

Annual Report 2008







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Senior Management Committee



From Left to Right:

1. Javed Akhter
Head of Audit

3. Ghulam Ali Khan
Head of Compliance

5. Jamil A. Khan
Head of Retail Banking

7. Talha Saeed
Head of Consumer Banking

2. Sumbul Munir
Head of Corporate Banking

4. Shafiq Rahid
Head of Service Quality

6. Kasim Feroze Khan
Head of S.A.M.



8. Azmat Tarin
President & CEO

9. Aneeq Khawar
Chief Operating Officer

10. Kishwer Aziz
Director Investor Relations

12. Zahid Aftab
Head of Consumer Risk

11. Saqib Pal
Chief of Risk

13. Syed Liaquat Ali
CFO & Company Secretary

Corporate Information

Board of Directors

Mr. Munnawar Hamid, OBE	Chairman
Mr. Ahmed Bin Mohamed Bin Abdullah Al-Abri	Director
Mr. Humayun Bashir	Director
Mr. Javed Hamid	Director
Mr. Sadeq Sayeed	Director
Mr. Yugo Ishida	Director
Mr. Arif Mahmood Ali	Director
Mr. Azmat Shahzad Ahmed Tarin	President & CEO

Audit Committee

Mr. Humayun Bashir	Chairman
Mr. Sadeq Sayeed	Member
Mr. Arif Mahmood Ali	Member

Risk Committee

Mr. Ahmed Bin Mohamed Bin Abdullah Al-Abri	Chairman
Mr. Humayun Bashir	Member
Mr. Javed Hamid	Member

Human Resources Committee

Mr. Munnawar Hamid	Chairman
Mr. Azmat Tarin	Member
Mr. Yugo Ishida	Member
Mr. Javed Hamid	Member

Company Secretary

Syed Liaquat Ali, FCA

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti

Registered Office

Saudi Pak Commercial Bank Limited
Saudi Pak Building, I.I. Chundrigar Road, Karachi.
Telephone No: 021-111-00-1987 Ext. 414 & (021) 2460025
Fax No. 021-2460464
Website: www.saudipakbank.com

Directors' Report

Directors' Report to the Shareholders

As you are aware, on March 31, 2008 the majority shareholding of the Bank was acquired by a consortium comprising of Bank Muscat S.A.O.G., International Finance Corporation (IFC), Nomura European Investment Limited and Sinthos Capital. The consortium acquired a 86.55% stake in the Bank for around US \$ 260 million including a subscription to a rights issue made immediately after the acquisition. Consequent to the change in shareholding, on March 31, 2008 the Board of Directors of the Bank was also reconstituted.

The new Board of Directors is now pleased to present the Annual Report for the year ended December 31, 2008.

Economy

After growing at a robust rate during the 2003-2008 periods the economy has been adversely affected by both internal uncertainties and an external international down-turn during the early part of the fiscal year 2008/2009. It is now however, going through a phase of stabilization under a USD 7.6 billion IMF programme (Standby agreement of 23 months), in which policy measures have been implemented to bring down inflation and the budgetary deficit to sustainable levels. As a part of this programme SBP has also maintained a tight monetary policy. As a result inflation seems to have peaked and is now showing a decline on a month to month basis, and external data shows that there has been a contraction in the current account deficit from over 10 % of GDP to below 4 % of GDP in December 2008. However, the trade deficit which widened due to a decline in exports, was very largely helped by record remittances by overseas Pakistanis. The Foreign Exchange reserve of the country overall has improved from a low of USD 6.7 billion to over USD 10 billion, and the currency has remained stable with a 2 % inflation in its trading pattern.

Overall we expect that Pakistan's economy shall show its traditional resilience and is set to improve.

Financial Results 2008

	Rupees in Million
• Operating Loss before provisions and interest suspense	(548)
• Interest on non performing loans taken to suspense account	(644)
	<hr/>
• Provision against non-performing loans /direct write-offs	(1,192)
• Recoveries of non-performing loans	(2,599)
• Provision against non-performing advances	957
• Loss	<hr/>
• Tax	(1,642)
• Loss after Tax	(2,834)
	<hr/>
	820
	<hr/>
	(2,014)

The loss after tax in the year aggregating to Rs. 2,014 million is considerably lower than Rs. 3,041 million recorded in the previous year.

Your Directors are pleased to report that the Bank's new management has focused on recovery of non-performing loans (NPLs) and cleaning the Bank's balance sheet. The Bank has also significantly invested in people since the new management took over. All key positions have already been filled, and trained staff with relevant experience and proven track record in their respective fields have taken charge. It is expected that as a result the Bank's overall competence to achieve its strategic intent will have improved very sharply.

Strategic Plan 2009 - 2013

The Board has approved a five year strategic plan with the vision to bring the Bank amongst the top ten banks in the country in a period of five years.

The main strategic aim is to increase the balance sheet size on the back of a significant increase in deposits, together with a major focus on "quality" service and NPL recoveries, and an intent to launch highly differentiated consumer products during the period. To support these major actions, critical support units such as IT and Risk Management will be significantly improved.

The Bank takes pride in its investment in technology and has purchased a state-of-the-art core banking system, Temenos T - 24. The main challenge is to now successfully complete its deployment. Consequently business efficiency will attain a very competitive level, particularly when effectively supported by the much improved HR competence already in place.

The Bank also continues to pursue its strategic branch expansion plan to enhance its market share. Ten new branches were opened during the current year to provide banking facilities at new locations and to enhance the Bank's outreach for the benefit of its customers. With the opening of ten new branches the Bank's branch network has expanded to sixty five which allows the Bank to have a greater footprint in the country and further expand its customer base. This network will further expand during the period 2009-2013 as planned.

Minimum Capital Requirement (MCR)

Despite the rights issue last year, due to historical losses in the credit portfolio inherited by the new management and which will take time to recover, the Bank will require additional capital to continue meeting the statutory MCR. As a result the Bank is taking steps for fulfilling the statutory MCR.

Board of Directors

Mr. Bilal Amanullah Moti (Head of International Operation Bank Muscat), resigned as Director with effect from October 28, 2008. The casual vacancy arising was filled by the appointment of Mr. Arif Mahmood Ali (CEO Bank Muscat Saudi Arabia) in his place as Director with effect from February 4, 2009.

Mr. Azmat Tarin has taken over as President & CEO of the Bank with effect from October 9, 2008 after Mr. Shaukat Tarin resigned, to join the Government of Pakistan as Adviser to the Prime Minister of Pakistan on Finance.

The Board would like to thank Mr. Bilal Moti for the valuable contribution he made during his tenure on the Board and wishes Mr. Shaukat Tarin all success in leading the country's economy to stability and strength, in his new role. The Board also welcomes Mr. Arif Mahmood Ali as its new colleague and wishes Mr. Azmat Tarin success in leading the Bank in meeting its new challenges.

Corporate and Financial Reporting Framework

The Board is mindful of its responsibility as established by the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan (SECP). In order to follow the SECP code, the following statements are given:

- a) The financial statements prepared by the management of the Bank, present fairly its state of affairs, the result of its operation, cash flow and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. Management's statement on internal control is enclosed herewith which is endorsed by the Board as required by the State Bank of Pakistan. The Board is ultimately responsible for the Bank's system of internal control and reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives and by its nature can provide only reasonable and not absolute assurance against material misstatement or loss.

The process used by the Board to review the effectiveness of system of internal control includes, inter alia, the following:

- An audit committee has been formed which has written terms of reference and reports to the Board. It reviews the approach adopted by the Bank's internal audit department and the scope of, and the relationship with the external auditors. It also receives reports from the internal audit and any material control weaknesses that have been identified, and discusses the action to be taken in areas of concern.
- An organization structure has been established which supports clear lines of communication and tiered levels of authority with the delegation of responsibility and accountability.
- Business strategies agreed at divisional level are approved by the Board. In addition there is an annual budgeting and strategic planning process. These strategies are reviewed during the year to reflect significant changes in the business environment.

The principal features of control framework include:

- Evaluation and approvals procedures for major capital expenditure and other transactions.

- Regular reporting and monitoring of financial performance using operating statistics and monthly management's accounts which highlight key performance indicators and variance from budget and quarterly forecasts.
- Review of the health, safety, environment contingency management processes and other significant policies.

Further, reviews of the system of internal control are also carried out by the internal audit department. The management conclusions on internal control are confirmed at divisional management level to the Board.

- f) There are no significant doubts upon the Bank's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Risk Management Framework

Saudi Pak Commercial Bank Limited was taken over by the present management and the Board on March 31, 2008. Since take over the risk management function has continuously been improved. We are pleased to inform that we are continuously progressing to be substantially compliant with the guidelines issued by the State Bank of Pakistan (SBP) on risk management. Following are the important aspects of the risk management function within the Bank:

a) Credit Risk

Credit risk is overviewed by the Board's Risk Committee, in addition to which there are committees of the management. Authorities have been appropriately delegated, and separate risk management units operate for the corporate/SME and consumer business, with properly laid down policies and procedures formulated in the form of Manuals and Product Programs.

Credit Administration units have also been established in the various aforesaid segments of the Bank. The Bank has its own credit rating system for corporate, commercial and relationship SME, which is further being revamped. The established review process is capable of identifying problem loans at an early stage.

In consumer banking, separate collection units also operate for recovery and additionally a new collection system is being procured for the consumer business. A centralized Special Assets Management unit is responsible for the classified Corporate/SME portfolio and its recovery.

A new Credit Policy Manual has been finalized which will be approved by the Board in 2009 in which target market and risk acceptance criteria have been outlined, and per party limits revised to spread the risk over a broader base. Heavy investment in technology has been initiated to enhance the level of effective MIS and monitoring.

A process of post approval review of credit lines has commenced, which will be gradually converted into a risk asset review unit (RAR), as the RAR function is currently being performed by the internal audit department.

b) Market Risk

A middle office function, independent of the Treasury has been setup. In addition, an Asset and Liabilities Committee (ALCO) and a market risk policy committee has been formed and a liquidity policy has been approved by the Board. Various excel based tools are currently in use, but a new system will be implemented in 2009 with a more sophisticated modeling capability.

c) Operational Risk

Appropriate policies and procedures have been documented and disseminated, and an Internal Control unit is in operation which is continuously being expanded. An independent audit function has been established by the Bank, reporting to the Audit Committee of the Board. A compliance department has been established, to ensure that legal and regulatory risks are properly addressed in addition to the implementation of Anti Money Laundering, Know Your Customer (AML/KYC) policies, and strict monitoring of transactions. Appropriate training plans have been implemented including training on AML/KYC. Contingency plans are in place and are in the process of being tested. Self Assessment of key risk indicators (KRI's) and compliance of standards, codes and guidelines will be regularly carried out and documented. Reviews of internal control systems have been initiated and are planned to be completed in 2009.

The Bank as reported above, has acquired the T24 system from Temenos, which is currently in process of implementation. Further, the Bank is also implementing Oracle Financials to improve upon its MIS and improve controls over financial reporting.

The Management team is also being trained on various Basel II requirements. A business process re-engineering task has been initiated under a BPR management committee, which has been formed to review all the processes. The Bank is currently using the standardized approach of the Basel II framework.

The management is taking further steps to improve upon the current practices in the risk assessment function and expect full compliance of SBP risk management guidelines.

Key operating and financial data of last six years of SPCBL are as follows:

Fiscal year ending December 31,	2008	2007	2006	2005	2004	Rupees in Million 2003
Share Capital	9,003	5,002	3,848	3,848	2,250	2,250
Deposits	41,056	42,374	49,015	37,136	33,271	24,578
Advances	31,087	25,875	29,022	19,513	25,487	18,536
Investments	12,012	17,859	15,829	12,465	9,707	9,369
Assets	55,645	53,661	59,200	47,748	42,837	35,142
Profit/(loss) before taxation	(2,834)	(3,320)	(409)	140	497	979
Profit/(loss) after taxation	(2,014)	(3,041)	(304)	65	326	378

Value of investments of Provident Fund and Gratuity scheme for the fiscal year ending December 31, 2008 is as under:

- Provident Fund Rs. 30.488 Million
 - Gratuity Scheme Rs. 26.402 Million

During the year seven meetings of the Board of Directors were held (Six meetings by the New Board). Attendances by the Directors of the new Board were as follows:

Name of Director	Number of Meetings		
	Held During Directorship	Attended	Leave of Absence
Mr. Munnawar Hamid OBE	6	6	-
Mr. Ahmed Al-Abri	6	5	1
Mr. Humayun Bashir	6	6	-
Mr. Javed Hamid	6	6	-
Mr. Sadiq Sayeed	6	4	2
Mr. Yugo Ishida	6	4	2
Mr. Azmat Tarin	6	6	-
Mr. Shaukat Tarin (Resigned)	4	3	1
Mr. Bilal Amanullah Moti (Resigned)	3	2	1

Pattern of Shareholding

The pattern of shareholding as required by the SECP Code of Corporate Governance is attached with this report.

Credit Rating

We are pleased to report that the JCR-VIS Credit Rating Agency has upgraded the entity rating of Saudi Pak Commercial Bank Limited from BBB+ (Triple B Plus) to A- (Single A Minus). In addition, the short term rating has been maintained at A3 (A-Three) and "outlook" assigned as "Stable".

Re-Branding

To support the new strategic intent of the Bank it is essential to appropriately revamp its external image in addition to the internal improvements already in progress. As a result your Board has approved a new name for the Bank, subject to shareholders and other official approvals, and a detailed re-branding exercise is being formulated with expert help, which will be rolled out in the coming months.

Registered Office

We are pleased to report that the registered office of the Bank has shifted to Karachi during the year 2008. This shift is expected to improve both shareholders and statutory interaction considerably.

External Auditors

The retiring auditors, being eligible, offer themselves for re-appointment till the conclusion of the next Annual General Meeting. The audit committee has recommended M/s. Anjum Asim Shahid Rehman, Chartered Accountants, the retiring auditors, as external auditors of the Bank for another term.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust and offer sincere appreciation to the State Bank of Pakistan for their guidance and cooperation extended to the Bank, as it transits through this difficult period. Finally, we are also thankful to our associates, staff and colleagues for their committed services to the Bank as well as to our valued customers.

For and on Behalf of the Board of
Saudi Pak Commercial Bank Limited



Munnawar Hamid, OBE
Chairman

Karachi, March 03, 2009

Statement of Compliance with the Code of Corporate Governance

The Board of Saudi Pak Commercial Bank Limited extends support and commitment towards the implementation of the highest standards of Corporate Governance.

This statement is being presented to comply with the requirement of regulations G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan (SBP) and the Code of Corporate Governance issued by Securities and Exchange Commission of Pakistan (SECP).

The Bank has complied with the requirements in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board consists of two independent, one non executive, one executive and four nominee/sponsor directors. Under the SBP directive, the board's composition will change by 21st April, 2009 to bring the sum of sponsor and executive directors to 50% of the total board members.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Bank are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or being member of a stock exchange has been declared as a defaulter by that stock exchange.
4. Casual vacancy arising during the year is being filled in after obtaining SBP prior clearance for such appointment.
5. The Bank has prepared "Statements of Ethics and Business Practices" which has been signed by the all directors and employees of the Bank.
6. The board has developed and approved a vision and mission statement and an overall corporate strategy and significant policies of the Bank. A complete record of particulars of the significant policies along with the dates on which they were approved or amended has been maintained. These are however, being revamped by the Board.
7. The Board has defined the level of materiality and established a system of internal control which was effectively implemented.
8. All the powers of the Board have been duly exercised and decision on material transactions including appointment and the determination of remuneration and terms and conditions of the employment of the Chief Executive have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman.
10. The Board has met seven times during the year. Notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meeting except in cases where an emergent meeting was held. The minutes of the meeting were appropriately recorded and circulated.
11. The Directors of the Bank are well conversant with their duties and responsibilities as described by clause (xiv) of the Code of Corporate Governance.
12. The Board approved appointments of the Chief Financial Officer & Company Secretary and the Head of Internal Audit including their remuneration and terms of conditions of employment as determined by the Chief Executive.
13. The Directors' Report for the year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Bank were duly endorsed by the CEO and CFO before the approval of the Board.
15. The Directors, Chief Executive and executives do not hold any interest in the shares of the Bank, other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all corporate and financial reporting requirements.
17. The Board has formed an Audit Committee comprising of three members. The Chairman of the committee is an independent director.
18. Four meetings of the audit committee were held during the year prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.

