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2009	2008
Salary increase	14% per annum	14% per annum
Discount rate	14% per annum	14% per annum
Expected rate of return on plan assets	14% per annum	14% per annum
Pension indexation rate	10% per annum	10% per annum
Rate of inflation in the cost of medical benefits	10% per annum	10% per annum
Exposure Inflation Rate	3% per annum	3% per annum
Number of employees covered under retirement benefit plan	14,565	14,344

		2009	2008
		Rupees in '000'	
34.1.2	**Reconciliation of (recoverable from) pension fund**		
	Present value of defined benefit obligations	19,523,049	15,011,555
	Fair value of any plan assets	(19,781,585)	(17,738,992)
	Net actuarial gains or losses not recognized	(2,625,022)	(1,587,558)
	Past Service Cost - Non Vested	(782,786)	(181,948)
		(3,666,344)	(4,496,943)

The recognized amount has been restricted to present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

	2009	2008
Movement in (recoverable from) pension fund		
Opening net assets	(4,496,943)	(3,676,345)
Charge for the year	1,462,139	(157,789)
Contribution to the fund made during the year:	(631,540)	(662,809)
Closing balance	(3,666,344)	(4,496,943)
Charge for pension fund		
Current service cost	412,018	342,649
Interest cost	2,101,618	1,270,405
Expected return on plan assets	(2,483,459)	(1,950,339)
Actuarial (gains) / losses recognized	—	(106,605)
Past Service Cost -Vested	1,431,962	286,101
	1,462,139	(157,789)
Actual return on plan assets	2,295,198	1,870,261

34.1.2.1 Reconciliation of (recoverable from) pension fund for the five years are as follows:

	2009	2008	2007	2006	2005
	.... Rupees in '000'				....
Present value of defined benefit obligations	19,523,049	15,011,555	12,704,049	12,069,249	10,085,072
Fair value of plan assets	(19,781,585)	(17,738,992)	(19,503,391)	(17,333,982)	(13,615,308)
Net actuarial gains not recognized	(2,625,022)	(1,587,558)	3,122,997	2,312,800	1,006,568
Past Service Cost - Non Vested	(782,786)	(181,948)	—	—	—
	(3,666,344)	(4,496,943)	(3,676,345)	(2,951,933)	(2,523,668)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

		Note	2009	2008
			Rupees in '000'	
34.1.3	**Reconciliation of payable to medical benefit plan**			
	Present value of defined benefit obligations		3,432,771	2,909,308
	Fair value of plan assets		—	—
	Net actuarial (gains)/ losses not recognized		(25,546)	37,246
		18	3,407,225	2,946,554
	Movement in liability recognized			
	Opening net assets		2,946,554	2,582,476
	Charge for the year		522,657	380,084
	Benefits paid		(61,986)	(16,006)
			3,407,225	2,946,554
	Charge for medical benefit plan			
	Current service cost		115,354	107,422
	Interest cost		407,303	272,662
			522,657	380,084

Reconciliation of payable to medical benefit plan for the five years are as follows:

	2009	2008	2007	2006	2005
	Rupees in '000'				
Present value of defined benefit obligations	3,432,771	2,909,308	2,726,617	2,595,291	2,303,706
Net actuarial (losses) / gains not recognized	(25,546)	37,246	(144,141)	(318,705)	(301,957)
	3,407,225	2,946,554	2,582,476	2,276,586	2,001,749

Effect of 1% movement in assumed medical cost trend rate

	2009		2008	
	Increase	Decrease	Increase	Decrease
	Rupees in '000'			
Impact on obligations	371,037	(270,479)	111,540	(86,842)
Impact on cost	120,367	(9,830)	22,685	(17,403)

		Note	2009	2008
			Rupees in '000'	
34.1.4	**Movement in net liability recognized for benevolent fund**			
	Opening net liability		765,748	759,957
	Charge for the year		114,022	53,256
	Benefits paid		(41,647)	(47,465)
		18	838,123	765,748
	Charge for benevolent fund			
	Current service cost		13,317	18,592
	Interest cost		107,205	75,996
	Actuarial gains recognized		(6,500)	(41,332)
			114,022	53,256

Reconciliation of net liability recognized for benevolent fund for the five years are as follows:

	2009	2008	2007	2006	2005
	Rupees in '000'				
Opening net liability	765,748	759,957	802,937	729,725	733,572
Net charge for the year	114,022	53,256	22,756	129,185	56,242
Benefits paid	(41,647)	(47,465)	(65,736)	(55,973)	(60,089)
	838,123	765,748	759,957	802,937	729,725

		Note	2009	2008
			Rupees in '000'	
34.1.5	**Reconciliation of payable to gratuity benefit plan**			
	Present value of defined benefit obligations		136,211	116,216
	Net actuarial losses not recognized		(12,422)	(9,946)
		18	123,789	106,270
	Movement in net liability recognized			
	Opening liability		106,270	66,708
	Charge for the year		41,419	42,424
	Benefits paid		(23,900)	(2,862)
			123,789	106,270
	Charge for gratuity benefit plan			
	Current service cost		25,149	23,133
	Interest cost		16,270	8,210
	Past service cost to be recognized		—	11,081
			41,419	42,424

34.2 Other employee benefits

34.2.1 Movement in net liability recognized for compensated absences

	Note	2009	2008
Opening net liability		2,246,752	1,662,930
Charge for the year		255,887	696,627
Benefits paid during the year		(105,331)	(112,805)
	18	2,397,308	2,246,752

