

FINANCIAL STATEMENTS 2010



STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

2008	2009	2010		Note	2010	2009	2008
.....US Dollars in '000.....					.....Rupees in '000.....		
(Restated)					(Restated)		
ASSETS							
1,240,081	1,348,647	1,344,158	Cash and balances with treasury banks	6	115,442,360	115,827,868	106,503,756
446,467	330,741	353,843	Balances with other banks	7	30,389,664	28,405,564	38,344,608
199,431	228,064	268,094	Lendings to financial institutions - net	8	23,025,156	19,587,176	17,128,032
1,988,979	2,534,134	3,508,477	Investments - net	9	301,323,804	217,642,822	170,822,491
4,808,631	5,533,518	5,559,869	Advances - net	10	477,506,564	475,243,431	412,986,865
281,979	292,802	313,074	Operating fixed assets	11	26,888,226	25,147,192	24,217,655
37,313	35,656	80,954	Deferred tax assets - net	12	6,952,666	3,062,271	3,204,572
518,724	694,729	622,887	Other assets - net	13	53,496,240	59,666,438	44,550,347
9,521,605	10,998,291	12,051,356			1,035,024,680	944,582,762	817,758,326
LIABILITIES							
118,986	123,668	93,226	Bills payable	14	8,006,631	10,621,169	10,219,061
471,085	527,198	234,077	Borrowings	15	20,103,591	45,278,138	40,458,926
7,276,505	8,470,269	9,689,198	Deposits and other accounts	16	832,151,888	727,464,825	624,939,016
-	-	-	Sub-ordinated loans		-	-	-
294	496	1,242	Liabilities against assets subject to finance lease	17	106,704	42,629	25,274
-	-	-	Deferred tax liabilities	12	-	-	-
461,747	492,168	537,466	Other liabilities	18	46,160,038	42,269,623	39,656,831
8,328,617	9,613,799	10,555,209			906,528,852	825,676,384	715,299,108
<u>1,192,988</u>	<u>1,384,492</u>	<u>1,496,147</u>	NET ASSETS		<u>128,495,828</u>	<u>118,906,378</u>	<u>102,459,218</u>
REPRESENTED BY							
104,440	125,328	156,660	Share capital	19	13,454,628	10,763,702	8,969,751
232,184	264,095	284,688	Reserves		24,450,244	22,681,707	19,941,047
610,776	706,723	766,813	Unappropriated profit		65,857,438	60,696,510	52,456,204
947,400	1,096,146	1,208,161			103,762,310	94,141,919	81,367,002
245,588	288,346	287,986	Surplus on revaluation of assets - net	20	24,733,518	24,764,459	21,092,216
<u>1,192,988</u>	<u>1,384,492</u>	<u>1,496,147</u>			<u>128,495,828</u>	<u>118,906,378</u>	<u>102,459,218</u>
CONTINGENCIES AND COMMITMENTS							
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The annexed notes from 1 to 44 and Annexure I, II and III form an integral part of these financial statements.

Chairman & President

Director

Director

Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2010

2009	2010		2010	2009
US Dollars in '000 (Restated)			----- Rupees in '000 ----- (Restated)	
907,587	1,030,129	Mark-up / return / interest earned	23	88,472,134
471,443	526,876	Mark-up / return / interest expensed	24	45,250,476
<u>436,144</u>	<u>503,253</u>	Net mark-up / interest income		<u>43,221,658</u>
128,585	81,633	Provision against non-performing advances-net	10.3	7,011,046
7,052	34,403	Provision for diminution in the value of investments-net	9.10	2,954,678
236	46	Provision against off balance sheet obligations	18.1	3,965
-	-	Bad debts written off directly		-
<u>135,873</u>	<u>116,082</u>			<u>9,969,689</u>
<u>300,271</u>	<u>387,171</u>	Net mark-up / interest income after provisions		<u>33,251,969</u>
		NON MARK-UP / INTEREST INCOME		
103,981	112,146	Fee, commission and brokerage income		9,631,579
22,360	12,802	Dividend income		1,099,493
35,259	25,745	Income from dealing in foreign currencies		2,211,139
53,466	29,253	Gain on sale and redemption of securities - net	25	2,512,363
27	79	Unrealized gain on revaluation of Investments classified as Held-for-trading	9.11	6,730
6,430	25,282	Other income	26	2,171,336
<u>221,523</u>	<u>205,307</u>	Total non mark-up / interest income		<u>17,632,640</u>
<u>521,794</u>	<u>592,478</u>			<u>50,884,609</u>
		NON MARK-UP / INTEREST EXPENSES		
262,812	305,091	Administrative expenses	27	26,202,577
7,228	1,724	Other provisions / write offs		148,026
3,745	1,384	Other charges	28	118,887
<u>273,785</u>	<u>308,199</u>	Total non mark-up / interest expenses		<u>26,469,490</u>
<u>248,009</u>	<u>284,279</u>			<u>24,415,119</u>
-	-	Extra ordinary / unusual items		-
<u>248,009</u>	<u>284,279</u>	PROFIT BEFORE TAXATION		<u>24,415,119</u>
103,296	114,515	Taxation - Current		9,835,048
(48,126)	(10,936)	- Prior year(s)		(939,256)
(11,643)	(23,798)	- Deferred	29	(2,043,887)
<u>43,527</u>	<u>79,781</u>			<u>6,851,905</u>
<u>204,482</u>	<u>204,498</u>	PROFIT AFTER TAXATION		<u>17,563,214</u>
610,776	706,723	Unappropriated profit brought forward		60,696,510
1,443	1,371	Transfer from surplus on revaluation of fixed assets on account of incremental depreciation	20.2	117,738
<u>816,701</u>	<u>912,592</u>	Profit available for appropriation [see note 10.4.1]		<u>78,377,462</u>
				<u>70,141,984</u>
----- US Dollars -----			----- Rupees -----	
<u>0.15</u>	<u>0.15</u>	Basic earnings per share	30	<u>13.05</u>
<u>0.15</u>	<u>0.15</u>	Diluted earnings per share	31	<u>13.05</u>

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

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CASH FLOW STATEMENT

For the year ended December 31, 2010

2009 US Dollars in '000 (Restated)	2010 US Dollars in '000		Note	2010 ----- Rupees in '000 -----	2009 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
248,010	284,279	Profit before taxation		24,415,119	21,300,173
(22,360)	(12,802)	Less: Dividend income		(1,099,493)	(1,920,336)
225,650	271,477			23,315,626	19,379,837
Adjustments:					
10,097	12,500	Depreciation	11.2	1,073,545	867,214
54	108	Amortization	11.3	9,300	4,600
128,585	81,633	Provision against non-performing advances - net	10.3	7,011,046	11,043,469
7,052	34,403	Provision for diminution in the value of investments - net	9.10	2,954,678	605,629
236	46	Provision against off balance sheet obligations	18.1	3,965	20,237
(27)	(78)	Unrealized gain on revaluation of Investments classified as Held-for-trading	9.11	(6,730)	(2,355)
(45,122)	(3,428)	Capital gain on redemption of NI(U)T LoC Units	26	(294,424)	(3,875,309)
(88)	(385)	Gain on sale of fixed assets	11.6	(33,081)	(7,587)
117	230	Financial charges on leased assets		19,829	10,072
-	-	Bad debts written off directly		-	-
7,227	1,724	Other provisions / write offs		148,026	620,780
108,131	126,753			10,886,154	9,286,750
333,781	398,230			34,201,780	28,666,587
(Increase) / decrease in operating assets					
(29,192)	(40,467)	Lendings to financial institutions - gross		(3,475,480)	(2,507,144)
(15,941)	(48,476)	Held-for-trading securities		(4,163,338)	(1,369,079)
(853,472)	(107,984)	Advances - net		(9,274,179)	(73,300,035)
(121,613)	56,068	Other assets (excluding advance tax)		4,815,377	(10,444,603)
(1,020,218)	(140,859)			(12,097,620)	(87,620,861)
Increase in operating liabilities					
4,682	(30,442)	Bills payable		(2,614,538)	402,108
57,367	(298,626)	Borrowings		(25,647,384)	4,926,951
1,193,764	1,218,928	Deposits and other accounts		104,687,063	102,525,809
30,306	45,109	Other liabilities (excluding current taxation)		3,874,183	2,602,792
1,286,119	934,969			80,299,324	110,457,660
(115,469)	(107,352)	Income tax paid		(9,219,871)	(9,916,950)
(117)	(231)	Financial charges paid		(19,829)	(10,072)
(115,586)	(107,583)			(9,239,700)	(9,927,022)
484,096	1,084,757	Net cash generated from operating activities		93,163,784	41,576,364
CASH FLOWS FROM INVESTING ACTIVITIES					
(555,916)	(1,061,614)	Net investments in available-for-sale securities		(91,176,168)	(47,744,533)
128,522	106,345	Net proceeds from held-to-maturity securities		9,133,429	11,038,014
22,360	12,802	Dividend income received		1,099,493	1,920,336
(20,628)	(31,782)	Investment in operating fixed assets		(2,729,586)	(1,771,649)
(7,190)	(3,806)	Investment in subsidiary and associates		(326,853)	(617,495)
158	685	Sale proceeds of property and equipment disposed off	11.6	58,852	13,657
(432,694)	(977,370)	Net cash (used) in investing activities		(83,940,833)	(37,161,670)
CASH FLOWS FROM FINANCING ACTIVITIES					
(245)	(569)	Payments of lease obligations		(48,902)	(21,024)
(67,769)	(93,853)	Dividend paid		(8,060,510)	(5,820,338)
(68,014)	(94,422)	Net cash (used) in financing activities		(8,109,412)	(5,841,362)
Effects of exchange differences on translation of the net assets of foreign branches					
10,706	142			12,216	919,475
(5,906)	13,107				
1,684,546	1,678,640	Increase / (decrease) in cash and cash equivalents		1,125,755	(507,193)
1,678,640	1,691,747	Cash and cash equivalents at beginning of the year		144,169,195	144,676,388
		Cash and cash equivalents at end of the year	32	145,294,950	144,169,195

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

Chairman & President

Director

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

2009 US Dollars in '000 (Restated)	2010		2010 ----- Rupees in '000 -----	2009 (Restated)
204,482	204,498	Profit after taxation for the year	17,563,214	17,561,846
		Other comprehensive income:		
		Exchange adjustments on translation of net assets of foreign branches	12,216	919,475
<u>215,188</u>	<u>204,640</u>	Total comprehensive income for the year	<u>17,575,430</u>	<u>18,481,321</u>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010

	Share capital	Reserves			Unappropriated profit (Note 10.4.1)	Total
		Capital		Revenue General		
		Exchange Translation	Statutory			
----- (Rupees in '000) -----						
Balance as at January 1, 2009	8,969,751	5,987,376	13,432,333	521,338	52,456,204	81,367,002
Comprehensive income						
Profit after tax for the year ended December 31, 2009 [Restated (note 21.4.3)]	-	-	-	-	17,561,846	17,561,846
Other comprehensive income - net of tax	-	919,475	-	-	-	919,475
	-	919,475	-	-	17,561,846	18,481,321
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	123,934	123,934
Transfer to statutory reserve	-	-	1,821,185	-	(1,821,185)	-
Transactions with owners						
Issue of bonus shares (20%)	1,793,951	-	-	-	(1,793,951)	-
Cash dividend (Rs. 6.5 per share)	-	-	-	-	(5,830,338)	(5,830,338)
Balance as at December 31, 2009	10,763,702	6,906,851	15,253,518	521,338	60,696,510	94,141,919
Balance as at January 1, 2010	10,763,702	6,906,851	15,253,518	521,338	60,696,510	94,141,919
Comprehensive income						
Profit after tax for the year ended December 31, 2010	-	-	-	-	17,563,214	17,563,214
Other comprehensive income - net of tax	-	12,216	-	-	-	12,216
	-	12,216	-	-	17,563,214	17,575,430
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	117,738	117,738
Transfer to statutory reserve	-	-	1,756,321	-	(1,756,321)	-
Transactions with owners						
Issue of bonus shares (25%)	2,690,926	-	-	-	(2,690,926)	-
Cash dividend (Rs. 7.5 per share)	-	-	-	-	(8,072,777)	(8,072,777)
Balance as at December 31, 2010	13,454,628	6,919,067	17,009,839	521,338	65,857,438	103,762,310

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

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 1,266 (2009: 1,265) branches in Pakistan and 23 (2009: 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.

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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the bank have been disclosed in Annexure III to these financial statements.

2.2 These financial statements are separate financial statements of the bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in the consolidated financial statements.

2.3 The US Dollar amounts shown on the statement of financial position, 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. 85.8845 to 1 US Dollar has been used for 2008, 2009 and 2010 as it was the prevalent rate as on December 31, 2010.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (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 under the Companies Ordinance, 1984 and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued under the Companies Ordinance, 1984 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 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.3 Application of new and revised International Financial Reporting Standards (IFRSs)

3.3.1 New / revised standards and interpretations to existing standards effective from current period or early adopted but not relevant to the Bank.

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the bank:



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

- IFRS 2 (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"

"On August 14, 2009, the Government of Pakistan (GoP) has launched a scheme for the employees of state owned entities including the bank. Under the scheme a Trust has been formed and 12% of the shares held by the SBP will be transferred to the Trust."

Since the scheme has significant impact on a large number of State Owned Enterprises (SOEs), the SECP was approached by some entities for exemption from IFRS-2, 'Share-based Payment', if applicable, we understand that SECP has already received a recommendation from the Institute of Chartered Accountants of Pakistan (ICAP) and it is expected that appropriate exemption from IFRS-2, if required, will be issued. Accordingly, the above mentioned scheme has not been accounted for under the requirements of IFRS-2 in the financial statements of the bank for year ended December 31, 2010.

- IFRS 5 (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 "Presentation of Financial Statements"
- Amendments to IAS 7 "Statement of Cash Flows"
- IAS 27 (Amended) "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) "Investments in Associates"
- IFRIC 15 "Agreements for Construction of Real Estate"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"

The application of improvements to IFRSs issued in 2009 has not any material effect on amounts reported in these financial statements.

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

- IFRS 9 'Financial instruments' introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan have still not notified its effective date for adoption locally. As a result, there will be no impact on the bank's financial statement till IFRS 9 is notified.
- IAS 12 'Deferred Tax': Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 'Investment Property'. The amendments introduce a rebuttable presumption that in such circumstances, an investment property is recovered entirely through sale.
- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.
- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.
- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the bank's financial statements.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

all or part of the financial liability. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. This amendment will have no impact on the bank's financial statements.

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for revaluation of land and buildings are stated at revaluation amount and valuation of certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments are carried at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 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.

5.2 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 profit and loss account.

All regular way purchases / sales of investment are recognised on the trade date, i.e., the date the bank 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 bank 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 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 in case 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. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. On derecognition of impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' below equity is included in the profit and loss account for the period.
- Provision for diminution in value of investments for unquoted debt securities is calculated as per the SBP's Prudential Regulations.

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For the year ended December 31, 2010

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

Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for any impairment in value, if any.

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

5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position 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 statement of financial position, as the bank 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.

5.4 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 profit and loss account.

5.5 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the bank 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 bank 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 bank has transferred substantially all the risks and rewards of the asset, or (ii) the bank 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.

5.6 Advances

Advances are stated net off specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the 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 there against. 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.

5.7 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, if any. Cost of fixed assets of foreign branches include exchange

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the diminishing balance method except vehicles, computers and peripheral equipment 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 bank 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 profit and loss account during the 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 profit and loss account currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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 bank 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 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 unappropriated profit through 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.

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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, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to 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.

5.8 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 statement of financial position 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible 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 substantially enacted at the statement of financial position date.

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

5.9 Employee benefits

5.9.1 Defined benefit plans

Pension scheme

The bank operates approved funded pension scheme for its eligible employees. The bank'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 in the profit and loss account 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.

Gratuity scheme

The bank 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Post retirement medical benefits

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

5.9.2 Other employee benefits

Employees' compensated absences

The bank 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.

5.10 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 held-for-trading, available-for-sale and Held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

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

5.11 Foreign currencies translation

The bank's financial statements are presented in Pak Rupees (Rs.) which is the bank'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 assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date.

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

Items included in the financial statements of the bank's foreign branches are measured using the currency of the primary economic environment in which the bank operates (the functional currency).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

5.12 Provision for off balance sheet obligations

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

5.13 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 bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.14 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the bank in the statement of financial position.

5.15 Dividend and other appropriations

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

5.16 Segment reporting

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

5.16.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

5.16.2 Geographical segments

The bank 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

5.17 Earnings per share

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

5.18 Accounting estimates and judgments

The preparation of 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 bank's accounting policies. The estimates/judgments and associated assumptions used in the preparation of the 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 judgments in relation to these financial statements are as follows:

a) Provision against non-performing loans and advances

The bank 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 loans as allowed under Prudential Regulations and explained in note 10.4.1.

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 bank 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.

d) Held-to-maturity investments

The bank 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

g) Employees' benefit plans

The liabilities for employees' 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	2010 ---- Rupees in '000 ----	2009 ---- Rupees in '000 ----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		11,169,566	7,129,749
Foreign currency		2,667,896	1,842,223
		<u>13,837,462</u>	<u>8,971,972</u>
With State Bank of Pakistan in			
Local currency current accounts	6.1	59,345,464	50,649,271
Local currency deposit account		29	29
		<u>59,345,493</u>	<u>50,649,300</u>
Foreign currency current account	6.2	2,183,736	1,705,892
Foreign currency deposit account	6.2	6,551,208	5,117,677
Foreign currency collection account		49,397	58,171
Foreign currency placement account	6.3	8,588,450	16,848,820
		<u>17,372,791</u>	<u>23,730,560</u>
With other central banks in			
Foreign currency current accounts	6.4	15,324,162	17,752,207
Foreign currency deposit accounts	6.5	9,562,452	14,723,829
		<u>24,886,614</u>	<u>32,476,036</u>
	32	<u><u>115,442,360</u></u>	<u><u>115,827,868</u></u>

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 0.67% per annum (2009: 1.97 % 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.

NOTES TO THE FINANCIAL STATEMENTS

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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 0.23% to 0.25% per annum (2009: 0.25% per annum).

7. BALANCES WITH OTHER BANKS

	Note	2010 ----- Rupees in '000 -----	2009
In Pakistan			
On current account		545	-
On deposit account		1,600	1,600
Outside Pakistan		2,145	1,600
On current accounts		5,621,448	4,070,615
On deposit accounts	7.1	24,766,071	24,333,349
		30,387,519	28,403,964
	32	30,389,664	28,405,564

7.1 These include various deposits with correspondent banks and carry interest rates ranging from 0.05% to 9.0% per annum (2009: 0.11% to 7.5% per annum).

8. LENDINGS TO FINANCIAL INSTITUTIONS - net

	Note	2010 ----- Rupees in '000 -----	2009
Call money lendings	8.2	1,053,000	1,153,000
Repurchase agreement lendings (Reverse Repo)	8.3.1	21,932,156	18,356,176
Letter of placements	8.4	173,500	174,000
Lendings to financial institutions - gross	8.1	23,158,656	19,683,176
Less: Provision held against lendings		(133,500)	(96,000)
Lendings to financial institutions - net		23,025,156	19,587,176

8.1 Particulars of lendings - gross

In local currency	23,158,656	19,683,176
In foreign currencies	-	-
	23,158,656	19,683,176

8.2 These carry mark-up at rates ranging from 12.75% to 14% per annum (2009: 12.4% to 12.9% per annum).

8.3 These carry mark-up at rates ranging from 12.75% to 13.9% per annum (2009: 12% to 12.8% per annum).

8.3.1 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Market Treasury Bills	16,594,751	-	16,594,751	16,690,799	-	16,690,799
Pakistan Investment Bonds	5,337,405	-	5,337,405	1,665,377	-	1,665,377
	21,932,156	-	21,932,156	18,356,176	-	18,356,176

8.3.2 Market value of the securities under repurchase agreement lendings amount to Rs. 22,184 million (2009: Rs. 18,401million).

8.4 These carry mark-up at rates ranging from 11.20% to 18.5% per annum (2009: 11.34% to 18.5% per annum).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

9. INVESTMENTS - NET

Note	2010			2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
9.1 Investments by type:	9.13					
Held-for-trading securities						
Market Treasury Bills	5,278,693	-	5,278,693	1,987,272	-	1,987,272
Pakistan Investment Bonds	732,253	-	732,253	221,275	-	221,275
Ordinary shares of listed companies	533,677	-	533,677	170,383	-	170,383
Total Held-for-trading securities	6,544,623	-	6,544,623	2,378,930	-	2,378,930
Available- for- sale securities						
Ordinary shares of listed companies	18,850,212	-	18,850,212	15,499,059	-	15,499,059
Ordinary shares of unlisted companies	1,053,198	-	1,053,198	753,114	-	753,114
Investment outside Pakistan	19,903,410	-	19,903,410	16,252,173	-	16,252,173
Market Treasury Bills	463,295	-	463,295	463,295	-	463,295
Preference shares	155,716,032	9,051,796	164,767,828	91,064,768	23,504,630	114,569,398
Pakistan Investment Bonds	272,260	-	272,260	271,533	-	271,533
GoP Foreign Currency Bonds	15,992,937	302,801	16,295,738	10,907,159	1,213,247	12,120,406
Foreign Government Securities	3,193,093	-	3,193,093	3,021,990	-	3,021,990
Foreign Currency Debt Securities	214,663	-	214,663	210,003	-	210,003
Term Finance Certificates / Musharika and Sukuk Bonds	3,254,119	-	3,254,119	1,776,091	-	1,776,091
Investments in mutual funds	61,741,707	-	61,741,707	29,138,355	-	29,138,355
NI(U)T LoC Units	898,793	-	898,793	977,335	-	977,335
NI(U)T Non-LoC Units	1,397,619	-	1,397,619	1,042,439	-	1,042,439
NIT Equity Market Opportunity Fund Units	600,000	-	600,000	-	-	-
Total Available- for- sale securities	264,795,428	9,354,597	274,150,025	156,655,141	24,717,877	181,373,018
Held-to-maturity securities						
Government Compensation Bonds	-	-	-	1,132,963	-	1,132,963
Pakistan Investment Bonds	8,738,582	-	8,738,582	8,616,000	263,661	8,879,661
GoP Foreign Currency Bonds	-	-	-	371,584	-	371,584
Foreign Government Securities	1,407,077	-	1,407,077	1,392,168	-	1,392,168
Foreign Currency Debt Securities	114,842	-	114,842	8,629,730	-	8,629,730
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	2,885,128	-	2,885,128	1,879,073	-	1,879,073
Total Held-to-maturity securities	13,145,629	-	13,145,629	22,021,518	263,661	22,285,179
Investments in associates	1,373,254	-	1,373,254	989,669	-	989,669
Investments in joint ventures	1,244,835	-	1,244,835	1,312,335	-	1,312,335
Investments in subsidiaries	2,274,306	-	2,274,306	1,939,953	-	1,939,953
Investments at cost	289,378,075	9,354,597	298,732,672	185,297,546	24,981,538	210,279,084
Less: Provision for diminution in value of Investments	(6,720,091)	-	(6,720,091)	(2,141,534)	-	(2,141,534)
Investments (net of provisions)	282,657,984	9,354,597	292,012,581	183,156,012	24,981,538	208,137,550
Unrealized gain on revaluation of investments classified as Held-for-trading	6,730	-	6,730	2,355	-	2,355
Surplus / (deficit) on revaluation of Available-for-sale securities	9,339,128	(34,635)	9,304,493	9,502,001	916	9,502,917
Total investments at carrying value	292,003,842	9,319,962	301,323,804	192,660,368	24,982,454	217,642,822

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For the year ended December 31, 2010

	Note	2010 ---- Rupees in '000 ----	2009
9.2 Investments by segments	9.13		
Federal Government Securities			
- Market Treasury Bills		170,046,521	116,556,670
- Pakistan Investment Bonds	9.4	25,766,573	21,221,342
- Government Compensation Bonds		-	1,132,963
- GoP Foreign Currency Bonds		3,193,093	3,393,574
- Ijarah Sukuk Bonds		1,000,000	1,000,000
		<u>200,006,187</u>	<u>143,304,875</u>
Foreign Government Securities			
		1,621,740	1,602,171
Fully Paid up Ordinary Shares			
	9.12		
- Listed Companies		19,383,889	15,669,442
- Unlisted Companies		1,053,198	753,114
		<u>20,437,087</u>	<u>16,422,556</u>
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates, Musharika and Sukuk Bonds			
- Listed		2,637,311	2,335,738
- Unlisted		60,989,524	27,681,364
		<u>63,626,835</u>	<u>30,017,102</u>
Foreign Currency Debt Securities			
		3,368,961	10,405,821
Other Investments			
- NI(U)T LoC Units	9.5.1	1,397,619	1,042,439
- NI(U)T Non-LoC Units		600,000	-
- NIT Equity Market Opportunity Fund Units	9.5.2	1,147,500	1,530,000
- Investments in mutual funds		898,793	977,335
- Preference Shares		272,260	271,533
- Investment outside Pakistan	9.6	463,295	463,295
Investments in associates			
	9.7	1,373,254	989,669
Investments in joint ventures			
	9.8	1,244,835	1,312,335
Investments in subsidiaries			
	9.9	2,274,306	1,939,953
Total investments at cost			
		<u>298,732,672</u>	<u>210,279,084</u>
Less : Provision for diminution in value of investments	9.10	(6,720,091)	(2,141,534)
Investments (Net of provisions)			
		<u>292,012,581</u>	<u>208,137,550</u>
Unrealized gain on revaluation of investments classified as Held-for-trading	9.11	6,730	2,355
Surplus on revaluation of Available-for-sale securities	20.1	9,304,493	9,502,917
Total investments at carrying value			
		<u>301,323,804</u>	<u>217,642,822</u>

9.3 Market value of held-to-maturity investments is Rs. 10,654 million (2009: Rs. 19,571 million).

9.4 These include Pakistan Investment Bonds amounting to Rs. 75 million (2009: Rs. 75 million) held by SBP as pledge against demand loans and TT / DD discounting facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

9.5 Investment in Mutual Funds managed by National Investment Trust Limited (NITL)

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

The Bank had investment in National Investment (Unit) Trust - LOC Holders' Fund ["NI(U)T LOC Holders' Fund"] units, which also included the units in respect of which the Government of Pakistan ("GoP") had issued a letter comfort ("LOC") to the Bank and three other banks ("LOC holders") 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 LOC holders desire to redeem their holding of units, the GoP would facilitate National Investment Trust Limited (NITL) in the redemption of such holdings at the rate of Rs. 13.70 per unit. The LOC had been extended from time to time and finally expired December 31, 2009 after which the GoP approved a methodology for the settlement of LOC issue. According to the methodology;

- All underlying assets and liabilities of the NI(U)T LOC Holders' Fund would be apportioned between investors of the 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"). The Balance Assets would essentially constitute the remaining investment portfolio of the Fund.
- The Strategic Assets would be transferred to the bank at a rate to be determined and the cash received from the bank by the Fund would be paid to the LOC holders' after adjusting other receivables and payables and cash balances held by the Fund. The bank would keep these shares as frozen shares exactly on the same terms and conditions on which these were held by NIT.
- The Balance Assets would be transferred in specie to the LOC holders.
- 2.5% of the Balance Assets of each segment would be transferred to NITL and 2.5% of the net cash realized pursuant to transfer of the Strategic Assets would be paid to NITL.
- Consequent to the implementation of the settlement mechanism outlined above the NI(U)T - LOC Holders' Fund would stand terminated / dissolved.