19. The Board has set up effective internal audit function, the members of which are considered suitably qualified and experienced for the purpose. The Audit department report to the Audit Committee.
20. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The quarterly un-audited financial statements of the Bank are circulated along with the review of Directors. Half yearly financial statements were subject to the limited review by the statutory auditors. The financial Statements for the year ended December 31, 2008 have been audited and will be circulated in accordance with the clause (xxii) of the Code.
23. All material information as described in clause (xxiii) of the Code is disseminated to the stock exchanges and Securities & Exchange Commission of Pakistan in a timely fashion.
24. We confirm that all other material principles contained in the Code have been complied with.

For and on Behalf of the Board of
Saudi Pak Commercial Bank Limited



Azmat Tarin
President & CEO

Karachi, March 03,2009



Munnawar Hamid OBE
Chairman

Management's Statement on Internal Control

The following statements are made by the management, to meet the requirements of the State Bank of Pakistan (SBP) BSD Circular # 07 of 2004.

1. Management of Saudi Pak Commercial Bank Limited (the Bank) is responsible for establishing and maintaining an adequate and effective system of internal control aimed at achieving the following objectives of the Bank:
 - Efficiency and effectiveness of operations
 - Compliance with applicable laws and regulations
 - Reliability of financial reporting

Internal control is the process designed to manage rather than eliminate the risk of failure to achieve the Bank's business strategies and policies and to provide reasonable assurance regarding above objectives.

Internal Control system comprises of various inter-related components including control environment, risk assessment, control activities, information and communication and monitoring.

The Management has adopted different strategies to ensure effective monitoring and improvement of internal controls. These include the following:

2. The Bank has decided to adopt the COSO (Committee of Sponsoring Organization of Tread-way Commission) Framework of Internal Controls. The Bank has also engaged the services of a consultancy firm for professional guidance and documenting the existing controls. The Bank is expected to have adopted the COSO framework of internal controls in the major Banking areas by the end of year 2009.
3. The Bank has adopted a statement of ethics and business practices that will be signed by all directors and employees every year. Further, the compliance function also ensures ongoing monitoring of the Bank's compliance with laws, regulations and code of ethics.
4. The policies and procedures in all significant areas and as per the directives of the regulators have been formulated.
5. The Bank is currently in process of re-branding. Following this process, the vision / mission statement and the core values shall be approved by the Board.
6. An organization structure has been established which supports clear lines of communication and tiered levels of authority with accountability.
7. The Bank has established an effective Internal Audit Department, which reports directly to the Audit Committee of the Board. This department shall periodically carry out audits of branches and Head Office's departments / units to monitor the compliance of Bank's policies and procedures based on an audit plan which is approved by the Audit Committee.
8. Internal Control Unit (ICU), has also been established with a view of pro-active management of control related issues.
9. Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and take action to implement such recommendations.
10. The management has in place evaluation and approval procedures for major capital expenditure and other transactions.
11. There is an annual budgeting and strategic planning process initiated in 2008. Financial forecasts shall be reviewed on a periodic basis to reflect significant change in business environment. Regular reporting and monitoring of financial performance of the departments, and the Bank as a whole, using operating statistics and monthly management accounts which highlight key performance indicators and variance from budgets and forecasts is being implemented.
12. Review and implementation of health, safety, environment and contingency management processes and other significant policies is in hand and will be made part of the periodical review process.
13. Management also emphasizes on imparting training to enhance knowledge and understanding of internal policies and procedures and prudential regulations and a plan has been chalked out for implementation. This will result in further strengthening the control environment.

We believe that with implementation of various initiatives as outlined above and self assessment programs, re-engineering of processes and centralization, the overall control environment in the Bank will improve further, going forward.



Azmat Tarin
President & CEO

Karachi, March 03, 2009

Notice of the 15th Annual General Meeting

Notice is hereby given that the Fifteenth Annual General Meeting of Saudi Pak Commercial Bank Limited will be held on Monday, March 30, 2009 at 12:00 noon at the Beach Luxury Hotel, Karachi, to transact the following business.

Ordinary Business

1. To confirm the minutes of Extra Ordinary General Meeting held on December 30, 2008.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2008 together with the Directors' and Auditors' reports thereon.
3. To appoint auditors to hold office till the conclusion of the next Annual General Meeting and to fix their remuneration. M/S. Anjum, Asim, Shahid Rehman & Co Chartered Accountants, retire and being eligible offer themselves for re appointment.

Special Business

4. **To approve the scale of fee payable to the Chairman and to Non-Executive and Independent Directors**

To consider the following resolution and to pass it as an ordinary resolution:

"Resolved that the scale of fee set out hereunder, as determined by the Directors, for attending meetings of the Directors and of the Committees of the Directors be and is hereby approved on post facto basis:

For attending meetings of the Directors: Chairman 5000 US Dollars or equivalent Rupees per meeting and 3500 US Dollars or equivalent Rupees per meeting for other Directors.

For attending Committee Meetings: US Dollars 3500 or equivalent Rupees per meeting."

5. **Change of Name and Substitution of Articles of Association**

To consider the following resolutions and if thought fit to pass these resolutions as Special Resolutions with or without modification:

1. To approve Change of name of the Bank.

"Resolved that subject to all requisite official approvals, the name of the Company be changed from "Saudi Pak Commercial Bank Limited" to "**SILKBANK Limited**"

2. To approve substitution of the Articles of Associations of the Bank.

"Resolved that pursuant to the provisions of Section 28 of the Companies Ordinance, 1984, the existing Articles of Association of the Company be and are hereby substituted by the new set of updated Articles of Association laid before the meeting and initialed by the Company Secretary for the purpose of identification."

"Further resolved that the Special Resolutions be filed with the Registrar of Companies and that the Company Secretary be and is hereby authorized to fulfill all requisite legal, corporate and procedural formalities for formalizing the insertion change of name in the Bank's Memorandum of Association **and for substitution of the Articles of Association**".

Any Other Business

To transact any other business of the Bank with permission of the Chair.



By the Order of the Board
Syed Liaquat Ali
Company Secretary

Karachi, March 07, 2009

Statement of material facts pursuant to Section 160(1)(b) of the Companies Ordinance, 1984.

The statements set out the material fact concerning the Special Business to be transacted at the Annual General Meeting of shareholder of Saudi Pak Commercial Bank Limited to be held on Monday, March 30, 2009 at 12:00 noon at Beach Luxury Hotel, Karachi.

1. Change of Name

In accordance with the sale purchase agreement of the majority shares of the Bank, it was required to change the name of the Bank. To meet this requirement, the Board has approved, subject to obtaining shareholders approval and all official approvals, change in the name of the Bank.

2. Substitution of the Articles of Association

The current Articles of Association of the Bank are severely outdated and are required to be revised in the light of the changes made in the Companies Ordinance, 1984 in recent years and so as to bring the same in conformity with the Banking Companies Ordinance, 1962, the Listing Regulations of the Karachi Stock Exchange, the requirements of the State Bank of Pakistan and of the Code of Corporate Governance. The existing Articles have been revised in conformity with the above and the resulting new set of Articles will be laid before this Annual General Meeting for adoption in substitution for the existing Articles of Association. Changes made in the existing Articles are highlighted in the new set of updated Articles to be laid before the members. In accordance with the requirements of Section 160(1)(b) of the Companies Ordinance, 1984, copies of the proposed updated Articles of Association will be available for inspection at the registered office of the Bank at 2nd Floor, Saudi Pak Building, I.I. Chundrigar Road, Karachi on every working day from the date of this notice to 29 March 2009.

3. Directors Fee

The Board, in terms of their discretion had approved meeting fee payable to independent and non-executive directors for attending Board or its Committees' meetings. To meet the State Bank of Pakistan requirement, the scale of this fee is now placed before the shareholders (on a post facto basis) for their approval. The scale approved by the Board is set out in the resolution.

Notes:

- The Share Transfer Book of the Bank will remain closed from March 22, 2009 to March 28, 2009 (both days inclusive).
- A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote. Proxies in order to be effective must be received at the registered office of the Bank duly stamped and signed not less than 48 hours before the meeting.
- Members whose share are deposited with the Central Depository Company of Pakistan Limited are requested to bring Original Computerized National Identity Card along with the participant's I.D number and their account number in Central Depository Company of Pakistan Limited to facilitate identification at the time of Annual General Meeting. In case of proxy, an attested copy of proxy's Identity Card, Account and Participant ID number be enclosed. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature of the nominee shall be produced at the time of the meeting (unless it has been provided earlier or the corporate entity has appointed a proxy).
- Members are requested to promptly notify the Bank of any change in their addresses.



Grant Thornton

Anjum Asim Shahid Rahman

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Other offices: Islamabad, Lahore.

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

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Saudi Pak Commercial Bank Limited** (the Bank) to comply with Regulation G-1 of the Prudential Regulations for the Corporate/Commercial Banking issued by the State Bank of Pakistan, and Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges respectively, where the Bank is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank, for the year ended December 31, 2008.

Karachi
Date: March 03, 2009

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb



Grant Thornton

Anjum Asim Shahid Rahman

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SAUDI PAK COMMERCIAL BANK LIMITED

We have audited the annexed balance sheet of **Saudi Pak Commercial Bank Limited** as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 6 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

Anjum Asim Shahid Rahman

(b) in our opinion:

- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at the December 31, 2008, and its true balance of loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi
Date: March 03, 2009



Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

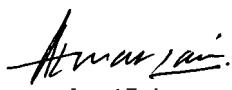
Balance Sheet

AS AT DECEMBER 31, 2008

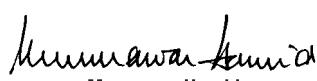
Rupees in '000

	Note	2008	2007
ASSETS			
Cash and balances with treasury banks	7	3,070,067	3,223,780
Balances with other banks	8	190,197	128,991
Lending to financial institutions	9	1,376,651	839,959
Investments	10	12,012,233	17,859,169
Advances	11	31,087,373	25,874,972
Operating fixed assets	12	3,002,450	2,367,883
Deferred tax assets - net	13	2,613,939	1,767,715
Other assets	14	2,292,358	1,598,131
		55,645,268	53,660,600
LIABILITIES			
Bills payable	15	431,537	570,756
Borrowings	16	8,738,616	6,880,449
Deposits and other accounts	17	41,056,630	42,373,710
Sub-ordinated loan	18	-	650,000
Liabilities against assets subject to finance lease	19	39,731	80,155
Other liabilities	20	987,394	925,091
		51,253,908	51,480,161
NET ASSETS		4,391,360	2,180,439
REPRESENTED BY			
Share capital	21	9,003,150	5,001,750
Reserves		218,556	218,556
Accumulated losses		(6,131,709)	(4,119,537)
		3,089,997	1,100,769
Surplus on revaluation of assets - net of tax	22	1,301,363	1,079,670
		4,391,360	2,180,439
CONTINGENCIES AND COMMITMENTS	23		

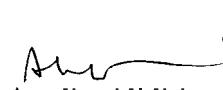
The annexed notes from 1 to 44 form an integral part of these financial statements. The details of valuation of investment, impairment and impact on profit and loss account are given in note 10.13.



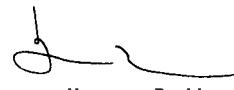
Azmat Tarin
President & Chief Executive



Munnawar Hamid
Chairman



Ahmed Al-Abri
Director



Humayun Bashir
Director

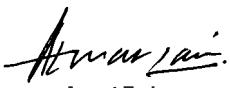
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2008

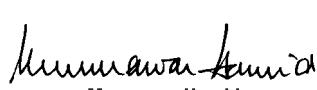
Rupees in '000

	Note	2008	2007
Mark-up / Return / Interest earned	25	4,588,299	4,799,853
Mark-up / Return / Interest expensed	26	4,218,901	4,440,116
Net mark-up / Interest income		369,398	359,737
Provision against non-performing loans and advances - net	11.3	1,663,314	3,134,651
Reversal against consumer finance	11.3	(12,163)	(5,281)
(Reversal) / provision for diminution in the value of investments - net		(11,668)	3,074
Bad debts written off directly		2,610	-
		1,642,093	3,132,444
Net mark-up / interest income after provisions		(1,272,695)	(2,772,707)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		188,596	369,468
Dividend income		27,173	44,465
Income from dealing in foreign currencies		53,343	64,312
Gain on sale of securities - net	27	19,536	210,855
Other income	28	95,862	87,725
Total non mark-up / interest income		384,510	776,825
		(888,185)	(1,995,882)
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	1,935,732	1,270,317
Other (reversal) / provisions / write offs		9,489	38,019
Unrealized loss on revaluation of investment classified as held for trading		-	1,310
Other charges	30	849	14,737
Total non mark-up/interest expenses		1,946,070	1,324,383
		(2,834,255)	(3,320,265)
Extra ordinary items		-	-
LOSS BEFORE TAXATION		(2,834,255)	(3,320,265)
Taxation - Current	31	16,462	35,382
- Prior years		-	439,351
- Deferred		(836,449)	(754,091)
		(819,987)	(279,358)
LOSS AFTER TAXATION		(2,014,268)	(3,040,907)
Accumulated Losses brought forward		(4,119,537)	(1,080,726)
Accumulated Losses carried forward		(6,133,805)	(4,121,633)
Basic / Diluted Earning / (Loss) per share (Rupees)	32	(2.83)	(5.49)

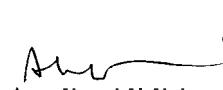
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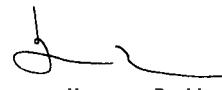
Azmat Tarin
President & Chief Executive



Munnawar Hamid
Chairman



Ahmed Al-Abri
Director



Humayun Bashir
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

Rupees in '000

	Note	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(2,834,255)	(3,320,265)
Add: Dividend income		(27,173)	(44,465)
		(2,861,428)	(3,364,730)
Adjustments			
Depreciation	12.2	160,236	133,836
Amortization of intangible assets	12.3	15,979	13,415
Amortization of premium on securities		231,030	222,526
Provision against non-performing advances	11.3	1,663,314	3,134,651
Provision / (Reversal) against consumer financing	11.3	(12,163)	(5,281)
Provision for diminution in the value of investments / other assets		(11,668)	3,074
Unrealized loss on revaluation of investment classified as held for trading	12.2.1	-	1,310
Gain on sale of fixed assets		(7,708)	(2,412)
Financial charges on leased assets		9,032	11,662
Other (reversals) / provisions written back		9,489	38,019
Bad debts written off		2,610	-
Provision for gratuity	35.5	26,517	21,049
		2,086,668	3,571,849
		(774,760)	207,119
(Increase) / Decrease in operating assets			
Lendings to financial institutions		764,459	1,950,108
Held-for-trading securities		9,720	30,605
Advances		(6,863,552)	17,632
Other assets (excluding advance taxation)		(704,269)	(231,150)
		(6,793,642)	1,767,195
Increase / (Decrease) in operating liabilities			
Bills payable		(139,219)	162,414
Borrowings from financial institutions		1,858,167	2,643,674
Deposits		(1,317,080)	(6,641,380)
Other liabilities (excluding current taxation)		35,786	36,450
		437,654	(3,798,842)
Income tax paid		(7,130,748)	(1,824,528)
		(26,202)	(185,129)
Net cash (used in) operating activities		(7,156,950)	(2,009,657)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		4,919,728	(3,034,887)
Net investment in held-to-maturity securities		508,824	817,440
Dividend income		27,173	44,465
Investment in operating fixed assets		(420,971)	(152,301)
Sale proceeds of fixed assets disposed off	12.2.1	28,896	10,923
Net Cash from/(used in) investing activities		5,063,650	(2,314,360)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of sub-ordinated loans		(650,000)	-
Payments of lease obligations		(49,456)	(42,777)
Issue of share capital		4,001,400	1,154,250
Net cash from financing activities		3,301,944	1,111,473
Increase / (Decrease) in cash and cash equivalents		1,208,644	(3,212,544)
Cash and cash equivalents at beginning of the year	33	3,352,771	6,565,315
Cash and cash equivalents at end of the year	33	4,561,415	3,352,771

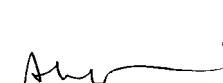
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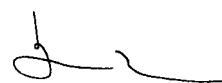
Azmat Tarin
President & Chief Executive



Munnawar Hamid
Chairman



Ahmed Al-Abri
Director



Humayun Bashir
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

Rupees In '000

	Share capital	Share deposit	*Statutory	Unappropriated	Total
	Money		Reserves	Profit / (loss)	
Balance as at January 01, 2007	3,847,500	-	218,556	(1,080,726)	2,985,330
Loss for the year after taxation	-	-	-	(3,040,907)	(3,040,907)
Share deposit money received	-	1,154,250	-	-	1,154,250
Right shares issued against share deposit money	1,154,250	(1,154,250)	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	2,096	2,096
Balance as at December 31, 2007	5,001,750	-	218,556	(4,119,537)	1,100,769
Loss for the year after taxation	-	-	-	(2,014,268)	(2,014,268)
Share deposit money received	-	4,001,400	-	-	4,001,400
Right share issued against share deposit money	4,001,400	(4,001,400)	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	2,096	2,096
Balance as at December 31, 2008	9,003,150	-	218,556	(6,131,709)	3,089,997

* Statutory reserve represents amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 44 form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 10.13.