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

	2009	2008	2007	2006	2005
	.... Rupees in '000'				
Opening net liability	2,246,752	1,662,930	1,639,708	1,521,326	1,219,566
Net charge for the year	150,556	583,822	23,222	118,382	301,760
	2,397,308	2,246,752	1,662,930	1,639,708	1,521,326

34.3 Expected contributions to be paid to the funds in the next financial year

	2010			
	Pension funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
	.... Rupees in '000'			
Contributions to be paid	695,262	131,279	589,042	52,554

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000'					
Fees	—	—	17,994	8,476	—	—
Managerial remuneration	10,200	8,760	—	—	381,504	307,313
Charge for defined benefit plan	—	—	—	—	247,812	63,157
Rent and house maintenance	6,840	5,616	—	—	190,388	153,659
Utilities	1,228	1,593	—	—	45,998	36,965
Medical	153	222	—	—	48,149	35,015
Conveyance	—	—	—	—	102,529	84,701
Leave fare assistance	10,200	7,440	—	—	—	—
Bonus and others	29,516	28,441	—	—	287,546	220,694
	58,137	52,072	17,994	8,476	1,303,926	901,504
Number of persons	1	1	6	6	507	377

The President and certain executives are also provided with free use of the bank's cars, household equipment and free membership of clubs.

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

This note does not include particulars of directors, chief executives and executives of subsidiaries.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 9.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the 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 Group's accounting policy as stated in note 5.7.

The maturity and re-pricing profile and effective rates are stated in notes 41.4.1 and 41.3.3 respectively.

In the opinion of 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.

37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
	----------	----------	----------	----------	Rupees in '000'	----------	----------	----------	----------
2009									
Total income	479,695	1,140,457	16,231,209	34,144,722	1,698,986	4,003,358	10,249	77,162	-
Total expanses	575	374,277	11,461,074	19,887,565	1,254,884	2,519,658	13,262	75,700	-
Net income (loss)	479,120	766,180	4,770,135	14,257,157	444,102	1,483,700	(3,013)	1,462	-
Segment Assets (Gross)	-	3,494,895	147,407,072	794,446,761	-	-	178,520	376,021	-
Segment Non Performing Loans	-	-	7,369,750	63,804,284	-	-	-	-	-
Segment Provision Required	-	-	5,118,050	50,647,018	-	-	-	-	-
Segment Liabilities	-	-	223,250,681	601,059,095	-	-	41,067	109,874	-
Segment Return on net Assets (ROA) (%)	0.00%	4.67%	3.22%	1.63%	0.00%	0.00%	-1.75%	0.38%	0.00%
Segment Cost of funds (%)	0.00%	0.00%	5.21%	4.09%	0.00%	0.00%	0.00%	0.00%	0.00%
2008									
Total income	324,911	1,652,262	15,466,851	31,538,681	1,712,732	3,161,901	15,481	84,671	-
Total expenses	596	283,224	9,399,935	17,751,203	1,156,361	2,034,721	10,261	71,903	-
Net income (loss)	324,315	1,369,038	6,066,916	13,787,478	556,371	1,127,180	5,220	12,768	-
Segment Assets (Gross)	-	2,766,005	121,089,466	695,661,364	-	-	166,582	393,785	-
Segment Non Performing Loans	-	-	7,580,770	48,921,813	-	-	-	-	-
Segment Provision Required	-	-	4,077,787	40,804,179	-	-	-	-	-
Segment Liabilities	-	-	161,634,627	553,835,694	-	-	32,281	123,394	-
Segment Return on net Assets (ROA) (%)	0.00%	14.11%	3.80%	2.30%	0.00%	0.00%	3.26%	2.72%	0.00%
Segment Cost of funds (%)	0.00%	0.00%	3.13%	4.11%	0.00%	0.00%	0.00%	0.00%	0.00%

38. TRUST ACTIVITIES

38.1 National Investment Trust (NIT)

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale / purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately 1,430 million (2008: 1,500 million) shares with market value of Rs. 55,472 million (2008: Rs. 45,570 million) in safe custody / Central Depository Company on behalf of NIT.

38.2 Long Term Credit Fund (LTCF)

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs. 38,130 million on December 31, 2009 (2008: Rs. 40,000 million).

38.3 Endowment Fund

The Students Loan Scheme was launched by the GoP in collaboration with major commercial banks of Pakistan to facilitate meritorious students in acquiring education by offering markup free loans.

The scheme is administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance. The State Bank has assigned National Bank of Pakistan to operate the scheme.

The committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna Fund, Rs. 50 million contributed by GoP and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the fund in investments stands at Rs. 583 million as at December 31, 2009 (2008: Rs. 737 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

39. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 9 to these financial statements.

Transactions between the group and its related parties are carried out under normal course of business except employee staff loans, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

Detail of loan and advances to the companies or firms, in which the directors of the bank are interested as directors, partners or in case of private companies as members, are given in note 10.7 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approval in respect of staff retirement and other benefit plans as disclosed in note 35 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 35 and 11.7 to the financial statements.

	2009	2008
	Rupees in '000'	
Balance outstanding at year end		
Advances to:		
Associates	1,287,942	1,269,498
Key management executives *	97,439	95,931
Placements with:		
Joint venture	451,588	420,535
Investments with associates	25,881	25,881

* This includes loans extended to certain key management executives in accordance with the terms of employment.