During the year meeting of NI(U)T - LOC Holders was held on November 11, 2010 in which all the LOC Holders consented to the transfer of frozen shares (PSO and SNGPL) to the bank on closing share price of October 13, 2010. A letter was also sent to the Privatization Commission (PC) to communicate about the settlement and obtain concurrence for transfer of the strategic assets to the bank. PC responded subsequent to the year end on February 17, 2011 requiring that new agreement would be signed between the bank, NITL and PC and the frozen shares after the transfer to the bank will remain frozen in the books of the bank on the same conditions as these are held by NITL. Pending completion of such formalities, management has not derecognized the bank's investment in NI(U)T - LOC Holders' Fund and valued at the rate on October 13, 2010.

9.5.2 NIT Equity Market Opportunity Fund

The bank's investment is Rs.1,148 million (2009: 1,530 million) in NIT Market Opportunity Fund (NIT EMOF). NIT EMOF was established in the year 2008 as an open end mutual fund for the special purpose of equity market stabilization and is managed by National Investment Management Limited. As of the statement of financial position date, the net assets value of the NIT EMOF units held by the bank amounted to Rs.1,650 million (2009: Rs.1,807 million).

9.6 Investment outside Pakistan - Bank Al-Jazira

The bank holds 17,500,000 (2009: 17,500,000) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2009: 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 FINANCIAL STATEMENTS

For the year ended December 31, 2010

			2010	2009
			---- Rupees in '000 ----	
			Note	
9.7 Investments in associates				
Unlisted				
	Number of shares	Percentage of holding		
Pakistan Emerging Venture Limited	12,500,000	33.33		51,415
Information System Associates Limited	2,300,000	21.89		1,719
National Fructose Company Limited	1,300,000	39.50		6,500
Pakistan Insulation Limited	494,500	24.79		695
Venture Capital Fund Management Kamal Enterprises Limited	33,333 11,000	33.33 20.37		- -
Mehran Industries Limited	37,500	32.05		-
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
Dadabhoj Energy Supply Company Limited	9,900,000	23.11		32,105
K-Agricole Limited	5,000	20.00		-
New Pak Limited	200,000	20.00		-
National Commodity Exchange Company Limited	9,000,000	30.00		90,000
Prudential Fund Management	150,000	20.00		-
				582,434
				522,434
Listed				
First Credit and Investment Bank Limited	20,000,000	30.77		157,429
National Fibres Limited	17,119,476	20.19		-
Taha Spinning Mills Limited	833,300	20.59		2,501
Land Mark Spinning Mills Limited	4,199,227	34.68		39,710
S.G. Fibres Limited	3,754,900	25.03		218,535
Nina Industries Limited	4,906,000	20.27		49,060
NAFA Income Opportunity Fund (Formerly NAFA Cash Fund)	3,601,691	1.05	9.7.4	35,920
NAFA Multi Asset Fund	4,410,752	5.91	9.7.4	42,123
NAFA Stock Fund	7,500,000	5.75	9.7.4	57,554
NAFA Islamic Aggressive Income Fund (Formerly NAFA Islamic Income Fund)	7,500,000	31.71	9.7.4	52,826
NAFA Islamic Multi Asset Fund	7,500,000	29.11	9.7.4	73,229
NAFA Government Securities Liquid Fund	3,000,000	0.41	9.7.4	30,861
NAFA Savings Plus Fund	3,000,000	4.84	9.7.4	31,072
			9.7.1	790,820
				1,373,254
Less: Provision for diminution				(492,240)
				(402,240)
				881,014
				587,429

9.7.1 Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs. 887.389 million (2009: Rs. 551.416 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 NAFA Funds 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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

	Year / Period ended	Break-up value of ended Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2010	1,577
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	September 30, 2001	(83,140)
Khushhali Bank Limited	December 31, 2009	487,254
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
National Commodity Exchange Limited	June 30, 2010	(58,048)

9.7.4 During the current year, these mutual funds became associated undertakings due to increase in ownership of the bank, from 27% to 54%, in NBP Fullerton Asset Management Limited (formerly named as National Fullerton Asset Management Limited).

	Note	2010 ---- Rupees in '000 ----	2009 ---- Rupees in '000 ----
9.8 Investments in joint ventures			
United National Bank Limited (UNBL)	9.8.1	1,244,835	1,244,835
NBP Fullerton Asset Management Limited (NAFA) (Formerly National Fullerton Asset management Limited)	9.9.1	-	67,500
		<u>1,244,835</u>	<u>1,312,335</u>

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 UNBL. 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.

9.9 Investments in subsidiaries

	Note	Percentage of holding	2010 ---- Rupees in '000 ----	2009 ---- Rupees in '000 ----
NBP Leasing Limited		100.00	500,000	500,000
JSC Subsidiary Bank of NBP in Kazakhstan		100.00	1,006,983	1,006,983
NBP Exchange Company Limited		100.00	300,000	300,000
NBP Modaraba Management Company Limited		100.00	105,000	105,000
Taurus Securities Limited		58.32	24,725	24,725
National Agriculture Limited	9.9.2	100.00	-	2,000
Cast-N-Link Products Limited		76.51	1,245	1,245
NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited)	9.9.1	54.00	336,353	-
			<u>2,274,306</u>	<u>1,939,953</u>
Less: Provision for diminution			(51,245)	(3,245)
			<u>2,223,061</u>	<u>1,936,708</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

9.9.1 NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited)

On March 31, 2010, the bank acquired entire holding (27%) consisting of 6.75 million shares of NIB Bank Limited in NBP Fullerton Asset Management Limited (Formerly National Fullerton Asset Management Limited) at Rs. 39.83 per share which has resulted in increase in the bank's post-acquisition holding from pre-acquisition holding of 27% to 54%. The bank has classified its 54% holding as "Investments in Subsidiary". Further, details in respect of acquisition have been disclosed in the consolidated financial statements of the bank.

9.9.2 Winding up of National Agriculture Limited

During the year the bank opted for the easy exit scheme introduced by the Securities and Exchange Commission of Pakistan (SECP) for the winding up of the National Agriculture Limited. After completion of the legal formalities name of the National Agriculture Limited has been struck off by the Registrar of the Companies. Accordingly the bank has derecognised its investment in National Agriculture Limited and related gain alongwith reversal of provision has been accounted for in the profit and loss account.

		2010	2009
		----- Rupees in '000' -----	
9.10	Particulars of provision for diminution in value of investments		
	Opening balance	2,141,534	1,542,273
	Charge for the year	3,332,615	826,588
	Reversals	(377,937)	(220,959)
		2,954,678	605,629
	Transfer from advances	1,630,000	-
	Amount written off	(6,121)	(6,368)
	Closing balance	9.10.1 6,720,091	2,141,534
9.10.1	Particulars of provision in respect of type and segments		
	Available-for-sale securities		
	Ordinary shares of listed companies and mutual funds	2,918,818	886,089
	Ordinary shares of unlisted companies	99,768	115,514
	Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	2,246,593	126,623
	Preference shares	80,000	30,000
	Held-to-maturity securities		
	Debentures, Bonds, Participation Term Certificates, and Term Finance Certificates	831,427	577,823
	Investments in associates	9.7 492,240	402,240
	Investments in subsidiaries	9.9 51,245	3,245
		6,720,091	2,141,534
9.11	Unrealized gain on revaluation of investments classified as held-for-trading		
	Ordinary shares of listed companies	6,385	430
	Federal Government securities	345	1,925
		6,730	2,355
9.12	The investment shares includes shares of Pakistan International Airlines Corporation, Pakistan National Shipping Corporation and Pakistan Engineering Company Limited, that have been frozen by the Government of Pakistan (GoP) for sale in the equity market due to their proposed privatization.		
9.13	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.		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009
10. ADVANCES - net			
Loans, cash credits, running finances, etc.			
In Pakistan		457,970,677	469,366,422
Outside Pakistan		48,732,703	38,669,185
		<u>506,703,380</u>	<u>508,035,607</u>
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		19,410,104	11,682,833
Payable outside Pakistan		12,495,712	11,082,990
		<u>31,905,816</u>	<u>22,765,823</u>
Margin Financing / Continuous Funding System Financing		-	60,963
Advances - gross	10.1	<u>538,609,196</u>	<u>530,862,393</u>
Less: Provision against non-performing advances		61,102,632	55,618,962
Advances - net of provision		<u>477,506,564</u>	<u>475,243,431</u>

10.1 Particulars of advances - gross

10.1.1	In local currency	477,380,781	481,110,218
	In foreign currencies	61,228,415	49,752,175
		<u>538,609,196</u>	<u>530,862,393</u>
10.1.2	Short-term (for upto one year)	356,324,444	366,143,638
	Long-term (for over one year)	182,284,752	164,718,755
		<u>538,609,196</u>	<u>530,862,393</u>

10.2 Advances include Rs. 86,642 million (2009: Rs. 70,923 million) which have been placed under non-performing status as detailed below:

Category of Classification	2010								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								
Other Assets Especially Mentioned	399,848	-	399,848	-	-	-	-	-	-
Substandard	5,085,209	296,281	5,381,490	937,870	74,070	1,011,940	937,870	74,070	1,011,940
Doubtful	9,644,901	339,350	9,984,251	2,383,650	169,675	2,553,325	2,383,650	169,675	2,553,325
Loss	68,356,327	2,520,172	70,876,499	51,925,715	1,846,220	53,771,935	51,925,715	1,846,220	53,771,935
	<u>83,486,285</u>	<u>3,155,803</u>	<u>86,642,088</u>	<u>55,247,235</u>	<u>2,089,965</u>	<u>57,337,200</u>	<u>55,247,235</u>	<u>2,089,965</u>	<u>57,337,200</u>
	----- Rupees in '000 -----								
Category of Classification	2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								
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	54,762,617	1,297,794	56,060,411	48,287,298	623,842	48,911,140	48,287,298	623,842	48,911,140
	<u>68,974,406</u>	<u>1,948,667</u>	<u>70,923,073</u>	<u>52,655,429</u>	<u>948,619</u>	<u>53,604,048</u>	<u>52,655,429</u>	<u>948,619</u>	<u>53,604,048</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

10.3 Particulars of provision against non-performing advances

Note	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	53,604,048	2,014,914	55,618,962	42,729,947	2,111,217	44,841,164
Exchange adjustments	2,681	(451)	2,230	8,975	25,092	34,067
Charge for the year	9,924,877	1,750,969	11,675,846	15,019,725	8,940	15,028,665
Reversal during the year	(4,664,800)	-	(4,664,800)	(3,854,861)	(130,335)	(3,985,196)
	5,260,077	1,750,969	7,011,046	11,164,864	(121,395)	11,043,469
Transfer to investments	(1,630,000)	-	(1,630,000)	-	-	-
Amounts written off	(25,846)	-	(25,846)	(299,738)	-	(299,738)
Other adjustments	126,240	-	126,240	-	-	-
Closing balance	57,337,200	3,765,432	61,102,632	53,604,048	2,014,914	55,618,962

10.4 Particulars of provisions against non-performing advances

	2010			2009		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	55,247,235	3,371,012	58,618,247	52,655,429	1,587,413	54,242,842
In foreign currencies	2,089,965	394,420	2,484,385	948,619	427,501	1,376,120
	57,337,200	3,765,432	61,102,632	53,604,048	2,014,914	55,618,962

10.4.1 In accordance with BSD Circular No. 10 dated October 20, 2009 issued by the State Bank of Pakistan, the Bank has availed the benefit of FSV against the non-performing advances. During the year, total FSV benefit availed by the bank resulted in increase in after tax profit of Rs. 533 million. Accordingly, as of December 31, 2010, the accumulated increase in profit after tax of Rs. 2,659 million (2009: Rs. 2,126 million) shall not be available for payment of cash or stock dividend as required by aforementioned SBP directives. During the year, the SBP vide its BSD Circular No. 2 dated June 03, 2010 has amended the Prudential Regulations in respect of provisioning against non-performing advances, the impact of which is immaterial in the current year.

10.4.2 General provision against consumer loans represents provision maintained at an amount ranging from 1.5% to 3% of the performing portfolio as required by the Prudential Regulations issued by the SBP. In addition, management in the current year reviewed the recoverability of loans in certain sectors with particular reference to history of default and current economic conditions. Based on this review, in addition to specific provision made in accordance with the prudential regulations, a general provision has been made for possible risk of losses in respect of such sectors aggregating to Rs. 1,716 million.

	Note	2010 ----- Rupees in '000 -----	2009
10.5 Particulars of write offs			
10.5.1 Against provisions	10.3	25,846	299,738
Directly charged to Profit and Loss account		-	-
		<u>25,846</u>	<u>299,738</u>
10.5.2 Write offs of Rs.500,000 and above	10.6	25,034	297,597
Write offs of below Rs.500,000		812	2,141
		<u>25,846</u>	<u>299,738</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2010 is given in Annexure II.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

		2010	2009
		---- Rupees in '000 ----	
10.7 Particulars of loans and advances to directors, associated companies, etc.			
Debts due by directors, executives, officers and staff of the bank or any of them either severally or jointly with any other person			
Balance at beginning of the year		19,492,373	17,148,248
Loans granted during the year		3,521,317	6,571,649
Repayments		(3,633,937)	(4,227,524)
Balance at end of the year		<u>19,379,753</u>	<u>19,492,373</u>
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 the year		12,423,114	9,758,505
Loans granted during the year		9,969,859	5,303,572
Repayments / other adjustments		(4,913,723)	(2,638,963)
Balance at end of the year		<u>17,479,250</u>	<u>12,423,114</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		1,863,346	1,952,228
Loans granted during the year		6,477	-
Repayments		(108,617)	(88,882)
Balance at end of the year		<u>1,761,206</u>	<u>1,863,346</u>
		2010	2009
		---- Rupees in '000 ----	
	Note		
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	1,983,095	1,472,451
Property and equipment	11.2	24,896,901	23,657,211
Intangible assets	11.3	8,230	17,530
		<u>26,888,226</u>	<u>25,147,192</u>
11.1 Capital work-in-progress			
Civil works		1,150,111	864,683
Equipment		101	3,088
Advances to suppliers and contractors		123,917	98,787
License and implementation fee for core banking software		708,966	505,893
		<u>1,983,095</u>	<u>1,472,451</u>

NOTES TO THE FINANCIAL STATEMENTS

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11.2 Property and equipment

	Cost / revalued amount			Accumulated depreciation				Book Value at December 31, 2010	Rate of depreciation	
	At January 1, 2010	Revaluation / * transfers / (adjustments)	Additions / (deletions)	At December 31, 2010	At January 1, 2010	Charge for the year / (deletions)	Revaluation / (adjustments)			At December 31, 2010
----- Rupees in '000 -----										
Owned										
Land										
- freehold	9,516,046	-	-	9,516,046	-	-	-	-	9,516,046	Nil
- leasehold	7,297,134	-	64,738	7,361,872	-	-	-	-	7,361,872	Nil
Buildings on land:										
- freehold	2,442,385	-	178,468	2,620,853	124,382	120,305	-	244,687	2,376,166	5% on book value
- leasehold	2,180,285	-	240,825	2,421,110	100,338	110,422	-	210,760	2,210,350	5% on book value
Furniture and fixtures	1,675,416	3,064	534,452 (6,200)	2,206,732	1,017,960	165,292 (3,408)	-	1,179,844	1,026,888	10% to 30% on Book Value, 20% on Straight-Line on new Furnishing Limit to Executives & Refurbishment of Branches
Computer and peripheral equipment	1,800,336	1,735	293,877 (447)	2,095,501	1,416,155	253,035 (137)	-	1,669,053	426,448	33.33% on cost
Electrical and office equipment	2,281,793	1,212	339,032 (79,307)	2,542,730	1,439,790	227,110 (74,925)	-	1,591,975	950,755	20% on book value
Vehicles	870,334	1,077	217,549 (49,112)	1,039,848	514,133	113,066 (46,908)	-	580,291	459,557	20% on cost
	28,063,729	7,088	1,868,941 (135,066)	29,804,692	4,612,758	989,230 (125,378)	-	5,476,610	24,328,082	
Assets held under finance lease										
Vehicles	101,249	-	112,977 (30,804)	183,422	38,433	18,346 (24,257)	-	32,522	150,900	20% on cost
Assets given under Ijarah										
	239,977	-	350,000 (95,358)	494,619	96,553	65,969 (85,822)	-	76,700	417,919	25-33% on cost
2010	28,404,955	7,088	2,331,918 (261,228)	30,482,733	4,747,744	1,073,545 (235,457)	-	5,585,832	24,896,901	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Cost / revalued amount			Accumulated depreciation				Book Value at December 31, 2009	Rate of depreciation	
	At January 1, 2009	Revaluation / * transfers / (adjustments)	Additions / (deletions)	At December 31, 2009	At January 1, 2009	Charge for the year / (deletions)	Revaluation / (adjustments)			At December 31, 2009
Rupees in '000										
Owned										
Land										
- freehold	9,516,046	-	-	9,516,046	-	-	-	-	9,516,046	Nil
- leasehold	7,200,877	- 122,923 * (29,845)	3,179	7,297,134	-	-	-	-	7,297,134	Nil
Buildings on land:										
- freehold	2,446,911	- (61,637)	57,111	2,442,385	-	124,382	-	124,382	2,318,003	5% on book value
- leasehold	1,929,129	90,195 (122,923) * (1,320)	285,204	2,180,285	-	100,338	-	100,338	2,079,947	5% on book value
Furniture and fixtures	1,459,052	-	221,069 (4,705)	1,675,416	916,727	104,104 (2,871)	-	1,017,960	657,456	10% to 30% on Book Value, 20% on Straight-Line on new Furnishing Limit to Executives & Refurbishment of Branches
Computer and peripheral equipment	1,599,934	-	200,402	1,800,336	1,252,600	163,555	-	1,416,155	384,181	33.33% on cost
Electrical and office equipment	1,970,961	-	310,832	2,281,793	1,251,397	188,393	-	1,439,790	842,003	20% on book value
Vehicles	740,735	-	155,748 (26,149)	870,334	424,377	112,848 (23,092)	-	514,133	356,201	20% on cost
	26,863,645	90,195 (92,802)	1,233,545 (30,854)	28,063,729	3,845,101	793,620 (25,963)	-	4,612,758	23,450,971	
Assets held under finance lease										
Vehicles	66,238	-	38,379 (3,368)	101,249	24,963	15,659 (2,189)	-	38,433	62,816	20% on cost
Assets given under Ijarah										
	174,016	-	65,961	239,977	38,618	57,935	-	96,553	143,424	25-33% on cost
2009	27,103,899	90,195 (92,802)	1,337,885 (34,222)	28,404,955	3,908,682	867,214 (28,152)	-	4,747,744	23,657,211	

11.3 Intangible assets

	Cost			Accumulated amortization			Book value at December 31, 2010	Rate of amortization
	At January 1, 2010	Additions	At December 31, 2010	At January 1, 2010	Charge for the year	At December 31, 2010		
Rupees in '000								
Computer software	32,288	-	32,288	14,758	9,300	24,058	8,230	33.33 % on cost
	32,288	-	32,288	14,758	9,300	24,058	8,230	
Rupees in '000								
Computer software	16,083	16,205	32,288	10,158	4,600	14,758	17,530	33.33 % on cost
	16,083	16,205	32,288	10,158	4,600	14,758	17,530	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

11.4 Revaluation of properties

During the year revaluation of property and equipment and construction of Baku branch was carried. The revaluation was carried out by external auditors as allowed under local laws. This has resulted in surplus on revaluation of Rs. 7.088 million. Had there been no revaluation, the carrying amount of revalued assets would have been Rs. 2.492 million.

- 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 + 2.00% to 2.75% and 3 months KIBOR + 1.3% to 2.5% (2009: 6 months KIBOR + 1.5% to 2.75% and 3 months KIBOR + 2.5% to 5%).