Azmat Tarin
President & Chief Executive



Munnawar Hamid
Chairman



Ahmed Al-Abri
Director



Humayun Bashir
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1 STATUS AND NATURE OF BUSINESS

- 1.1** Saudi Pak Commercial Bank Limited was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. Its shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. It operates through 65 branches (2007: 55) in Pakistan with the registered office located at Saudi Pak Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited in June 2008 is 'A-3' and 'A-' respectively.
- 1.2** Majority shareholding (86.55%) in the Bank was acquired by a consortium comprising of Bank Muscat S.A.O.G, Nomura European Investment Limited, International Finance Corporation (IFC) and executives of the Sinthos Capital Advisors Limited.

2 BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate markup 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.

These financial statements have been prepared in Pakistani Rupee terms which is the reporting and functional currency.

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the SBP and Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise such International Financial reporting Standards as notified under the provisions of the Companies Ordinance, 1984. In case requirements differ, the provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of the said directive shall prevail.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

Following standards and interpretations have been issued but are not effective. Consequently, respective requirements have not been followed while preparing these financial statements.

Operating Segments	IFRS 8	01 January 2009
Presentation of Financial Statements	IAS 1	01 January 2009
Property, Plant and Equipment	IAS 16	01 January 2009
Financial Instruments: Disclosures	IFRS 7	08 April 2008
Ijarah	IFAS	01 January 2009

Above standards and interpretations are not expected to materially affect the financial statements.

IAS 1 "Presentation of Financial Statements" effective for annual periods beginning on or after January 01, 2009 revises the existing IAS 1 and requires apart from changing the names of certain components of financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive Income Statement. Adoption of the above standard will only affect the presentation of financial statements.

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

Standard or interpretation

IFRS 2 "Share-based Payments"	January 01, 2009
IFRS 3 "Business Combinations"	July 01, 2009
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	July 01, 2009
IAS 23 "Borrowing Costs"	January 01, 2009
IAS 27 "Consolidated and Separate Financial Statements"	January 01, 2009
IAS 29 "Financial Reporting in Hyperinflationary Economies"	January 01, 2009
IAS 32 "Financial Instruments: Presentation"	January 01, 2009
IFRIC 13 "Customer Loyalty Programmes"	July 01, 2009
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	October 01, 2008
IFRIC 17 "Distributions of Non-cash Assets to Owners"	July 01, 2009

The SBP as per BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking Companies till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the SBP in various circulars.

5 BASIS OF MEASUREMENT

5.1 These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments are stated at market value, derivative financial instruments have been marked to market and certain staff retirement benefits are carried at present value.

5.2 The financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

5.3 Use of critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

5.3.1 Provision against non-performing loans and advances

The Bank reviews its loans portfolio to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. Provisions are made as per the guidelines in the Prudential Regulations issued by State Bank of Pakistan.

5.3.2 Fair value of derivatives

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

5.3.3 Held-to-maturity investments

The Bank follows the guidance provided in SBP's circulars for classification of 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.

5.3.4 Impairment of 'available for sale' equity investments

The Bank determines that 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged required judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational/financial cash flow. For impairment in available for sale equity securities refer note 10.13.

5.3.5 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 35) for actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

5.3.6 Income taxes

In making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past. There are various matters where Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability. For deferred tax, the management projects and determines future taxable profit / loss for recording of deferred tax asset or liability.

5.3.7 Useful life of property and equipments

Estimates of useful life of the property and equipment are based on the management's best estimate.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts and call money lendings in the money market.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

6.2.1 Sale under repurchase obligations

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investment and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

6.2.2 Purchase under resale obligations

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the agreement and recorded as income.

6.3 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

6.4 Investments

6.4.1 The Bank classifies its investments as follows:

a) Held-for-trading

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

b) Held-for-maturity

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

c) Available-for-sale

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

6.4.2 In accordance with the requirements of State Bank of Pakistan, quoted securities, other than those classified under "held-to-maturity" portfolio and investments in subsidiaries and associates are carried at fair value. Investments classified as "held-to-maturity" are required to be carried at amortized cost.

6.4.3 The surplus / (deficit) arising on quoted securities classified as "available-for-sale" is kept in a separate account which is shown in the balance sheet below equity. The surplus / (deficit) is taken to profit and loss account when the investment is disposed off or impaired.

6.4.4 Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value are credited / charged to income. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

6.4.5 Investments in associates

Investments in associates are valued using cost method of accounting.

6.4.6 Profit and loss on sale of investments is included in income currently.

6.4.7 Provision for diminution in the values of securities (except participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provisions for diminution in value of debentures, participation term certificates and term finance certificates are made as per the Prudential Regulations issued by the State Bank of Pakistan.

6.5 Advances

Advances are stated net of specific and general provisions. Specific provision against funded loans are determined in accordance with the requirements of the Prudential Regulations issued by SBP and charged to the profit and loss account. General provision is maintained at 1.5% of the fully secured consumer portfolio, and 5% of the unsecured consumer portfolio.

Advances are written off when there are no prospects of recovery after all the recovery procedures have been exhausted.

6.6 Operating fixed assets

6.6.1 Property and equipment

Owned assets

An item of property and equipment is initially recognized at cost which is equal to the fair value of consideration paid at the time of acquisition or construction of the asset.

Assets subject to finance lease

The bank accounts for property and equipment acquired under finance leases by recording the assets and the related liability. These amounts are determined at the inception of lease, on the basis of the lower of the fair value and the present value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant rate of charge on the outstanding liability.

6.6.2 Measurement subsequent to initial recognition

Property and equipment other than land and building, are stated at cost less accumulated depreciation and accumulated impairment losses.

Land is stated at its revalued amount whereas buildings are stated at revalued amount less accumulated depreciation and accumulated impairment losses.

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

Gains or losses on disposal of assets are taken to income currently, except that the related surplus on revaluation of fixed asset (net of deferred tax) is transferred directly to unappropriated profit or accumulated loss.

6.6.3 Depreciation

Depreciation is computed over the useful lives of the related assets under the straight line method. Depreciation on additions and deletions during the year is charged for the proportionate period with respect to number of months during which the assets remained in use. Same basis and estimates for depreciation are applied to owned assets and assets subject to finance lease.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and the assets so replaced, if any, are retired.

6.6.4 Capital work-in-progress

Capital work-in-progress is stated at cost accumulated up to the balance sheet date and represents expenditure incurred on property and equipment in the course of construction. These expenditures are transferred to relevant category of property and equipment as and when the assets become available for use.

6.6.5 Intangible assets

These include computer software and are recorded initially at cost and subsequently carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

These are amortized over their finite useful lives and amortization is charged to income using the straight line method.

6.7 TAXATION

6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted tax rates. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year for such years.

6.7.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Bank also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantially enacted by the balance sheet date.

A deferred tax asset is recognized only to the extent that it is possible that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

6.8 Impairment

At each balance sheet date the Bank reviews the carrying amounts of its assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the greater of net selling price and value in use. Whenever the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized as an expense immediately.

6.9 Provisions

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

Provision against identified non-funded losses is recognized when identified and reasonable certainty exist for the Bank to settle the obligation. The loss is charged to profit and loss account net off expected recovery and is classified under the other liabilities.

6.10 Staff retirement benefits

6.10.1 Defined contribution plan

The Bank operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of basic salaries of employees.

6.10.2 Defined benefit plan

The Bank operates an approved gratuity scheme for all its regular employees. beginning from January 01, 2005, the entitlement of the employees starts on completion of five years with the Bank. Projected Unit Credit Cost Method has been used for actuarial valuation.

A portion of the actuarial gains or losses is recognized if the net cumulative unrecognized actuarial gains or losses at the end of the previous year exceeds the "corridor" which is defined as the greater of:

- a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets); and
- b) 10% of the fair value of any plan assets at that date.

6.11 Revenue recognition

Mark-up/Return on advances and return on investments are recognized on accrual basis except in case of loans and advances classified under the Prudential Regulations issued by the SBP on which markup is recognized on receipt basis. Interest/Markup on rescheduled / restructured loans and advances and investments is recognized in accordance with the directives of SBP.

Fee, brokerage and commission income is recognized on accrual basis.

Dividend income is recognized when the right to receive the dividend is established.

6.12 Foreign currencies

6.12.1 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

6.12.2 Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

Translation gains and losses are included in income currently.

6.13 Financial instrument

6.13.1 Financial assets and liabilities

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

6.13.2 Derivative financial instrument

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. 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 financial instruments is taken to profit and loss account.

6.14 Off-Setting

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

6.15 Transfer pricing and related parties

Related parties include the Bank's associates, directors, key management personnel, retirement benefit plans and companies under common directorship. All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes, as admissible, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Bank to conduct related party transactions at a price other than the arm's length price.

6.16 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products 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 the other segments. Segment information is presented as per the Bank's functional structure and guidance of the SBP. Following are the main business segments of the Bank:

6.16.1 Business segments

Corporate finance

This includes investment banking activities such as mergers and acquisitions, underwriting, privatization, securitization, Initial Public Offers (IPOs) and secondary private placements.

Trading and sales

This segment undertakes the Bank's treasury, money market and capital market activities.

Retail banking

Retail banking provides services to small borrowers i.e. consumers, small and medium enterprises (SMEs) and borrowers' agriculture sector. It also includes loans, deposits other transactions and balances with retail customers.

Commercial banking

This includes loans, deposits and other transaction balances with corporate customers.

6.16.2 Geographical segment

The Bank conducts all its operations in Pakistan.

6.17 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 out flow 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.

6.18 Fiduciary assets

Assets held in fiduciary capacity are not treated as assets of the Bank in the balance sheet.

	Note	2008	2007	Rupees in '000
7. CASH AND BALANCES WITH TREASURY BANKS				
In hand				
Local currency		488,114	391,178	
Foreign currencies		194,376	100,697	
With State Bank of Pakistan (SBP) in	7.1			
Local currency account		1,621,359	2,369,543	
Foreign currency - Current account		150,276	111,589	
- Deposit account	7.2	467,268	141,895	
With National Bank of Pakistan (NBP) in				
Local currency current account		148,674	108,878	
		3,070,067	3,223,780	
7.1 Deposits with SBP are maintained to comply with the statutory requirements issued from time to time.				
7.2 This includes certain amounts, which carry interest at the rate of 0.90% per annum (2007: 4.24% per annum).				
8. BALANCES WITH OTHER BANKS				
In Pakistan				
Current accounts		101,888	82,153	
Deposit accounts		-	-	
Outside Pakistan				
Current accounts	8.1	88,309	46,838	
Deposit accounts		-	-	
		88,309	46,838	
		190,197	128,991	
8.1 This includes Rs.123.571 million (2007: Rs. 2.087 million) held in Automated Investment Plans. The balance is current by nature and on increase in the balance to specified limit, interest is received from the correspondent banks at various prescribed scale of rates.				
9. LENDINGS TO FINANCIAL INSTITUTIONS				
In local currency				
Call money lendings 9.1		1,301,151	-	
Repurchase agreement lendings (Reverse Repo)	9.2	75,500	839,959	
		1,376,651	839,959	
9.1 These carry mark-up at rates ranging from 5.5% to 29% per annum (2007: 9.1% to 10% per annum)				
9.2 Securities held as collateral against lendings to financial institutions				

						Rupees in '000	
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Market Treasury Bills	9.2.1	-	-	-	589,959	250,000	839,959
Pakistan Investment Bonds	9.2.2	75,500	-	75,500	-	-	-
		75,500	-	75,500	589,959	250,000	839,959

9.2.1 These have been purchased under the resale agreements at the markup rates of Nil (2007: 9.6% to 9.9% per annum).

9.2.2 These have been purchased under the resale agreements at markup rates of 12.5% to 18% per annum (2007: Nil) with maturities up to January 2009.