	2009	2008
Deposits from:		
Pension fund - current account		
Opening balance	3,940,161	2,088,976
Received during the year - net	12,791,620	12,055,094
Repaid during the year - net	(16,326,430)	(10,203,909)
Closing Balance	405,351	3,940,161
Pension fund - fixed deposit account		
Opening balance	5,900,000	—
Received during the year - net	4,800,000	5,900,000
Repaid during the year - net	(3,400,000)	—
Closing balance	7,300,000	5,900,000
Provident fund		
Opening balance	8,507,300	8,078,395
Received during the year - net	3,548,530	1,351,602
Repaid during the year - net	(3,607,729)	(922,697)
Closing Balance	8,448,101	8,507,300
Income for the year		
On advances/placements with:		
Associates	—	12,841
Joint venture	2,387	3,045
Expenses for the year		
Remuneration to key management executives	247,234	201,402
Charge for defined benefit plan	46,914	6,738
On deposits of:		
Provident fund	1,493,505	946,446
Pension fund	1,295,079	142,685

39.1 Although the Federal Government and the SBP held about 75.60% shares of the bank (2008: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II

40.1 Statutory minimum capital requirement and management of capital

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

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

According to the BSD Circular No 7 dated 15th April, 2009, minimum paid up capital requirement have been revised as follows:

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

The paid-up capital of the bank for the year ended December 31, 2009 stood at Rs. 10.763 billion and is in compliance with the SBP requirement for the said year. In addition the bank has maintained minimum Capital Adequacy Ratio (CAR) of 17.23%.

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

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

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluation reserves are eligible upto 45 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

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

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

There have been no material changes in the Bank's management of capital during the year.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

		2009	2008
		Rupees in '000'	
40.2	**Tier I Capital**		
	Fully paid-up capital	10,763,702	8,969,751
	General reserves	15,865,903	14,044,718
	Unappropriated profits	62,346,595	53,567,323
	Minority Interest	110,930	112,699
		89,087,130	76,694,491
	Deductions:		
	Book value of Goodwill and Intangibles	526,588	—
	50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	1,582,553	1,594,475
	Total eligible Tier I capital	86,977,989	75,100,016
	Supplementary Capital		
	Tier II Capital		
	General Provisions subject to 1.25% of total Risk Weighted Assets	1,913,403	2,111,217
	Revaluation Reserve (upto 45%)	12,842,235	10,092,548
	Foreign exchange translation reserve	7,529,156	6,432,145
		22,284,794	18,635,910
	Deductions:		
	50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	1,582,553	1,594,475
	Total eligible Tier II capital	20,702,241	17,041,435
	Tier III Capital	—	—
	Eligible Tier III Capital	—	—
	Total eligible Capital	107,680,230	92,141,451

40.3 Capital Adequacy Ratio

			2009	2008	2009	2008
			Capital Requirements		Risk Weighted Assets	
		Note	Rupees in '000'			
Credit Risk						
Claims on:						
Public sector entities			1,236,955	498,884	12,369,548	5,543,161
Claims on other sovereigns			924,692	—	9,246,917	—
Banks			843,828	908,944	8,438,276	10,099,376
Corporates			20,912,118	18,416,975	209,121,179	204,633,061
Retail portfolio			5,998,571	5,669,345	59,985,712	62,992,724
Loans secured by residential property			643,262	608,970	6,432,618	6,766,331
Past due loans			1,951,915	1,087,289	19,519,150	12,080,993
Investment in fixed assets			2,467,428	2,184,477	24,674,282	24,271,963
Other assets			2,635,277	3,386,877	26,352,769	37,631,966
Off balance sheet - non-market related exposure			5,102,593	5,419,943	51,025,933	60,221,586
Off balance sheet - market related exposure			46,098	58,515	460,976	650,170
Equity exposure risk held in the banking book			3,212,760	227,830	32,127,604	2,531,440
			45,975,498	38,468,049	459,754,964	427,422,771
Market Risk						
Interest rate risk			252,500	311,299	2,524,996	3,458,874
Equity position risk			3,134,631	614	31,346,315	6,822
Foreign exchange risk			3,627,588	2,390,298	36,275,883	26,558,870
			7,014,719	2,702,211	70,147,194	30,024,566
Operational Risk			9,495,920	7,887,243	94,959,197	87,636,038
Total			62,486,137	49,057,504	624,861,355	545,083,375
Capital Adequacy Ratio						
Total eligible regulatory capital held	(a)	40.2	107,680,230	92,141,451		
Total Risk Weighted Assets	(b)	40.3	624,861,355	545,083,375		
Capital Adequacy Ratio	(a) / (b)		17.23%	16.90%		

Notes to the Consolidated Financial Statements

For the year ended December 31, 2009

40.4 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' for all its Credit risk Exposures.

The Bank uses reputable and SBP approved rating agencies for deriving risk weight to specific credit exposures. These are applied consistently across the Bank credit portfolio for both on - balance sheet and off - balance sheet exposures. The methodology applied for using External Credit Assessment Institutions (ECAI's) inclusive of the alignment of alpha numerical scale of each agency used with risk bucket is as per SBP Basel II guidelines as is given below:

	2009	
Exposures	**JCR - VIS**	**PACRA**
Corporates	✓	✓
Banks	✓	✓
Sovereigns	×	×
SME's	×	×
Securitisation	N / A	N / A
Others	N / A	N / A