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

	2010	2009
	----- Rupees in '000 -----	
Not later than one year	145,098	80,534
Later than one year but not later than five years	489,385	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 property and equipment	Original cost	Book value	Sale proceeds	Gain	Mode of Disposal	Particulars of Purchaser
	----- Rupees in '000 -----					
Motor Vehicle	1,288	188	205	17	As per Approved Policy	Employee of the bank
Motor Vehicle	1,288	193	215	22	As per Approved Policy	Employee of the bank
Lease Vehicle	4,650	632	930	298	As per Approved Policy	Employee of the bank
Lease Vehicle	3,511	1,167	1,334	167	As per Approved Policy	Employee of the bank
Lease Vehicle	3,291	1,094	1,251	157	As per Approved Policy	Employee of the bank
Lease Vehicle	5,803	2,573	2,894	321	As per Approved Policy	Employee of the bank
Lease Vehicle	3,500	525	700	175	As per Approved Policy	Employee of the bank
Lease Vehicle	3,899	556	780	224	As per Approved Policy	Employee of the bank
Lease Vehicle	5,450	-	1,089	1,089	As per Approved Policy	Former President
Motor Vehicle	1,199	799	1,121	322	Insurance claim	National Insurance Company Limited.
Motor Vehicle	1,107	-	111	111	As per Approved Policy	Employee of the bank
Motor Vehicle	1,107	-	111	111	As per Approved Policy	Employee of the bank
Electrical Installation Office	79,207	4,354	12,300	7,946	Auction	HNR Company (Pvt.) Limited
Ijarah Assets	95,358	9,536	9,536	-	Ijarah Maturity	Allied Rental Modaraba
Computer and peripheral equipment	224	156	11	(145)	As per BoD Approval	Former Director
Computer and peripheral equipment	224	156	11	(145)	As per BoD Approval	Former Director
Other assets (having book value of less than Rs. 250,000 or cost of less than Rs.1,000,000)	50,122	3,842	26,253	22,411		
December 31, 2010	261,228	25,771	58,852	33,081		
December 31, 2009	34,222	6,070	13,657	7,587		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009 -----
12. DEFERRED TAX ASSETS - net			
Deductible temporary differences on:			
Provision for diminution in the value of investments		1,586,671	552,534
Provision against advances		6,189,551	4,720,840
Other provision		331,809	280,000
Charge against defined benefits plans		1,156,724	927,443
Unrealised loss on derivatives		942,204	-
Provision against off-balance sheet obligation		116,622	116,622
		<u>10,323,581</u>	<u>6,597,439</u>
Taxable temporary differences on:			
Excess of accounting book value of leased assets over lease liabilities		(15,469)	(7,065)
Difference between accounting book value of fixed assets and tax base		(391,165)	(222,293)
Revaluation of securities	20.1	(1,750,726)	(2,028,859)
Revaluation of fixed assets	20.2	(1,213,555)	(1,276,951)
		<u>(3,370,915)</u>	<u>(3,535,168)</u>
Net deferred tax assets		<u>6,952,666</u>	<u>3,062,271</u>

12.1 Movement in temporary differences during the year

	January 1, 2009	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2009	Recognized in Profit and Loss Account	Recognized in surplus on revaluation of assets	December 31, 2010
..... Rupees in '000							
Deferred tax assets arising in respect of:							
Provision for diminution in the value of investments	357,446	195,088	-	552,534	1,034,137	-	1,586,671
Provision against advances	4,093,904	626,936	-	4,720,840	1,468,711	-	6,189,551
Other provision	376,111	(96,111)	-	280,000	51,809	-	331,809
Charge against defined benefits plans	666,181	261,262	-	927,443	229,281	-	1,156,724
Unrealised gain / loss on derivatives	-	-	-	-	942,204	-	942,204
Provision against off-balance sheet obligations	116,622	-	-	116,622	-	-	116,622
	<u>5,610,264</u>	<u>987,175</u>	<u>-</u>	<u>6,597,439</u>	<u>3,726,142</u>	<u>-</u>	<u>10,323,581</u>
Less: Deferred tax (liabilities) arising in respect of:							
Excess of accounting book value of leased assets over lease liabilities	(5,600)	(1,465)	-	(7,065)	(8,404)	-	(15,469)
Difference between accounting book value of fixed assets and tax base	(169,754)	(52,539)	-	(222,293)	(168,872)	-	(391,165)
Revaluation of securities	(895,673)	-	(1,133,186)	(2,028,859)	-	278,133	(1,750,726)
Revaluation of fixed assets	(1,334,665)	66,733	(9,019)	(1,276,951)	63,396	-	(1,213,555)
	<u>(2,405,692)</u>	<u>12,729</u>	<u>(1,142,205)</u>	<u>(3,535,168)</u>	<u>(113,880)</u>	<u>278,133</u>	<u>(3,370,915)</u>
Net deferred tax assets	<u>3,204,572</u>	<u>999,904</u>	<u>(1,142,205)</u>	<u>3,062,271</u>	<u>3,612,262</u>	<u>278,133</u>	<u>6,952,666</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ---- Rupees in '000 ----	2009 (Restated)
13. OTHER ASSETS			
Income / mark-up accrued in local currencies		18,661,486	14,860,525
Income / mark-up accrued in foreign currencies		734,511	870,380
Advances, deposits, advance rent and other prepayments	13.1	2,303,510	15,023,537
Advance taxation (payments less provisions)		1,139,520	8,429,322
Income tax refunds receivable	13.5	16,850,798	10,805,291
Compensation for delayed refund receivable		1,856,256	-
Receivable from GoP	13.2	5,648	5,648
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		405,657	497,490
Branch adjustment account-net		2,772,582	2,308,352
Derivatives:			
Unrealized gain on forward foreign exchange contracts		181,473	183,145
Commission receivable		3,240,304	2,755,941
Stationery and stamps on hand		436,939	414,620
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	418,599
Less: provision		(418,599)	(418,599)
		-	-
Receivable from pension fund	34.1.2	3,522,884	3,666,344
Prize bonds in hand		260,403	235,239
Receivable from Brokers		519,305	119,511
Others		3,436,915	2,062,518
		<u>56,846,762</u>	<u>62,756,434</u>
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	800,000
Stationery and stamps on hand		201,200	51,200
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	13.3	323,172	323,172
Others		1,503,670	1,393,144
	13.6	3,350,522	3,089,996
Other assets (net of provision)		<u>53,496,240</u>	<u>59,666,438</u>

13.1 This includes Rs. 800 million (2009: Rs. 13,547 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, further appeal effects from Income Tax Appellate Tribunal (ITAT) pertaining to tax years 2003 to 2008 were received, which resulted in additional determined refunds of Rs 6,045 million (2009: Rs 10,805 million). The Federal Board of Revenue (FBR) will issue bonds in lieu of these determined refunds.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009
13.6 Provision against other assets			
Opening balance			
Charge for the year		3,089,996	2,614,590
Reversals	13.6.2	260,526	575,161
Closing balance	13.6.1	<u>3,350,522</u>	<u>(99,755)</u> <u>3,089,996</u>
13.6.1 This includes Rs. 800 million (2009: Rs. 800 million) as provision against Pre-IPO placement of Term Finance Certificates.			
13.6.2 This includes Rs. 150 million (2009: Nil) in respect of provision against stationery which has been included in stationery and printing expenses.			
	Note	2010 ----- Rupees in '000 -----	2009
14. BILLS PAYABLE			
In Pakistan		7,777,211	10,546,471
Outside Pakistan		229,420	74,698
		<u>8,006,631</u>	<u>10,621,169</u>
15. BORROWINGS			
In Pakistan		19,265,569	44,707,396
Outside Pakistan		838,022	570,742
	15.1 & 15.2	<u>20,103,591</u>	<u>45,278,138</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		19,265,569	44,707,396
In foreign currencies		838,022	570,742
	15.2	<u>20,103,591</u>	<u>45,278,138</u>
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		6,213,967	7,028,312
Under Long-Term Financing under Export Oriented Project (LTF-EOP)		1,412,760	2,587,196
Under Long-Term Financing Facility (LTFF)		1,465,900	1,436,715
		<u>9,092,627</u>	<u>11,052,223</u>
Repurchase agreement borrowings		9,302,142	25,008,891
		<u>18,394,769</u>	<u>36,061,114</u>
Unsecured			
Call borrowings		1,100,948	9,081,987
Overdrawn nostro accounts	32	537,074	64,237
Others		70,800	70,800
		<u>1,708,822</u>	<u>9,217,024</u>
		<u>20,103,591</u>	<u>45,278,138</u>
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 8.0% per annum (2009: 7.0% per annum).			

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

- Call borrowings carry interest ranging from 11.00% to 13.90% per annum (2009: 11.25% to 12.65% per annum).
- Repurchase agreement borrowings carry mark-up at the rate of 11.55% to 14.00% per annum (2009: 9.25% to 12.1% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2009: 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	2010 ----- Rupees in '000 -----	2009 ----- (Restated) -----
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		218,559,101	194,731,591
Savings deposits		266,342,659	196,373,780
Current accounts - remunerative		68,393,177	75,133,946
Current accounts - non-remunerative		194,393,878	169,043,847
		<u>747,688,815</u>	<u>635,283,164</u>
Financial Institutions			
Remunerative deposits		31,232,041	48,428,983
Non-remunerative deposits		53,231,032	43,752,678
		84,463,073	92,181,661
	16.1	<u>832,151,888</u>	<u>727,464,825</u>
16.1 Particulars of deposits			
In local currency		688,966,742	576,078,424
In foreign currencies [including deposits of foreign branches of Rs. 97,996 million (2009: Rs. 116,561 million)]		143,185,146	151,386,401
		<u>832,151,888</u>	<u>727,464,825</u>

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2010			2009		
	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	58,791	14,828	43,963	24,624	5,611	19,013
Later than one year and not later than five years	71,825	9,084	62,741	27,306	3,690	23,616
	<u>130,616</u>	<u>23,912</u>	<u>106,704</u>	<u>51,930</u>	<u>9,301</u>	<u>42,629</u>

The bank has entered into lease agreements with First National Bank Modaraba and Orix Leasing Pakistan Limited 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 (2009: KIBOR + 0.9% to KIBOR + 4.00% per annum). At the end of lease term, the bank has option to acquire the assets, subject to adjustment of security deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		14,523,641	11,993,768
Mark-up / return / interest payable in foreign currencies		342,494	564,017
Unearned commission and income on bills discounted		79,592	116,045
Accrued expenses		2,197,018	2,114,932
Advance payments		19,070	7,343
Unclaimed dividends		45,761	33,494
Derivatives:			
Loss on forward foreign exchange contracts		624,359	1,253,135
Loss on cross currency swaps	22.3	2,331,973	2,260,864
Provision against off balance sheet obligations	18.1	454,026	450,061
Employee benefits:			
Post retirement medical benefits	34.1.3	3,732,073	3,407,225
Compensated absences	34.2.1	2,572,878	2,397,308
Benevolent fund	34.1.4	895,661	838,123
Gratuity scheme	34.1.5	173,732	123,789
Staff welfare fund		371,257	371,257
Liabilities relating to:			
Barter trade agreements		11,843,111	11,657,389
Special separation package		78,422	78,422
Payable to GoP for acquisition of assets from CIRC		232,460	232,460
Payable to brokers		345,922	185,350
Others [(including provision of Rs. 506 million (2009: Rs. 246 million) for contingencies)]		5,296,588	4,184,641
		<u>46,160,038</u>	<u>42,269,623</u>

18.1 Provision against off balance sheet obligations

Opening balance		450,061	429,824
Charge for the year		3,965	20,237
Closing balance	18.1.1	<u>454,026</u>	<u>450,061</u>

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

19. SHARE CAPITAL

19.1 Authorized Capital

2009	2010		2010	2009
Number of shares			----- Rupees in '000 -----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10 each	<u>25,000,000</u>	<u>25,000,000</u>

19.2 Issued, subscribed and paid-up

140,388,000	140,388,000	Ordinary shares of Rs.10 each	1,403,880	1,403,880
935,982,200	1,205,074,800	Fully paid in cash	12,050,748	9,359,822
		Issued as fully paid bonus shares		
<u>1,076,370,200</u>	<u>1,345,462,800</u>		<u>13,454,628</u>	<u>10,763,702</u>

The Federal Government and the SBP held about 75.60 % shares of the bank as at the year ended December 31, 2010 (2009: 75.60%).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

		2010 Number of shares	2009 Number of shares
19.3 Share of the bank held by its associates			
Following shares were held by the associates of the bank as of year end:			
NAFA Multi Asset Fund		225,018	-
NAFA Stock Fund		506,831	-
		<u>731,849</u>	<u>-</u>
	Note	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
20. SURPLUS ON REVALUATION OF ASSETS - net			
Available-for-sale securities	20.1	7,553,767	7,474,058
Fixed assets	20.2	17,179,751	17,290,401
		<u>24,733,518</u>	<u>24,764,459</u>
20.1 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax			
Federal Government securities		(1,196,744)	(70,166)
Term Finance Certificates and Sukuks		(215,911)	(763,683)
Shares and mutual funds		2,698,818	1,739,784
GoP Foreign Currency Bonds		720,733	556,772
Foreign Government Securities		(11,264)	-
NI(U)T LoC Units		511,892	616,024
NI(U)T Non-LoC Units		101,420	-
NIT Equity Market Opportunity Fund Units		565,873	360,573
Investment outside Pakistan		6,129,676	7,063,613
		9,304,493	9,502,917
Deferred tax liability recognized	12	(1,750,726)	(2,028,859)
		<u>7,553,767</u>	<u>7,474,058</u>
20.2 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation on January 1,		18,567,352	18,667,824
Surplus on revaluation of bank's properties during the year	11.4	7,088	90,195
Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax		(117,738)	(123,934)
Related deferred tax liability		(63,396)	(66,733)
		<u>(181,134)</u>	<u>(190,667)</u>
		18,393,306	18,567,352
Less: Related deferred tax liability on:			
Revaluation as at January 1,		1,276,951	1,334,665
Revaluation of bank's properties during the year		-	9,019
Incremental depreciation charged during the year transferred to profit and loss account		(63,396)	(66,733)
	12	<u>1,213,555</u>	<u>1,276,951</u>
Surplus on revaluation on December 31		<u>17,179,751</u>	<u>17,290,401</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

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

	2010	2009
	----- Rupees in '000 -----	
- Government	14,513,887	17,443,452
- Financial institutions	7,239,823	4,469,377
- Others	11,223,626	11,214,383
	<u>32,977,336</u>	<u>33,127,212</u>

21.2 Transaction-related contingent liabilities

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

	2010	2009
	----- Rupees in '000 -----	
- Government	19,863,734	18,524,777
- Financial institutions	106,771	232,783
- Others	15,536,805	13,237,363
	<u>35,507,310</u>	<u>31,994,923</u>

21.3 Trade-related contingent liabilities

Letters of credit issued in favour of:

- Government	129,270,162	126,151,618
- Financial institutions	107,289	161,208
- Others	31,775,817	38,736,236
	<u>161,153,268</u>	<u>165,049,062</u>

21.4 Other contingencies

- 21.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 178 million (2009: Rs.175 million) and claims relating to former MBL amounting to Rs.965 million (2009: Rs.965 million)].

8,243,510	6,561,411
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21.4.2 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 2010 (accounting year ended December 31, 2009).

During the year, the bank received various appellate decisions from the Appellate Tribunal Inland Revenue (ATIR) from tax year 2003 to 2008, in which substantial reliefs have been allowed. Appeal effects of such decisions have also been obtained from the tax department giving rise to additional tax refund of Rs. 6,045 million. The total amount of refund as of December 31, 2010 is Rs. 16,851 million.

The matters under contingencies includes interest credited to suspense account and allocation of common expenditure between taxable and exempt / low tax rate. The aggregate effect of aforementioned contingencies amounts to Rs.3,413 million (2009: Rs. 7,368 million). No provision has been made against the aforementioned matters based on the opinion of tax consultants of the Bank who expect favorable outcome upon adjudication.

21.4.3 Provident Fund

Last year the management based on the legal advice, calculated interest on the outstanding Provident Fund balance at the five years fixed deposit rate for settlement of the PF balance interpreting the rate as the highest rate as per its understanding of the Supreme Court's decision dated May 04, 2009. Consequently, the difference was adjusted in Bank's Books of Accounts. Some petitioners filed the review petition against the Bank in the Court, asserting that the Bank's interpretation of the highest interest rate was not correct. The legal advisor of the Bank informed management that such petition had not been admitted in the Court.

However, in the current period, it came to management's knowledge that the review petition had actually been admitted in the last year, which the Court heard and decided on September 20, 2010. Opening paragraph of the Court judgment state that:

Quote

- The employee on his retirement or leaving the job or the heirs of the person who had passed away, are entitled for the best rate of interest as per scheme instead of prescribed rate on the fixed deposit till the time he was the employee of the Bank ; and
- If the payment has not been made for any reason i.e, litigation, etc., he would be entitled for the best rate of interest admissible to any other ordinary customer till the date of payment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Unquote

Accordingly, the payments have been made to all eligible employees / ex-employees of the bank and compliance of the same has also been made to the Court as desired. Management has treated omission of the fact as prior period error as per IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The impact of rectification of error in prior period's financial statements is as follows:

	Rupees in '000'
Increase in Deposits (Current Account - Remunerative)	1,000,000
Increase in Other assets (advance tax)	350,000
Decrease in Unappropriated profit	650,000
Increase in Mark-up / return / interest expensed	1,000,000
Decrease in Tax charge for the year	350,000
Decrease in Profit after taxation	650,000
Decrease in Earnings per share - after tax (basic and diluted)	Re. 0.48

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 bank to handle the related transactions on behalf of GoP. Accordingly, the bank 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 the bank by the GoP could not be utilized due to non-finalization of exchange rates for its utilization 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 the bank. 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 up till the cut-off date. 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, the High Court decided against the bank, despite the disclaimer signed by such optees not to claim any more benefits than what the bank had already paid. 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. The bank filed appeals against the aforesaid orders of both Lahore and Sindh High Courts. The said appeals have been accepted by the Supreme Court and the judgment of Lahore and Sindh High Courts have been set-aside.

The cases now pending, if any, are likely to be decided in the light of the above mentioned judgment of Supreme Court of Pakistan in favour of the bank.

	2010	2009
	----- Rupees in '000 -----	
21.5 Commitments in respect of forward exchange contracts		
Purchase	98,499,566	87,829,307
Sale	60,773,315	38,568,464
21.6 Commitments in respect of trading in government securities		
Purchase (reverse repo)	-	5,000,000
Sale	50,000	-
21.7 Commitments for the acquisition of operating fixed assets	2,375,461	1,537,996
21.8 Other commitments		
Cross currency swap	6,135,896	6,914,649
Professional services to be received	166,126	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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.

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 5.6.

22.2 Product Analysis

Counterparties	2010							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		FX Options	
	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 Banks for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	6,135,896	-	-	-	-
Total								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	6,135,896	-	-	-	-
	-	-	10	6,135,896	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Counterparties	2009							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		FX Options	
	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 Banks for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities for								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	6,914,649	-	-	-	-
Total								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	10	6,914,649	-	-	-	-
	-	-	10	6,914,649	-	-	-	-

22.3 Maturity Analysis

Cross Currency Swaps

Remaining Maturity	2010				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			----- Rupees in '000 -----		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	10	6,135,896	8,395,813	6,063,840	(2,331,973)
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	10	6,135,896	8,395,813	6,063,840	(2,331,973)
Remaining Maturity	2009				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
			----- Rupees in '000 -----		
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	10	6,914,649	8,786,137	6,525,273	(2,260,864)
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-
	10	6,914,649	8,786,137	6,525,273	(2,260,864)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	2010	2009
Note	----- Rupees in '000 -----	
23. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	57,602,913	53,355,661
Financial institutions	1,358,824	1,250,474
	<u>58,961,737</u>	<u>54,606,135</u>
On investments in:		
Held-for-trading securities	788,743	2,578,487
Available-for-sale securities	24,592,888	16,319,426
Held-to-maturity securities	904,942	907,729
	<u>26,286,573</u>	<u>19,805,642</u>
On deposits with financial institutions	609,303	1,667,333
On securities purchased under resale agreements	2,614,521	1,868,587
	<u>88,472,134</u>	<u>77,947,697</u>
	2010	2009
	Rupees in '000	
	(Restated)	
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	43,150,062	37,418,364
Securities sold under repurchase agreements	1,137,865	1,864,800
Short-term borrowings	962,549	1,206,485
	<u>45,250,476</u>	<u>40,489,649</u>
	2010	2009
	Rupees in '000	
25. GAIN ON SALE AND REDEMPTION OF SECURITIES - net		
Federal government securities		
Market Treasury Bills	36,824	236,871
Pakistan Investment Bonds	25,885	25,139
	<u>62,709</u>	<u>262,010</u>
Gain on Redemption of NIT Units-LOC Holders' Fund	9.5.1 294,424	3,875,309
Gain on NIT - Market Opportunity Fund	123,728	-
Shares and Mutual Funds	1,906,286	270,427
Gain on Sale of Foreign Government/Corporate Securities	125,216	184,148
	<u>2,512,363</u>	<u>4,591,894</u>
26. OTHER INCOME		
Rent on property	40,840	40,048
Gain on sale of property and equipment	11.6 33,081	7,587
Others	26.1 2,097,415	504,581
	<u>2,171,336</u>	<u>552,216</u>

26.1 This includes Rs. 1,846 million (2009: Rs. Nil) for compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010	2009
		----- Rupees in '000 -----	
27. ADMINISTRATIVE EXPENSES			
Salaries and allowances		16,577,663	13,227,825
Charge for defined benefit plans		1,646,552	2,396,124
Non-executive directors' fee, allowances and other expenses	35	26,903	17,994
Rent, taxes, insurance, electricity, etc.	27.1	1,542,526	1,277,598
Legal and professional charges		337,408	242,886
Communications		674,779	397,460
Repairs and maintenance		496,139	326,013
Financial charges on leased assets		19,829	10,072
Stationery and printing		544,824	827,177
Advertisement, sponsorship and publicity	13.6.2	135,129	239,025
Donations / Contributions	27.2	121,065	102,950
Auditors' remuneration	27.3	113,525	97,861
Depreciation	11.2	1,073,545	867,214
Amortization	11.3	9,300	4,600
Conveyance		123,939	109,676
Entertainment		47,190	40,336
Travelling		234,425	248,244
Security services		1,084,657	908,928
Outsourcing		366,241	266,558
Others		1,026,938	962,929
		<u>26,202,577</u>	<u>22,571,470</u>

27.1 This includes Rs. 3.381 million (2009: Nil) insurance premium against directors' liability insurance.

27.2 Donations / Contributions include following amounts exceeding Rs. 0.1 million.

Sheikh Zayed Hospital	250	-
Karachi Press Club Library	1,517	-
Nighaban Welfare Association	100	-
Islamabad Police	100	-
Afzaal Memorial Thalassemia	1,368	-
Memon Medical Institute	1,200	-
Prime Minister Flood Relief Fund	50,000	-
SOS Children Village, Multan	3,000	-
Flood Relief 2010 (Affectees)	61,980	-
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
	<u>119,515</u>	<u>102,950</u>

None of the directors / executives or their spouses have any interest in the donee, except Syed Ali Raza and Mr. Tariq Kirmani who are the member Board of Directors Institute of Business Administration and the member Board of Governors' in Marie Adelaide Leprosy Centre respectively.

27.3 Auditors' remuneration

	M.Yousuf Adil Saleem & Co.	Anjum Asim Shahid Rahman	2010 Total	2009 Total
	----- Rupees in '000 -----			
Audit fee	5,660	5,660	11,320	11,320
Review of interim financial statements	1,980	1,980	3,960	3,960
Fee for audit of domestic branches	4,600	4,600	9,200	9,200
Fee for taxation, special certifications and sundry advisory services	6,705	30,380	37,085	21,970
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	47,326	47,411
Out-of-pocket expenses	2,184	2,450	4,634	4,000
	<u>21,129</u>	<u>45,070</u>	<u>113,525</u>	<u>97,861</u>

	2010	2009
	Rupees in '000	
28. OTHER CHARGES		
Penalties imposed by SBP	<u>118,887</u>	<u>321,647</u>
	<u>118,887</u>	<u>321,647</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009 ----- (Restated) -----
29. TAXATION			
For the year			
Current	29.1	9,835,048	8,871,513
Deferred		(2,043,887)	(999,904)
		<u>7,791,161</u>	<u>7,871,609</u>
For prior year(s)			
Current		629,118	(4,133,282)
Deferred		(1,568,374)	-
		<u>(939,256)</u>	<u>(4,133,282)</u>
	29.2	<u>6,851,905</u>	<u>3,738,327</u>

29.1 Current taxation includes Rs. 551 million (2009: Rs. 611 million) of overseas branches.

29.2 Relationship between tax expense and accounting profit

Accounting profit before tax	<u>24,415,119</u>	<u>21,300,173</u>
Income tax at statutory rate @ 35% (2009: 35%)	8,545,292	7,455,061
Increase / (decrease) in taxes resulting from:		
Inadmissible differences	92,834	242,052
Income taxed at reduced rate	(858,965)	(1,458,958)
Timing differences no more available	-	1,623,454
Prior year adjustable timing differences	(1,568,374)	-
Overseas taxation	12,000	10,000
Prior year tax effects	629,118	(4,133,282)
Tax charge for current year	<u>6,851,905</u>	<u>3,738,327</u>

30. BASIC EARNINGS PER SHARE

		2010	2009 (Restated)
Profit after tax for the year	Rupees in '000	<u>17,563,214</u>	<u>17,561,846</u>
Weighted average number of ordinary shares	Numbers in '000'	<u>1,345,463</u>	<u>1,345,463</u>
Basic earnings per share	Rupees	<u>13.05</u>	<u>13.05</u>

30.1 Earnings per share for the year 2009 has been restated for the effect of bonus shares issued and prior period error identified as discussed in note 21.4.3.

31. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

32. CASH AND CASH EQUIVALENTS

	Note	2010 ----- Rupees in '000 -----	2009
Cash and balances with treasury banks	6	115,442,360	115,827,868
Balances with other banks	7	30,389,664	28,405,564
Overdrawn nostros	15.2	(537,074)	(64,237)
		<u>145,294,950</u>	<u>144,169,195</u>

33. STAFF STRENGTH

		2010	2009
Permanent		14,963	14,796
Temporary / on contractual basis		1,494	1,452
Total Staff Strength		<u>16,457</u>	<u>16,248</u>

33.1 In addition to the above, the bank is utilizing the services of other companies for outsourcing purposes and the number of persons deployed by such companies as at year end are 7,337 (2009: 6,406).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

34. EMPLOYEE BENEFITS

34.1 Defined benefit plans

34.1.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.11 to the financial statements.

Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2010 of pension fund, post retirement medical benefits, benevolent fund and gratuity scheme are as follows:

	2010	2009
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	14,656	14,565

	Note	2010 Rupees in '000	2009 Rupees in '000
34.1.2 Reconciliation of recoverable from pension fund			
Present value of defined benefit obligations		21,761,425	19,523,049
Fair value of plan assets		(22,382,345)	(19,781,585)
Net actuarial losses not recognized		(2,197,457)	(2,625,022)
Past Service Cost - Non Vested		(704,507)	(782,786)
	13	<u>(3,522,884)</u>	<u>(3,666,344)</u>

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.

	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
Movement in recoverable from pension fund		
Opening net asset	(3,666,344)	(4,496,943)
Charge for the year	695,262	1,462,139
Contribution to the fund made during the year	(551,802)	(631,540)
	<u>(3,522,884)</u>	<u>(3,666,344)</u>

Charge for pension fund

Current service cost	581,304	412,018
Interest cost	2,733,227	2,101,618
Expected return on plan assets	(2,769,422)	(2,483,459)
Actuarial gains recognized	71,874	-
Past Service Cost-Vested	78,279	1,431,962
	<u>695,262</u>	<u>1,462,139</u>

Movement of present value of defined benefit obligation

Opening present value of defined benefit obligation	19,523,049	15,011,555
Current service cost	581,304	412,018
Interest cost	2,733,227	2,101,618
Benefit paid	(923,087)	(884,146)
Past service cost-vested	-	1,416,800
Past service cost-non vested	-	616,000
Actuarial (gain) / loss on obligation	(153,068)	849,204
Closing present value of defined benefit obligation	<u>21,761,425</u>	<u>19,523,049</u>

Movement in fair value of plan assets

Opening fair value of plan assets	19,781,585	17,738,993
Expected return on plan assets	2,769,422	2,483,459
Contributions	551,801	631,540
Benefits paid	(923,087)	(884,146)
Actuarial gain / (loss) on assets	202,624	(188,261)
Closing fair value of plan assets	<u>22,382,345</u>	<u>19,781,585</u>

Actual return on plan assets

	<u>2,972,045</u>	<u>2,295,198</u>
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

34.1.2.1 Components of fair value of plan assets as a percentage of total fair value of plan assets

	2010 %	2009 %
Bonds	84.44	85.93
Equities	11.71	12.02
Cash and net current assets	3.85	2.05

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

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Present value of defined benefit obligations	21,761,425	19,523,049	15,011,555	12,704,049	12,069,249
Fair value of plan assets	(22,382,345)	(19,781,585)	(17,738,992)	(19,503,391)	(17,333,982)
Net actuarial (losses) / gains not recognized	(2,197,457)	(2,625,022)	(1,587,558)	3,122,997	2,312,800
Past Service Cost - Non Vested	(704,507)	(782,786)	(181,948)	-	-
	<u>(3,522,884)</u>	<u>(3,666,344)</u>	<u>(4,496,943)</u>	<u>(3,676,345)</u>	<u>(2,951,933)</u>

34.1.3 Reconciliation of payable to medical benefit plan

	Note	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
Present value of defined benefit obligations		4,019,855	3,432,771
Net actuarial losses not recognized		(287,782)	(25,546)
	18	<u>3,732,073</u>	<u>3,407,225</u>

Movement in net liability recognized

Opening net liability	3,407,225	2,946,554
Charge for the year	589,042	522,657
Benefits paid	(264,195)	(61,986)
	<u>3,732,073</u>	<u>3,407,225</u>

Charge for medical benefit plan

Current service cost	108,454	115,354
Interest cost	480,588	407,303
	<u>589,042</u>	<u>522,657</u>

Movement of present value of defined benefit obligation

Opening present value of defined benefit obligation	3,432,771	2,909,308
Current service cost	108,454	115,354
Interest cost	480,588	407,303
Benefit paid	(264,195)	(61,985)
Actuarial loss on obligation	262,237	62,791
Closing present value of defined benefit obligation	<u>4,019,855</u>	<u>3,432,771</u>

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

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Present value of defined benefit obligations	4,019,855	3,432,771	2,909,308	2,726,617	2,595,291
Net actuarial (losses) / gains not recognized	(287,782)	(25,546)	37,246	(144,141)	(318,705)
	<u>3,732,073</u>	<u>3,407,225</u>	<u>2,946,554</u>	<u>2,582,476</u>	<u>2,276,586</u>

Effect of 1% movement in assumed medical cost trend rate

	2010		2009	
	Increase	Decrease	Increase	Decrease
	----- Rupees in '000 -----			
Impact on obligations	404,578	(364,652)	371,037	(270,479)
Impact on cost	70,093	(59,996)	120,367	(9,830)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	Note	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
34.1.4 Movement in net liability recognized for benevolent fund			
Opening net liability		838,123	765,748
Charge for the year		79,725	114,022
Benefits paid		(22,187)	(41,647)
	18	<u>895,661</u>	<u>838,123</u>
Charge for benevolent fund			
Current service cost		14,392	13,317
Interest cost		117,337	107,205
Actuarial gains recognized		(52,004)	(6,500)
		<u>79,725</u>	<u>114,022</u>
Movement of present value of defined benefit obligation			
Opening present value of defined benefit obligation		838,123	765,748
Current service cost		14,392	13,317
Interest cost		117,337	107,205
Benefit paid		(22,187)	(41,647)
Actuarial (gain) on obligation		(52,004)	(6,500)
Closing present value of defined benefit obligation		<u>895,661</u>	<u>838,123</u>

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

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Opening net liability	838,123	765,748	759,957	802,937	729,725
Net charge for the year	79,725	114,022	53,256	22,756	129,185
Benefits paid	(22,187)	(41,647)	(47,465)	(65,736)	(55,973)
	<u>895,661</u>	<u>838,123</u>	<u>765,748</u>	<u>759,957</u>	<u>802,937</u>

	Note	2010 ----- Rupees in '000 -----	2009 ----- Rupees in '000 -----
34.1.5 Reconciliation of payable to gratuity benefit plan			
Present value of defined benefit obligations		187,884	136,211
Net actuarial losses not recognized		(14,152)	(12,422)
	18	<u>173,732</u>	<u>123,789</u>
Movement in net liability recognized			
Opening liability		123,789	106,270
Charge for the year		52,553	41,419
Benefits paid		(2,610)	(23,900)
		<u>173,732</u>	<u>123,789</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Charge for gratuity benefit plan

Current service cost	33,484	25,149
Interest cost	19,069	16,270
	<u>52,553</u>	<u>41,419</u>

Movement of present value of defined benefit obligation

Opening present value of defined benefit obligation	136,211	116,216
Current service cost	33,484	25,149
Interest cost	19,069	16,270
Benefit paid	(2,610)	(23,900)
Actuarial loss on obligation	1,730	2,476
Closing present value of defined benefit obligation	<u>187,884</u>	<u>136,211</u>

Reconciliation of net liability recognized for gratuity benefit plan for five years are as follows

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Present value of defined benefit obligations	187,884	136,211	116,216	82,098	52,205
Net actuarial gains not recognized	(14,152)	(12,422)	(9,946)	(4,309)	(2,635)
Past Service Cost - Non Vested	-	-	-	(11,081)	(22,161)
	<u>173,732</u>	<u>123,789</u>	<u>106,270</u>	<u>66,708</u>	<u>27,409</u>

34.2 Other employee benefits

34.2.1 Movement in net liability recognized for compensated absences

Note

Opening net liability	2,397,308	2,246,752
Charge for the year	229,971	255,887
Benefits paid during the year	(54,401)	(105,331)
	<u>2,572,878</u>	<u>2,397,308</u>

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

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Opening net liability	2,397,308	2,246,752	1,662,930	1,639,708	1,521,326
Net charge for the year	175,570	150,556	583,822	23,222	118,382
	<u>2,572,878</u>	<u>2,397,308</u>	<u>2,246,752</u>	<u>1,662,930</u>	<u>1,639,708</u>

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

	2011			
	Pension funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
	----- Rupees in '000 -----			
Contributions to be paid	472,809	140,695	685,245	67,359

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	----- Rupees in '000 -----					
Fees	-	-	26,903	17,994	-	-
Managerial remuneration	11,760	10,200	-	-	672,313	381,504
Charge for defined benefit plan	-	-	-	-	90,761	49,596
Rent and house maintenance	4,539	6,840	-	-	346,189	190,388
Utilities	2,680	1,228	-	-	100,834	45,998
Medical	101	153	-	-	138,597	48,149
Conveyance	-	-	-	-	211,726	102,529
Leave fare assistance	12,456	10,200	-	-	-	-
Bonus and others	38,109	35,641	-	-	443,494	287,546
	<u>69,645</u>	<u>64,262</u>	<u>26,903</u>	<u>17,994</u>	<u>2,003,914</u>	<u>1,105,710</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>796</u>	<u>507</u>

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.

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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 Bank's accounting policy as stated in note 5.6.

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
	----- Rupees in '000 -----					
2010						
Total income	347,119	2,021,873	18,246,783	33,717,308	2,287,441	4,233,773
Total expenses	2,074	39,976	13,736,239	18,602,274	1,254,454	2,804,163
Net income	345,045	1,981,897	4,510,544	15,115,034	1,032,987	1,429,610
Segment Assets (Gross)	-	6,544,623	145,766,096	868,756,836	-	13,957,125
Segment Non-Performing Loans	-	-	6,618,312	80,023,776	-	-
Segment Provision Required	-	-	5,564,909	55,537,723	-	-
Segment Liabilities (Gross)	-	-	222,764,481	683,764,371	-	-
Segment Return on net Assets (ROA) (%)	0.00%	12.20%	3.10%	1.84%	0.00%	12.51%
Segment Cost of funds (%)	0.00%	0.00%	4.39%	5.93%	0.00%	0.00%
2009						
Total income	479,695	2,475,935	18,184,060	29,554,327	1,786,030	4,003,358
Total expenses (Restated)	2,074	32,172	13,400,191	18,232,122	1,051,892	2,464,781
Net income (Restated)	477,621	2,443,763	4,783,869	11,322,205	734,138	1,538,577
Segment Assets (Gross)	-	2,378,930	149,694,928	779,355,265	-	13,153,639
Segment Non Performing Loans	-	-	7,369,750	63,553,323	-	-
Segment Provision Required	-	-	5,118,050	50,500,912	-	-
Segment Liabilities (Restated)	-	-	223,426,265	602,250,119	-	-
Segment Return on net Assets (ROA) (%)	0.00%	12.51%	3.21%	1.59%	0.00%	13.85%
Segment Cost of funds (%)	0.00%	0.00%	3.76%	5.90%	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 1,010 million (2009: 1,430 million) shares with market value of Rs. 35,500 million (2009: Rs. 55,472 million) in safe custody / Central Depository Company on behalf of NIT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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. 58,885 million on December 31, 2010 (2009: Rs. 38,130 million).

38.3 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial bank's with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the President's of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member. The State Bank of Pakistan 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 Government of Pakistan 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. 697 million as at December 31, 2010 (2009: Rs.583 million).

38.4 Transfer and Assignment Agreement with SME Bank Limited

During the year, the bank and the SME Bank entered into a transaction on July 01, 2010 for transfer and assignment of Rs. 4,466 million non-performing loans by the SME Bank to the bank on deferred price basis. These non-performing loans were fully provided. As per the pricing formula, the bank will pay to the SME Bank fifty percent of the recoveries of these non-performing loans net of all expenses on annual basis, except for the first two years when higher of the fifty percent of net recoveries or twenty-five percent of the gross recoveries will be paid to SME Bank. The differential on account of payment on the basis of twenty-five percent of gross recoveries in the first two years, if paid, will be adjusted by the bank against the net recoveries in the subsequent years.

39. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associated undertakings, subsidiary companies, 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 bank and its related parties are carried out under normal course of business, except employee staff loans, employees sale of assets, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

Detail of loans 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 in respect of staff retirement and other benefit plans are disclosed in note 34 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 35 and 11.6 respectively to the financial statements.

	2010			2009				
	At January 01,	Given during the year	Repaid during the year	At December 31,	At January 01,	Given during the year	Repaid during the year	At December 31
----- (Rupees in '000) -----								
Advances								
Key Management Executives	97,439	46,553	(17,473)	126,519	95,931	4,524	(3,016)	97,439
Subsidiaries	575,404	-	(108,617)	466,787	682,730	-	(107,326)	575,404
Associates	1,287,942	6,477	-	1,294,419	1,269,498	18,444	-	1,287,942
	<u>1,960,785</u>	<u>53,030</u>	<u>(126,090)</u>	<u>1,887,725</u>	<u>2,048,159</u>	<u>22,968</u>	<u>(110,342)</u>	<u>1,960,785</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	2010				2009			
	At January 01,	Received during the year	Repaid during the year	At December 31,	At January 01,	Received during the year	Repaid during the year	At December 31
----- (Rupees in '000) -----								
Deposits								
Subsidiaries	259,618	33,359	-	292,977	167,224	92,394	-	259,618
Key Management Executives	15,500	214,538	(171,902)	58,136	6,228	72,581	(63,309)	15,500
Pension Fund (Current)	405,351	9,798,211	(10,198,525)	5,037	3,940,161	12,791,620	(16,326,430)	405,351
Pension Fund (Fixed Deposit)	7,300,000	2,600,000	(1,500,000)	8,400,000	5,900,000	4,800,000	(3,400,000)	7,300,000
Provident Fund (Restated)	7,448,100	3,093,222	(1,632,050)	8,909,272	8,507,300	3,548,530	(4,607,730)	7,448,100
	15,428,569	15,739,330	(13,502,477)	17,665,422	18,520,913	21,305,125	(24,397,469)	15,428,569

	2010	2009
	----- Rupees in '000 -----	
Placements with:		
Subsidiary	2,573	2,549
Pension Fund	-	2,900,000
Joint venture	264,591	451,588
Associates	23,332	23,332
Repo borrowing from:		
Subsidiary	401,760	450,000
Associates	380,362	-
Other receivables from subsidiaries	-	40,801
Other payables to subsidiaries	929	-
Income for the period		
On advances / placements with:		
Subsidiaries	271	4,695
Joint Ventures	272	2,387
Key management executives	3,503	6,246
Debts Due by company in which a director of the bank is interested as director	2,032,190	1,082,279
Expenses for the period		
Remuneration to key management executives	300,596	247,234
Charge for defined benefit plan	11,721	26,914
Mark-up on Deposits of:		
Subsidiaries	5,868	2,791
Provident fund	1,772,840	1,493,505
Pension fund	929,343	1,295,079
Key management executives	1,101	546
Commission paid to subsidiaries	4,690	1,061
Mark-up on Borrowing (Repo / Call):		
Subsidiaries	47,309	46,816
Associate	4,117	-

39.1 Although the Federal Government and the SBP held about 75.60 % shares of the bank (2009: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 statement of financial position, are:

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

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, 2010 stood at Rs. 13.454 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 16.93%.

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

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

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

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and 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 FINANCIAL STATEMENTS

For the year ended December 31, 2010

		2010	2009
		Rupees in '000'	
40.2 Tier I Capital			
Fully paid-up capital		13,454,628	10,763,701
General reserves		17,531,177	15,774,856
Unappropriated profits		65,857,438	61,346,511
		<u>96,843,243</u>	<u>87,885,068</u>
Deductions:			
Book value of Goodwill and Intangibles		717,196	514,805
Shortfall in provisions required against classified assets irrespective of any relaxation allowed.		2,349,749	-
Resciprocal cross holdings by bank		56,221	-
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position		2,012,663	1,903,236
		<u>91,707,414</u>	<u>85,467,027</u>
Total eligible Tier I capital			
Supplementary Capital			
Tier II Capital			
General Provisions subject to 1.25% of total Risk Weighted Assets		3,765,432	2,014,914
Revaluation Reserve (upto 45%)		11,917,910	12,842,106
Foreign exchange translation reserve		6,919,067	6,906,851
		<u>22,602,409</u>	<u>21,763,871</u>
Deductions:			
50% of the investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the statement of financial position		2,012,663	1,903,236
		<u>20,589,746</u>	<u>19,860,635</u>
Total eligible Tier II capital			
Tier III Capital		-	-
Eligible Tier III Capital		-	-
Total eligible Capital		<u>112,297,160</u>	<u>105,327,662</u>
40.3 Capital Adequacy Ratio			
		2010	2009
		Capital Requirements	Risk Weighted Assets
		----- Rupees in '000 -----	
Credit Risk	Note		
Claim on			
Public sector entities		849,802	1,236,955
Claims on other sovereigns		4,024,385	895,815
Banks		998,217	823,268
Corporates		15,914,066	20,878,102
Retail portfolio		8,185,406	5,998,571
Loans secured by residential property		589,577	643,262
Past due loans		3,811,016	1,951,915
Investment in fixed assets		2,617,103	2,463,239
Other assets		2,426,314	2,684,929
Off balance sheet - non-market related exposure		8,052,952	5,102,593
Off balance sheet - market related exposure		112,132	46,098
Equity exposure risk held in the banking book		1,600,481	3,190,395
		<u>49,181,451</u>	<u>45,915,142</u>
		491,814,513	459,151,412
Market Risk			
Interest rate risk		248,493	252,500
Equity position risk		3,886,143	3,133,888
Foreign exchange risk		2,810,868	3,627,588
		<u>6,945,504</u>	<u>7,013,976</u>
		102,157,303	94,354,909
Operational Risk			
		<u>66,342,685</u>	<u>62,364,609</u>
		663,426,847	623,646,084
Total			
		<u>663,426,847</u>	<u>623,646,084</u>
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	40.2	<u>112,297,160</u>
Total Risk Weighted Assets	(b)	40.3	<u>663,426,847</u>
Capital Adequacy Ratio	(a) / (b)		16.93%
			16.89%

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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:

Exposures	2010		PACRA	
	JCR - VIS			
Corporate	✓		✓	
Banks	✓		✓	
Sovereigns	x		x	
SME's	x		x	
Securitisation	N/A		N/A	
Others	N/A		N/A	

40.5 Credit Exposures subject to Standardised Approach

Exposures	Rating Category #	2010		2009	
		Amount Outstanding	Deduction CRM	Amount Outstanding	Deduction CRM
Cash and Cash Equivalents	-	13,837,462	-	8,971,972	-
Claims on Government of Pakistan	-	296,973,751	-	238,531,187	-
Foreign Currency claims on SBP	-	17,372,791	-	23,730,560	-
Claims on other sovereigns and on GoP	1	20,185,825	-	25,651,277	-
Claims on other sovereigns and on GoP	2,3,4,5	26,631,014	-	10,021,636	-
Claims on other sovereigns and on GoP	Unrated	2,481,577	-	2,355,966	-
PSE's	1	1,727,929	-	14,321,869	583,950
PSE's	Unrated	117,291,779	102,023,660	128,855,820	109,611,891
Banks	1,2,3,4,5	46,769,641	13,169,244	30,404,630	2,386,823
Banks	Unrated	6,645,178	-	17,588,110	12,334,328
Corporates	1	28,977,620	-	1,602,261	-
Corporates	2,3,4	14,470,749	-	1,211,603	-
Corporates	Unrated	153,583,943	8,885,000	216,282,452	8,885,000
Retail portfolio	Unrated	140,224,486	31,085,741	102,447,635	22,466,686
Secured by residential property	-	16,845,065	-	18,378,909	-
Past due loans	-	29,304,888	-	17,208,193	-
Listed Equity investments - banks	-	14,574,669	-	30,872,553	-
Unlisted equity investments	-	953,430	-	687,600	-
Investments in fixed assets	-	26,171,030	-	24,632,387	-
Other assets	-	24,263,141	-	26,849,287	-
		999,285,968	155,163,645	940,605,907	156,268,678
					784,337,229

41. RISK MANAGEMENT

National Bank in its capacity of being the largest bank in the country is fully aware of its critical and leading role in the sustainable economic growth of Pakistan. The Bank is therefore committed to the establishment of a robust Risk Management system that caters to the full range of activities that can potentially impact its risk profile i.e. volatility of the global/local markets, technological advancement, innovative new financial products, changing regulatory environment etc.

A significant milestone towards achieving this objective was the hiring of external consultancy services of one of the most reputed and experienced consultant for Bank wide implementation of the Basel II Accord. This consultancy will align National Bank to international Best Practices and the requirements of the Basel II Accord. This would also maintain long term sustainable growth of National Bank and ensure that it continues to retain the role of the market leader. This would cater to the interest of all the stakeholders, especially the depositors.

NOTES TO THE FINANCIAL STATEMENTS

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In conjunction with the Consultant, there has been significant progress towards achieving the objective of this consultancy, such as:

- Risk Management Function has been restructured and made independent of all risk taking and approving units; its functional reporting is to the BOD and administrative reporting to the President of the Bank.
- Risk Management Division (RMD) has been reorganised, and staffing capacity strengthened to effectively cater to the requirements of the Basel II Accord. Credit Risk review Wing has been made a separate entity to focus on this key risk function. Data collection, structuring and sanitization have also been recognized as a critical component in risk management, therefore a dedicated Unit has been created for this challenging function.
- Risk Management Function's charter and specific Job Descriptions for all of the Units have been designed and approved. Risk Management Charter states the scope, functions and roles and responsibilities of the Risk Management Function.
- A bank wide diagnostic exercise, interactively with all the Groups within the Bank, is underway to identify and systematically document areas for improvement. This will subsequently lead to the designing of a remediation plan and its implementation. A crucial aspect of the Consultant's interactive methodology is that it will evolve into a "Buy in" of all the Departments in the Bank.
- Establishment of an Executive Risk Management committee, comprising of key group heads, emphasizing the Bank's commitment to a robust risk management process and risk culture.
- The implementation process of this consultancy will also systematically lay the building blocks for the future implementation of the Advanced Approaches of the Basel Accord.

41.1 Credit Risk Management

41.1.1 Credit Risk Review

In line with State Bank of Pakistan's Risk Management Guidelines, Risk Management has constituted a dedicated Risk Review Unit for undertaking review of loans, advances and cash credits on post facto basis. The Unit is responsible to independently review the approved credit cases (post facto) pertaining to new proposals, renewals, limit enhancements, restructuring, rescheduling, write-offs and cases involving other credit decisions, on a reasonable sample basis and report the results and exceptions to the Chief Risk Officer for onward communication to Executive Risk Management Committee, Board Risk Committee and other relevant authorities.

The Unit is responsible for deciding on the loan category that is to be treated as high-risk or high priority in nature and employing more robust and detailed reviews on the loans in this category. Examples may include watch list, rescheduled, restructured, write-off cases, loans approved as special cases, loans sanctioned as exceptions against the bank's restricted industries/ markets, credits not aligned to the approved strategies/ target markets/ risk asset acceptance criteria, loans to borrowers having a history of rating downgrades, loans in high-risk industry/ client segment, loans assigned exceptional rating grades such as too low or too high risk rating particularly not aligned with the industry averages etc. and other significant credit exceptions as per the bank's policies and procedures.

41.1.2 Credit Risk Architecture

The Credit Risk Architecture Unit has very recently been formed as a part of the organizational restructuring and a charter for it has been designed. Credit Risk Architecture is responsible to supervise that there is a framework in place for effective assessment/ measurement, mitigation and reporting of credit risks both on counterparty as well as portfolio level.

Primary responsibilities include formulation and proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio and sector management, including limit setting, MIS and monitoring. The Wing has ownership for the development process of credit risk ratings models for current use and subsequently rating models to be used for the Basel II FIRB approach; this includes necessary data collection, storage, cleansing and validation.

41.1.3 Credit Risk Policy, Strategy & ICAAP

Focus on Policy formulation and review, monitoring progress on implementation, ICAAP and other strategic aspects etc. Where required/ applicable, the function will work with the support and involvement of the respective business and other groups/ function s/ functions and will coordinate with them in this regard.