Rupees in '000

10. INVESTMENTS	2008			2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
10.1 Investments by types:						
Held for trading securities						
Listed shares	-	-	-	9,720	-	9,720
Available-for-sale securities						
Market treasury bills	1,684,932	3,632,469	5,317,401	6,546,225	2,472,007	9,018,232
Pakistan investment bonds	572,095	-	572,095	588,511	-	588,511
Mutual funds	88,907	-	88,907	1,713,907	-	1,713,907
Preference Shares						
Listed	65,000	-	65,000	65,000	-	65,000
Unlisted	50,000	-	50,000	50,000	-	50,000
Term finance certificate						
Listed	19,187	-	19,187	19,196	-	19,196
Unlisted	478,267	-	478,267	286,267	-	286,267
Ordinary Shares						
Listed	206,105	-	206,105	164,879	-	164,879
Unlisted	65,680	-	65,680	65,680	-	65,680
	3,230,173	3,632,469	6,862,642	9,499,665	2,472,007	11,971,672
Held to maturity securities						
Pakistan investment bonds	3,052,712	2,333,994	5,386,706	5,545,393	55,927	5,601,320
Term finance certificate						
Listed	61,052	-	61,052	311,636	-	311,636
Unlisted	28,571	-	28,571	87,030	-	87,030
Shares repo	75,605	-	75,605	80,432	-	80,432
	3,217,940	2,333,994	5,551,934	6,024,491	55,927	6,080,418
Investment in associate	75,000	-	75,000	75,000	-	75,000
Investments at cost	6,523,113	5,966,463	12,489,576	15,608,876	2,527,934	18,136,810
Less: Provisions for diminution in value of investments	(78,993)	-	(78,993)	(91,311)	-	(91,311)
Investments-net of provision	6,444,120	5,966,463	12,410,583	15,517,565	2,527,934	18,045,499
(Deficit) on revaluation of held-for-trading investments	-	-	-	(1,310)	-	(1,310)
(Deficit) on revaluation of available-for-sale investments (note 22.13 and 10.13)	(398,350)	-	(398,350)	(185,020)	-	(185,020)
Total investments at market value	6,045,770	5,966,463	12,012,233	15,331,235	2,527,934	17,859,169

10.2 Investments by segments

	Note	2008	Rupees in '000 2007
Federal Government Securities			
Market treasury bills	10.2.1	5,317,401	9,018,232
Pakistan investment bonds	10.2.1-10.2.2	5,958,801	6,189,831
		11,276,202	15,208,063
Fully paid-up ordinary shares			
Listed companies	10.5	206,105	174,599
Unlisted companies	10.6	65,680	65,680
		271,785	240,279
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates	10.7		
Term finance certificates - Listed	10.7.1	80,239	330,832
- Unlisted	10.7.2	506,838	373,297
		587,077	704,129
Other Investments			
Mutual fund units	10.8	88,907	1,713,907
Preference shares - Listed	10.9-10.10	65,000	65,000
- Unlisted	10.11	50,000	50,000
Investment in associate	10.12	75,000	75,000
Shares repo		75,605	80,432
		354,512	1,984,339
Total investments at cost		12,489,576	18,136,810
Provision for diminution in the value of investments	10.3	(78,993)	(91,311)
Investments - net of provision		12,410,583	18,045,499
Deficit on revaluation of held for trading investments		-	(1,310)
Deficit on revaluation of available for sale investments	10.13	(398,350)	(185,020)
Total investments at market value		12,012,233	17,859,169

10.2.1 Principal terms of investments in Federal Government Securities

Name of Investment	Maturity period	Principal payment	Coupon rate	Coupon payment
Pakistan investment bonds	Dec 2010 to Aug 2017	On maturity	8% to 14%	Semi-annually
Market treasury bills	Jan 2009 to Mar 2009	On maturity	9.00% to 13.85%	At maturity

10.2.2 Pakistan Investment Bonds

These include securities having face value of Rs. 47.7 million (2007: Rs. 47.7 Million) pledged with State Bank of Pakistan and National Bank of Pakistan as security to facilitate T.T discounting facility to branches of the Bank.

	Note	2008	2007	Rupees in '000
10.3 Particulars of provision				
Opening balance		91,311	88,237	
Charge for the year		-	3,074	
Reversals		(11,668)	-	
Write off		(650)	-	
Closing balance	10.3.1	78,993	91,311	

10.3.1 Particulars of provision in respect of type and segment

		2008	2007	Rupees in '000
Available-for-sale securities				
Preference shares - unlisted		3,388	4,990	
Held-to-maturities securities				
Term finance certificates - listed		-	5,889	
Shares repo		75,605	80,432	
		78,993	91,311	

		2008		2007	
		Rating long term / short term	Amount	Rating long term / short term	Amount
10.4 Quality of available for sale securities					
10.4.1 Market treasury bills	Unrated	5,317,401		Unrated	9,018,232
10.4.2 Pakistan investment bonds	Unrated	572,095		Unrated	588,511
10.4.3 Mutual fund units					
Pakistan Strategic Allocation Fund		20,000		4-star	20,000
AMZ Plus Income Fund		-		MFR 3Star	175,000
PICIC Growth Fund		8,598		MFR 2Star	8,598
KASB Liquid Fund KLF		-		A+	175,000
NAFA Cash Fund		-		A(f)	175,000
ABAMCO Composite Fund		52,249			52,249
Dawood Money Market Fund		-		5 star	175,000
NAMCO Balanced Fund		8,060		A3-	8,060
Askari Income Fund		-		5 star	175,000
MCB Dynamic Cash Fund		-		AM3	175,000
AKD Income Fund		-		AM3+	175,000
POBOP Advantage Plus Fund		-		A (f)	50,000
Alfalah GHP Income Multi Fund		-			175,000
Faysal Savings Growth Fund		-		A+(f)	175,000
10.4.4 Preference shares-listed					
Chenab Limited		50,000			50,000
Masood Textile Mills Limited		15,000			15,000
10.4.5 Preference shares-unlisted	A+	50,000		A+	50,000
Jamshoro Joint Venture Limited					

	2008			2007		
	Rating	long term / short term	Amount	Rating	long term / short term	Amount
10.4.6 Term finance certificates-listed						
Escort Investment Bank Limited	A	9,994				9,998
Worldcall Telecom Limited	A +	9,193		A+		9,198
Term finance certificates-unlisted						
Avari Hotels	A -	286,267		Unrated		286,267
JDW Sugar Mills Limited	Unrated	192,000				-
10.4.7 Ordinary shares-listed						
Fauji Fertilizer Company Limited		2,247				2,247
Hub Power Company Limited		26,058				26,058
Hira Textile Mills Limited		32,968				32,968
Kohinoor Energy Limited		4,817				-
PTA Limited		10				-
Maple Leaf Cement Limited	BBB +	34,396				34,396
National Bank of Pakistan	AAA	22,506				-
Oil & Gas Development Corporation	AAA	22,660		AAA		22,660
Pakistan Oilfields Limited		44,094				30,202
Pioneer Cement Limited	BBB	1,230				1,229
Sui Southern Gas Company Limited	AA -	15,119		AA-		15,119
10.4.8 Ordinary shares-unlisted						
Pakistan Export Finance Guarantee Limited		5,680				5,680
Khushali Bank Limited		10,000				10,000
Al-Hamra (Private) Limited		50,000				50,000
		6,862,642				11,971,672

10.5 Investment in fully paid up ordinary share-listed

2008 No. of Ordinary Shares	2007	Paid up value per share (Rupees)	Name of Investee	2008	2007
159,510	-	10	Kohinoor Energy Limited	4,817	-
17,400	217,400	10	Fauji Fertilizer Company Limited	2,247	11,967
625,000	625,000	10	Hub Power Company Limited	26,058	26,058
2,637,420	2,637,420	10	Hira Textile Mills Limited	32,968	32,968
1,950	-	10	PTA Limited	10	-
906,250	906,250	10	Maple Leaf Cement Limited	34,396	34,396
200,000	-	10	National Bank of Pakistan	22,506	-
150,000	150,000	10	Oil & Gas Development Corporation	22,660	22,660
147,000	72,500	10	Pakistan Oilfields Limited	44,094	30,202
19,962	19,962	10	Pioneer Cement Limited	1,230	1,229
350,000	350,000	10	Sui Southern Gas Company Limited	15,119	15,119
5,214,492	4,978,532			206,105	174,599

10.6 Investment in fully paid up ordinary share-unlisted

				Rupees in '000	
2008	2007	Paid up value per share (Rupees)	Name of Investee	2008	2007
No. of Ordinary Shares					
568,000	568,000	10	Pakistan Export Finance Guarantee Chief Executive Mr. S.M Zaeem	5,680	5,680
10	10	1,000,000	Khushahli Bank Limited Chief Executive Mr. Ghalib Nishter	10,000	10,000
5,000,000	5,000,000	10	Al-Hamra (Private) Limited Chief Executive Mr. Habib Ahmed	50,000	50,000
5,568,010	5,568,010			65,680	65,680

10.6.1 The Bank contributed Rs. 10 million towards the equity of Khushali Bank Limited, as per SBP Letter No. BSD RU-26/25-MFB/13317/00 dated August 07, 2000. In accordance with the restrictions imposed by Khushali Bank Ordinance, 2000 the Bank cannot sell / transfer these shares before a period of five years from the date of subscription. Thereafter, such sale / transfer shall be subject to the prior approval of State Bank of Pakistan, pursuant to section 10 of the Khushali Bank Ordinance, 2000. The profits of the investee bank shall not be distributable and shall be applied towards the promotion of its objectives.

10.7 Investment in term finance certificates, debentures, bonds and participation term certificates

10.7.1 Term finance certificates-listed

Name of Investee	No. of Certificates held	Paid up value per certificate (Rupees)	Rupees in '000	
			2008	2007
Al Zamin Leasing Modaraba	4,000	5,000	13,600	20,000
Bank Al-Habib Limited	6,000	5,000	29,952	29,964
Al-Zamin Leasing Corporation Limited	3,500	5,000	17,500	17,500
Crescent Standard Investment Bank Limited	-	-	-	8,250
Escort Investment Bank Limited	2,000	5,000	9,994	9,998
Saadi Cement Limited	-	-	-	36,322
Worldcall Telecom Limited	1,840	5,000	9,193	9,198
Zaver Petroleum Corporation Limited	-	-	-	199,600
	17,340		80,239	330,832

10.7.2 Term finance certificates-Unlisted

Name of Investee	Name of Chief Executive	No. of Certificates held	Paid up value per certificate (Rupees)	Rupees in '000	
				2008	2007
Bosicar Pakistan Limited	Mr. M. Wasi Khan	20,000	5,000	28,571	57,143
Kohinoor Textile Mills Limited	Mr. Tariq Sayeed Saigol	-	-	-	1,887
Pakistan Mobile Communication Limited	Mr. Zohair A. Khaliq	14,000	5,000	-	28,000
Avari Towers Hotel Limited	Mr. Bahram Avari	-	5,000	286,267	286,267
JDW Sugar Mills Limited	Mr. Dewan Abdullah M. Faruqi	38,400	5,000	192,000	-
		72,400		506,838	373,297

10.8 Mutual Funds

2008	2007	Paid up value per unit (Rupees)	Name of Investee	Rupees in '000	
				2008	2007
5,224,895	5,224,895	10	ABAMCO Composite Fund	52,249	52,249
2,000,000	2,000,000	10	Pakistan Strategic Allocation Fund	20,000	20,000
-	1,653,508	100	AMZ Plus Income Fund	-	175,000
-	16,669,842	10	NAFA Cash Fund	-	175,000
-	1,664,606	100	KASB Liquid Fund	-	175,000
-	1,661,082	10	Dawood Money Market Fund	-	175,000
806,000	806,000	10	NAMCO Balance Fund	8,060	8,060
200,000	200,000	50	PICIC Growth Fund	8,598	8,598
-	1,657,825	100	Askari Income Fund	-	175,000
-	1,674,183	100	MCB Dynamic Cash Fund	-	175,000
-	3,324,837	50	AKD Income Fund	-	175,000
-	1,667,143	100	Faysal Saving Growth Fund	-	175,000
-	3,334,826	50	Alfalalah GHP Income Multi Fund	-	175,000
-	985,222	50	POBOP Advantage Plus Fund	-	50,000
8,230,895	42,523,969			88,907	1,713,907

10.9 This includes investment in 5 million (2007: 5 million) cumulative shares of Rs. 10 each issued by Chenab Limited. These preference shares with put and call option are non voting in nature and enjoy preference over ordinary shares in case of payment of dividend and liquidation and carry preferred dividend at the rate of 9.25% per annum on the issue price.

10.10 This also includes investment in 1.5 million (2007: 1.5 million) cumulative preference shares of Rs. 10 each issued by Masood Textile Mills Limited. These preference shares with call option are non-voting in nature and enjoy preference over ordinary shares in case of payment of dividend and liquidation and carry preferred dividend at the rate of 6 months KIBOR plus 200 bps per annum on the issue price.

10.11 This represents investment in 5 million (2007: 5 million) redeemable cumulative preference shares of Rs. 10 each issued by Jamshoro Joint Venture Limited (JJVL). These preference shares are redeemable at par along with cumulative dividend payable, if any, upon completion of 5 years from the issue date subject to the condition that 60% of Rs. 1.18 billion debt raised by JJVL for project will be repaid.

The preference shares carry normal preferred dividend at the rate of 15% per annum on par value, however, if JJVL is unable to payout dividend in any year, the said dividend would be accumulated with a minimum rate of 17.5% per annum for the cumulative preference share holders.

The preference shares do not carry any voting rights except in the meeting of cumulative preference share holders and are also enjoying right of full payment of dividend including any arrear payment due to them before the payment of dividend to the ordinary share holders.

10.12 Investment in associate

Name of associate	Chief Executive	Place of incorporation	Proportion of ownership interest	Principal activity
Saudi Pak Insurance Company Limited	Capt. Azhar Ehtesham Ahmed	Pakistan	30%	General insurance

Summarized financial information in respect of associate based on latest available financial statements as at December 31, 2007 is set out below:

	Note	2007	2006
Total assets		598,745	349,967
Total liabilities		413,130	134,532
Net assets		185,615	215,435
Revenue		170,636	101,891
Loss for the year		29,820	16,764
Share of loss from associate	10.12.1	19,075	10,129
10.12.1 Share of loss from associate			
Opening balance		10,129	5,100
Adjustment of share of profit based on audited financial statements		8,946	5,029
Reversal during the year		-	-
Closing balance		19,075	10,129

10.13 Unrealised loss on remeasurement of available for sale investments

Due to global economic conditions and slow down the stock markets in Pakistan had witnessed a significant decline in value of equity instruments traded there.

SBP through BSD Circular No. 02 of 2009 dated January 27, 2009 clarified that banks / DFIs for the purpose of preparation of financial statements for the period ended December 31, 2008, may use market price as quoted on the stock exchange on December 31, 2008 as fair value of securities.

Later on, SECP through notification vide SRO 150(1)/2009 dated February 13, 2009 allowed that impairment loss, if any recognized as on December 31, 2008 due to valuation of listed equity securities held as 'available for sale' in terms of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" to market prices as quoted on the stock exchange on December 31, 2008 may be shown under the equity. This amount taken to equity including any adjustment/effect for price movements during the quarter of calendar year 2009 shall be taken to profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. This amount shall be treated as a charge to profit and loss account for the purpose of distribution as dividend. This treatment was also allowed by SBP through BSD Circular No. 04 of 2009 dated February 13, 2009.

Consequently, the Bank has valued its securities at prices quoted on the KSE on December 31, 2008 and the impairment loss based on market values as at December 31, 2008 has been determined at Rs. 220,652 million. However, the management believes that these are exceptional/abnormal circumstances and the fall in stock market should not be considered as a fair reflection of security prices. Therefore, recognition of impairment for available for sale equity securities through profit and loss account would not be real reflective of financial performance of the Bank.

The recognition of impairment loss based on the market values as at December 31, 2008 would have had the following effect on these financial statements:

	Rupees in '000
Increase in 'impairment loss' in Profit and Loss Account	220,652
Increase in loss - after tax	220,652
Decrease in deficit on revaluation of available for sale securities	220,652
Increase in Loss	220,652
Decrease in loss per share - after tax	0.31

	Note	2008	2007
11 ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		37,657,007	30,591,575
Outside Pakistan		37,657,007	30,591,575
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		21,691	379,855
Payable outside Pakistan		508,694	444,386
		530,385	824,241
Advances - gross		38,187,392	31,415,816
Provision for non-performing advances - specific	11.2	(7,089,770)	(5,518,432)
Provision against consumer finance- general	11.6.1	(10,249)	(22,412)
Advances net of provisions		31,087,373	25,874,972
11.1 Particulars of advances (Gross)			
11.1.1 In local currency		37,999,635	31,007,400
In foreign currencies		187,757	408,416
		38,187,392	31,415,816
11.1.2 Short term (for up to one year)		20,264,055	17,754,907
Long term (for over one year)		17,923,337	13,660,909
		38,187,392	31,415,816

11.2 Advances include Rs. 12,845.225 million (2007: Rs. 6,136.018 million) which have been placed under non-performing status as detailed below:

Category of Classification - Specific	2008			2007			Rupees in '000
	Classified advances	Provision required (Domestic)	Provision held	Classified advances	Provision required (Domestic)	Provision held	
Substandard	2,690,610	303,455	303,455	496,640	166,653	166,653	
Doubtful	2,081,799	459,526	459,526	662,943	279,319	279,319	
Loss	8,072,816	6,326,789	6,326,789	4,976,435	5,072,460	5,072,460	
	12,845,225	7,089,770	7,089,770				6,136,018 5,518,432 5,518,432

11.3 Particulars of provision against non-performing advances

	2008			2007			Rupees in '000
	Specific	General	Total	Specific	General	Total	
Opening balance	5,518,432	22,412	5,540,844	2,477,406	27,693	2,505,099	
Charge for the year	2,608,208	-	2,608,208	3,293,174	-	3,293,174	
Reversals for the year	(944,894)	(12,163)	(957,057)	(158,523)	(5,281)	(163,804)	
Net charge/(reversal)	1,663,314	(12,163)	1,651,151	3,134,651	(5,281)	3,129,370	
Written off	11.7			(93,625)	-	(93,625)	
Closing balance	7,089,770	10,249	7,100,019	5,518,432	22,412	5,540,844	

11.4 The State Bank of Pakistan (SBP) Inspection Report as at June 30, 2008 had identified provisions required against non-performing loans and other assets at Rs. 3,749.670 million. However, SBP has subsequently allowed the Bank to provide provisions of Rs. 1,749.67 million by December 31, 2009. Had the provision of Rs. 1,749.67 been recognized at December 31, 2008, the loss after tax would have been higher by Rs 1,137 million and capital adequacy ratio lower by 4.01%.