40.5 Credit Exposures subject to Standardised Approach

		2009			2008		
Exposures	**Rating Category #**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**	**Amount Outstanding**	**Deduction CRM**	**Net Amount**
Cash and Cash Equivalents	-	9,737,921	-	9,737,921	8,489,519	-	8,489,519
Claims on Government of Pakistan	-	238,851,965	-	238,851,905	257,826,059	-	257,826,059
Foreign Currency claims on SBP	-	23,730,560	-	23,730,560	45,608,256	-	45,608,256
Claims on other sovereigns and on GoP	1	25,651,277	-	25,651,277	30,725,072	-	30,725,072
Claims on other sovereigns and on GoP	2,3,4, 5	10,021,636	-	10,021,636	-	-	-
Claims on other sovereigns and on GoP	Unrated	2,644,736	-	2,644,736	-	-	-
PSE's	1	14,321,869	583,950	13,737,919	12,373,662	-	12,373,662
PSE's	Unrated	128,855,820	109,611,891	19,243,929	6,136,857	-	6,136,857
Banks	1,2,3,4, 5	30,404,630	2,386,823	28,017,807	-	-	-
Banks	Unrated	18,065,294	12,334,328	5,730,966	50,578,679	5,976,003	44,602,676
Corporates	1	1,602,261	-	1,602,261	4,261,513	734,028	3,527,485
Corporates	2,3,4	1,211,603	-	1,211,603	278,936	39,083	239,853
Corporates	Unrated	216,622,616	8,885,000	207,737,616	209,622,740	6,346,041	203,276,699
Retail portfolio	Unrated	102,447,635	22,466,686	79,980,949	90,746,299	6,756,000	83,990,299
Secured by residential property	-	18,378,909	-	18,378,909	19,332,375	-	19,332,375
Past due loans	-	17,208,192	-	17,208,192	13,731,834	-	13,731,834
Listed Equity investments - banks	-	31,096,204	-	31,096,204	1,629,796	-	1,629,796
Unlisted equity investments	-	687,600	-	687,600	601,096	-	601,096
Investments in fixed assets	-	24,674,282	-	24,674,282	24,271,963	-	24,271,963
Other assets	-	26,352,769	-	26,352,769	37,631,966	-	37,631,966
		942,567,779	**156,268,678**	**786,299,101**	**813,846,622**	**19,851,155**	**793,995,467**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

41. RISK MANAGEMENT

41.1 Credit risk

The bank is exposed to credit risk from the possibility that a borrower or counterparty may fail to meet its obligations in accordance with agreed terms, principally the failure to make required payments on loans or obligations due to the bank. The goal of credit risk management is to maintain a healthy asset portfolio. In order to achieve this, the bank has adopted a credit policy that covers several aspects including credit initiation and approval, credit maintenance, credit risk monitoring, documentation, disbursement and remedial management as well as credit policies specific to various businesses and industries. This process is strengthened by post-disbursement measures used to detect deterioration in the credit risk profile of borrowers. The bank's product policy manuals, which details approved credit exposure, are reviewed by the risk management division and approved by the Risk Management Committee and the Board of Directors.

Credit Risk Management Wing (CRMW) of the bank formulates risk management tools such as risk rating for various portfolios and devises credit appraisal formats for use by the businesses while initiating credit process. It also provides support related to Basel-II and Risk Management initiatives in the bank. CRMW also performs portfolio reviews and elevates its findings to the senior management and Board's Risk Committee (BRC) in addition to product and policy reviews and risk profile reporting of sectoral, concentration, peer group, top party analysis etc.

The bank has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. Borrower limits are set by the Credit Committee upon the recommendation of the Credit Management Group (CMG), within the controlling parameters of the SBP's Prudential Regulations. The bank's credit risk policies for loans also apply to credit substitutes. The bank has a review process that ensures the proper level of review and approval depending, among other things, the tenure of the facility, the aggregate size of all facilities extended to the borrower and its related parties, the type of collateral and whether the borrower is on watch list. In addition, all loans and advances are secured by acceptable form of collateral to mitigate credit risk.

Bank's primary rating tool is Credit Risk Rating, which is an internal risk rating system designed to reflect the overall risk profile of the borrower or guarantor. Risk ratings are assigned according to the perception of risk on a numerical scale, determined through examining several criteria. It is a system that provides nationwide risk management infrastructure with a common language for assessing and monitoring risk in credit portfolio. The bank considers both quantitative and qualitative parameters, including, for example, key financial ratios, interest coverage, debt service coverage, liquidity, profit margin and debt-equity ratio. The borrower's risk rating is also reviewed periodically.

Once a loan is disbursed, the bank undertakes ongoing credit analysis and monitoring at several levels. If a borrower wishes to renew or roll over the loan, the bank applies substantially the same standards as the bank would granting a new loan. Typically, the bank performs an annual credit review of each loan customer and updates the review during the course of the year as circumstances warrant.

Special Assets Management Group (SAMG) is responsible for monitoring the stuck up advances. It negotiates with the borrowers and takes legal actions against the delinquent borrowers. CMG has also established Asset Rehabilitation Unit to proactively manage and revive cases, which show signs of weaknesses, in a timely manner.