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41.1.4 Credit Modeling & Analytics

This includes development of obligor rating template and supporting rating framework to achieve such compliance, coordinating the process of data collection, cleansing and validation processes to be undertaken in this regard and provide due facilitation and support in implementation of credit rating engine, going forward.

41.1.5 Credit Portfolio Management

Credit portfolio management activities extend to development of an effective portfolio management structure and framework for conduct of portfolio quality reviews and proactive reporting to the management for necessary remedial actions.

41.1.6 Country Risk Management

This includes establishing, jointly with relevant stakeholders, processes and reporting framework for effective management of country risk including risk assessment, limit setting, exposure monitoring, reporting on concentrations, limit breaches and other aspects.

41.1.7 Basel II Implementation & Risk Automation project

Basel II/ Risk Automation Project Unit is responsible for managing the Basel II project in close coordination with the Basel II consultants and with the active support and involvement of other functions within Risk Management as well as other groups and functions across the bank. The Unit is also responsible to perform project management and support services in relation to evaluation, selection and implementation of suitable risk management applications, as required by the bank.

Risk Automation Project Unit is also responsible for coordinating with various functions regarding their requirements from the risk management applications and providing details to the respective vendors (if the related features are available or supposed to be available in any existing or already procured system) & coordinating with the respective functions and selected vendor(s) in relation to finalization of system blue prints and in the process of deployment of system in accordance with the approved blue prints.

41.1.8 Consumer Risk management

The Unit is responsible for developing an overall consumer risk policy framework describing the consumer risk structure, principles, standards and policies for product programmed designing and approvals management of third party relationship. Consumer Risk Management also supervises that there is a framework in place for effective assessment and measurement and mitigation and reporting of credit risks arising from the consumer and programme based SME portfolios.

The primary responsibilities includes formulation/ proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio management including limit setting, MIS and monitoring.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

41.1.2 SEGMENTAL INFORMATION

41.1.2.1 Segment by class of business

	2010					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,939,606	0.92	2,724,555	0.33	2,537,993	1.11
Agriculture	27,067,257	5.03	16,330,516	1.96	257,337	0.11
Textile	69,925,475	12.98	2,137,019	0.26	7,817,950	3.40
Cement	7,118,138	1.32	193,034	0.02	2,838,910	1.24
Sugar	13,102,797	2.43	144,765	0.02	66,860	0.03
Flour	706,581	0.13	72,098	0.01	-	0.00
Rice processing	9,644,656	1.79	852,648	0.10	6,000	0.00
Shoes & leather garments	1,010,159	0.19	166,693	0.02	101,344	0.04
Automobile and transportation equipment	2,819,605	0.52	860,034	0.10	198,077	0.09
Financial	14,477,321	2.69	84,463,073	10.15	13,827,347	6.02
Insurance	414	0.00	6,212,119	0.75	4,323	0.00
Transportation	27,702,664	5.14	4,252,295	0.51	3,605,133	1.57
Real Estate Construction	7,820,325	1.45	6,671,156	0.80	942,572	0.41
Electronics and electrical appliances	7,537,267	1.40	569,528	0.07	2,609,892	1.14
Production and transmission of energy	62,241,849	11.56	54,559,085	6.56	32,519,887	14.16
Food and tobacco	1,965,897	0.36	475,862	0.06	10,480	0.00
Fertilizer	18,004,257	3.34	2,707,187	0.33	1,241,291	0.54
Metal products	18,882,624	3.51	5,214,970	0.63	9,328,650	4.06
Telecommunication	6,797,151	1.26	48,345,139	5.81	5,319,973	2.32
Hotel and services	16,572,004	3.08	33,665,800	4.05	619,473	0.27
Public sector commodity operations	64,157,338	11.91	12,575,136	1.51	15,492,881	6.75
Individuals	76,673,326	14.24	340,352,770	40.90	4,891,680	2.13
General traders	22,121,886	4.11	32,607,558	3.92	697,247	0.30
Others	57,320,599	10.64	175,998,848	21.13	124,702,614	54.31
	538,609,196	100.00	832,151,888	100.00	229,637,914	100.00

	2009					
	Advances (Gross)		Deposits (Restated)		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	3,155,858	0.59	4,383,462	0.60	883,289	0.38
Agriculture	23,453,263	4.42	16,595,353	2.28	181,668	0.08
Textile	71,667,650	13.50	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	8,897,751	1.68	247,445	0.03	2,570	0.00
Flour	725,523	0.14	95,296	0.01	-	0.00
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	12,557,114	2.37	92,181,661	12.69	13,069,436	5.68
Insurance	-	0.00	2,733,418	0.38	2,755	0.00
Transportation	18,356,185	3.46	3,284,011	0.45	2,028,624	0.88
Real Estate Construction	7,892,728	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	86,110,813	16.22	91,163,320	12.53	72,095,522	31.32
Food and tobacco	1,581,158	0.30	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	16,578,768	3.12	2,143,022	0.29	3,758,002	1.63
Telecommunication	6,468,174	1.22	22,152,846	3.05	4,291,987	1.86
Hotel and services	14,207,851	2.68	24,265,879	3.34	682,960	0.30
Public sector commodity operations	72,749,133	13.53	11,362,613	1.56	6,154,786	2.67
Individuals	74,550,396	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	50,197,372	9.45	159,461,529	14.25	144,849,225	43.77
	530,862,393	100.00	727,464,825	100.00	230,171,197	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

41.1.2.2 Segment by sector

	2010					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Public / Government	133,982,491	24.88	329,822,417	39.63	163,647,783	71.26
Private	404,626,705	75.12	502,329,471	60.37	65,990,131	28.74
	<u>538,609,196</u>	<u>100.00</u>	<u>832,151,888</u>	<u>100.00</u>	<u>229,637,914</u>	<u>100.00</u>
	2009					
	Advances (Gross)		Deposits (Restated)		Contingencies & Commitments	
	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %	Rupees in '000'	Percentage %
Public / Government	152,316,629	28.69	269,065,035	36.90	173,094,932	75.20
Private	378,545,764	71.31	458,399,790	63.10	57,076,265	24.80
	<u>530,862,393</u>	<u>100.00</u>	<u>727,464,825</u>	<u>100.00</u>	<u>230,171,197</u>	<u>100.00</u>

41.1.2.3 Details of non-performing advances and specific provision by class of business segment

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	Rupees in '000			
Chemical and pharmaceuticals	2,441,160	2,272,721	1,826,039	1,685,121
Agriculture	1,873,395	1,054,027	2,219,527	846,133
Textile	26,432,192	21,267,263	24,952,031	21,146,885
Cement	5,059,717	4,612,161	5,125,240	3,798,340
Sugar	3,200,306	2,649,031	2,831,761	1,818,357
Flour	244,968	191,749	243,413	171,952
Rice processing	1,875,295	1,514,164	1,869,188	1,655,499
Shoes & leather garments	429,807	423,583	215,215	210,081
Automobile and transportation equipment	1,354,447	1,209,634	892,961	868,440
Financial	1,410,483	564,124	529,021	286,242
Transportation/Karobar	2,176,995	1,810,487	2,291,111	1,727,097
Real Estate Construction	2,255,065	952,419	908,204	493,835
Electronics and electrical appliances	332,040	285,549	2,426,504	1,812,932
Production & Transmission of Energy	11,607,222	1,464,294	1,685,132	1,452,565
Food and tobacco	565,145	530,780	455,659	419,855
Fertilizer	2,697,674	138,795	379,901	215,508
Metal products	1,473,132	359,831	1,468,240	312,535
Hotel and services	447,913	131,829	787,130	367,499
Telecommunications	1,142,498	142,000	1,106,197	107,951
Individuals	2,884,481	1,761,335	3,013,421	1,466,663
General traders	5,385,614	4,523,526	5,611,600	4,325,066
Others	11,352,539	9,477,899	10,085,578	8,415,492
	<u>86,642,088</u>	<u>57,337,200</u>	<u>70,923,073</u>	<u>53,604,048</u>

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

Public / Government	16,782,757	614,274	3,761,716	1,123,449
Private	69,859,331	56,722,926	67,161,357	52,480,599
	<u>86,642,088</u>	<u>57,337,200</u>	<u>70,923,073</u>	<u>53,604,048</u>

41.1.2.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	22,840,886	909,632,769	113,433,625	206,901,499
Asia Pacific (including South Asia)	385,303	46,431,357	8,810,396	8,462,795
Europe	(108,632)	13,532,817	2,879,027	5,768,015
United States of America	265,681	21,033,619	2,142,935	7,326,269
Middle East	1,031,881	44,394,118	1,229,845	1,179,336
	<u>24,415,119</u>	<u>1,035,024,680</u>	<u>128,495,828</u>	<u>229,637,914</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	2009			
	Profit before taxation (Restated)	Total assets employed (Restated)	Net assets employed (Restated)	Contingencies and commitments
----- Rupees in '000 -----				
Pakistan	19,627,152	806,182,422	104,637,439	213,560,716
Asia Pacific (including South Asia)	626,905	38,899,019	8,349,848	8,285,996
Europe	(36,523)	18,950,816	3,161,343	3,520,929
United States of America	290,757	21,943,052	1,857,961	4,744,619
Middle East	791,882	58,607,453	899,787	58,937
	<u>21,300,173</u>	<u>944,582,762</u>	<u>118,906,378</u>	<u>230,171,197</u>

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.

In compliance with the Risk Management Guidelines, issued by SBP, an Operational Risk Management Unit has been established within Risk Management Function (RMD). The unit has been strengthened by recruiting skilled resources for Operational Risk Management and imparting adequate trainings to the existing resources.

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

For the identification and assessment of operational risk across the bank, the bank has decided to adopt the risk assessment methodology known as Risk and Control Self Assessment (RCSA). The development phase of the RCSA exercise is currently in the initial stages. The function of RCSA will be primarily responsible for maintaining/updating the operational risk management framework and coordinating with the business and support groups for operational risk profiling. Where required/ applicable, the function will work with the support and involvement of the respective business and other groups/ functions and will coordinate with them in this regard. Key risk Indicators are parts of RCSA exercise as KRIs are developed against the risks which are identified during RCSA.

41.3 Market & Liquidity Risk

Market Risk is the risk that the value of On and off-balance sheet positions of a financial institution will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, and commodity prices resulting in loss of earnings and capital. Market risk includes Price risk and Liquidity exposures. Price and liquidity Risk's are closely inter linked to other Risks. The objective of Market Risk Management is to identify measure, monitor and manage the bank's portfolio in order to manage/reduce losses due to market volatility inherent in financial instruments.

Risk Management Policy approved by Board covers investment, equity trading, foreign exchange, money market, Assets Liability Management and Liquidity Risk. Bank's Assets Liability Committee (ALCO) and Credit Committee approve different exposure limits for implementation by respective business units. Market Risk Wing monitors Market Risk Exposure's and Market Risk activities on a day to day basis. This includes investment, Net Open Position, Interest Rate Risk, Revaluation Limits, Marked to Market Limit, Settlement Limit, Money Market Call Limit, Money Market Reverse Repo Limit, Foreign Currency Wise Exposure and Gap Limit etc.

41.3.1 Foreign Exchange Risk

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees in '000 -----				
Pakistan Rupee	884,469,628	752,741,764	(37,340,714)	100,387,150
United States Dollar	86,104,761	102,684,958	19,578,552	2,998,355
Great Britain Pound	7,281,706	8,718,349	4,198,884	2,762,241
Japanese Yen	12,421,571	16,630,907	4,504,219	294,883
Euro	13,818,777	11,834,997	3,050,345	5,034,125
Other currencies	30,928,237	13,917,877	8,714	17,019,074
	<u>150,555,052</u>	<u>153,787,088</u>	<u>31,340,714</u>	<u>28,108,678</u>
	<u>1,035,024,680</u>	<u>906,528,852</u>	-	<u>128,495,828</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

	2009			
	Assets (Restated)	Liabilities (Restated)	Off-balance sheet items	Net foreign currency exposure
	----- Rupees in '000 -----			
Pakistan Rupee	776,692,539	651,992,990	(42,346,194)	83,250,068
United States Dollar	106,322,375	121,106,676	19,504,659	4,443,218
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	29,431,868	12,450,245	-	16,981,623
	167,890,223	173,683,394	42,346,194	36,275,883
	944,582,762	825,676,384	-	119,525,951

Currency Risk arises where the value of a 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 swaps transactions with the SBP and in the interbank 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 currency placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

41.3.2 Equity Position Risk

Investments in equity 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 is 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.
- Compliances with the SECP Corporate Governance Rules by the investee company 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 management or Board of Directors.
- The bank follows a delivery versus payment settlement system thereby minimizing risk in relation to settlement risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

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 mark-up / 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 the 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 Statement of Financial Position.

Effective Yield / Interest rate	2010										Non-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
	Rupees in '000											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	115,442,360	31,487,219	8,588,460	29	-	-	-	-	-	-	-	75,366,662
Balances with other banks	30,389,664	13,463,517	9,591,700	1,435,140	277,314	-	-	-	-	-	-	5,621,993
Lending to financial institutions - net	23,025,156	19,136,044	3,889,112	-	-	-	-	-	-	-	-	-
Investments - net	301,323,803	40,013,820	99,946,941	79,985,264	2,760,915	10,195,202	7,450,951	3,371,642	17,346,446	135,994	40,116,628	-
Advances - net	477,506,565	129,704,340	158,807,039	72,244,739	58,042,555	13,374,064	12,545,012	23,466,434	5,155,191	4,167,191	-	-
Other assets	27,384,162	-	-	-	-	-	-	-	-	-	-	27,384,162
	975,071,730	233,804,940	280,823,242	153,665,172	61,080,784	23,569,266	19,995,963	26,838,076	22,501,637	4,303,185	-	148,489,465
Liabilities												
Bills payable	8,006,631	-	-	-	-	-	-	-	-	-	-	8,006,631
Borrowings	20,103,591	12,050,929	2,290,867	1,956,271	853,964	-	-	-	-	-	-	-
Deposits and other accounts	832,151,888	475,021,636	36,438,582	41,842,355	21,682,122	4,520,133	4,522,150	500,000	-	-	-	247,624,910
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	106,704	1,284	4,683	10,420	27,576	40,673	22,088	-	-	-	-	-
Other liabilities	40,390,354	487,073,849	38,734,232	43,811,046	22,563,662	4,560,806	4,544,218	3,449,460	-	-	-	40,390,354
	900,759,168	(253,268,909)	242,089,010	(109,854,126)	38,517,122	19,008,460	15,451,745	23,988,616	22,501,637	4,303,185	-	296,021,895
	74,312,562	(173,938,694)	322,114,291	115,807,408	38,517,122	19,008,460	15,451,745	23,988,616	22,501,637	4,303,185	-	(147,532,430)
Off-balance sheet financial instruments												
Cross currency swaps	6,135,896	-	6,135,896	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange	98,499,567	46,239,362	47,847,428	4,412,777	-	-	-	-	-	-	-	-
Forward sale of foreign exchange	60,773,315	33,090,853	26,041,957	1,640,505	-	-	-	-	-	-	-	-
	165,408,778	79,330,215	80,025,281	6,053,282	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap	239,721,340	(173,938,694)	322,114,291	115,807,408	38,517,122	19,008,460	15,451,745	23,988,616	22,501,637	4,303,185	-	(147,532,430)
Cumulative Yield / Interest Risk Sensitivity Gap		(173,938,694)	148,175,937	284,083,005	302,600,127	321,608,587	337,060,332	360,448,948	382,950,585	387,253,770	-	239,721,340

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

42. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs. 7.5 per share (2009: Rs. 7.5 per share) amounting to Rs. 10,091 million (2009: Rs. 8,073 million) and bonus shares in the proportion of 25 ordinary shares (2009: 25) per 100 ordinary shares held amounting to Rs. 3,364 million (2009: Rs. 2,691 million) at its meeting held on March 01, 2011 for approval of the members at the annual general meeting to be held on March 30, 2011. These financial statements do not reflect this appropriation as explained in note 5.17.

43. GENERAL

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

44. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 01, 2011 by the Board of Directors of the bank.

Chairman & President

Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Annexure 'I'
Referred to in Note 9.12 to the financial statements

Detail of Investments
As at December 31, 2010

1.1 Government Compensation Bonds

	Terms of Redemption		Rate of Interest %	Cost	
	Principal	Interest		2010	2009
	-----Rupees in '000-----				
Govt. Bond (Public Sector Enterprises)	July 1, 2010	Annually	9%	-	1,132,963
				-	1,132,963

1.2 Particulars of investments held in listed companies and modarabas

1.2.1 Ordinary shares

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
			-----Rupees in '000-----			
Held-for-trading						
Arif Habib Bank Limited	A	Unrated	-	5,000,000	-	33,500
Arif Habib Securities Limited	Unrated	Unrated	-	25,000	-	1,232
Attock Refinery Limited	Unrated	AA/A1+	275,000	-	34,287	-
Attock Petroleum Limited	Unrated	Unrated	50,000	-	16,726	-
Dawood Hercules Chemical Limited	Unrated	Unrated	25,000	-	4,959	-
D G Khan Cement	Unrated	Unrated	1,000,000	-	30,170	-
FFC Bin Qasim Limited	Unrated	Unrated	647,561	-	23,137	-
Habib Bank Limited	AA+	Unrated	300,000	-	36,582	-
ICI Pakistan Limited	Unrated	Unrated	62,916	-	9,075	-
Lucky Cement Limited	Unrated	Unrated	354,038	-	26,833	-
MCB Bank Limited	Unrated	AA+/A1+	100,000	-	22,854	-
Masood Textile Mills Limited	Unrated	Unrated	-	9,995	-	370
Nishat Mills Limited	Unrated	A+/A1	205,500	-	13,187	-
National Refinery Limited	Unrated	AAA/A1+	214,924	-	58,844	-
O.G.D.L	AAA	Unrated	-	667,770	-	73,862
Pakistan Oilfields Limited	Unrated	Unrated	212,500	-	62,892	-
Pakistan Petroleum Limited	Unrated	Unrated	345,680	-	75,064	-
Pakistan State Oil	Unrated	AA+/A1+	425,000	25,000	125,452	7,436
P.T.C.L	Unrated	Unrated	-	2,586,200	-	45,646
United Bank Limited	AA+	Unrated	-	150,000	-	8,768
					540,061	170,814

Available-For-Sale

	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
			-----Rupees in '000-----			
Abbott Laboratories Limited	Unrated	Unrated	1,267,462	1,234,963	139,091	149,702
Accord Textile Mills Limited	Unrated	Unrated	233,400	227,502	163	59
Adamjee Floorings Limited	Unrated	Unrated	30,080	29,322	-	-
Adamjee Insurance Company Limited	Unrated	AA	768,942	225,000	67,282	27,743
Adamjee Papers & Board Mills Limited	Unrated	Unrated	137,597	134,058	-	-
Adil Polypropylene Limited	Unrated	Unrated	69,093	67,408	-	-
Adil Textile Mills Limited	Unrated	Unrated	47,696	46,473	-	-
Afsar Textile Mills Limited	Unrated	Unrated	32,778	31,935	-	-
Agriauto Industries Limited	Unrated	Unrated	617,047	647,801	47,019	39,030
Agritec Limited	Unrated	SD	11,499,000	-	274,826	-
Ahmed Hassan Textile Limited	Unrated	Unrated	-	453,213	-	6,803
Al Abbas Sugar Mills Limited	Unrated	A/A1	727,285	708,637	69,019	67,675
Al Abid Silk Mills Limited	Unrated	Unrated	583,570	473,839	19,596	15,101
Al Noor Modaraba - 1st	Unrated	Unrated	-	513,630	-	1,448
Al Qaim Textile Mills	Unrated	Unrated	183,265	178,631	275	304
Al Zamin Leasing Modaraba	Unrated	Unrated	-	459,214	-	1,419
Al-Abbas Cement Industries Limited	Unrated	Unrated	-	391,339	-	2,700
Al-Ghazi Tractors Limited	Unrated	Unrated	30,900	30,900	7,014	7,355
Al-Hussany Industries Limited	Unrated	Unrated	31,514	30,671	-	-
Alif Textile Mills Limited	Unrated	Unrated	163,464	159,251	-	-
Allahwasaya Textile & Finishing Mills Limited	Unrated	Unrated	25	24	2	2
Allied Bank Limited	Unrated	AA/A1+	1,304,406	942,154	91,504	55,333
Al-Noor Sugar Mills Limited	Unrated	BBB+	-	1,140,355	-	30,219
Al-Zamin Leasing Corporation Limited	Unrated	Unrated	-	1,006,863	-	2,920
Amazai Textile Limited	Unrated	Unrated	10,111	10,111	5	506
Balance Carried Forward					715,796	408,319

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					715,796	408,319
Amtex Limited	Unrated	Unrated	23,172,472	-	93,849	-
Apex Fabrics Limited	Unrated	Unrated	144,506	141,136	-	-
Arag Industries Limited	Unrated	Unrated	96,478	94,034	-	-
Arif Habib Bank Limited	A	Unrated	-	5,424,991	-	36,347
Arif Habib Investments Limited	Unrated	Unrated	63,932	51,911	1,135	1,287
Arif Habib Limited	Unrated	Unrated	129,255	-	3,362	-
Arif Habib Corp Limited (Arif Habib Securities Limited)	Unrated	Unrated	2,626,146	2,228,693	68,280	109,808
Aruj Garment Accessories Limited	Unrated	Unrated	34,541	33,656	181	284
Asim Textile Mills Limited	Unrated	Unrated	582,237	567,491	1,456	1,135
Askari Commercial Bank Limited	Unrated	AA/A1+	11,882,433	7,766,882	210,200	212,036
Askari Leasing Limited	Unrated	Unrated	-	665,073	-	9,318
Aslo Electronics Limited	Unrated	Unrated	20,054	19,548	-	-
Aswan Tantage Limited	Unrated	Unrated	86,030	83,839	-	-
Atlas Bank Limited	A-	A-/A2	11,703,953	8,324,952	19,077	28,638
Atlas Engineering Limited	Unrated	Unrated	-	12,495	-	161
Atlas Honda Limited	Unrated	Unrated	48,561	72,496	6,069	10,065
Attock Cement Pakistan Limited	Unrated	Unrated	-	31,040	-	1,614
Attock Petroleum Limited	Unrated	Unrated	105,000	168,387	35,125	58,535
Attock Refinery Limited	Unrated	AA/A1+	3,207,000	1,979,761	399,849	273,068
Awan Textile Mills Limited	Unrated	Unrated	108,696	106,168	-	-
Ayaz Textile Mills Limited	Unrated	Unrated	107,432	104,904	-	-
Azam Textile Mills Limited	Unrated	Unrated	-	308,173	-	447
Azgard Nine	Unrated	SD	2,515,091	944,269	24,296	19,631
B.F. Modaraba.	Unrated	Unrated	-	206,916	-	745
Babri Cotton Mills Limited	Unrated	Unrated	41,026	34,761	473	617
Bahawalpur Textile Limited	Unrated	Unrated	33,283	32,440	-	-
Baig Spinning Mills Limited	Unrated	Unrated	-	-	-	-
Balochistan Glass Limited	Unrated	Unrated	301,443	293,714	922	676
Balochistan Particle Board Limited	Unrated	Unrated	398,550	388,017	478	388
Baluchistan Foundry (Tower)	Unrated	Unrated	37,664	36,737	-	-
Baluchistan Wheels Limited	Unrated	Unrated	811,357	790,553	27,440	22,926
Bank Al Habib Limited	Unrated	AA+/A1+	25,257,506	24,853,736	915,837	814,208
Bank Alfalah Limited	A1+	AA/A1+	35,895,723	15,013,218	402,391	206,732
Bank Of Punjab	Unrated	AA-/A1+	1,322,479	529,084	12,974	10,317
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	251,022	1,692,172	-	-
Bankers Equity Limited (B.E.L.)	Unrated	Unrated	1,485,925	-	-	-
Bankislami Pakistan Limited	Unrated	Unrated	898,394	596,106	3,261	3,499
Bannu Woollen Mills Limited	Unrated	Unrated	190,840	185,947	2,557	2,397
Bata Pakistan Limited	Unrated	Unrated	570,512	541,333	393,168	529,965
Bawany Air Products Limited	Unrated	Unrated	-	36,900	-	173
Bawany Sugar Mills Limited	Unrated	Unrated	-	48,622	-	100
Bawany Textile Mills Limited	Unrated	Unrated	42,972	41,877	-	-
Bela Engineers Limited	Unrated	Unrated	135,658	132,288	-	-
Berger Paints Limited	Unrated	Unrated	314,929	138,223	7,247	4,369
Blessed Textiles Limited	Unrated	Unrated	26,112	27,394	1,205	1,084
BOC Pakistan Limited	Unrated	Unrated	515,585	502,954	46,970	64,353
Bolan Casting Limited	Unrated	Unrated	1,367,863	1,238,222	60,323	45,827
Brother Textile Mills Limited	Unrated	Unrated	429,055	420,981	296	274
BRR Guardian Modaraba	A-	Unrated	612,819	597,105	1,109	1,529
Buxlay Paints Limited	Unrated	Unrated	89,291	87,002	1,295	1,601
Byco Petroleum Pakistan Limited	Unrated	Unrated	-	3,066,707	-	29,134
Callmate Telips Telecom Limited	Unrated	Unrated	44	42	-	-
Casspak Industries Limited	Unrated	Unrated	27,384	26,963	-	-
Central Cotton Mills	Unrated	Unrated	17,864	17,358	-	-
Century Paper & Board Mills Limited	A-	Unrated	1,916,525	2,756,988	32,293	36,503
Chakwal Spinning Mills	Unrated	Unrated	-	374,387	-	374
Charsada Sugar Mills Limited	Unrated	Unrated	4,634	4,634	36	36
Chashma Sugar Mills Limited	Unrated	Unrated	73,223	467,843	909	3,275
Cherat Cement Limited	Unrated	Unrated	6,500,269	6,333,598	69,878	79,487
Cherat Papersack Limited	Unrated	Unrated	-	157,500	-	3,174
Chilya Corrugated Board Limited	Unrated	Unrated	22,076	21,486	-	-
Clariant Pakistan Limited	Unrated	Unrated	802,056	781,771	146,776	136,599
Balance Carried Forward					3,706,450	3,170,976