11.5 Subsequent to year end December 31, 2008, State Bank of Pakistan amended Prudential Regulations through BSD Circular No. 02 dated January 27, 2009. As a consequence , Regulation No. R- 8 , R-11 and R-22 relating to provisioning against non-performing loans, were amended and benefit of 30% of forced sales value (FSV) of the mortgaged assets held as collateral, while calculating provision against non-performing loans have been made available with effect from December 31, 2008 for three years from the date of classification. Previously, Banks were not allowed to have benefit of FSV while calculating provision against non-performing loans except in case of housing finance.

11.6 General Provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

11.6.1 Particulars of provision for consumer financing - general

	2008		2007		Rupees in '000
Opening balance		22,412		27,693	
Charge for the year		-		-	
Reversals		(12,163)		(5,281)	
Closing balance		10,249		22,412	

11.7 Particulars of write offs

	Rupees in '000	
	2008	2007
Against provision	91,976	93,625
Directly charged to Profit and Loss Account	2,610	-
	94,586	93,625
Write offs of Rs. 500,000 and above	88,806	93,427
Write offs of below Rs. 500,000	3,170	198
	91,976	93,625

11.8 Detail of loan write off of Rs. 500,000 and above

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2008 is given in Annexure-I. However, this write-off does not affect the bank's right to recover the debts from these customers.

11.9 Particulars of loans and advances to Directors, Associated Companies, etc

Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons

	Rupees in '000	
	2008	2007
Balance at beginning of the year	2,625	1,154
Loans granted during the year	1,605	2,859
Repayments	(2,564)	(1,388)
Balance at end of the year	1,666	2,625

Debts due by companies or firms in which the directors of the bank are/(were) interested as directors, partners or in the case of private companies as members

	2008	2007
Balance at beginning of the year	64,833	111,781
Loans granted during the year	-	35,000
Repayments	64,833	(81,948)
Balance at end of the year	-	64,833

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

	2008	2007
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-

12 OPERATING FIXED ASSETS

Capital work-in-progress	12.1	94,880	92,447
Property and equipment	12.2	2,890,288	2,256,421
Intangible assets	12.3	17,282	19,015
		3,002,450	2,367,883

	Note	2008	2007	Rupees in '000						
12.1 Capital work-in-progress										
Civil works	12.1.1	94,880	92,447							
Equipment		-	-							
Advances to supplier and contractor		-	-							
		94,880	92,447							
12.1.1 Civil work										
Opening balance		92,447	93,914							
Additions during the year		87,819	95,316							
Transferred to property and equipment		(85,386)	(90,788)							
Insurance claim due to damages		-	(5,995)							
		94,880	92,447							
12.2 Property and equipments				Rupees in '000						
	Cost / Revaluation	ACCUMULATED DEPRECIATION								
	As at Jan. 01 2008	Adjustment Additions/ Revaluation* / Lease**	Disposal	As at Dec 31, 2008	As at Jan. 01 2008	Adjustment	Charge for the year / (Revaluation) */ (Deletions)	As at Dec 31, 2008	Net Book value as at Dec 31, 08	Rate of Depreciation
Land- Freehold Land	448,146	- 109,033 *	-	557,179	-	-	-	-	557,179	-
Building- Freehold Land	64,000	- -	-	64,000	3,200	-	3,200 (6,400) *	-	64,000	5%
Land- Leasehold	1,024,618	- 257,513 *	-	1,282,131	-	-	-	-	1,282,131	-
Building- Leasehold	228,426	- 32,943 *	-	261,369	10,801	-	11,421 (21,908) *	314	261,055	5%
Lease hold improvements	322,281	- 76,662	-	398,943	84,453	-	33,812	118,265	280,678	10%
Furniture & fixture	94,006	- 13,605	3	107,608	31,013	-	9,661 (1)	40,673	66,935	10%
Other Equipment	143,617	- 39,223	1,966	180,874	79,343	-	28,359 (1,454)	106,248	74,626	20%
Computers	141,542	- 67,638	321	208,859	111,348	-	24,830 (279)	135,899	72,960	33.3%
Vehicles	96,083	- 190,817	30,689	256,211	65,519	-	22,307 (23,988)	63,838	192,373	20%
	2,562,719	- 387,945 399,039	32,979	3,317,174	385,677	-	133,590 (28,308) (25,722) *	465,237	2,851,937	
Assets held under finance lease:										
Vehicles	52,786	- -	19,024	33,762	10,421	-	8,196 (5,234)	13,383	20,379	20%
Computers	55,516	- -	263	55,253	18,503	-	18,450 (122)	36,831	18,422	33.3%
	108,302	- -	19,287	89,015	28,924	-	26,646 (5,356)	50,214	38,801	
DECEMBER 2008	2,671,021	- 387,945 399,039	52,266	3,406,189	414,601	-	160,236 (28,308) (31,078)	515,451	2,890,738	
DECEMBER 2007	2,515,426	(65,478)	191,910 48,240 **	19,078	2,671,022	300,970 (9,639)	133,836 (10,565) **	414,602	2,256,421	

12.2.1 Details of disposal of fixed assets- By Negotiations

Rupees in '000

Description	Cost / value	Accumulated description	Book value	Sale proceeds	Gain / Loss	Particulars of purchasers
Honda City Vario, LZV-6315	634	127	507	511	4	M/s Auto Flasher, 153 A/2, Allama Iqbal Road, PECHS, Karachi.
Honda Civic VTI Prosmatec, AEM-702	1,245	1,245	-	566	566	M/s Ittehad Motors Madina BAA, Apartment Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Toyota Corolla, ADG-544	1,189	1,189	-	491	491	M/s Auto Flasher, 153 A/2, Allama Iqbal Road, PECHS, Karachi.
Toyota Coroll, ALT-060	850	156	694	797	103	M/s Ittehad Motors Madina BAA, Apartment Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Honda Civic VTI, AEP-326	1,105	1,105	-	332	332	Bank Employee Mr. Majid Ali
Honda Civic Exi, LWP-695	921	200	721	850	129	Bank Employee Mr. Imtiaz Hussain Mughal
Suzuki Cultus VXL, AHU-584	609	345	264	385	121	Bank Employee Mr. Mehboob Karim SEVP Sys & Ops
Suzuki Cultus VXL, ALL-802	548	119	429	402	(27)	Bank Employee Mr. Syed Nadeemullah
Suzuki Cultus VXL, AKZ-506	548	119	429	425	(4)	Bank Employee Mr. Zahid Ali Mubarik AVP
Honda Civic VTI, AFQ-773	1,223	1,060	163	626	463	M/s Ittehad Motors Madina BAA, Apartment Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Honda Civic VTI, AEP-327	1,088	942	146	332	186	Bank Employee Mr. Aariz Maqbool
Honda Civic Vti Reg # AFH-523	1,087	1,015	72	72	-	Bank Employee Mr. Mansoor Masood Khan - President
Mercedes Benz Reg # AKN-888	5,057	1,264	3,793	-	(3,793)	Gift to Ex-President by the Board
Honda Civic Vti Reg # AJX-356	1,042	591	451	723	272	Bank Employee Mr. Muzaffar Khan
Honda City Vario Reg # LWR-356	796	199	597	-	(597)	Bank Employee Mr. Musaddiq Ijaz
Toyota Platz Reg # ALV-575	580	164	416	400	(16)	M/s M.S Autos
Suzuki Cultus Reg# APU-267	694	69	625	650	25	M/s Saudi Pak Insurance Company Limited
Suzuki Cultus Reg# AKC-905	497	141	356	356	-	Bank Employee Mr. Aarij Ali
Honda Civic Vti Reg # AHW-621	944	267	677	677	-	Bank Employee Mr. Muhammad Ejaz
Honda Civic Vti Reg # AKQ-411	1,095	310	785	785	-	Bank Employee Ms. Maliha Anwar Khan
Honda Civic Vti Reg # AHB-035	915	259	656	656	-	Bank Employee Mr. Mehdi Raza
Honda Civic Vti Reg # LRR-440	1,223	1,223	-	245	245	Bank Employee Mr. Mushtaq Riaz Mirza
Honda Civic Vti Reg # AEZ-732	1,177	1,138	39	235	196	Bank Employee Mr. Akbar Alam
Honda City Reg # AKP-348	796	252	544	715	171	Bank Employee Mr. Mukhtar Ahmed
Suzuki Cultus Reg # ALG-724	548	173	375	543	168	M/s Continental Motors Shop # 7-8, Ground Floor, Furqanai Complex, New M.A Jinnah Road, Karachi.
Honda Civic Vti Reg # ALF-716	903	301	602	840	238	M/s M.S Autos
Toyota Corolla Reg # LEB-06-408	969	275	694	714	20	M/s Behzad Motors Show Room # 12, 55 Muslimabad ,New M.A Jinnah Road, Karachi.
Honda City Reg # AKM-491	880	292	588	733	145	Bank Employee Mr. Sameer Vialni
Honda City Reg # MC-415	979	196	783	842	59	M/s Saudi Pak Insurance Company Limited - Associated Company
Other Equipment Sabilizers	357	23	334	289	(45)	Zubair Electronics
Honda City Reg # AKP-348	881	323	558	700	142	Bank Employee Ms. Subhana Rashidi
Honda Civic Reg # LEB-07-2903	1,053	53	1,000	1,000	-	M/s Saudi Pak Insurance Company Limited - Associated Company
Items having book value of less than Rs.250,000 and cost of less than Rs.1,000,000	19,833	15,943	3,890	12,004	8,114	Various
	52,266	31,078	21,188	28,896	7,708	

12.2.2 The Bank's land and building were revalued on November 25, 2008 by Hasib Associates, an independent valuer, on market value basis. The revaluation resulted in a surplus of Rs. 399.036 million (2007: Rs. Nil) over the properties net book value of Rs. 1,736.500 million (2007: Nil) as on the date. Had there been no revaluation, the carrying value of the revalued assets would have been Rs. 413.346 million (2007: Nil).

	Rupees in '000	
	2008	2007
12.2.3 The gross carrying amount of fully depreciated assets that are still in use:		
Furniture, electrical, office and computer equipment	158,155	115,962
Vehicles	38,487	19,351
	196,642	135,313

12.3 Intangible assets

	Rupees in '000								
	Cost				Accumulated amortization				
	As at January 01, 2008	Additions	Disposal	As at December 31, 2008	As at January 01, 2008	Amortiz- ation for the year	As at December 31, 2008	Net Book value as at December 31, 2008	Amortization Rate in percentage
Computer software	47,353	14,246	-	61,599	28,338	15,979	44,317	17,282	33.33%
December 2007	29,026	18,327	-	47,353	15,024	13,415	28,338	19,015	33.33%

	Rupees in '000		
	Note	2008	2007
13 DEFERRED TAX ASSETS - NET			
Deferred tax debits arising in respect of			
Provision against:			
Investments		27,648	31,959
Non-performing advances		2,481,420	1,600,610
Consumer financing		3,587	7,844
Other assets		38,205	34,883
Accumulated loss		132,841	132,841
Revaluation of securities	22.1	62,194	38,166
		2,745,895	1,846,303
Deferred tax credits arising in respect of			
Liabilities against assets subject to finance lease		(326)	(272)
Accelerated tax depreciation		(98,241)	(59,180)
Revaluation of property and equipment	22.2	(33,389)	(19,136)
		(131,956)	(78,588)
		2,613,939	1,767,715

Rupees in '000

	Note	2008	2007
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency		1,428,510	1,044,607
Income/ Mark-up accrued in foreign currency		10,846	4,321
Advances, deposits, advance rent and other prepayments		482,896	160,858
Non-banking assets acquired in satisfaction of claims	14.1	355,550	319,636
Branch adjustment account		-	33,462
Unrealized gain on forward foreign exchange contracts		3,974	15,980
Others		119,738	118,934
		2,401,514	1,697,798
Less: Provision held against other assets	14.2	(109,156)	(99,667)
Other assets (net of provision)		2,292,358	1,598,131
14.1 Market value of Non-Banking assets acquired in satisfaction of claims		355,550	319,636
14.2 Provisions against other assets			
Opening balance		99,667	99,667
Charge for the year		9,489	-
Reversals		-	-
Closing balance		109,156	99,667
15 BILLS PAYABLE			
In Pakistan		431,537	570,756
Outside Pakistan		-	-
		431,537	570,756
16 BORROWINGS			
In Pakistan		8,738,616	6,771,368
Outside Pakistan		-	109,081
		8,738,616	6,880,449
16.1 Particulars of borrowings			
In local currency		8,738,616	6,771,368
In foreign currencies		-	109,081
		8,738,616	6,880,449

	Note	2008	2007	Rupees in '000
16.2 Details of borrowings				
Secured				
Borrowings from SBP				
Under export refinance scheme	16.2.1	2,218,436	1,348,806	
LTF-Export Oriented Projects	16.2.1	157,334	238,532	
Loans from SBP		-	-	
Repurchase agreement borrowing	16.2.2	5,912,806	1,084,030	
		8,288,576	2,671,368	
Unsecured				
Call borrowings	16.2.3	450,040	4,100,000	
Overdrawn NOSTRO accounts		-	109,081	
		450,040	4,209,081	
		8,738,616	6,880,449	

16.2.1 These borrowings carry markup at the rate of 6.5% and 5% respectively (2007: 6.5% and 5%) per annum.

16.2.2 These represent funds borrowed from the local interbank money market carrying interest rate ranging from 8.5% to 15% (2007: 9.1% to 9.95%) per annum with maturities up to January, 2009.

16.2.3 These represent unsecured borrowings from the local money market carrying interest rates from 15% to 15.5% (2007: 9.7% to 10.35%) per annum with maturities up to January 2009.