41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Chemical and pharmaceuticals	3,203,100	0.60	4,383,462	0.60	883,289	0.38
Agribusiness	19,982,117	3.76	16,595,353	2.28	181,668	0.08
Textile	71,794,479	13.52	1,852,286	0.25	5,671,852	2.46
Cement	8,935,953	1.68	111,720	0.02	3,091,333	1.34
Sugar	8,915,637	1.68	247,445	0.03	2,570	0.00
Flour	725,523	0.14	95,296	0.01	—	—
Rice processing	8,128,369	1.53	570,629	0.08	21,600	0.01
Shoes & leather garments	832,986	0.16	168,712	0.02	77,704	0.03
Automobile and transportation equipment	3,664,429	0.69	2,382,753	0.33	349,284	0.15
Financial	12,680,202	2.39	92,181,661	12.69	13,069,436	5.68
Insurance	—	—	2,733,418	0.38	2,755	0.00
Transportation	18,414,759	3.47	3,284,011	0.45	2,028,624	0.88
Real estate construction	7,904,139	1.49	4,841,190	0.67	3,697,647	1.61
Electronics and electrical appliances	7,268,051	1.37	382,878	0.05	2,964,338	1.29
Production and transmission of energy	62,870,800	11.84	7,003,722	0.96	18,725,246	8.14
Food and tobacco	1,622,474	0.31	287,706	0.04	152,677	0.07
Fertilizer	14,460,812	2.72	3,107,764	0.43	2,624,879	1.14
Metal products	16,586,969	3.12	2,143,022	0.29	3,758,002	1.63
Oil, gas, petroleum and energy	23,267,206	4.38	28,292,520	3.89	9,224,722	4.01
Telecommunication	6,494,115	1.22	22,152,846	3.05	4,291,987	1.86
Hotel and services	14,272,969	2.69	24,265,879	3.34	682,960	0.30
Public sector commodity operations	71,800,414	13.52	11,362,613	1.56	6,154,786	2.67
Individuals	83,793,870	15.78	322,648,569	44.41	5,685,090	2.47
General traders	18,422,056	3.47	16,907,841	2.33	1,979,523	0.86
Others	45,062,078	8.48	158,509,717	21.82	144,849,225	62.93
	531,103,507	100.00	726,513,013	100.00	230,171,197	100.00

41.1.1.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Public/ Government	152,316,629	28.68	268,065,035	36.90	173,094,932	75.20
Private	378,786,878	71.32	458,447,978	63.10	57,076,265	24.80
	531,103,507	100.00	726,513,013	100.00	230,171,197	100.00

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

	2009		2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000'			
Chemical and pharmaceuticals	3,800,732	3,659,814	3,883,528	2,793,899
Agribusiness	2,219,527	846,133	1,601,920	540,640
Textile	22,977,338	19,172,192	17,964,960	15,613,360
Cement	5,125,240	3,798,340	2,505,630	2,205,630
Sugar	2,831,761	1,818,357	1,720,970	1,363,230
Flour	243,413	171,952	179,670	176,500
Rice processing	1,869,188	1,655,499	1,805,700	1,488,930
Shoes & leather garments	215,215	210,081	264,430	205,260
Automobile and transportation equipment	892,961	868,440	934,510	593,860
Financial	529,021	286,242	105,200	30,200
Transportation/Karobar	2,291,111	1,727,097	1,550,295	925,953
Real estate construction	908,204	493,835	376,188	277,618
Electronics and electrical appliances	2,426,504	1,812,932	1,455,852	819,057
Food and tobacco	1,291,534	1,122,445	1,074,529	959,330
Fertilizer	379,901	215,508	256,320	251,670
Metal products	1,468,240	312,535	1,402,845	214,262
Production & Transmission of Energy	1,685,132	1,452,565	1,147,674	1,119,902
Hotel and services	787,130	367,499	531,286	245,691
Telecommunications	1,106,197	107,951	1,014,366	7,792
Individuals	3,013,421	1,466,663	2,358,410	1,332,585
General traders	4,775,725	3,622,476	3,769,805	3,263,592
Others	10,336,539	8,561,598	10,598,495	8,341,788
	71,174,034	53,750,154	56,502,583	42,770,749

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

Public/ Government	3,761,716	1,123,449	2,919,805	855,805
Private	67,412,318	52,626,705	53,582,778	41,914,944
	71,174,034	53,750,154	56,502,583	42,770,749

41.1.1.5 Geographical Segment Analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000'			
Pakistan	20,510,875	805,962,997	938,021,266	213,560,716
Asia Pacific (including South Asia)	641,852	40,438,950	9,537,192	8,285,996
Europe	(36,523)	18,950,817	3,161,343	3,520,929
United States of America and Canada	290,757	21,943,052	1,857,961	4,744,619
Middle East	791,882	58,607,453	899,787	58,937
	22,198,843	945,903,269	945,903,269	230,171,197

41.2 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. The bank seeks to ensure that key operational risk are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The key objectives of operational Risk measurement and management include:

- o Ensuring continued solvency of the bank through capital adequacy and enhanced understanding and management of significant operational risk exposures.
- o Ensuring that customer impact is minimized through proactive and focused risk management practices.
- o Ensuring timely elevation of significant operational risk exposure areas requiring risk mitigation to senior management.

In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management Wing has been established within Risk Management Division (RMD), which directly reports to Head of RMD. The unit has been strengthened by recruiting skilled resources for Operational Risk Management and imparting adequate trainings to the existing resources.

The bank has developed Operational Risk Management policy which is incorporated in the Risk Management policy of the bank duly approved by the Board. An Operational risk awareness culture is being encouraged by communicating the principles of risk management through orientation programs for the managers and employees across the bank.

In order to reach compliance with the Operational Risk component of SBP's Minimum Capital Requirement, NBP has adopted the Basic Indicator Approach (BIA), however, the bank intends to gradually migrate from the BIA to The Standardized Approach (TSA) as and when the qualifying criteria is met.

An Operational Loss Database, Risk & Control Self Assessment (RCSA) exercise and Key Risk Indicators (KRIs) are being developed and will subsequently be implemented.

41.3 Market risk

Market risk refers to the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity indices, and other variables that are only indirectly observable, such as volatilities and correlation. The objective of market risk management is to avoid excessive exposure of our earnings and equity to loss and to reduce our exposure to the volatility inherent in financial instruments.