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					3,706,450	3,170,976
Colony Mills	Unrated	Unrated	775,397	755,516	1,977	5,432
Colony Sarhad Textile	Unrated	Unrated	167,677	163,464	101	57
Colony Sugar Mills Limited	Unrated	Unrated	181,491	166,676	586	2,005
Crescent Fibres Limited	Unrated	Unrated	-	423,380	-	3,599
Crescent Jute Products Limited	Unrated	Unrated	-	739,236	-	739
Crescent Knitwear	Unrated	Unrated	42,130	40,866	-	-
Crescent Spinning Mills	Unrated	Unrated	370,744	361,054	-	-
Crescent Standard Modaraba	Unrated	Unrated	-	91,965	-	46
Crescent Steel & Allied Product	A+	Unrated	2,613,083	2,198,516	71,886	57,183
Crescent Sugar Mills	Unrated	Unrated	364,790	520,649	2,462	2,890
Crescent Textile Mills Limited	Unrated	Unrated	1,049,799	1,022,882	24,901	34,706
Crown Textile	Unrated	Unrated	161,948	157,819	-	-
Cynamid(Wyeth Pakistan)	Unrated	Unrated	56,858	55,401	59,798	71,501
D.M.Textile Mills	Unrated	Unrated	171,537	167,139	465	702
D.S. Industries Limited	Unrated	Unrated	540,339	528,733	989	1,819
Dadabhoy Construction	Unrated	Unrated	40,024	34,547	20	52
Dadabhoy Cement Industries	Unrated	Unrated	5,004,500	5,004,500	8,558	8,057
Dadabhoy Leasing Co.	Unrated	Unrated	188,742	184,108	-	-
Dadabhoy Sack Limited	Unrated	Unrated	25,102	24,458	-	-
Dadex Eternit Limited	Unrated	Unrated	2,281	2,321	42	80
Dandot Cement	Unrated	Unrated	160,000	160,000	392	760
Dar-Es-Salaam Textile	Unrated	Unrated	-	132,468	-	291
Data Agro Limited	Unrated	Unrated	50,135	48,871	-	-
Data Textiles Limited	Unrated	Unrated	-	307,150	-	206
Dawood Capital Management	Unrated	AM4+	338,285	329,612	656	1,628
Dawood Hercules Chemical Limited	Unrated	Unrated	1,728,428	1,129,874	342,851	203,163
Dawood Lawrencepur Limited	Unrated	Unrated	117,750	114,731	5,119	6,771
Dewan Automotive Engg. (Formerly: Allied Motors Limited)	Unrated	Unrated	1	1,001,333	-	751
Dewan Cement (Pakland Cement)	Unrated	D	4,587,003	4,524,288	10,275	11,356
Dewan Khalid Textile	Unrated	Unrated	142,425	138,774	456	545
Dewan Mushtaq Textile	Unrated	Unrated	64,442	119,378	380	420
Dewan Salman Fibres	Unrated	Unrated	4,240,202	4,164,848	12,678	6,164
Dewan Sugar Mills	Unrated	Unrated	696,135	1,199,330	2,506	2,866
DG Khan Cement	Unrated	Unrated	3,420,132	303,875	103,185	9,894
Din Textile Mills Limited	Unrated	Unrated	195,769	174,050	5,266	4,736
Dost Steel Limited	Unrated	Unrated	55,076	55,076	149	267
Dynea Pakistan	Unrated	Unrated	23,358	887,599	262	9,719
EFU General Insurance	AA	Unrated	214,481	197,333	9,446	19,260
Ellicot Spinning Mills Limited	Unrated	Unrated	381,666	359,106	7,652	7,003
Emco Industries Limited	Unrated	Unrated	384,708	374,845	1,116	1,874
English Leasing Limited	Unrated	Unrated	360,416	351,176	234	421
Engro Chemical (Pak) Limited	Unrated	AA/A1+	3,547,662	1,923,113	687,572	352,449
Engro Polymer & Chemicals Limited	Unrated	Unrated	1,770,833	1,388,889	25,270	24,917
Escort Investment Bank	A+	Unrated	1,184,092	1,184,092	3,304	4,677
Exide Pakistan Limited	Unrated	Unrated	198,229	193,146	38,902	33,366
Faran Sugar Mills Limited	Unrated	Unrated	1,360,098	1,325,224	28,344	23,854
Fateh Industries	Unrated	Unrated	11,712	11,459	64	92
Fateh Sportswear Limited	Unrated	Unrated	23,003	22,413	219	213
Fateh Textile Mills	Unrated	Unrated	11,847	11,544	1,339	4,167
Fatima Enterprises	Unrated	Unrated	320,609	312,183	4,264	4,539
Fauji Fertilizer Company Limited	Unrated	Unrated	21,486,647	15,074,849	1,099,335	1,551,654
Faysal Bank Limited	AA	AA/A1+	4,500,000	4,179,367	70,155	73,249
Fazal Cloth Mills	Unrated	A-/A2	-	548,967	-	13,258
Fazal Textile Mills	Unrated	Unrated	34,527	33,643	13,811	14,130
Fazal Vegetable Ghee	Unrated	Unrated	21,486	21,065	97	95
Fecto Cement Limited	Unrated	Unrated	880,337	857,765	6,382	9,007
Ferozsons Laboratories Limited	Unrated	Unrated	1,242,883	588,992	108,292	71,268
Balance Carried Forward					6,468,271	5,828,953

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					6,468,271	5,828,953
Ffc Bin Qasim Limited	Unrated	Unrated	9,115,897	4,308,700	325,711	112,586
First Capital Securities Corp.	Unrated	Unrated	2,048,345	1,814,387	7,292	17,219
First Dawood Investment Bank	Unrated	CCC	1,394,028	1,358,284	2,635	3,790
First Elite Capital Mod.	Unrated	Unrated	-	459,597	-	1,149
First Equity Modarba	Unrated	Unrated	907,135	883,876	1,361	2,165
First Fidelity Leasing Mod.	Unrated	Unrated	523,903	510,471	912	1,348
First National Equities Limited	Unrated	Unrated	121,137	121,137	1,066	1,598
Frontier Ceramics Limited	Unrated	Unrated	1,331,265	1,371,000	3,208	4,113
Gadoon Textile Mills Limited	Unrated	Unrated	-	707,019	-	19,415
General Tyre & Rubber Co.	Unrated	Unrated	1,600,000	1,869,913	36,160	44,803
Ghafoor Textile Mills	Unrated	Unrated	23,424	22,834	-	-
Gandhara Industries	Unrated	Unrated	-	128,392	-	923
Gandhara Nissan Limited	Unrated	Unrated	35,131	1,335,021	173	7,463
Ghani Gases Limited	Unrated	Unrated	2,485,000	-	28,553	-
Ghani Glass Limited	Unrated	Unrated	261,071	231,252	12,871	11,919
Gharibwal Cement	D	Unrated	1,339,000	1,339,000	11,154	21,089
Ghulam M.Dadabhoj (Dadabhoj Padube)	Unrated	Unrated	25,278	24,435	-	-
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	3,158,249	3,079,179	278,526	336,462
Globe Textile Mills	Unrated	Unrated	33,704	32,861	371	522
Grays Of Cambridge	Unrated	Unrated	160,985	156,858	8,048	12,414
Greaves Aircondition	Unrated	Unrated	30,080	29,322	-	-
Gul Ahmed Textile	Unrated	Unrated	174,034	169,572	5,089	4,578
Gulistan Spinning Mills	Unrated	Unrated	148,830	145,029	1,025	1,086
Gulistan Textile Mills	Unrated	Unrated	374,355	364,758	6,974	7,879
Gulshan Spinning Mills	Unrated	Unrated	613,190	497,894	4,292	3,983
Gypsum Corporation	Unrated	Unrated	84,176	81,985	-	-
H. Shaikh Muhammed Hussain	Unrated	Unrated	57,634	56,117	-	-
Habib Adm Limited	Unrated	Unrated	-	59,097	-	926
Habib Bank Limited	AA+	Unrated	1,801,634	323,377	219,691	39,918
Habib Bank Modaraba 1St	Unrated	AA+/A1+	1,500,000	2,500,394	12,360	10,377
Habib Metropolitan Bank	Unrated	AA+/A1+	29,804,868	25,034,013	864,043	779,810
Habib Modaraba (Ist)	AA-	Unrated	279,701	786,537	1,874	4,586
Habib Sugar	Unrated	Unrated	5,237,445	4,113,079	174,459	163,988
Hafiz Textile Mills	Unrated	Unrated	3,792	3,792	72	56
Haji Mohammad Ismail Mills Limited	Unrated	Unrated	1,594,650	1,594,650	1,148	2,392
Hajra Textile Mills	Unrated	Unrated	-	257,234	-	141
Hakkim Textile Mills	Unrated	Unrated	131,445	128,075	66	32
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	-	5,738
Harum Textile	Unrated	Unrated	29,683	28,923	-	-
Hashimi Can Company	Unrated	Unrated	82,154	80,047	542	480
Highnoon Laboratories	Unrated	Unrated	213,696	208,217	6,184	6,800
Hinopak Motors Limited	Unrated	Unrated	259,462	252,809	34,223	50,342
Honda Atlas Car	Unrated	Unrated	2,482,754	1,980,730	28,800	37,872
Hub Power Company Limited	Unrated	AA+/A1+	10,166,956	16,998,234	380,346	528,305
Huffaz Seamless Pipe Ind.	Unrated	Unrated	694,269	676,468	10,838	14,145
Husein Sugar Mills	Unrated	Unrated	-	638	-	14
Hyderabad Electronic	Unrated	Unrated	50,135	48,871	-	-
I.B.L. Modaraba (Ist)	Unrated	Unrated	727,077	708,434	1,302	1,877
I.C.C. Textiles Limited	Unrated	Unrated	84,016	81,863	106	147
IBL Healthcare	Unrated	Unrated	150,459	146,600	1,235	1,350
Ibrahim Fibers	Unrated	Unrated	945,213	921,451	39,831	33,744
ICI Pakistan	Unrated	Unrated	1,338,795	79,498	193,108	13,395
I.D.B.P	Unrated	Unrated	1,011	990	-	-
Ideal Spinning Mills	Unrated	Unrated	-	326,817	-	458
IIGI Investment Bank	Unrated	A/A1	-	3,814,618	-	13,466
Indus Bank Limited.	Unrated	Unrated	76	74	-	-
Indus Dyeing & Manuf.	Unrated	Unrated	267,362	260,824	87,748	50,616
Indus Motor Limited	Unrated	Unrated	-	431,940	-	84,885
Indus Polyester Co.	Unrated	Unrated	3	3	-	-
Innovative Invest.Bank Limited(Housing Finance)	Unrated	Unrated	17,952	17,492	-	-
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	-	-
International Industries Limited	Unrated	Unrated	6,220,417	5,050,768	372,292	296,379
Balance Carried Forward					9,633,959	8,587,693

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For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					9,633,959	8,587,693
International Knit Wear	Unrated	Unrated	60,716	59,159	540	887
Invest Capital Investment Bank Limited	Unrated	Unrated	3,705,680	-	2,890	-
Investec Securities Limited	Unrated	Unrated	50,205	48,918	-	-
Ishaq Textile Mills	Unrated	Unrated	-	220,433	-	772
Islamic Investment Bank	Unrated	Unrated	71,339	69,509	496	-
Itti Textile Mills	Unrated	Unrated	83,418	81,311	-	77
J.A. Textile Mills	Unrated	Unrated	-	336,330	-	676
J.K. Spinning Mills	Unrated	Unrated	-	161,157	-	1,023
Jahangir Siddiqui Investment Company	Unrated	Unrated	31,405	30,955	210	445
Javed Omer Vohra & Co	Unrated	Unrated	859,960	837,910	3,440	8,279
Jehangir Siddiqui & Company Limited	Unrated	AA/A1+	3,241,903	898,282	35,337	27,011
Johnson & Phillips (Pak.) Limited	Unrated	Unrated	292,675	285,170	2,760	4,466
JS Bank Limited	Unrated	A	10,436,696	10,169,093	26,927	51,659
JS Bank Limited Lor	Unrated	Unrated	3,368,056	-	34	-
Junaid Cotton Mills Limited	Unrated	Unrated	51,759	51,759	-	-
Kaisar Arts & Krafts	Unrated	Unrated	868,959	868,959	-	-
Karachi Electric Supply Corporation	Unrated	Unrated	1,869,225	1,821,297	5,253	4,845
Karachi Pipes	Unrated	Unrated	79,710	77,603	-	-
Karam Ceramics Limited	Unrated	Unrated	182,554	177,873	1,424	1,601
Karim Cotton Mills	Unrated	Unrated	56,285	54,895	-	-
Karim Silk Mills Limited	Unrated	Unrated	9,690	9,690	-	-
KASB Bank	Unrated	A/A1	760	760	2	6
KASB Bank (Platinum Bank)	Unrated	Unrated	917,520	893,995	2,303	6,607
KASB Modaraba	BBB+	Unrated	351,473	342,486	580	1,027
Kaytex Mills (Saleem Denim Ind.)	Unrated	Unrated	82,575	80,468	79	-
Kaytex Mills	Unrated	Unrated	1,208,227	-	-	-
Kohinoor Mills Limited	Unrated	Unrated	-	1,208,227	-	5,920
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	24,550	7,720
Khalid Siraj Textile Mills	Unrated	Unrated	-	347,818	-	296
Khursheed Spinning Mills	Unrated	Unrated	53,900	53,900	86	40
Kohat Cement Limited	Unrated	Unrated	479,941	476,733	3,100	3,418
Kohat Textile Mills Limited	Unrated	Unrated	2,926,554	2,926,051	4,097	4,711
Kohinoor (Cotton) Textile	Unrated	Unrated	31,935	31,092	-	-
Kohinoor Energy Limited	Unrated	Unrated	135,351	131,880	2,948	4,088
Kohinoor Industries	Unrated	Unrated	4,370	166,073	7	332
Kohinoor Looms Limited	Unrated	Unrated	86,366	84,681	-	-
Kohinoor Mills Limited	Unrated	Unrated	31,795	-	94	-
Kohinoor Power Co.	Unrated	Unrated	147,865	144,074	683	1,134
Kohinoor Spinning Mills	Unrated	Unrated	-	299,073	-	452
Kohinoor Sugar Mills	Unrated	Unrated	366,887	357,480	1,864	2,753
Kohinoor Textile Mills Limited	Unrated	Unrated	2,054,323	1,912,082	10,313	14,914
Kot Addu Power Company Limited	Unrated	Unrated	9,732,978	1,684,539	395,938	77,270
KSB Pumps Co. Limited	Unrated	Unrated	1,004,638	745,617	60,519	55,936
Lafarge Pakistan Cement	Unrated	Unrated	3,927,387	10,321,302	12,607	22,604
Lafayette Industries Synth.	Unrated	Unrated	46,765	45,922	-	-
Leiner Pak. Gelatine	Unrated	Unrated	13,900	13,544	207	359
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	175	313
Lucky Cement Limited	Unrated	Unrated	2,250,000	1,882,577	170,528	124,702
Maple Leaf Cement Limited	Unrated	BB/B	194,819	1,158,936	559	4,358
Maqbool Textile Mills	Unrated	Unrated	849,029	827,260	7,302	9,927
Mari Gas Company Limited	Unrated	Unrated	1,972,334	1,404,380	246,483	192,161
Marr Fabrics Limited	Unrated	Unrated	60,246	58,729	-	-
Masood Textile Mills Limited	Unrated	Unrated	4,593,662	2,248,426	91,873	83,192
MCB Bank Limited	Unrated	AA+/A1+	195,489	107,832	44,677	23,689
Medi Glass Limited.	Unrated	Unrated	150,404	146,612	-	117
Meezan Bank Limited	A+	Unrated	6,958	6,627	118	104
Mehar Dastgir Textile	Unrated	Unrated	24,856	24,435	50	5
Mehmood Textile Mills	Unrated	Unrated	-	56,040	-	2,796
Mehran Bank Limited.	Unrated	Unrated	376,390	366,784	-	-
Mehran Jute Limited	Unrated	Unrated	61,931	60,667	-	-
Merit Packaging Limited	Unrated	Unrated	348,637	339,698	8,538	6,403
Metropolitan Steel Corp (Restricted)	Unrated	Unrated	50,204	-	801	-
Mian Mohammad Sugar	Unrated	Unrated	87,630	85,945	-	-
Mian Textile Industries Limited	Unrated	Unrated	-	365,484	-	110
Balance Carried Forward					10,804,348	9,346,897

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					10,804,348	9,346,897
Millat Tractors Limited	Unrated	Unrated	521,290	837,789	260,530	318,192
Mirpurkhas Sugar Mills	Unrated	Unrated	551,541	407,120	28,460	31,633
Mitchell's Fruit Farms	Unrated	Unrated	286,496	279,151	21,275	20,788
Modaraba Al-Mai	Unrated	A-/A2	73,539	71,655	111	115
Mohammad Farooq Textile Mills	Unrated	Unrated	-	923,680	-	1,598
Mohib Textile Limited	Unrated	Unrated	507,080	504,973	-	-
Moonlite Pak (Blanket)	Unrated	Unrated	58,846	57,338	324	630
Morafco Limited	Unrated	Unrated	29,069	28,648	270	381
Mubarik Dairies	Unrated	Unrated	28,227	27,806	113	28
Mustehkam Cement Limited	Unrated	Unrated	345,923	337,053	4,981	10,887
Mybank Limited	Unrated	A-/A2	19,483,044	4,429,000	54,747	21,038
Nagina Cotton Mills Limited	Unrated	Unrated	113,499	113,499	1,835	1,643
Nakshbandi Industries Limited	Unrated	Unrated	-	57,304	-	587
National Asset Leasing Corp.	Unrated	Unrated	135,050	131,587	-	-
National Match Ind.	Unrated	Unrated	13,398	13,145	-	-
National Over.	Unrated	Unrated	12,471	12,218	-	-
National Refinery Limited	Unrated	AAA/A1+	1,449,398	1,986,643	396,831	351,278
Natover Lease & Refinance	Unrated	Unrated	371,674	362,143	-	-
Naveed Textile Mills	Unrated	Unrated	35,979	35,052	-	-
Nestle Pakistan Limited	Unrated	Unrated	-	49,056	-	61,122
Netsol Technologies Limited	Unrated	Unrated	-	800,000	-	22,824
Nib (Ndlc-Iffc Bank)Nib Bank Limited	Unrated	AA-/A1+	7,862,190	4,502,212	23,194	21,611
Nimir Resins Limited	Unrated	Unrated	-	258,541	-	760
Nishat (Chunian) Limited	A	AA-/A1+	1,300,000	3,953,543	29,536	83,815
Nishat Chunian Limited-Rights	Unrated	Unrated	-	-	-	-
Nishat Chunian Power Limited	Unrated	AA-/A1+	19,376,860	30,723,041	311,774	316,447
Nishat Mills Limited	Unrated	A+/A1	7,757,836	2,598,223	497,820	181,616
Nishat Power Limited	Unrated	AA-/A1+	14,145,116	30,000,000	229,575	381,900
Noon Sugar Mills Limited	Unrated	Unrated	11,337	10,067	136	276
Norrie Textile Mills	Unrated	Unrated	69,557	67,774	-	-
Nowshera Engg. Works Limited	Unrated	Unrated	13,229	12,976	-	-
Nusrat Textile Mills	Unrated	Unrated	156,134	152,174	-	-
Oil And Gas Company Limited	AAA	Unrated	76,421	2,501,913	13,055	276,737
Olympia Spinning & Weaving	Unrated	Unrated	21,838	21,280	33	44
Olympia Textile Mills	Unrated	Unrated	182,618	177,936	365	178
Orix Leasing Pakistan Limited	Unrated	AA/A1+	1,689,793	1,651,855	11,609	12,637
Otsuka Pakistan	Unrated	Unrated	53,619	52,244	1,759	2,050
Pace Pakistan Limited	Unrated	A/A1	17,155,335	1,561,171	46,834	9,133
Package Limited	Unrated	AA/A1+	2,388,163	2,364,022	307,142	340,419
Pak Datacom Limited	Unrated	Unrated	600,633	71,064	47,931	7,177
Pak Electron Limited	Unrated	A+	4,784,450	4,261,984	67,174	79,869
Pak Ghee Limited	Unrated	Unrated	29,491	29,070	15	13
Pak Paper Corporation	Unrated	Unrated	52,831	51,567	-	-
Pak Suzuki Motors Limited	Unrated	Unrated	1,995,222	1,125,576	139,306	100,131
Pakistan Cement Company Limited	Unrated	Unrated	-	-	-	-
Pakistan Cables Limited	Unrated	Unrated	-	873,309	-	44,547
Pakistan Engineering Company Limited	Unrated	Unrated	135,242	135,242	33,809	40,573
Pakistan Gum & Chemicals	Unrated	Unrated	49,460	48,193	1,091	1,494
Pakistan International Airlines Corporation "A-Class"	Unrated	Unrated	20,851,011	21,319,520	47,123	55,644
Pakistan International Container Terminal	Unrated	Unrated	1	31,753	-	3,147
Pakistan National Shipping Corporation	Unrated	Unrated	608,707	603,002	23,100	28,341
Pakistan Oil Fields Limited	Unrated	Unrated	1,176,601	887,008	348,227	204,695
Pakistan Paper Products Limited	Unrated	Unrated	158,144	143,884	7,453	6,950
Pakistan Petroleum Limited	Unrated	Unrated	292,545	1,391,638	63,526	263,841
Pakistan Refinery Limited	Unrated	Unrated	3,361,306	1,728,911	362,080	208,680
Pakistan Reinsurance Company Limited	Unrated	Unrated	-	100,000	-	2,610
Pakistan Services Limited	Unrated	Unrated	418,460	407,730	70,406	71,854
Pakistan State Oil	Unrated	AA+/A1+	759,421	311,883	224,166	92,766
Pakistan Synthetics	Unrated	Unrated	1,353,626	1,318,919	12,318	11,541
Pakistan Telecommunication Company Limited	Unrated	Unrated	18,627,814	10,444,959	361,752	184,354
Balance Carried Forward					14,856,134	13,225,491