	Note	2008	2007	Rupees in '000
17 DEPOSITS AND OTHER ACCOUNTS				
Customers				
Fixed deposits		22,162,637	23,142,344	
Savings deposits		10,149,501	9,230,897	
Current accounts - non-remunerative		5,893,172	4,704,610	
Margin accounts - non-remunerative		514,724	523,326	
Others		218,170	149,462	
		38,938,204	37,750,639	
Financial institutions				
Remunerative deposits		2,107,133	4,612,887	
Non-remunerative deposits		11,293	10,184	
		2,118,426	4,623,071	
		41,056,630	42,373,710	

	Note	2008	2007	Rupees in '000
17.1 Particulars of deposits				
In local currency		38,079,532		40,194,021
In foreign currencies		2,977,098		2,179,689
		41,056,630		42,373,710
18 SUB-ORDINATED LOANS - UNSECURED			-	650,000

This represented short term bridge finance provided by Saudi Pak Industrial & Agricultural Investment Company (Private) Limited (SPIAICO) with the approval of SBP through a formal agreement executed between the Bank and SPIAICO on December 31, 2003. The agreement was initially for a period of six months, which was rolled over till repayment on June 27, 2008.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Period	2008			2007			Rupees in '000
	Minimum lease payments	Financial charges allocated to future periods	Principal outstanding	Minimum lease payments	Financial charges allocated to future periods	Principal outstanding	
Not later than one year	37,978	3,671	34,307	37,945	7,593	30,352	
Later than one year and not later than five years	5,815	391	5,424	53,427	3,624	49,803	
Over five years	-	-	-	-	-	-	
	43,793	4,062	39,731	91,372	11,217	80,155	

- 19.1** The bank enters into various lease agreements with leasing companies for office equipment and motor vehicles. Lease rentals are payable monthly and include finance charge at the rate of base rate plus 3.75 % & 3.5% (2007:KIBOR plus 3.75% and 3.5%) per annum which has been used as a discounting factor. The base rate is defined as 6 months ask side Kibor rate to be revised half yearly. The bank intends to exercise its option to purchase the assets upon completion of lease periods.

	Note	2008	2007	Rupees in '000
20. OTHER LIABILITIES				
Mark-up/ Return/ Interest payable in local currency		659,370		659,222
Mark-up/ Return/ Interest payable in foreign currency		14,351		14,090
Unearned commission and income on bills discounted		15,817		32,541
Accrued expenses		84,979		29,060
Branch adjustment account		36,441		-
Tax liability - net		21,848		41,024
Provision for gratuity	35.3	26,632		21,164
Others		127,956		127,990
		987,394		925,091

21. SHARE CAPITAL

21.1 Authorized capital

No. of shares in '000		Rupees in '000'	
2008	2007	2008	2007
2,500,000	1,000,000	25,000,000	10,000,000

21.2 Issued, subscribed and paid up capital

No. of shares in '000		Rupees in '000'	
2008	2007	2008	2007
800,315	400,175	Fully paid up ordinary shares of Rs. 10/- each	8,003,150
100,000	100,000	Fully paid up ordinary shares of Rs. 10/- each issued at a discount of Rs.2.5 per share	1,000,000
-	-		
900,315	500,175		9,003,150
			5,001,750

21.3 Board of Directors has announced issuance of 80% right shares on March 31, 2008 which are exercisable till June 19, 2008, subscription received has been transferred to capital account in July 2008.

21.4 Capital management policies and procedures

The Banks's objectives when managing capital are:

to comply with the capital requirements set by the SBP;

to safeguard 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 acquire, develop and maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored frequently by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented in Pakistan by the SBP.

SBP requires each commercial bank to: (a) hold the minimum level of the regulatory capital of Rs. 5 billion by December 31, 2008, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 9%.

The Bank has a shortfall of Rs. 2.128 billion as on December 31, 2008 in meeting against minimum capital requirement of Rs. 5 billion (net of losses), as required by BSD circular No. 19 of 2008. However, the Bank has been given exemption from this requirement by SBP till March 31, 2009. In order to comply with the capital requirement the major members of the Consortium are taking steps to meet the shortfall in minimum capital requirement.

The Bank's regulatory capital is divided into two tiers:

Tier 1 or core capital: share capital, share premium, reserves for bonus shares, general reserves created out of the profits for the year and unappropriated profit.; and

Tier 2 supplementary capital: general provisions or general reserves for loans losses, revaluation reserves exchange translation reserves, undisclosed reserves and subordinated debt.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified 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 exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table refers to in note 40, summaries, the composition of regulatory capital and the ratios of the Bank for the year ended December 31, 2008.

	Note	2008	2007
		No. of shares in '000	
21.5 Reconciliation of number of ordinary shares of Rs. 10 each			
At the beginning of the year		500,175	384,750
Issued during the year		400,140	115,425
At the end of the year		900,315	500,175
		Rupees in '000	
	Note	2008	2007
22 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) on revaluation of securities	22.1	(336,156)	(146,854)
Surplus on revaluation of property and equipment	22.2	1,637,519	1,226,524
		1,301,363	1,079,670
22.1 (Deficit) on revaluation of securities			
Federal government securities		(177,698)	(109,047)
Quoted securities		(220,652)	(75,973)
Deferred tax (asset) recognized	10.2	(398,350)	(185,020)
	13	62,194	38,166
		(336,156)	(146,854)
22.2 Surplus on revaluation of property and equipments			
Surplus on revaluation of properties	22.2.1	1,670,908	1,245,660
Deferred tax (liability) recognized	13	(33,389)	(19,136)
		1,637,519	1,226,524
22.2.1 Reconciliation of surplus on revaluation of property and equipments			
At the beginning of the year		1,245,660	1,247,756
Surplus during the year		427,344	-
Surplus realized on account of incremental depreciation (net of tax)		(2,096)	(2,096)
At the end of the year		1,670,908	1,245,660

	Note	2008	2007	Rupees in '000
23 CONTINGENCIES AND COMMITMENTS				
23.1 Direct credit substitutes		-	-	
23.2 Transaction-related contingent liabilities				
Guarantees favoring:				
Government		3,948,414	4,412,443	
Banking companies and other financial institutions		90,442	122,721	
Others		1,293,072	1,534,723	
23.3 Trade-related contingent liabilities				
Letters of credit and acceptances favoring:				
Others		2,923,902	3,975,489	
23.4 Other contingencies				
Claims against the Bank not acknowledged as debt		186,875	228,339	
23.4.1	This includes penalties of Rs. Nil (2007: Rs. 20.732 million) on alleged non-filing of certain statements in respect of assessment years 1997-98 to 1998-99. During the year the matter has been decided in favour of the Bank.			
23.5 Commitments in respect of				
Forward Exchange Contracts with State Bank of Pakistan, banks and other institutions				
Sale		1,137,795	1,635,082	
Purchase		3,190,282	3,119,169	
		4,328,077	4,754,251	
23.6 Commitments in respect of				
Property, civil work & equipment		388,052	78,234	
Purchase of software		50,152	38,101	
		438,204	116,335	

24 DERIVATIVE INSTRUMENTS

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The principal derivatives used by the Bank are forward foreign exchange contracts and equity futures. The Bank at this stage does not engage in Interest Rate Swaps, Forward Rate Agreements and FX Options.

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Equity futures are exchange traded contractual agreements to either buy or sell a specified security at a specific price and date in the future. The Bank enters into these contracts for the purposes of squaring currency positions.

"All derivatives are recognized at their fair value. Fair values are obtained from quoted market prices in active markets. Derivatives are carried in the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative."

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations. The principal amount of the derivative contract does not represent real exposure to credit risk, which is limited to the positive fair value of instruments.

The details of commitments under forward foreign exchange contracts outstanding at year-end have been given in note 23.5. There was no equity futures position at the year end.

		Rupees in '000	
	Note	2008	2007
25 MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers	25.1	3,441,144	3,263,727
Financial institutions		-	-
On investments in:			
Held-for-trading securities		-	-
Available-for-sale securities		553,230	911,266
Held-to-maturity securities		335,407	470,121
On deposits with financial institutions		2,452	47,469
On call money lendings		104,932	56,698
On securities purchased under resale agreements		151,134	50,572
		4,588,299	4,799,853
25.1	This figure is net off mark-up suspended in accordance with the Prudential Regulations of the SBP amounting to Rs. 644.428 million (2007 : Rs. 277.25 million).		
26 MARK-UP / RETURN / INTEREST EXPENDED			
Deposits		3,494,719	3,550,241
Securities sold under repurchase agreements		205,495	411,746
Call borrowings		317,821	277,714
Borrowing from under export refinance scheme		99,952	116,009
Interest on sub-ordinated loan		39,433	81,209
Others		61,481	3,197
		4,218,901	4,440,116
27 GAIN ON SALE OF SECURITIES - net			
Federal government securities			
Market treasury bills		570	92
Pakistan investment bonds		-	1,038
Provincial government securities		-	-
Shares - Listed		1,435	(10,697)
- Unlisted		-	-
Term finance certificates		-	-
Mutual funds		17,531	220,422
		19,536	210,855
28 OTHER INCOME			
Rent on property		9,210	11,291
Net profit on sale of property and equipment		7,708	2,411
Income from non-banking assets and profit from sale of or dealing with such assets		-	-
Recovery of expenses from customers		40,734	24,966
Others		38,210	49,057
		95,862	87,725

Rupees in '000

	Note	2008	2007
29 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		980,440	550,112
Charge for defined benefit plan	35.5	26,517	21,049
Contribution to defined contribution plan		30,488	17,619
Non-executives directors' fees, allowances and other expenses		18,307	2,795
Rent, taxes, insurance, electricity, etc.		239,361	188,090
Legal and professional charges		77,854	16,901
Communications		48,272	43,651
Repairs and maintenance		59,607	28,329
Financial charges on leased assets		9,032	11,662
Stationery and printing		29,976	27,683
Security charges		40,287	29,615
Advertisement and publicity		29,519	71,786
Donation		-	-
Depreciation	12.2	160,236	133,836
Amortization of intangible assets	12.3	15,979	13,415
Auditors' remuneration	29.1	1,508	1,126
Fuel and traveling expenses		93,172	45,670
Brokerage and commission		5,496	11,734
Subscriptions and newspapers		18,298	8,971
Entertainment		18,591	9,627
Others		32,792	36,646
		1,935,732	1,270,317
29.1 Auditors' remuneration			
Audit fee		1,200	700
Special certifications, limited scope review		275	350
Out-of-pocket expenses		33	76
		1,508	1,126
30 OTHER CHARGES			
National Accountability Bureau Commission	30.1	43	10,123
Penalties imposed by SBP	30.2	806	4,614
		849	14,737
30.1 This represents commission paid to National Accountability Bureau (NAB) on account of settlement of Bank's claims.			
30.2 This represents penalties imposed by SBP on various non-compliances related to rules and regulations.			
31 INCOME TAX EXPENSE			
For the year		16,462	35,382
Current		(836,449)	(754,091)
Deferred		(819,987)	(718,709)
For prior period		-	-
Current		-	439,351
Deferred		-	439,351
		(819,987)	(279,358)

31.1 Tax reconciliation

The charge for the year represents tax over dividend, rental income and charge on Azad Kashmir branch's profits. However, reconciliation of tax charge and accounting loss has not been presented as no tax charge and liability rose on taxable losses related to Pakistan operations.

31.2 Status of assessments

The income tax assessment of the Bank has been completed up to and including tax year 2008. The Bank has filed appeals before the Income Tax Appellate Tribunal (ITAT) against certain disallowances amounting to Rs 3,330 million made by the Taxation Officer (TO) in assessment years / tax years 2000-01, 2001-02, 2002-03 and tax year 2003 and 2004. The management is confident that the outcome of these appeals would be in favor of the Bank. Therefore, no additional provision has been made in these financial statements.

The Bank's assessment in respect of AJK branch operation has been completed up to and including tax year 2007. Certain appeals were filed before the various appellate forums which are pending for adjudication. The management is confident that the outcome of these appeals would be in favor of the Bank. Therefore, no additional provision has been made in these financial statements.

32 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Bank which is as follows:

	Note	2008	2007	Rupees in '000
(Loss) after taxation for the year		(2,014,268)	(3,040,907)	
Weighted average number of ordinary shares		712,749	554,040	
(Loss) per share - Basic and Diluted (Rupees)		(2.83)	(5.49)	

Prior year's loss per share has been adjusted to give effect of bonus element included in right issue made during the year.

33 CASH AND CASH EQUIVALENTS

	Note	2008	2007	Rupees in '000
Cash and balances with treasury banks	7	3,070,067	3,223,780	
Balances with other banks	8	190,197	128,991	
Call money lendings	9	1,301,151	-	
		4,561,415	3,352,771	

34 STAFF STRENGTH

		Number of persons
Permanent	1,157	886
Temporary/ Contractual basis	25	15
Bank's own staff strength at the end of the year	1,182	901
Outsourced	539	352
Total staff strength	1,721	1,253

35 DEFINED BENEFIT PLAN

35.1 General description

The Bank operates an unapproved gratuity scheme for all its regular employees. The entitlement of the employees will start on completion of five years with the Bank beginning from January 01, 2005. Previously the eligibility period was three years. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation.

	Note	2008	2007	Rupees in '000
The main assumptions used for actuarial valuation are as under:				
35.2 Principal actuarial assumption				
Discount factor used per annum		15%	10%	
Expected increase in eligible pay per annum		15%	10%	
Normal retirement age		60 years	60 years	
Average future remaining working life of employees		15 years	15 years	
35.3 Reconciliation of amount payable to defined benefit plan				
Present value of defined benefit obligation		49,762	42,493	
(Unrecognized) / Recognized actuarial gain		(4,716)	3,800	
Fair value of plan assets		(22,862)	(25,129)	
Unrecognized prior service cost		4,448	-	
Liability recognized in balance sheet	35.4	26,632	21,164	
35.4 Movement in payable to defined benefit plan				
Opening balance		21,164	23,956	
Charge for the year	35.5	26,517	21,049	
Contribution during the period		(21,049)	(23,841)	
Closing balance		26,632	21,164	
35.5 Charge for defined benefit plan				
Current service cost		24,881	18,369	
Interest cost		5,469	3,424	
Expected return on assets		(3,480)	(1,289)	
Recognition of (gain) / loss on obligation		(353)	545	
	29	26,517	21,049	
36 COMPENSATION OF DIRECTORS AND EXECUTIVES				Rupees in '000
	President / CEO		Executives	
	2008	2007	2008	2007
Managerial remuneration	41,583	7,386	152,874	81,218
Charge for defined benefit plan	3,464	616	12,416	6,768
Contribution to defined contribution plan	3,464	1,219	12,416	6,477
Rent and house maintenance	14,739	3,323	65,685	30,873
Utilities	2,474	738	14,200	8,135
Medical	185	738	14,715	7,809
Conveyance	-	-	19,852	12,696
Others	11,812	3,816	93,349	37,516
	77,721	17,836	385,507	191,492
Number of persons	3	1	140	66

The Chief Executive and Executives are provided with free use of Bank maintained cars. Executive means employees, other than Chief Executive Officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 On-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
Assets				
Cash balances with treasury banks	3,070,067	3,070,067	3,223,780	3,223,780
Balances with other banks	190,197	190,197	128,991	128,991
Lending to financial institutions	1,376,651	1,376,651	839,959	839,959
Investments	12,012,233	12,012,233	17,859,169	16,968,807
Advances	31,087,373	31,087,373	25,874,972	25,874,972
Other assets	1,439,356	1,439,356	1,048,928	1,048,928
	49,175,877	49,175,877	48,975,799	48,085,437
Liabilities				
Bills payable	431,537	431,537	570,756	570,756
Borrowings	8,738,616	8,738,616	6,880,449	6,880,449
Deposits and other accounts	41,056,630	41,056,630	42,373,710	42,373,710
Sub-ordinated loans	-	-	650,000	650,000
Liabilities against assets subject to finance lease	39,731	39,731	80,155	80,155
Other liabilities	673,721	673,721	673,312	673,312
	50,940,235	50,940,235	51,228,382	51,228,382
37.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	3,190,282	3,190,282	3,119,169	3,145,548
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	1,137,795	1,137,795	1,635,082	1,645,477
Forward agreements for lending	-	-	-	-

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

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

The fair value of fixed term advances of over one year and fixed term deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market for similar assets and liabilities. Loans and advances are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations detailed in note 11.3.

The maturity and repricing profile and effective yield / interest rates are stated in notes 41.2.3 and 41.3.1, respectively.