Market Risk Management policy approved by Board covers equity trading, foreign exchange, money market, Assets Liability Management & Liquidity Risk. Bank's Assets Liability Committee (ALCO) and Credit Committee approve different exposure limits and these limits are implemented by respective business units. Market Risk Wing monitors Market Risk Exposure and Market Risk activities on day to day basis. Currently Market Risk is focusing on monitoring Net Open Positions, Interest Rate Risk, Revaluation Limits, Mark to Market Limit, Contract Limit, Settlement Limit, Money Market Call Limit, Money Market Reverse Repo Limit, Foreign Currency wise Exposure and Gap Limit.

41.3.1 Foreign Exchange Risk

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	.... Rupees in '000'			
Pakistan Rupee	882,795,489	771,544,781	(22,841,535)	88,409,172
United States Dollar	1,539,931	339,218	—	1,200,713
Great Britain Pound	8,044,282	11,153,165	3,691,113	582,230
Japanese Yen	8,980,502	8,929,229	(75,391)	(24,118)
Euro	15,111,196	20,044,079	19,225,813	14,292,930
Other currencies	29,431,869	12,450,245	—	16,981,624
	63,107,780	52,915,936	22,841,535	33,033,379
	945,903,269	824,460,717	—	121,442,551

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot, forward and swap transactions with the SBP and in the inter bank market.

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exist between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

41.3.2 Equity Position Risk

Investments in equities are generally regarded as riskier relative to Fixed Income Securities owing to the inherent volatility of stock market prices. The risk from various factors that include, but are not limited to:

— Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and /or economy in general.

— Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made.

— Fluctuation in the shares prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market.

— The possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system in discharging their fiduciary responsibilities.

— Any government or court order restraining payment of dividend by a company to its shareholders.

The bank mitigates the aforesaid risk as follows:

— Through diversification and capping maximum exposure in a single sector/company. Additionally continuous follow up of these sectors and companies through self monitoring and fundamentals research from reputable brokerage houses.

— Compliance with SECP Corporate Governance Rules by the investee company besides employing prudent investing practices (focus on dividend payout history).

— The bank will refrain from speculative trading and the investment will be made as per the guidelines on liquidity and growth as per investment policy manual or set by the Board of Directors.

— The bank follows a Delivery versus Payment settlement system thereby minimizing risk available in relation to settlement risk.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

41.3.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re- price in a given period. The bank manages this risk by matching/re-pricing of assets and liabilities. The bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the bank.

Management of interest rate risk is one of the critical components of market risk management in banks. The Bank's net interest income or net interest margin is dependent on the movement of interest rates and mismatches in the cash flows or re-pricing dates. Interest rate risk management includes establishing and monitoring various risk curbing limits such as duration limits, duration gap limits and interest rate sensitivity limits.

As part of risk reporting, an interest rate sensitivity statement is prepared on a monthly basis. This statement classifies the interest rate-sensitive assets and liabilities into various maturity groups enabling the management to monitor the impact of interest rate movements on the balance sheet positions.

2009

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		Rupees in '000'										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.44%	116,668,514	20,734,727	16,848,820	5,596	—	—	—	—	—	—	79,079,371
Balances with other banks	4.09%	28,786,397	13,056,371	7,432,536	2,856,320	1,368,954	1,600	—	—	—	—	4,070,616
Lending to financial institutions	14.99%	19,683,526	17,227,007	475,613	1,980,906	—	—	—	—	—	—	—
Investments	10.38%	217,596,037	11,476,838	27,288,492	46,609,207	45,603,794	7,119,147	3,737,548	10,313,071	13,184,515	19,894,366	32,369,059
Advances	12.79%	475,338,439	87,441,821	69,448,579	75,644,502	78,084,782	30,007,513	29,663,448	53,829,524	35,117,203	16,101,067	—
Other assets	0.00%	59,565,027	—	—	—	—	—	—	—	—	—	59,565,027
		917,637,940	149,936,764	121,494,040	127,096,531	125,057,530	37,128,260	33,400,996	64,142,595	48,301,718	35,995,433	175,084,073
Liabilities												
Bills payable	0.00%	10,621,169	—	—	—	—	—	—	—	—	—	10,621,169
Borrowings	6.80%	44,828,138	26,440,422	2,698,619	7,292,814	175,334	8,217,846	2,069	1,034	—	—	—
Deposits and other accounts	5.60%	726,513,013	356,895,707	52,563,652	36,566,731	55,264,253	1,570,828	1,686,453	8,392,160	766,883	9,821	212,796,525
Sub-ordinated loans	0.00%	—	—	—	—	—	—	—	—	—	—	—
Liabilities against assets subject to finance lease	17.10%	42,629	2,379	4,219	5,542	8,268	14,386	7,835	—	—	—	—
Other liabilities	0.00%	42,455,768	—	—	—	—	—	—	—	—	—	42,455,768
		824,460,717	383,338,508	55,266,490	43,865,087	55,447,855	9,803,060	1,696,357	8,393,194	766,883	9,821	265,873,462
On-balance sheet gap		93,177,223	(233,401,744)	66,227,550	83,231,444	69,609,675	27,325,200	31,704,639	55,749,401	47,534,835	35,985,612	(90,789,389)
Off-balance sheet financial instruments												
Cross currency swaps		6,914,649	389,377	389,377	389,377	778,752	1,557,507	1,557,507	1,852,752	—	—	—
Forward purchase of foreign exchange		87,829,307	42,944,877	39,283,879	5,511,671	88,880	—	—	—	—	—	—
Forward sale of foreign exchange		38,568,464	25,565,502	9,314,702	3,688,260	—	—	—	—	—	—	—
Off-balance sheet gap		133,312,420	68,899,756	48,987,958	9,589,308	867,632	1,557,507	1,557,507	1,852,752	—	—	—
Total Yield / Interest Risk Sensitivity Gap		226,489,643	(164,501,988)	115,215,508	92,820,752	70,477,307	28,882,707	33,262,146	57,602,153	47,534,835	35,985,612	(90,789,389)
Cumulative Yield / Interest Risk Sensitivity Gap			(164,501,988)	(49,286,480)	43,534,272	114,011,579	142,894,286	176,156,432	233,758,585	281,293,420	317,279,032	226,489,643

	Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		2 0 08										
			Exposed to Yield / Interest risk									
		Rupees in '000'										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.57%	106,778,346	30,466,388	23,743,780	29	—	—	—	—	—	—	52,568,149
Balances with other banks	7.35%	39,490,729	20,314,183	11,591,669	2,440,321	673,906	—	—	—	—	—	4,470,650
Lending to financial institutions - net	10.92%	17,139,081	10,826,791	2,748,942	—	2,900,000	—	—	—	—	—	663,348
Investments - net	10.55%	171,204,890	43,971,045	64,718,725	11,738,347	3,153,239	8,814,513	4,098,962	9,567,157	3,536,650	583,413	21,022,839
Advances - net	11.44%	413,076,390	127,865,781	97,751,383	65,501,295	93,158,291	6,020,019	12,322,873	3,654,436	104,653	6,414,591	283,068
Other assets	0.00%	22,414,965	—	—	—	—	—	—	—	—	—	22,414,965
		770,104,401	233,444,188	200,554,499	79,679,992	99,885,436	14,834,532	16,421,835	13,221,593	3,641,303	6,998,004	101,423,019
Liabilities												
Bills payable	0.00%	10,219,061	—	—	—	—	—	—	—	—	—	10,219,061
Borrowings	5.40%	40,044,291	22,909,619	16,224,270	—	183,629	—	—	70,800	—	—	655,973
Deposits and other accounts	3.86%	625,349,269	304,725,549	22,587,557	38,627,748	39,471,223	216,819	974,000	3,985,448	500,000	—	214,260,925
Sub-ordinated loans		—	—	—	—	—	—	—	—	—	—	—
Liabilities against assets subject to finance lease	10.15%	25,274	—	—	25,274	—	—	—	—	—	—	—
Other liabilities	0.00%	29,451,859	—	—	—	—	—	—	—	—	—	29,451,859
		705,089,754	327,635,168	38,811,827	38,653,022	39,654,852	216,819	974,000	4,056,248	500,000	—	254,587,818
On-balance sheet gap		65,014,647	(94,190,980)	161,742,672	41,026,970	60,230,584	14,617,713	15,447,835	9,165,345	3,141,303	6,998,004	(153,164,799)
Off-balance sheet financial instruments												
Cross currency swaps		8,082,780	—	—	—	—	—	—	1,475,890	6,606,890	—	—
Forward purchase of foreign exchange		69,361,297	33,665,071	28,050,570	3,258,961	4,386,695	—	—	—	—	—	—
Forward sale of foreign exchange		55,563,737	20,141,567	25,393,431	8,429,125	1,599,614	—	—	—	—	—	—
Off-balance sheet gap		133,007,814	53,806,638	53,444,001	11,688,086	5,986,309	—	—	1,475,890	6,606,890	—	—
Total Yield / Interest Risk Sensitivity Gap		198,022,461	(40,384,342)	215,186,673	52,715,056	66,216,893	14,617,713	15,447,835	10,641,235	9,748,193	6,998,004	(153,164,799)
Cumulative Yield / Interest Risk Sensitivity Gap			(40,384,342)	174,802,331	227,517,387	293,734,280	308,351,993	323,799,828	334,441,063	344,189,256	351,187,260	198,022,461

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

41.4 Liquidity Risk

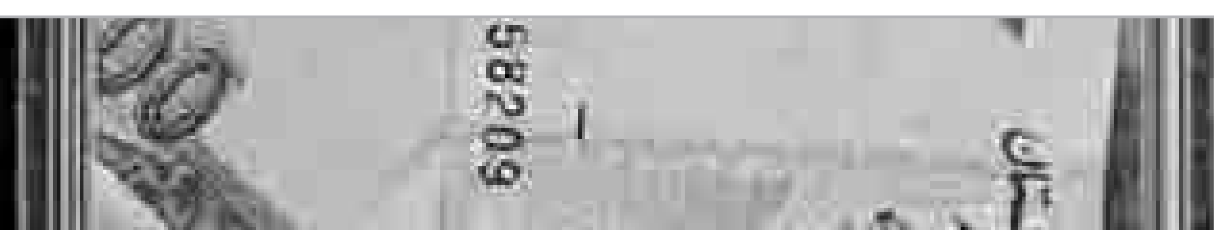
Liquidity risk is the risk that the bank will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the bank maintain statutory deposits with central banks inside and outside Pakistan.

The purpose of liquidity management is to ensure sufficient cash flow to meet all of our liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to our business franchises, as well as to capitalize on opportunities for business expansion. This includes Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

The Treasury Management Group is responsible for ensuring that the branch has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Stress testing is performed on our liquidity processes in line with SBP requirements.