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					14,856,134	13,225,491
Pakistan Telephone Cables	Unrated	Unrated	45,969	45,396	108	141
Pakistan Tobacco	Unrated	Unrated	150,719	923,782	16,614	96,997
Pan Islamic Steamship	Unrated	Unrated	421	421	-	-
Pangrio Sugar	Unrated	Unrated	397,393	387,203	2,424	1,839
Paramount Modaraba (Ist)	BBB-	Unrated	-	19,028	-	175
Paramount Spinning Mills	Unrated	Unrated	994,301	880,733	10,341	10,340
Pearl Fabrics Limited	Unrated	Unrated	117,121	114,172	-	-
Pervez Ahmed Securities Limited	Unrated	Unrated	301,925	301,925	646	1,482
Pioneer Cement Limited	Unrated	Unrated	27,405,714	1,160,100	185,537	12,390
Polyron Limited	Unrated	Unrated	76	74	-	-
Premier Sugar Mills	Unrated	Unrated	-	36,477	-	1,647
Premium Textile Mills	Unrated	Unrated	184,889	401,951	5,232	10,250
Prosperity Weaving Mills Limited	Unrated	A-/A2	5,674	2,930	84	39
Prudential Investment Bank	Unrated	Unrated	166,278	162,014	-	-
Prudential Modaraba (Ist)	Unrated	Unrated	173,902	169,442	191	164
Pta Pakistan Limited	Unrated	Unrated	-	3,288,573	-	25,750
Punjab Building Limited	Unrated	Unrated	226,070	220,340	-	-
Punjab Cotton	Unrated	Unrated	28,648	28,227	-	-
Punjab Lamps	Unrated	Unrated	55,274	53,842	-	-
Punjab Modaraba (Ist)	Unrated	Unrated	595,224	579,962	1,036	1,015
Punjab Oil Mills Limited	Unrated	Unrated	-	759,220	-	37,202
Qayyum Spinning	Unrated	Unrated	36,653	36,232	-	11
Quality Steel Works	Unrated	Unrated	1,685	1,685	-	21
Quetta Textile Mills	Unrated	Unrated	9,686	9,437	368	484
Ravi Textile Mills	Unrated	Unrated	-	172,115	-	1,936
Rcd Ball	Unrated	Unrated	10,027	9,774	-	-
Redco Textile Mills Limited	Unrated	Unrated	402,378	391,845	358	274
Regal Ceramics Limited	Unrated	Unrated	45,501	44,658	-	-
Reliance Cotton Spinning	Unrated	Unrated	2	200,053	-	5,201
Reliance Weaving Mills	Unrated	Unrated	-	294,266	-	3,025
Resham Textile Mills Limited	Unrated	Unrated	2,775	105,466	20	919
Rex Baren Battery	Unrated	Unrated	28,564	27,890	-	-
Rmcpl	Unrated	Unrated	13	13	-	-
Ruby Textile Mills	Unrated	Unrated	311,191	303,213	1,556	3,332
Rupali Polyester Limited	Unrated	Unrated	816,483	795,548	29,393	30,072
S.G.Power	Unrated	Unrated	164,692	160,566	206	183
Sadoon Textile Mills	Unrated	Unrated	421	421	-	-
Sahrish Textile Mills	Unrated	Unrated	10,043	10,043	-	-
Saif Mix Concrete Products	Unrated	Unrated	3,900,069	-	28,471	-
Saif Textile Mills Limited	Unrated	Unrated	1,075,363	999,073	4,839	5,515
Saitex Spinning Mills	Unrated	Unrated	182,423	177,789	-	-
Sajjad Textile Mills	Unrated	Unrated	151,508	157,367	224	79
Salfi Textile Mills	Unrated	Unrated	-	51,961	-	656
Sally Textile Mills	Unrated	Unrated	-	172,932	-	432
Salman Noman Enterprises	Unrated	Unrated	156,642	145,358	783	579
Samba Bank Limited	A	Unrated	6,154,267	5,996,467	12,062	19,848
Samin Textile Limited	Unrated	Unrated	1,604,838	393,810	9,790	6,195
Sana Industries Limited	Unrated	Unrated	137,959	134,422	6,352	4,886
Sanghar Sugar Mills	Unrated	Unrated	426,969	528,116	6,148	8,714
Sanofi - Aventis Pakistan Limited	Unrated	Unrated	116,932	113,935	16,604	16,533
Sapphire Fibers Limited	Unrated	Unrated	-	72,071	-	7,928
Sapphire Textile Mills	A	Unrated	131,446	113,430	13,277	9,868
Sardar Chemical Ind.Limited	Unrated	Unrated	75,413	73,728	68	140
Sargodha Spinning Mills	Unrated	Unrated	-	292,059	-	298
Saritow Spinning Mills	Unrated	Unrated	-	322,214	-	570
Saudi Pak Commercial Bank Limited	A-	Unrated	-	-	-	-
Saudi Pak.Leasing Co.	BB+	Unrated	1,582,673	1,542,093	871	2,174
Schon Textiles Mills	Unrated	Unrated	131,446	128,497	-	-
Searle Pakistan Limited	BBB+	Unrated	467,828	456,015	28,074	28,433
Security Investment Bank	A	Unrated	1,160,703	1,130,942	4,852	3,008
Security Leasing Corp.	BBB-	Unrated	227,802	221,961	460	641
Security Papers Limited	Unrated	Unrated	935,011	911,037	41,945	43,821
Service Fabrics Limited	Unrated	Unrated	687,561	670,288	206	322
Service Industries Limited	Unrated	Unrated	842,126	835,148	202,144	222,141
Service Textile Mills	Unrated	Unrated	82,575	80,890	33	57
Shabbir Tiles & Ceramics	Unrated	Unrated	1,801,895	1,755,693	15,280	19,313
Shadab Textile Mills	Unrated	Unrated	-	46,778	-	372
Shahmurad Sugar Mills Limited	BBB+	Unrated	781,593	1,200,561	8,566	15,355
Balance Carried Forward					15,511,298	13,888,258

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For the year ended December 31, 2010

Available-For-Sale	JCRVIS	PACRA	No. of shares held		Market Value	
			2010	2009	2010	2009
					-----Rupees in '000-----	
Balance Brought Forward					15,508,485	13,884,619
Shahpur Textile Mills	Unrated	Unrated	200,641	442,332	68	80
Shahtaj Sugar Mills	Unrated	Unrated	408,539	398,064	32,744	43,580
Shahtaj Textile Mills	Unrated	Unrated	-	236,213	-	4,027
Shahyar (Oe) Textile Mills	Unrated	Unrated	40,023	39,012	-	-
Shahyar Textile Mills	Unrated	Unrated	113,161	110,296	-	-
Shakarganj Mills	Unrated	D	3,666,302	3,572,296	20,275	29,543
Shams Textile Mills	Unrated	Unrated	-	601,791	-	10,537
Shell Gas Lpg	Unrated	Unrated	781,738	761,694	26,446	45,953
Shell Pakistan Limited	Unrated	Unrated	259,678	213,649	54,070	53,489
Shezan International	Unrated	Unrated	581,538	566,627	67,639	69,202
Siemens (Pakistan) Engineering Company Limited	Unrated	Unrated	514,448	668,743	644,866	843,191
Siftaq (International) Textile Mills	Unrated	Unrated	54,769	53,505	-	93
Silk Bank Limited	A-	Unrated	1,810,788	1,634,042	4,744	7,745
Sindh Alkalis Limited	Unrated	Unrated	360,212	350,100	-	-
Sindh Fine Textile Mills	Unrated	Unrated	39,603	38,760	277	194
Singer Pakistan Limited	Unrated	Unrated	-	2	-	-
Sitara Chemicals Industries Limited	AA-	Unrated	445,814	415,673	56,953	66,516
Sitara Energy Limited	Unrated	Unrated	130,517	127,170	2,415	2,760
Sitara Peroxide Limited	Unrated	Unrated	-	-	-	-
Sme Leasing Limited	BBB+	Unrated	1,230,477	1,230,477	16,550	12,920
Soneri Bank Limited	Unrated	AA-/A1+	34,851,736	27,778,674	289,618	307,510
Soneri Bank Limited-Right	Unrated	Unrated	-	5,555,734	-	5,945
Southern Networks Limited	Unrated	Unrated	153,522	149,585	-	-
Standard Chartered Leasing Limited	Unrated	AA-/A1+	85,693	384,275	243	988
Standard Chartered Modaraba	Unrated	AA-/A1+	1,975,021	1,958,545	18,387	17,725
Sui Northern Gas Pipeline Company Limited	Unrated	AA-/A1+	24,085,702	6,432,419	644,052	159,524
Sui Southern Gas Pipeline Company Limited	Unrated	AA-/A1+	14,336,708	4,397,808	307,092	59,063
Summit Bank Limited (Formuly Arif Habib Bank)	A	Unrated	11,901,405	-	45,344	-
Sunrays Textile Mills	Unrated	Unrated	7,668	134,840	-	4,011
Sunrise Textile Mills	Unrated	Unrated	-	7,499	-	-
Sunshine Cloth Mills	Unrated	Unrated	374,721	368,907	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	498,220	493,164	-	542
Suraj Cotton Mills Limited	Unrated	Unrated	27,384	446,877	274	11,731
Suraj Ghee Limited	Unrated	Unrated	-	26,963	-	351
Syed Match Ind.	Unrated	Unrated	7,162	7,162	95	100
Taga Pakistan Limited	Unrated	Unrated	48,450	47,607	-	-
Taj Textile Mills Limited	Unrated	Unrated	763,513	744,976	283	276
Tandlianwala Sugar Limited	Unrated	Unrated	17,948	17,488	610	247
Tariq Cotton Mills	Unrated	Unrated	21,907	21,486	-	-
Tata Textile Mills	Unrated	Unrated	1,056,535	1,039,872	34,897	13,227
Tawakkal Limited	Unrated	Unrated	57,297	56,033	-	-
Tawakkal Modaraba (Ist)	Unrated	Unrated	241,827	235,507	-	-
Tele Card Limited	Unrated	Unrated	5,005,876	223,307	11,063	587
Thall Limited	Unrated	Unrated	2,188,145	1,047,177	285,006	88,874
Thatta Cement Co. Limited	Unrated	Unrated	7,889,430	4,864,476	148,952	101,959
Treet Corporation	AA-	Unrated	46,395	176,301	2,786	50,069
TRG Pakistan	Unrated	WD	0	244,586	-	518
Tri Star Modaraba (Ist)	Unrated	Unrated	151,492	147,608	211	564
Tri Star Polyester	Unrated	Unrated	320,778	312,553	334	484
Tri-Pack Films	Unrated	A-/A1	-	59,519	-	6,130
Turbo Tec Limited (Tubes)	Unrated	Unrated	86,788	85,103	-	-
Twakkal Garments Industries Limited	Unrated	Unrated	172,325	171,061	-	-
U.D.L. Modaraba. (Ist)	Unrated	Unrated	873,765	851,361	5,374	4,044
Unicap Modaraba.	Unrated	Unrated	178,631	173,997	14	42
Unilever (Pakistan) Limited	Unrated	Unrated	-	155,471	-	357,583
Union Insurance Co.Of Pakistan	Unrated	Unrated	156	153	-	-
United Bank Limited	AA+	Unrated	4,400,000	1,348,777	300,212	78,836
United Brands Limited (Udl Industries)	Unrated	Unrated	4,085	3,981	113	190
United Distributors Pak.	Unrated	Unrated	230,525	224,614	2,326	4,703
Unity Modaraba	Unrated	Unrated	1,000,000	1,000,000	-	-
Uqab Breeding Farms	Unrated	Unrated	70,778	69,093	-	-
Wah Noble Chemicals Limited	Unrated	Unrated	324,421	316,102	11,721	17,016
World Call Communication	Unrated	Unrated	-	-	-	-
Worldcall Telecom	Unrated	A-/A2	19,247,414	480,577	55,818	1,778
Yousuf Weaving Mills	Unrated	Unrated	627,427	611,895	941	2,080
Zafar Textiles Mills Limited	Unrated	Unrated	34,041	33,198	-	-
Zahur Cotton Mills	Unrated	Unrated	247,725	241,405	124	118
Zahur Textile Mills	Unrated	Unrated	210,229	205,173	-	-
Zeal Pak Cement Limited	Unrated	Unrated	247,789	241,436	-	-
Zil Limited (Zulfeqar Ind.Limited)	Unrated	Unrated	173,700	169,246	9,708	11,089
Myfip Videos	Unrated	Unrated	537,300	-	-	-
Muslim Ghee	Unrated	Unrated	181,013	-	-	-
					18,613,943	16,385,995

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For the year ended December 31, 2010

1.2.2 Particulars of Investments held in un-listed companies

1.2.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2010	2009			
					----- Rupees in '000 -----				
Atlas Power Limited	Unrated	Unrated	10%	37,500,000	375,000	375,000	417,553	30-Jun-10	Maqsood A. Basra
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	30-Sep-99	Mr. Naveed Ahmad Javeri
Fauji Akbar Portia	Unrated	Unrated	11.0%	30,726,666	307,267	-	288,084	30-Jun-10	Mr. Ahmed Rana
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	.....	Not Available.....	Mr. Hassan Zaidi
I.D.B.P.	Unrated	Unrated	Not Available	1,011	-	-	.....	Not Available.....	.....
Pakistan Agriculture Storage Service Corporation (Face value: Rs.1,000 each)	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	31-Mar-03	Maj. General Fahim Akhter Khan
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	.....	Not Available.....	Mr. Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	.....	Not Available.....	Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	..... Not Available.....
					<u>696,495</u>	<u>389,228</u>			

1.2.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2010	2009			
					----- Rupees in '000 -----			
Al Ameen Textile	Unrated	Unrated	30,000	328	328	.....	Not Available.....	.....
Al Zamin Modarba Management/Professional management modaraba	Unrated	Unrated	140,000	1,000	1,000	2,134	June 30, 2006	Mr. Bashir A. Chaudhry
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	200	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	.....	Not Available.....	.....
Equity Participation Fund (Face value: Rs.100 each)	Unrated	Unrated	30,000	-	-	19,939	December 31, 2008	Mr. Muhammad Akhter
F.T.C. Management	Unrated	Unrated	50,000	250	250	500	June 30, 2008	Engr. Mir fateh Sultan
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	25,555	June 30, 2010	Lt. Gen @ hamid Rab Nawaz
First Women Bank Limited	Unrated	BBB+/A2	2,532,000	21,100	21,100	97,599	Dec. 31, 2009	Ms. Zareen Aziz
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	4,366	Dec. 31, 2009	Mr. Kamran Ahmed Khalili
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sept. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	.....	Not Available.....	.....
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778	.....	Not Available.....	.....
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-	.....	Not Available.....	.....
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	-	1,810	.....	Not Available.....	.....
Myfip Video Industries	Unrated	Unrated	537,300	-	5,373	.....	Not Available.....	.....
National Construction Limited	Unrated	Unrated	149,999	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	1	-	-	.....	Not Available.....	.....
National Institution of Facilitation Technology (Pvt) Limited	Unrated	Unrated	762,995	1,526	1,526	17,488	June 30, 2010	Mr. M. M. Khan
National Investment Trust (Face value: Rs.100 each)	AM-DS	Unrated	52,800	100	100	1,487	June 30, 2010	Mr. Tariq Iqbal Khan
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183	.....	Not Available.....	.....
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz Khan
Nowshera Engineering Works Limited	Unrated	Unrated	4,950	41	41	.....	Not Available.....	.....
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373	.....	Not Available.....	.....
Pakistan Textile City	Unrated	Unrated	10,000,000	100,000	100,000	79,494	Dec 31,2010	Mr. Zaheer Hussain
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	1,152	Dec 31, 2009	Not available
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276	.....	Not Available.....	.....
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500	.....	Not Available.....	.....
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589	.....	Not Available.....	.....
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	539,552	June 30,2010	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750	.....	Not Available.....	.....
South Asia Regional Fund	Unrated	Unrated	5,000	287	287	.....	Dec 31,07	Mr. Jean Fondamuriere
Shoab Capital	Unrated	Unrated	100,000	272	272	544	June 30,2000	Not available
SME Bank Limited	BBB	Unrated	6,121,095	26,950	26,950	47,524	30-06-2010	Mr. R. A Chuhtai
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267	.....	Not Available.....	.....
Engine System	Unrated	Unrated	788,500	-	-	.....	Not Available.....	.....
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-	.....	Not Available.....	.....
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Limited	Unrated	Unrated	247,100	256	256	.....	Not Available.....	.....
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330	.....	Not Available.....	.....
National Assets Insurance Ltd.	Unrated	Unrated	3,000,000	26,794	26,794	378	31-Dec-09	Not available
				<u>356,704</u>	<u>363,887</u>			

All shares have a face value of Rs.10 unless otherwise mentioned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.3 Particulars of Investments held in units of mutual funds

	Rating		No. of certificates held		Market value	
	JCRVIS	PACRA	2010	2009	2010	2009
					..... Rupees in '000	
Listed:						
AH Dow Jones Safe Pak Titans 15 Index Fund	Unrated	Unrated	600,000	-	34,224	-
AKD Income Fund	BBB(F)	Unrated	-	54,011	-	2,521
Atlas Money Market Fund	Unrated	AA+(f)	99,178	-	51,126	-
Atlas Fund of Funds	Unrated	Unrated	1,159,500	1,159,500	5,311	4,105
Al Meezan Fund	Unrated	Unrated	-	1,423,241	-	9,993
Asian Stock Fund	Unrated	Unrated	173,705	171,210	994	702
Dominion Stock Fund	Unrated	Unrated	80,326	78,267	-	-
Faysal Savings Growth Fund	A(F)	Unrated	25,109	24,435	2,640	2,523
First Capital Mutual Fund	Unrated	3-Star/2-Star	-	71,053	-	253
First Dawood Mutual Fund	Unrated	2-Star/3-Star	5,842,809	5,842,809	11,686	9,874
First Habib Income Fund	Unrated	AA-(f)	-	62,100	-	6,416
HBL Income Fund	A(F)	Unrated	-	188,321	-	18,518
IGI Income Fund	A+(f)	3-Star	-	61,086	-	6,483
Investec Mutual Fund	Unrated	Unrated	87,858	-	-	-
J.S. Growth Fund	Unrated	Unrated	5,340,372	5,212,486	29,639	25,750
J.S. Large Capital Fund	Unrated	Unrated	1,286,269	4,146,299	33,913	19,073
J.S. Value Fund	Unrated	Unrated	1,832,764	1,817,757	8,742	10,216
Meezan Balanced Fund	Unrated	Unrated	5,928,500	5,928,500	44,464	36,164
NAFA Incom Opportunity Fund (NAFA Cash Fund)	A(f)	A+(f)	-	3,601,691	-	36,618
NAFA Government Securities Liquid Fund	Unrated	Unrated	-	3,000,000	-	30,799
NAFA Islamic Agg Income Fund (NAFA Islamic Income Fund)	Unrated	Unrated	-	7,500,000	-	52,892
NAFA Islamic Multi Asset Fund	Unrated	5-Star	-	7,500,000	-	69,935
NAFA Multi Asset Fund	Unrated	3-Star/4-Star	-	4,410,752	-	41,030
NAFA Stock Fund	Unrated	2-Star	-	7,500,000	-	54,060
NAFA Savings Plus Fund	Unrated	AA-(f)	-	3,000,000	-	30,354
NAMCO Balanced Fund	Unrated	Unrated	2,000,000	2,000,000	8,260	9,440
NIT Government Bond Fund	Unrated	Unrated	10,000,000	10,000,000	105,100	101,300
NIT Income Fund	Unrated	Unrated	29,376,653	-	309,924	-
Pakistan Premier Fund	Unrated	4-Star/4-Star	-	342,637	-	2,039
Pakistan Strategic Allocation Fund	Unrated	4-Star/4-Star	5,131,319	5,115,132	43,072	22,711
PICIC Energy Fund	Unrated	Unrated	2,133,585	2,114,276	13,996	10,022
PICIC Growth Fund (formerly: Investment Corporation of Pakistan - SEMF)	Unrated	Unrated	11,088,491	10,529,517	146,923	150,151
PICIC Investment Fund	Unrated	Unrated	6,740,821	5,608,745	43,209	32,643
Reliance Income Fund	Unrated	Unrated	-	351,493	-	16,527
Unit Trust of Pakistan (Formerly J.S ABAMCO Limited)	Unrated	Unrated	366,259	1,916,259	38,156	220,811
					931,378	1,033,320

1.4 Particulars of Investments held in Preference shares

	Rating		Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost	
	JCRVIS	PACRA			2010	2009	2010	2009
							-----Rupees in '000-----	
Listed:								
Chenab Textile Mills Limited	Unrated	Unrated	Cumulative	9.25%	10,000,000	10,000,000	25,000	70,000
Nishat Chunian Ltd	Unrated	Unrated	Cumulative	15.00%	737,699	718,783	15,492	15,418
Saleem Sugar Mills	Unrated	Unrated	Cumulative	6.00%	105	105	6	6
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	5,000,000	5,000,000	127,500	50,000
Maple Leaf Cement Factory	Unrated	SD	Cumulative	9.75%	112,996	112,996	477	537
Pak Elektron Limited	Unrated	A/A1	Cumulative	9.50%	12,893,642	12,861,462	128,936	145,328
							297,411	281,289

* Cost of the above investment amounted to **Rs.569.5 million** (2009: Rs.293.5 million)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.5 1.5.1	Debentures, Bonds, Participation Term Certificates and Term finance certificates Term finance certificates	Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value	
							2010	2009	2010	2009
	Listed									
	Allied Bank Ltd.	*	15.48%	Half yearly	December 6, 2014	AA-	4,409	4,409	21,620	21,335
	Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited)	*	6 months KIBOR + 1.9% Cut-off yield on last 5 yrs PIB auction held by SBP plus 2.75%	Half yearly	September 5, 2010	A-	1,030	1,030	3,863	5,048
	AL-Zamin Leasing Mod.	*	9.5% (Fixed)	Yearly	May 31, 2010	A	1,903	1,903	-	3,141
	AL-Zamin Leasing Mod.	*	9.5% (Fixed)	Half yearly	June 2, 2010	A	-	1,902	-	3,140
	Askari Bank Limited	*	14.73%	Half yearly	October 31, 2013	AA-	3,000	3,000	14,665	14,394
	Azgard Nine Limited	*	6 months KIBOR + 1.5%	Half yearly	August 17, 2012	CCC(RW)	24,000	24,000	89,393	97,900
	Bank Al-Falah Ltd.	*	6 month Kibor + 2.4%	Half yearly	December 2, 2017	AA-	35,000	35,000	171,606	174,125
	Bank Al-Falah Ltd.	*	15% (Fixed)	Half yearly	December 2, 2017	AA-	70,200	70,200	354,491	340,588
	Bank Al-Habib Limited	*	6 months KIBOR + 2.5%	Half yearly	June 28, 2012	AA	40,000	40,000	189,203	183,239
	Bank Al-Habib Limited	*	6 month Kibor + 1.5%	Half yearly	July 15, 2012	AA	3,000	3,000	14,190	13,743
	Escorts Invest. Bank Ltd.	*	6 month KIBOR + 1.5% with floor 3.5% and cap 10%	Half yearly	March 15, 2012	A	6,090	6,090	15,092	25,135
	Escorts Invest. Bank Ltd.	*	15.39%	Half yearly	March 15, 2012	A	6,090	6,090	15,092	25,135
	Faysal Bank Ltd.	*	6 months KIBOR + 2.5%	Half yearly	October 11, 2017	AA-	70,000	-	339,422	-
	Financial Receivable Securitization Company Limited	*	6 months KIBOR + 2.25%	Half yearly	December 27, 2013	A+	5,000	5,000	14,418	18,312
	IGI Investment Bank Limited	*	6 month Kibor + 2%	Half yearly	July 11, 2011	A+(-)	1,190	1,190	1,485	2,955
	NIB Bank Ltd.	*	6 month Kibor + 2.25%	Half yearly	March 5, 2016	A	31,000	31,000	150,727	142,170
	Orix Leasing Pak. Ltd.	*	6 month Kibor + 1.15%	Half yearly	May 25, 2012	AA+	1,400	1,400	3,329	7,024
	Pak Arab Fertilizers Limited	*	6 months KIBOR + 1.5%	Half yearly	February 28, 2013	AA	690	690	3,146	3,238
	Saudi Pak Leasing Co.	*	6 Months KIBOR + 1.5%	Half yearly	March 13, 2013	D	10,000	10,000	36,615	39,053
	Searle Pakistan Ltd.	*	3% (Fixed)	Half yearly	March 9, 2011	A-	7,800	7,800	4,848	14,146
	Soneri Bank Limited	*	15.38%	Half yearly	March 9, 2011	A-	7,800	7,800	4,848	14,146
	Tele Card Limited	*	6 months KIBOR + 2.5%	Half yearly	March 31, 2011	A+	27,000	27,000	132,373	129,951
	Trust Invest. Bank Ltd.	*	14.82%	Half yearly	May 27, 2011	BBB	7,000	7,000	12,309	14,314
	UBL 1st Issue	*	6 month Kibor + 1.6%	Half yearly	November 15, 2010	BBB	900	900	-	1,294
	UBL 2nd Issue	*	6 month Kibor + 3.75%	Half yearly	June 26, 2012	AA	26,909	26,909	124,063	119,163
	UBL 3rd Issue	*	8.45% (Fixed)	Half yearly	March 15, 2013	AA	6,500	6,500	28,472	27,974
	UBL 4th Issue	*	9.49% (Fixed)	Half yearly	September 8, 2014	AA	4,000	4,000	19,939	19,725
	World Call Telecom Limited	*	14.51%	Half yearly	February 14, 2018	AA	180,000	180,000	855,413	793,094
		*	6 months KIBOR + 1.7%#	Half yearly	November 28, 2011	A	3,000	3,000	4,968	9,776
		*	13.66%	Half yearly	November 28, 2011	A	3,000	3,000	4,968	9,776
		*	6 Months KIBOR + 8.5%	Half yearly	November 28, 2011	A	3,000	3,000	4,968	9,776
		*	6 Months KIBOR + 2.75%	Half yearly	November 28, 2011	A	3,000	3,000	4,968	9,776
									2,605,650	2,223,977