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

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

Primary segment information

For management purposes the Bank is organized into following four major business segments:

- Corporate Finance
- Trading and Sales
- Retail Banking and
- Commercial Banking

All assets, liabilities, off balances sheet items, and items of income and expense are distributed to primary segments in accordance with the core functions performed by the business groups.

	2008					Rupees in '000
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total	
Current year						
Total income	63,741	1,227,672	126,354	3,439,644	4,857,411	
Total expenses	39,433	584,797	-	3,594,671	4,218,901	
Net income / (loss)	24,308	642,875	126,354	(155,027)	638,510	
Segment assets (gross)	2,387,578	14,608,398	1,784,656	43,964,655	62,745,287	
Segment non-performing loans	-	-	103,291	12,741,934	12,845,225	
Segment provision required	-	-	82,477	7,007,293	7,089,770	
Segment liabilities	-	6,370,287	22,783	44,860,838	51,253,908	
Segment return on net assets (ROA) (%)	1.02	7.80	7.17	17.30	-	
Segment cost of funds (%)	-	9.18	-	8.01	-	
2007						
Prior year						
Total income	69,291	1,651,628	143,316	3,413,863	5,278,098	
Total expenses	81,209	692,658	-	3,666,249	4,440,116	
Net income / (loss)	(11,918)	958,970	143,316	(252,386)	837,982	
Segment assets (gross)	2,731,905	19,447,011	1,461,785	35,560,743	59,201,444	
Segment non-performing loans	-	-	68,615	6,067,403	6,136,018	
Segment provision required	-	-	62,802	5,478,041	5,540,843	
Segment liabilities	650,000	5,268,108	20,336	45,541,717	51,480,161	
Segment return on net assets (ROA) (%)	(0.57)	6.76	9.94	2.53	-	
Segment cost of funds (%)	12.49	13.15	-	8.05	-	

39 RELATED PARTY TRANSACTIONS

Related parties comprise directors, major shareholders of the Bank and the companies owned by such shareholders, entities owned by the directors of the company, companies where directors of the Bank also hold directorship, key employees, entities that have key management personnel in common and employee benefit plan.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collaterals, as those prevailing at the time for comparable transaction with the unrelated parties and do not involve more than a normal risk (i.e. under the Comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, the majority of the transactions with related parties comprise loans and advance, deposits, issuance of letter of credits and guarantees.

Advances for house building, conveyance and for personal use have also been provided to the staff and executives at reduced rates in accordance with the employment and pay policy.

Details of transactions, other than disclosed elsewhere, with related parties and balances with them as at the year-end were as follows:

	2008			2007		Rupees in '000
	Directors	Key management personnel	Associated companies & common directorship	Directors	Key management personnel	Associated companies & common directorship
Balances						
Loans						
Outstanding at beginning	-	2,625	64,833	-	1,154	111,781
Loans given during the year	-	1,605	-	-	2,859	35,000
Loans repaid during the year	-	(2,564)	(64,833)	-	(1,388)	(81,948)
Loans outstanding at end	-	1,666	-	-	2,625	64,833
Deposits						
Deposits at beginning	1,141	32,936	219,564	1,006	33,651	209,255
Deposit received during the year	211,809	1,392,047	10,261,430	47,034	192,928	30,420,265
Deposit repaid during the year	(206,035)	(1,319,351)	(10,460,239)	(46,899)	(193,643)	(30,409,956)
Deposit at end	6,915	105,632	20,755	1,141	32,936	219,564
Subordinated loan	-	-	-	-	-	650,000
Letter of credit and acceptance	-	-	601	-	-	52,534
Investment in Term Finance Certificates	-	-	9,193	-	-	77,143
Forward foreign exchange contracts	-	-	-	-	-	526,405
Transactions						
Short term employment benefits	-	247,919	-	-	103,025	-
Termination benefits	-	56,327	-	-	8,333	-
Mark-up and commission earned	-	116	6,923	-	216	20,453
Mark-up and commission paid	166	1,716	39,861	73	596	91,921
Brokerage paid	-	-	-	-	-	12
Revaluation & exchange income	-	-	(1,182)	-	-	27,715
Rent paid	-	-	57	-	-	152
Services rendered	-	10,078	-	-	-	-
Software purchased	-	3,738	-	-	-	-

Related parties transaction also include those related parties which are no longer related parties as of balance sheet date, due to change in management.

40 CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the BSD Circular No. 08 of 2006 dated June 27, 2006 by State Bank of Pakistan is as follows:

	Rupees in '000	
	2008	2007
Regulatory Capital Base		
Tier I Capital		
Fully paid-up-capital	9,003,150	5,001,750
General Reserves as disclosed on the Balance Sheet	218,556	218,556
Accumulated losses	(6,131,706)	(4,119,537)
	3,090,000	1,100,769
Deductions:		
Book value of Intangibles	17,282	-
Shortfall in provisions required against classified assets irrespective of any relaxation allowed by SBP	-	-
Deficit on account of revaluation of available-for-sale investments (net of tax)	336,159	146,854
	353,441	146,854
Total eligible Tier 1 capital	2,736,559	953,915
Supplementary Capital	-	-
Tier II Capital		
Subordinated debt (up to 50% of total Tier I Capital)	-	476,958
General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets	10,249	22,412
Revaluation reserve (up to 45%)	736,884	551,936
Total Eligible Tier II Capital	747,133	1,051,305
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)	747,133	953,915
Total Eligible Capital	3,483,692	1,907,830
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	41,208,965	32,103,062
Total Market Risk Weighted Amount	301,723	58,357
Total Operational Risk Weighted Amount	2,085,990	2,191,944
Total Risk Weighted Amount	43,596,678	34,353,363
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	8.45%	5.94%
Tier 1 Capital to Total Risk Weighted Amount	6.28%	2.78%
TOTAL CAPITAL ADEQUACY RATIO	7.99%	5.55%

41 RISK MANAGEMENT

The business of banking is dependent upon acceptance and management of financial risk. It involves identification, measurement, monitoring and controlling risks with a view to ensure that:

- adequate capital is available as a buffer.
- exposures remain within the limits prescribed by the Board of Directors; and
- risk taking decisions are in line with business strategy and objectives set by the Board.

The Bank is exposed to a number of risks, which it manages at different levels.

The main categories of risk are;

Credit risk The risk of losses because counterparties fail to meet all or part of their obligations towards the Bank.

The Bank has established an appropriate credit risk structure and culture whereby policies are reviewed and revamped to maintain sound credit granting procedures, maintaining appropriate credit administration, measurement, monitoring processes and adequate controls.

Risk Management structure includes Credit Approval, Credit Administration, Centralized Processing, Credit Monitoring and Basel II functions reporting to the Risk Management Group Head . Senior and experienced officials are heading each risk category.

The Bank manages credit risk through:

- establishment of acceptable risk levels;
- sound procedures and controls for the management of risk assets and credit documentation;
- target market planning and overall market intelligence; and
- accurate and detailed information about the borrower, its financial position and operations of the company.

Market risk The risk of losses because the market value of the Bank's assets and liabilities will vary with changes in market conditions.

Market risk measures and controls are applied at the portfolio level and limits and other controls are applied to particular books and to specific portfolios. Controls and established parameters are applied to prevent any undue risk concentrations in the trading book and include controls on exposure to individual market risk factors and on positions in securities of individual issuers.

Treasury Middle Office (TMO) performs market risk management activities. TMO is responsible for jointly, with Treasury front office drawing, reviewing market risk policies (fund management, Treasury investment) and processes, monitoring and implementation and escalating any deviation to Asset Liability Committee (ALCO)/Market Risk Policy Committee (MRPC).

Operational risk The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The Bank has in place robust, duly approved various policies, procedures and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report operational risk events in the management reporting system. Risk Management has developed a loss database for recording of these events which will be utilized towards building a database to mitigate operational risk .

Operational risk tolerance levels, however, have not been established but a broad strategic operational risk direction is in place. The induction of T24 (software) will be a big step forward. This process will move further with the implementation of Internal Control Systems (COSO compliant in process) and Operational Risk Management. Presently, this risk is managed through robust operational policies and procedures.

Liquidity risk The risk of losses because the Bank's normal liquidity reserves are not sufficient to meet its obligations.

The Bank's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management.

The ALCO/ MRPC is responsible for managing the composition of assets and liabilities, management of liquidity, timely identification of sources of market and liquidity risk, pricing of deposits and advances, deciding on the required maturity profile and the mix of incremental assets and liabilities, defining the interest rate view of the Bank and deciding on future strategies for treasury, reviewing and articulating the funding policy and evaluating the market and liquidity risks involved in launching of new products.

41.1 Credit risk

41.1.1 Credit risk management objectives and policies

Credit risk is the risk that a counterparty will not settle its obligations in accordance with the terms of approval or agreed terms.

Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.

Credit Risk Policy & Management Group (CRP & MG) is structured to effectively analyze, monitor & manage credit risk through its policy and procedures that are closely aligned with the Bank's business plan, SBP's Prudential Regulations and Basel II requirements.

Sanctioning authority and approval levels of all facilities as conferred by Board of Directors upon various functionaries of the Bank and is circulated for the information of all concerned through circulars issued by CRP&MG. Credit sanctioning powers/authority levels in terms of Board's approval as enhanced/amended from time to time relates to the total exposure of a customer or a customer-group, and not to specific loans.

41.1.2 Credit risk rating

Credit risk rating is an important tool in monitoring and controlling credit risk. In order to facilitate early identification of changes in risk profiles, credits with deteriorating ratings should be subject to additional oversight and monitoring, for example, through more frequent visits from Relationship Managers and inclusion on a watch list that is regularly reviewed by senior management. The internal risk ratings can be used by line management in different departments to track the current characteristics of the credit portfolio.

In the light of requirements of SBP guidelines and in view of Basel II Accord, the Bank has to assess soundness and appropriateness of internal credit risk measurement and management system. We now need to build the foundation for the IRB (Internal Rating Based) Approach and construct default warehouse conforming to the default criterion of Basel II.

In the absence of standard and reliable financials to realistically evaluate the strength for a company for assigning internal Credit Risk Rating (CRR), we have to resort to other pragmatically emphasized quantitative and qualitative factors, which have traditionally been considered for extending credit. The quantitative evaluation shall be based on financial indicators, while qualitative evaluation shall be done based on subjective factors.

41.1.3 Objective of Internal Credit Risk Rating (CRR)

Usually credit ratings are aimed at achieving one or more of the following:

- Internal capital allocation
- Internal risk reporting
- Portfolio management
- The setting of credit risk concentration limits
- Developing risk-based pricing benchmarks

At Bank initial objective of CRR is to generate accurate and consistent ratings for the credit portfolio of the Bank. Credit risk ratings are summary indicators of the degree of risk inherent in Bank's individual credit exposures. A credit rating represents an assessment of the probability of default attached to a given counterparty to meet debt servicing and other repayment obligations on a timely basis. At Bank a system has been developed to assign Credit Risk Rating to each borrower. The system was successfully implemented in the year 2008.

41.1.4 Segmental Information

41.1.4.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	2,361,877	6.2%	1,190,634	2.9%	869,287	6.6%
Agribusiness	33,760	0.1%	239,596	0.6%	-	0.0%
Cement	629,487	1.6%	140,598	0.3%	280,847	2.1%
Sugar	1,172,033	3.1%	6,170	0.0%	187,231	1.4%
Textile	6,073,320	15.9%	274,190	0.7%	1,230,375	9.3%
Footwear and Leather garments	598,527	1.6%	10,753	0.0%	-	0.0%
Automobile/transportation equipment	1,285,862	3.4%	150,688	0.4%	115,013	0.9%
Electronics and electrical appliances	1,541,103	4.0%	11,035	0.0%	243,400	1.8%
Power (electricity), Gas, Water, Sanitary	1,200,416	3.1%	508,390	1.2%	716,827	5.4%
Financial	464,147	1.2%	2,118,426	5.2%	6,226,769	47.1%
Insurance	-	0.0%	-	0.0%	216,653	1.6%
Individuals	1,934,899	5.1%	12,781,409	31.1%	2,675	0.0%
Others	20,891,961	54.7%	23,624,741	57.5%	3,119,909	23.6%
	38,187,392	100%	41,056,630	100%	13,208,986	100%
2007						
Chemical and Pharmaceuticals	3,020,101	9.6%	1,096,044	2.6%	984,380	6.5%
Agribusiness	47,574	0.2%	365,169	0.9%	-	0.0%
Cement	670,646	2.1%	161,592	0.4%	318,030	2.1%
Sugar	971,154	3.1%	33,767	0.1%	212,020	1.4%
Textile	5,148,683	16.4%	174,716	0.4%	1,393,276	9.2%
Footwear and leather garments	940,661	3.0%	28,641	0.1%	-	0.0%
Automobile/transportation equipments	1,051,604	3.3%	490,895	1.2%	130,241	0.9%
Electronics and electrical appliances	998,312	3.2%	4,623,071	10.9%	7,051,186	46.6%
Production and transmission of energy	36,166	0.1%	264,517	0.6%	245,338	1.6%
Financial	500,003	1.6%	124,134	0.3%	275,626	1.8%
Insurance	1,310,610	4.2%	1,716,834	4.1%	811,735	5.4%
Individuals	2,275,642	7.2%	13,370,185	31.6%	3,029	0.0%
Others	14,444,660	46.0%	19,924,145	47.0%	3,719,440	24.6%
	31,415,816	100%	42,373,710	100%	15,144,301	100%

41.1.4.2 Segment by sector

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	-	-	5,676,976	14%	3,948,414	30%
Private	38,187,392	100%	35,379,654	86%	9,260,572	70%
	38,187,392	100%	41,056,630	100%	13,208,986	100%

	2007					
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	-	-	8,758,873	21%	4,433,175	29%
Private	31,415,816	100%	33,614,837	79%	10,711,126	71%
	31,415,816	100%	42,373,710	100%	15,144,301	100%

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

	2008		2007	
	Classified Advances	Specific Provisions	Classified Advances	Specific Provisions
Agriculture, forestry, hunting and fishing	33,760	12,166	62,800	62,551
Mining and quarrying	-	-	-	-
Textile	3,814,568	1,827,216	1,484,430	1,333,624
Chemical and pharmaceuticals	611,800	308,945	146,131	127,642
Cement	254,778	137,480	200,000	100,000
Sugar	218,811	45,643	21,368	21,368
Footwear and leather garments	8,406	7,132	12,102	8,448
Automobile and transportation equipment	519,042	57,142	7,886	7,886
Electronics and electrical appliances	865,409	550,443	455,369	435,624
Construction	-	-	-	-
Power (electricity), gas, water, sanitary	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / Imports	-	-	-	-
Transport, storage and communication	-	-	-	-
Financial	52,067	52,067	111,876	111,876
Insurance	-	-	-	-
Services	-	-	-	-
Individuals	231,696	144,190	39,959	9,990
Others	6,234,889	3,947,346	3,594,097	3,299,423
	12,845,225	7,089,770	6,136,018	5,518,432

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

	2008		2007	
	Classified Advances	Specific Provisions	Classified Advances	Specific Provisions
Public / Government	-	-	-	-
Private	12,845,225	7,089,770	6,136,018	5,518,432
	12,845,225	7,089,770	6,136,018	5,518,432

41.1.4.5 Geographical Segment Analysis

	2008			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	(2,834,255)	55,645,268	4,391,360	13,208,986
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(2,834,255)	55,645,268	4,391,360	13,208,986

	2007			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Pakistan	(3,320,265)	53,660,600	2,180,439	15,144,301
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(3,320,265)	53,660,600	2,180,439	15,144,301

41.2 Market Risk

Market risk is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from changes in market prices, namely interest rates, foreign exchange rates and equity prices.

The Bank is exposed to market risk in its trading portfolio because the values of its trading positions are sensitive to changes in market prices and rates. Similarly, it is also exposed to market risk in its investment portfolio.