41.4.1 Maturities of Assets and Liabilities

	2009									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		Rupees in '000'								
Assets										
Cash and balances with treasury banks	116,668,514	99,819,664	16,848,820	29	—	—	—	—	—	—
Balances with other banks	28,786,397	17,126,987	7,432,536	2,856,320	1,368,954	1,600	—	—	—	—
Lending to financial institutions - net	19,683,526	17,227,007	475,613	1,980,906	—	—	—	—	—	—
Investments - net	217,596,037	11,476,838	27,459,306	46,609,206	61,070,251	12,916,774	11,331,955	10,471,281	13,184,516	23,075,910
Advances - net	475,338,439	87,441,821	69,448,579	75,644,502	78,084,782	30,007,513	29,663,448	53,829,524	35,117,203	16,101,067
Operating fixed assets	25,200,870	—	—	—	—	—	2,015,843	1,261,020	657,456	21,266,551
Deferred tax assets - net	3,064,459	—	—	—	—	—	—	1,856,386	1,208,073	—
Other assets	59,565,027	9,624,612	10,556,890	3,729,604	395,578	15,084,280	8,728,820	1,448,243	2,750,000	7,247,000
	945,903,269	242,716,930	132,221,744	130,820,567	140,919,565	58,010,167	51,740,066	68,866,454	52,917,248	67,690,528
Liabilities										
Bills payable	10,621,169	10,621,169	—	—	—	—	—	—	—	—
Borrowings	44,828,138	26,440,422	2,698,619	7,292,814	175,334	8,217,846	2,069	1,034	—	—
Deposits and other accounts	726,513,013	580,498,985	9,390,626	60,449,460	4,741,013	19,338,485	376	50,523,240	—	1,570,828
Sub-ordinated loans	—	—	—	—	—	—	—	—	—	—
Liabilities against assets subject to finance lease	42,629	2,379	4,219	5,542	8,268	14,386	7,835	—	—	—
Other liabilities	42,455,768	18,681,130	—	4,068,073	—	13,063,908	—	—	—	6,642,657
	824,460,717	636,244,085	12,093,464	71,815,889	4,924,615	40,634,625	10,280	50,524,274	—	8,213,485
Net assets	121,442,552	(393,527,155)	120,128,280	59,004,678	135,994,950	17,375,542	51,729,786	18,342,180	52,917,248	59,477,043
Share capital	10,763,702									
Reserves	23,395,059									
Unappropriated profit	62,346,594									
Minority Interest	110,930									
Surplus on revaluation of assets	24,826,267									
	121,442,552									



Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

	2008									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
		Rupees in '000'								
Assets										
Cash and balances with treasury banks	106,778,346	83,036,887	23,741,430	29	—	—	—	—	—	—
Balances with other banks	39,490,729	24,784,834	11,591,669	2,440,321	673,905	—	—	—	—	—
Lending to financial institutions - net	17,139,081	11,490,138	2,748,943	—	2,900,000	—	—	—	—	—
Investments - net	171,204,890	45,466,903	49,594,216	4,552,585	8,010,429	21,132,154	13,945,026	20,698,166	4,627,948	3,177,463
Advances - net	413,076,390	76,528,551	69,330,773	49,829,748	93,927,837	23,945,962	24,592,275	40,095,058	28,541,411	6,284,775
Operating fixed assets	24,271,964	—	—	—	—	—	—	—	—	24,271,964
Deferred tax assets - net	3,203,565	—	—	—	—	—	—	1,336,227	1,867,338	—
Other assets	44,912,236	12,667,460	8,705,557	4,333,590	367,039	4,572,125	13,830,465	436,000	—	—
	820,077,201	253,974,773	165,712,588	61,156,273	105,879,210	49,650,241	52,367,766	62,565,451	35,036,697	33,734,202
Liabilities										
Bills payable	10,219,061	10,219,061	—	—	—	—	—	—	—	—
Borrowings	40,044,291	23,872,704	11,745,400	758,666	617,883	2,973,667	2,068	73,903	—	—
Deposits and other accounts	625,349,269	474,653,644	43,435,302	59,730,435	37,129,732	1,086,513	2,158,990	6,461,373	671,500	21,780
Sub-ordinated loans	—	—	—	—	—	—	—	—	—	—
Liabilities against assets subject to finance lease	25,274	—	4,762	4,043	7,713	5,841	1,280	1,635	—	—
Deferred tax liabilities - net	—	—	—	—	—	—	—	—	—	—
Other liabilities	39,988,101	17,513,868	—	3,539,137	—	12,637,269	338,772	—	—	5,959,055
	715,625,996	526,259,277	55,185,464	64,032,281	37,755,328	16,703,290	2,501,110	6,536,911	671,500	5,980,835
Net assets	104,451,205	(272,284,504)	110,527,124	(2,876,008)	68,123,882	32,946,951	49,866,656	56,028,540	34,365,197	27,753,367
Share capital	8,969,751									
Reserves	20,476,863									
Unappropriated profit	53,567,323									
Minority Interest	112,699									
Surplus on revaluation of assets - net	21,324,569									
	104,451,205									

Notes to the Consolidated Financial Statements
For the year ended December 31, 2009

42. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs.7.5 per share (2008: Rs. 6.5 per share) amounting to Rs. 8,073 million (2008: Rs. 5,830 million) and bonus shares in the proportion of 25 ordinary shares per 100 ordinary shares held (2008: 20) amounting to Rs. 2,691 million (2008: Rs. 1,794 million) at its meeting held on March 4, 2010 for approval of the members at the annual general meeting to be held on March 31, 2010. These financial statements do not reflect this appropriation as explained in note 5.19.

43. GENERAL

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

44. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 4, 2010 by the Board of Directors of the bank.

Chairman & President	Director	Director	Director