All term finance certificates have a face value of Rs.5,000 each unless otherwise mentioned.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2010	2009	2010	2009
Al Abbas Holding Co Ltd. JCL- II **	6 month Kibor + 2.5%	Half yearly	August 22, 2014	Unrated	5,750	5,750	377,344	431,250
AgriTech Limited	6 month Kibor + 1.75%	Half yearly	November 16, 2018	CCC	57,000	-	285,000	-
Agro Dairies Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	3,385
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	3,549
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	78,337	78,337
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	3,093	3,093
Bunny's Ltd	6 months KIBOR + 2.5%	Overdue	December 3, 2012	Unrated	6,000	6,000	22,500	30,000
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Dewan Cement limited.	6 month Kibor + 2%	Half yearly	March 13, 2014	D	Pending	Pending	800,000	-
Faisalabad Electric Supply Co. Ltd. ***	6 month Kibor + 0.05%	Half yearly	February 27, 2013	Unrated	30	30	3,000,000	4,000,000
Faruki Pulp Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	16,088
Frontier Ceramics Limited	22.00%	Overdue	Overdue	Unrated	46	46	1,081	2,471
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	924	924
Gujranwala Electric Power Co. Ltd. ***	6 month Kibor + 0.05%	Half yearly	February 27, 2013	Unrated	30	30	3,000,000	4,000,000
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	10	10	900	900
Ghani Holding Co.Ltd.	6 month Kibor + 2.5%	Half yearly	August 22, 2014	Unrated	5,032	5,750	377,344	431,250
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	16	16	511	511
Jahangir Siddiqui & Company Limited	6 month Kibor + 1.60%	Half yearly	May 17, 2014	AA	40,000	40,000	200,394	199,560
Javedan Cement Limited **	6 month Kibor + 2.50%	Overdue	October 11, 2014	Unrated	2,500	2,500	187,500	187,500
JDW Sugar Mills Limited	3 month Kibor + 1.25%	Quarterly	June 23, 2014	Unrated	40,000	40,000	162,297	186,507
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Balance carried forward							8,594,092	9,668,643

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2010	2009	2010	2009
Balance brought forward								
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	8,594,092	9,668,643
Kiran Sugar Mills Limited	3 month Kibor + 3.00%	Quarterly	July 6, 2016	Unrated	-	-	-	2,092
Kunjah Textile Mills Limited	6 month Kibor + 3.00%	Half yearly	April 23, 2014	Unrated	20,000	20,000	120,000	100,000
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	1,401	1,401
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,640	1,640
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	1,306
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	1,113
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	205	-
National Transmission Dispatch Co. Ltd	6 month Kibor + 1.75 %	Half yearly	March 30, 2014	Unrated	1,918,924	1,918,924	9,594,620	9,594,620
New Allied Electronic industries limited.	3 month Kibor + 1.50 %	Half yearly	December 31, 2020	Unrated	Pending	-	1,630,000	-
Oil & Gas Investment Limited.	6 month Kibor + 2%	Half yearly	May 14, 2015	Unrated	188,700	-	943,500	-
Pakistan International Airlines Corp. Limited	6 month Kibor + 0.85%.	Half yearly	February 18, 2011	Unrated	594,619	594,976	2,973,095	2,974,286
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	1	1	95	95
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	401	401
Royal Bank of Scotland	6 month Kibor + 1.9%	Half yearly	December 29, 2012	Unrated	22,000	22,000	81,910	108,641
Pak Kuwait Investment Bank Ltd. F	3 month Kibor + 0.65%	Quarterly	February 22, 2011	Unrated	150,000	150,000	749,188	751,268
Pak Kuwait Investment Bank Ltd. G	3 month Kibor + 0.65%	Quarterly	March 23, 2011	Unrated	100,000	100,000	499,226	500,566
Pak Hy-Oil Ltd	6 months KIBOR + 2.25%	Overdue	December 6, 2013	Unrated	40,000	40,000	150,000	150,000
Pak Arab Fertilizer Ltd	6 months KIBOR + 2.50%	Half yearly	May 19, 2015	Unrated	900,000	-	4,538,691	-
Power Holding Private Ltd	6 months KIBOR + 2%	Half yearly	September 18, 2014	Unrated	Pending	Pending	12,747,000	-
Power Holding A/C WAPDA	6 months KIBOR + 2%	Half yearly	April 1, 2015	Unrated	Pending	-	15,000,000	-
Gand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	2	2	2,092	2,092
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,081	6,081
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,749	6,749
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	17	17	582	639
Ser Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,423	5,423
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	104	104
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,202	2,202
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	2,320	2,320
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,035	1,035
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
SME Leasing Limited	3 month Kibor + 1.50%	Quarterly	July 16, 2011	A-	15,000	15,000	18,524	42,287
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	904	904
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	23,332	23,332
Turbo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	67	67
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,126	1,126
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
							57,816,886	23,980,519

* Cost of the above TFCs amounted to Rs. 10,134 million (2009: Rs. 5,567 million)

** Represents certificates of face value Rs.100,000 each

*** Represents certificates of face value Rs.100 million each

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.5.2 Debentures

Investee	Terms of Redemption		Rate of Interest	Cost	
	Principal	Interest		2010	2009
				-----Rupees in '000-----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Allied Ghee Industries Limited	Overdue	Overdue	16%	798	1,141
Allied Ghee Industries Limited	Overdue	-	Interest free	572	572
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	-	Interest free	15	15
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	317	317
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Damaan Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	-	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills.	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Mansoor Textile Mills	Outstanding	Outstanding	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	66
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Outstanding	Outstanding	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Outstanding	Outstanding	12.5%	200	200
Spinzer Towel Industries Limited	Outstanding	Outstanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				190,724	191,067

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.5.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	Cost	
				2010 -----Rupees in '000-----	2009
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	448
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Calcium Limited	1	17%	300,000	300	300
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	7,303
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,118
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	4,415	4,415
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	727	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	3,215
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	8,585	9,670
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
				100,065	101,150

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.5.4 Investment in Sukuk

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2010	2009
-----Rupees in '000-----					
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	12.12% 6 month Kibor + 0.25%	1,310,588	1,335,658
Quetta Textile	Bi-Annual	Bi-Annual	13.89% 6 month Kibor + 1.5%	348,186	331,086
PIA Corporation	Bi-Annual	Bi-Annual	14.97% 3 month Kibor + 1.65%	550,000	550,000
Maple Leaf Cement Limited	Bi-Annual	Bi-Annual	15.30% 6 months KIBOR + 1.7%	3,145	5,015
<u>Islamic Banking</u>					
WAPDA Sukuk	Bi-Annual	Bi-Annual	12.27% 6 month Kibor + 0.25%	23,098	23,132
Orix Leasing	Bi-Annual	Bi-Annual	14.86% 6 month Kibor + 1.25%	19,040	33,075
Sitara Energy	Bi-Annual	Bi-Annual	14.35% 6 month Kibor + 1.95%	22,450	34,985
Security Leasing Limited	Bi-Annual	Bi-Annual	3% (Fixed)	45,703	66,900
Kohat Cement Limited	Bi-Annual	Bi-Annual	Fixed	97,589	108,675
Arzoo Textile Limited	Bi-Annual	Bi-Annual	15.21% 6 month Kibor + 2.00%	100,000	75,000
GoP Ijara Sukuk	Bi-Annual	Bi-Annual	13.27% As per SBP Publications	50,000	50,000
Engro Fertilizer Limited	Bi-Annual	Bi-Annual	14.36% 6 month Kibor + 1.50%	216,737	-
Sui Southren Gas Co. Limited	Quarterly	Quarterly	13.02% 3 month Kibor + 0.20%	219,945	-
Pakistan International Airline	Bi-Annual	Bi-Annual	14.96% 6 month Kibor + 1.75%	175,000	-
				<u>3,181,481</u>	<u>2,613,526</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1.5.5 Others Government Bond Investment

Investee	Terms of Redemption		Rate of Interest %	Market Value/Cost	
	Principal	Interest		2010	2009
CIRC	Overdue	Overdue	Six month's T-Bill auction day on the date preceding the date of payment of return 8.8142% rate	11.242	11.242
Overseas Bonds					
Banco Santander	On Maturity	Bi-Annual	3.72%	171,769	-
Banco Santander	On Maturity	Bi-Annual	2.99%	171,769	-
Banco Santander	On Maturity	Bi-Annual	2.99%	171,769	-
Banco Santander	On Maturity	Bi-Annual	4.82%	77,790	-
Bank of America	On Maturity	Bi-Annual	3.70%	171,769	-
Bank of America	On Maturity	Bi-Annual	7.38%	171,769	-
Bank of America	On Maturity	Bi-Annual	3.41%	213,158	-
Bank of America	On Maturity	Bi-Annual	4.38%	-	190,290
BNP Paribas	On Maturity	Bi-Annual	3.31%	214,711	-
Citibank	On Maturity	Bi-Annual	6.50%	85,885	90,153
Citibank	On Maturity	Bi-Annual	4.13%	-	214,516
Citibank	On Maturity	Bi-Annual	6.38%	-	180,822
HSBC	On Maturity	Bi-Annual	5.48%	171,942	-
Lloyds Tsb Bank	On Maturity	Bi-Annual	4.38%	128,827	-
Lloyds Tsb Bank	On Maturity	Bi-Annual	4.38%	214,711	-
Lloyds Tsb Bank	On Maturity	Bi-Annual	4.00%	42,932	-
Lloyds Tsb Bank	On Maturity	Bi-Annual	4.08%	42,932	-
Merrill Lynch & Co	On Maturity	Bi-Annual	5.00%	171,769	-
Merrill Lynch & Co	On Maturity	Bi-Annual	4.13%	-	216,776
Morgan Stanley & Co	On Maturity	Bi-Annual	5.05%	214,711	218,445
Morgan Stanley & Co	On Maturity	Bi-Annual	5.05%	128,827	133,650
Morgan Stanley & Co	On Maturity	Bi-Annual	3.45%	171,769	-
Morgan Stanley & Co	On Maturity	Bi-Annual	3.45%	85,885	-
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	171,769	-
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	85,885	-
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	85,885	-
Royal Bank of Scotland	On Maturity	Bi-Annual	3.95%	85,885	-
Al Daar International Saudia Arabia	Bi-Annual	Bi-Annual	6 months LIBOR+2%	-	842,441
Al-Tajeer Sukuk	Bi-Annual	Bi-Annual	6 months LIBOR+2.5%	-	112,325
Pak International Sukuk	Bi-Annual	Bi-Annual	6 months LIBOR+2.2%	-	6,597,041
FCLR Bond	Annually	Annually	3 months LIBOR+1%	-	371,584
GoP Euro Bond	On Maturity	Bi-Annual	7.13%	3,913,826	2,863,794
GoP Euro Bond	On Maturity	Bi-Annual	6.88%	-	1,001,873
AMEX BK FSB	On Maturity	Bi-Annual	5.50%	-	130,738
HSBC Finance Corporation	On Maturity	Bi-Annual	8.60%	-	234,195
HSBC Household Finance Corporation	On Maturity	Bi-Annual	4.80%	-	174,343
Sukuk Bonds	On Maturity	Bi-Annual	6 months LIBOR+2%	114,511	-
Foreign Govt. Security MYM-JSC Almaty	-	-	1.60%	-	100,631
Foreign Govt. Security MEKKAM- JSC Almaty	-	-	0.40%	-	113,576
				7,282,456	13,798,435

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

STATEMENT SHOWING WRITTEN OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF
FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE PERIOD 01.01.2010 TO 31.12.2010

Annexure II as referred to in
Note 10.6 to the financial statements

(Rupees in Million)

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Leghari Manufacturers (Private) Limited Mauza Aman Garh, Abu Dhabi Road, Rahimyar Khan.	Muhammad Tariq Leghari 42201-8659342-1 Rais Muhammad Ramzan 31303-7135419-3 Mrs. Shahida Tariq 42201-1391683-4	Khaliq Dad Leghari Rais Allah Buksh W/o Muhammad Tariq Leghari	7.841	17.471	0.220	25.532	-	-	16.264	16.264
2	Mushtaq Fabrics, Shop at Mandar Gali # 2, Rail Bazar Faisalabad.	Muhammad Ashfaq 33100-3825236-5	Haji Abdul Razzaq	4.893	0.159	1.123	6.175	-	-	0.875	0.875
3	Qadri Sizing Ind. Afghan Abad No.2 Cannal Road Faisalabad	Muhammad Afzal 33100-3937001-5	Muhammad Khalil	3.000	0.223	1.051	4.274	-	-	0.874	0.874
4	Mushtaq Textile Ind. P-786, Abdullahpur, Faisalabad.	Haji muhammad Ishaq 33100-5561859-3	Ghulam Muhammad	43.160	3.836	12.231	59.227	-	-	7.130	7.130
5	Bashir Sons Fabrics Kohinoor Street Plot No.590/1, Yousaf Chowk Ali Town, Sargodha Road Faisalabad	Sharif Ahmad 33100-7864379-5	Bashir Ahmad	7.293	0.278	3.127	10.698	-	-	2.703	2.703
6	Mian Oil Traders 241-A, Shoaib Market, General Bus Stand Faisalabad	Mian Faizan Rasool 33100-9313218-1	Mian Qurban Rasool	8.799	0.594	2.081	11.474	-	-	1.675	1.675
7	Khalid Tanveer Bhatti P-119, Jinnah Colony, Faisalabad	Khalid Tanveer Bhatti 33100-9286232-1	Mumtaz Ghani	8.734	0.769	0.432	9.935	-	-	0.635	0.635
8	Muhammad Iftikhar House No.27, Khayaban Colony, Usman Street, Near Waqas Chowk Faisalabad.	Muhammad Iftikhar 33100-1297688-9	Khawaja Muhammad Ilyas	3.856	1.193	0.184	5.233	-	-	0.943	0.943
9	Muhammad Khalid Weaving Factory Raja Road Near Imam Din Memorial Hospital Chak#67/JB, Tehsil: Saddar, Distt. Faisalabad	Muhammad Khalid 33100-8929597-7	Mr. Shahab Din	2.707	0.286	0.399	3.392	-	-	0.539	0.539
10	Hanif Corporation Wahid Manzil, Goods Naka Hyderabad	Abdul Haque 42101-1859708-3 Muhammad Iqbal 41303-6665844-3 Muhammad Javaid 41303-2557324-1	Muhammad Hanif Muhammad Hanif Muhammad Hanif	3.910	1.393	-	5.303	-	-	0.697	0.697
11	Ghausia Paper & Board 13-KM Lahore Sheikhpura Road	Farooq Ahmad 35202-2808536-5 Khalida Begum 35202-9662007-6 Muhammad Rauf 35202-8520317-5	Mian Sher Muhammad Farooq Ahmad Farooq Ahmad	4.820	4.803	0.040	9.663	4.820	-	4.843	9.663
12	Asghar Traders Grain Market Sheikhpura	Asghar Ali 35403-7498448-1 Rashid Ahmad 35202-7019298-3 Awais Rashid Ahmad 35202-3515857-5 Naeema Rashid 35202-1129694-2	Muhammad Hayat Bashir Ahmad Rashid Ahmad Rashid Ahmad	3.999	2.079	-	6.078	2.469	-	2.079	4.548
13	Prime Lubricant (Pvt) Ltd. Mauza Balali Shujabad Road Multan	Mian Iqbal Hussain 36302-0474520-7 Rashid Iqbal 36302-5827063-3 Abid Iqbal 36302-4115508-5 Arif Iqbal 36302-5913513-3	Mian Shah Muhammad Muhammad Iqbal Sarwar Mian Iqbal Sarwar Mian Iqbal Sarwar	10.614	19.697	1.281	31.592	5.614	1.281	19.697	26.592
14	Abdul Karim Abdul Haque Nadir House Branch A25,26 Quid-e-Azam Medical Complex CMH Road Hyderabad	Abdul Haque 42101-1859708-3 Muhammad Iqbal 41303-6665844-3 Muhammad Javaid 41303-2557324-1	Muhammad Hanif Muhammad Hanif Muhammad Hanif	6.473	3.553	1.005	11.031	-	-	2.781	2.781
15	Sunrise Corporation L-21, Block 16-A, Gulistan-e-Jouhar, Karachi	Mr. Ishaque Siddiqui	Muhammad Siddique	1.490	0.125	-	1.615	1.490	-	0.125	1.615

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at the beginning of the year				Principal written off	Interest/ Mark-up written off	Other financial relief/ waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
16	Green Land Traders(PVT) LTD Nicol Road Branch A-116 Block-Q, North Nazimabad Karachi	Ghulam Sarwar Paracha 42301-2337255-1	Muhammad Hayat	1.908	6.859	0.351	9.118	-	-	7.168	7.168
17	Muhammad Manzar R-338, Sector 15-A/3, Buffer Zone, North Karachi Township Karachi	Muhammad Manzar 42101-3241279-5	Muhammad Idrees	4.300	2.043	0.036	6.379	-	-	1.837	1.837
18	Sheikh Trading Corporation Mouza Mandi Tehsil Nankana Sahib Distt: Sheikhpura	Sheikh Naveed Zafar 276-73-322170	Sheikh Zafar Iqbal	0.944	0.393	-	1.337	0.944	-	0.393	1.337
19	Al Rehman Cotton Mills Qila Sardar Maan Singh Ghaffar Town, Kot Radha Kishan Kasur.	Muhammad Hanif 35102-1235232-2	Naik Muhammad	9.826	-	1.646	11.472	-	-	1.277	1.277
20	SAN Enterprises Pvt.Ltd. Akbar Colony, Link Monenpura Road, Daragowala, Lahore	Muhammad Shaheer Malik 35202-2393030-1 Muhammad Saleem Malik 35202-2866408-9 Muhammad Naeem Malik 35202-2866404-7 Naila Saleem 35202-2692457-0 Tehmina Naeem 35202-2692452-8 Amtual Rasheed Deceased.	Mohd.Saleem Malik Mohd.Siddique Malik Mohd.Siddique Malik Mohd.Saleem Malik Mohd.Naeem Malik	13.664	24.814	0.198	38.676	-	-	24.996	24.996
21	Bahauddin Weaving Industries (Pvt) Ltd. Sameejabad-II, Multan *	Muhammad Saeed 322-58-3433166 Muhammad Khalid 36302-9077877 Muhammad Irshad 36302-4636609-9 Muhammad Aslam 36302-7553074-7 Muhammad Zahid Muhammad Tahir	Abdul Salam Abdul Salam Abdul Salam Abdul Salam Abdul Salam	5.547	4.740	0.596	10.883	1.547	0.596	4.740	6.883
22	Punjab Plastic Industries Mauza Dogran Tehs & Distt. Multan	Mian Ghulam Rasool (Late) 3308-8002511 Mst. Muniran Kausar Mr. Ghulam Sarwar Mr. Muhammad Niaz Amjad Iqbal Khan Afridi 36302-0485928-3	Muhammad Ismail W/O Mian Ghulam Rasool S/O Mian Ghulam Rasool S/O Muhammad Yaqoob S/O Muhammad Zafar	3.106	4.282	0.060	7.448	2.561	-	4.342	6.903
23	Ramzan & Sons Cotton Ginners Okanwala Road, Chichawatni Distt: Sahiwal	Muhammad Yousaf 36502-1518574-1 Muhammad Yousaf 36502-0344713-1 Ahmed Babar 36502-8176788-3 Aamar Rizwan 36502-8282238-3 All R/o H.No.37-B Civil Line Sahiwal	Muhammad Ramzan Muhammad Ramzan Muhammad Ramzan	0.466	1.745	0.277	2.488	-	-	0.765	0.765
			Sub Total:	161.939	101.335	26.338	289.023	19.445	1.877	107.378	128.700
24	Colony Sarhad Textile Mills Nowshetra, Khyber Pakhtunkha *	Sohail Farooq Sheikh 37405-2304641-5 Farrukh Haroon Rashid 34602-6492875-7 Neelam Sohail Sheikh 37405-5387118-4 Nadia Sohail Sheikh 37405-5517109-4 Nazifa Sohail Sheikh 37405-3726958-6 Miss Surriya Sohail Sheikh 37405-3727908-6 Shahid Aziz (NIT Nominee)	Mian Farooq Ahmad Sheikh Rashid Ahmad Mussarat Sohail Farooq Sheikh Kh. Muhammad Suleman Syed Shaheen Sohail Farooq Sheikh	5.589	54.867	282.046	342.502	5.589	-	336.913	342.502
			Grand Total:	166.939	156.202	308.384	631.525	25.034	1.877	444.291	471.202

* Account settled under SBP Circular No. 29 Dated 15-10-2002

** This party pertains to Ex-NDFC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Annexure III as referred in Note 2.1 to the financial statements

ISLAMIC BANKING BUSINESS

The bank is operating 8 Islamic banking branches as at December 31, 2010 (December 31, 2009: 8 branches). The statement of financial position and profit and loss account of such branches is as under:

Statement of Financial Position As at December 31, 2010

	2010	2009
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	157,726	43,290
Balances with and due from financial institutions	200,000	-
Investments	1,038,673	393,583
Financing / Receivables under:		
- Murabaha	278,398	100,984
- Diminishing Musharika	212,500	265,000
- Ijarah assets	417,920	144,746
- Other Islamic modes	94,513	-
Provision against non performing financings	(278,233)	-
Operating fixed assets	11,763	10,261
Due from Head Office	44,650	-
Other assets	47,993	79,573
	2,225,903	1,037,437
LIABILITIES		
Bills Payable	5,421	6,070
Deposits and other accounts	2,193,413	480,899
Due to Head Office	-	232,076
Other liabilities	36,186	85,730
	2,235,020	804,775
NET ASSETS	(9,117)	232,662
REPRESENTED BY		
Islamic Banking Fund	300,000	300,000
Unappropriated (loss) / profit	(309,117)	2,873
	(9,117)	302,873
(Deficit) / Surplus on Revaluation of Assets	-	(70,211)
	(9,117)	232,662
Remuneration to Shariah Advisor	988	780
CHARITY FUND		
Opening Balance	-	-
Additions during the period	3,000	-
Payment / utilisation during the period	(3,000)	-
Closing Balance	-	-
PROFIT AND LOSS ACCOUNT		
For the year Ended December 31, 2010		
Profit / return earned on financings, investments and placements	170,744	166,451
Profit / return expensed on deposit	(57,448)	(67,161)
Net spread earned	113,296	99,290
Depreciation on assets given on ijarah	(65,969)	(58,019)
	47,327	41,271
Provision against advances and investments	(278,233)	-
(Loss) / Profit after provision	(230,906)	41,271
Other income		
Fee, commission and brokerage income	3,104	2,124
Income from dealing in foreign currencies	351	67
Other income	36	-
Total other income	3,491	2,191
Other expenses		
Administrative expenses	(84,575)	(54,899)
Loss for the year	(311,990)	(11,437)
Unappropriated profit brought forward	2,873	14,310
Unappropriated (loss)/profit carried forward	(309,117)	2,873



ADVANCE SALARY

(Take up to 20 Times of Your Take Home Salary)

Personal Loan

- Easy installments of 1 to 60 months at your choice
- No minimum income, collateral & insurance charges required
- Quick processing and fastest disbursement
- For permanent employees of Government, Semi Government and Autonomous bodies receiving salaries through NBP



NBP

National Bank of Pakistan

The Nation's
Bank