The Bank has a well established framework for market risk management with the Treasury Investment Policy, Liquidity Policy and Market Risk Management policies and procedures. The Bank has a major objective of protecting and increasing net interest income in the short run and market value of the equity in the long run for enhancing the shareholders wealth. Further, it defines the contours of the way the Bank's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes.

The Asset Liability Committee (ALCO) and Investment Committee is entrusted with key decision making in establishing market risk related strategies and monitoring there-against. The Committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Bank's interest rate view and determines the business strategy of the Bank.

Management of interest rate risk of the Banking Book is primarily focused on interest and fair value through Re-pricing Gap Analysis, Analysis of the Net Interest Income Sensitivity, Duration and Fair Value Sensitivity. The management of interest risk of the trading book is achieved through mark-to-market practice and exposure analysis. On a periodical basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of Bank's risk position. Mathematical model like Stress-Testing is carried out at least biannually.

The Middle Office in Risk Management Division has an independent reporting structure on risk aspects and helps management in determining compliance in terms of exposure analysis, tracking of limits, funding and various other risk sensitive market parameters.

41.2.1 Foreign exchange risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. Bank's currency risk is first controlled through a substantially matched funding policy. We utilize appropriate hedging instruments, such as forward foreign exchange (FX) contracts, currency swaps to effectively hedge and manage currency risks.

The majority of foreign currency exposure is in the US dollar. Bank is carefully monitoring the net foreign currency exposure and the effect of exchange rate fluctuation by conducting mark to market sensitivity and stress testing on a regular basis as well as utilizing the currency forward FX contracts to control the risk.

	Rupees in '000			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan rupee	54,371,484	48,272,904	(1,717,916)	4,380,664
United States dollar	1,069,200	2,448,623	1,389,795	10,372
Great Britain pound	91,136	275,029	172,069	(11,824)
Japanese yen	7,481	10	-	7,471
Euro	103,668	257,342	156,052	2,378
Other currencies	2,299	-	-	2,299
	55,645,268	51,253,908	-	4,391,360
2007				
Pakistan rupee	48,018,099	49,066,737	(1,241,155)	(2,289,793)
United States dollar	840,708	1,849,902	1,048,435	39,241
Great Britain pound	66,965	223,953	152,661	(4,327)
Japanese yen	619	33	-	586
Euro	48,440	85,343	37,579	676
Other currencies	968	2,414	2,480	1,034
	48,975,799	51,228,382	-	(2,252,583)

41.2.2 Equity position risk

The Bank is exposed to equity price changes on its investments in Trading Book. These equity exposures are primarily related to market price movements in local equity market index. Changes in the overall value of equity trading book are recorded through profit and loss account. Bank's Investment Committee approves the investment stocks and their limits. It also reviews the portfolio with mark to market position on regular basis. Stop loss limits have been approved and monitored.

41.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

December 31, 2008											Rupees in '000		
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments		
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance Sheet financial instruments													
Assets													
Cash and balances with treasury banks	3,070,067	369,102	-	-	-	-	-	-	-	-	2,700,967		
Balances with other banks	190,197	-	-	-	-	-	-	-	-	-	190,198		
Lending to financial institutions	11.38% 1,376,651	976,651	400,000	-	-	-	-	-	-	-	-		
Investments	7.64% 12,012,233	980,026	4,004,836	582,101	45,454	51,029	1,179,019	4,259,679	761,156	-	148,933		
Advances	10.56% 31,087,373	6,754,385	3,017,503	4,089,956	6,330,362	3,696,766	1,920,610	2,928,774	1,233,828	1,104,940	10,249		
Other assets	1,439,356	-	-	-	-	-	-	-	-	-	1,439,356		
	49,175,877	9,080,164	7,422,339	4,672,057	6,375,816	3,747,795	3,099,629	7,188,453	1,994,984	1,104,940	4,489,700		
Liabilities													
Bills payable	431,537	-	-	-	-	-	-	-	-	-	431,537		
Borrowings	12.43% 8,738,616	6,732,792	739,893	1,109,839	-	31,218	31,218	31,218	62,438	-	-		
Deposits and other accounts	8.43% 41,056,630	8,976,071	7,315,753	4,544,589	6,978,450	1,471,003	739,209	1,168,312	2,378,408	845,743	6,639,093		
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-		
Liabilities against assets subject to finance	18.00% 39,731	2,216	4,788	7,138	20,479	5,110	-	-	-	-	673,721		
Other liabilities	673,721	-	-	-	-	-	-	-	-	-	-		
	50,940,234	15,711,079	8,060,434	5,661,566	6,998,929	1,507,331	770,427	1,199,530	2,440,846	845,743	7,744,350		
On-balance sheet gap													
	(1,764,358)	(6,630,915)	(638,095)	(989,509)	(623,113)	2,240,464	2,329,202	5,988,923	(445,862)	259,197	(3,254,650)		
Off-balance sheet financial instruments													
Forward lending (Including call lending, repurchase agreement, commitments to extend credit, etc.)	-	-	-	-	-	-	-	-	-	-	-		
Forward borrowings (Including call borrowing, repurchase agreement borrowing, etc.)	-	-	-	-	-	-	-	-	-	-	-		
Off-balance sheet gap													
Total Yield/Interest Risk Sensitivity Gap	(1,764,358)	(6,630,915)	(638,095)	(989,509)	(623,113)	2,240,464	2,329,202	5,988,923	(445,862)	259,197	(3,254,650)		
Cumulative Yield/Interest Risk Sensitivity Gap													
		(6,630,915)	(7,269,010)	(8,258,519)	(8,881,632)	(6,641,168)	(4,311,966)	1,676,957	1,231,095	1,490,292	(1,764,358)		

41.3 Liquidity risk

The risk of losses because the Bank's normal liquidity reserves are not sufficient to meet its obligations.

Bank's approach to liquidity risk management is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due. The Fund Management Policy is formulated keeping in view SBP's guidelines on risk management and Basel II principles on sound liquidity management. The Bank has an ALCO and a Market Risk Policy Committee (MRPC) that are part of the framework for management of risk.

The ALCO/ MRPC is responsible for managing the composition of assets and liabilities, management of liquidity, timely identification of sources of market and liquidity risk, pricing of deposits and advances, deciding on the required maturity profile and the mix of incremental assets and liabilities, defining the interest rate view of the bank and deciding on future strategies for treasury, reviewing and articulating the funding policy; and evaluating the market and liquidity risks involved in launching of new products.

Liquidity contingency funding plans have been drawn up to ensure that alternative funding strategies are in place when any of the indicators being monitored enter into the warning or stress zone and can be implemented on a timely basis to minimize the liquidity risks that may arise upon the occurrence of an unanticipated change in market conditions.

41.3.1 Maturities of Assets and Liabilities

	December 31, 2008								Rupees in '000	
	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
Assets										
Cash and balances with treasury banks	3,070,067	3,070,067	-	-	-	-	-	-	-	-
Balances with other banks	190,197	190,197	-	-	-	-	-	-	-	-
Lending to financial institutions	1,376,651	976,651	400,000	-	-	-	-	-	-	-
Investments	12,012,233	873,299	4,004,836	582,101	45,454	51,009	1,229,019	4,259,679	761,156	205,680
Advances	31,087,373	6,872,434	3,002,103	4,074,556	6,314,962	3,681,366	1,905,210	2,897,974	1,233,828	1,104,940
Other assets	2,292,358	1,025,410	422,756	518,801	325,391	-	-	-	-	-
Operating fixed assets	3,002,450	-	-	-	-	94,880	108,665	287,378	774,959	1,736,568
Deferred tax assets	2,613,939	-	-	-	-	653,485	653,484	1,306,970	-	-
	55,645,268	13,008,058	7,829,695	5,175,458	6,685,807	4,480,740	3,896,378	8,752,001	2,769,943	3,047,188
Liabilities										
Bills payable	431,537	431,537	-	-	-	-	-	-	-	-
Borrowings	8,738,616	6,732,792	739,893	1,109,839	-	31,219	31,218	62,436	31,219	-
Deposits and other accounts	41,056,630	9,418,677	8,200,965	5,208,498	8,306,268	1,885,947	1,154,152	2,685,120	2,798,002	1,399,001
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	39,731	2,216	4,788	7,138	20,479	5,110	-	-	-	-
Other liabilities	987,394	432,437	230,164	129,917	64,958	64,958	64,960	-	-	-
	51,253,908	17,017,659	9,175,810	6,455,392	8,391,705	1,987,234	1,250,330	2,747,556	2,829,221	1,399,001
Net assets	4,391,360	(4,009,601)	(1,346,115)	(1,279,934)	(1,705,898)	2,493,506	2,646,048	6,004,445	(59,278)	1,648,187
Share capital	9,003,150									
Reserves	218,556									
Accumulated loss	(6,131,709)									
Surplus/(Deficit) on revaluation of assets	1,301,363									
	4,391,360									

41.4 Operational risk

The risk of losses owing to deficient or erroneous internal procedures, human or system errors, or external events.

The Bank has in place robust, duly approved various policies, procedures and a Business Continuity Plan. These are continuously reviewed to strengthen operational controls.

Risk policy sets minimum standards and requires all business units to identify and assess risks. The business units are responsible for day-to-day monitoring of operational risks and for limiting losses as a result thereof. The business unit must report operational risk events in the management reporting system. Risk Management has developed a loss database for recording of these events which will be utilized towards building a database to mitigate operational risk.

Operational risk tolerance levels, however, have not been established but a broad strategic operational risk direction is in place. The induction of T24 will be a big step forward. This process will move further with the implementation of Internal Control Systems (COSO compliant in process) and Operational Risk Management. Presently, this risk is effectively managed through robust operational policies and procedures.

42 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to December 31, 2008, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

43 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **March 03, 2009** by the Board of Directors of the Bank.

44 GENERAL

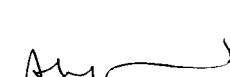
Figures have been rounded off to the nearest thousand rupee except stated otherwise.



Azmat Tarin
President & Chief Executive



Munnawar Hamid
Chairman



Ahmed Al-Abri
Director



Humayun Bashir
Director

Six Years Key Financial Data

	2008	2007	2006 Restated	2005 Restated	2004	2003 Restated
As at December 31						
Share Capital	9,003	5,002	3,848	3,848	2,250	2,250
Deposits	41,057	42,374	49,015	37,136	33,271	24,578
Advances	31,087	25,875	29,022	19,513	25,487	18,536
Investments	12,012	17,859	15,829	12,465	9,707	9,369
Assets	55,645	53,661	59,200	47,748	42,837	35,142
Year ended December 31						
Import Business	11,941	15,792	16,660	19,706	31,087	19,015
Export Business	8,502	11,259	10,874	8,438	14,682	15,542
Guarantees	1,625	3,311	3,978	3,315	5,699	5,730
Remittances	67,449	67,076	70,266	48,671	37,829	40,746
Gross Revenue						
Profit / (loss) before taxation	(2,834)	(3,320)	(409)	140	497	979
Profit / (loss) after taxation	(2,014)	(3,041)	(304)	65	326	378
Branches	65	55	50	50	37	28

Annexure I

STATEMENT OF WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2008

Rs. In '000'

S. No.	Name and address of the Borrowers	Name of the individuals/Partners/Directors/ (with N.I.C. No.)	Father's / Husband name	Amount Outstanding at the beginning of the year				Amount written off / Concession			
				Principal	Interest / Mark-up	Other	Total	Principal Written-off	Interest / Mark-up Written-off	Other Financial Relief Provided	Total
1	Kiran Sugar Mills Ltd. Noman Goth, Taluka Rohri	Islamuddin Shaikh NIC #:409-49-147222 Nourin Islamuddin NIC #: 409-51-229169	Noor Muhammad W/o Islamuddin Shaikh	5,485	2,548	-	8,033	3,985	2,548	-	6,533
2	Pacific Exporter Room # 501, Rafahi Markaz, Ram Bharti Street, Jodia Bazar Karachi	Qamar Zaman Rana NIC: 42301-0736845-5	Rana Muhammad Afzal	1,197	59	-	1,256	597	59	-	656
3	Mekran Fisheries B-2 / B-4, Fish Harbour, West Wharf, Karachi	Azharul-Haq Butt NIC: 512-93-097869 Tasawar-ul-Haq Butt NIC: 42301-7788543-5 Tarveer-ul-Haq Butt NIC: 512-85-177952	Muzzafer-Din-Butt Muzzafer-Din-Butt Muzzafer-Din-Butt	82,240	28,137	-	110,377	82,240	28,137	-	110,377
4	National Metal Packaging Ltd Plot No: 148, Sector-30, Korangi Industrial Area, Karachi	Najmul-Ain Khan NIC: 42301-8453787-9 Mrs Nilofar Matloob NIC: 42301-677805-8	Attullah Khan W/o Matloob Khan	68,805	2,353	-	71,158	-	2,353	-	2,353
5	Globe Textile Mills Ltd 105, Ibrahim Trade Tower, Shahrah-e-Faisal, Karachi	Mr Arif Haji Habib NIC: 516-88-144313 Mr Ahmed Haji Habib NIC: 516-33-049642	Haji Habib Haji Habib	1,800	844	-	2,644	-	744	-	744
6	Haji Iqbal Group G-20, Saima Trade Tower, I. I. Chundrigar Road, Karachi	Ismail Dhedhi NIC:505-52-014579	Abubakar NIC: 474-64-125014	-	8,923	-	8,923	-	2,323	-	2,323
7	M/s Digital Education (Pvt) Ltd 68, Fazal Road, Saint John Park Lahore Cantt	Humayun M. Mian NIC # 35201-5719010-9 Ms. Salma Mian NIC # 35201-1273831-2 Haider Ali NIC # 272-64-496028	Mian Mushtaq Ahmed	4,342	1,254	-	5,596	1,001	1,255	-	2,256
8	T. K. K. Industries New Miani Pura (East) Sialkot	Muhammad Tufail NIC #:300-62-169506 Muhammad Jamil NIC #: 300-73-169511	Umer Din Umer Din	7,200	3,366	-	10,566	-	2,541	-	2,541
9	Ali Hajvery Textile (Pvt) Ltd 7 - KM, Kacha Road, Near Kana Kacha, Railway Station Lhr.	Sh. Abdul Maalik NIC # 35200-1459082-1 M. Moen Malik NIC # 35200-1459072-1 Sohai Malik NIC # 35200-1459075-1 Mobeen Malik NIC # 35200-1459074-7	Sh. M. Bashir Sh. Abdul Maalik Sh. Abdul Maalik Sh. Abdul Maalik Sh. Abdul Maalik	22,500	5,230	-	27,730	-	4,730	-	4,730
10	First Industries 1-A1-, Minar Market, O/S Lohari Gate circular Road Lahore	Abdul Waheed Malik NIC # 276-53-092589	Malik Abdul Rasheed	2133	853	-	2,986	983	853	-	1,836
11	Royal Tube (Pvt) Ltd Behind Sui Gas Power Station, Khurshed Park, Jia Musa, Sheikhpura Road, Lahore	Sheikh Bilal Shakeel Ahmed NIC #:35202-3659961-1 Sheikh Shakeel Ahmad NIC #: 35202-3073376-9	Sheikh Shakeel Ahmed	4788	1,455	-	6,243	-	955	-	955
12	Sigma Knitting Mills Pvt Ltd 3-A, Race View, Jail Road, Lahore	Lt Gen (R) Zahid Ali Akbar KhanHameed Ali Akbar NIC #: 35201-9010218-5 Mrs. Nadeem Akbar NIC #: 35201-4340490-0 Faiz Raheem Khan NIC #: 35201-7724733-3 Muhammad Faroog Naseem NIC #: 274-90-397393 Yasir Ali Akbar NIC #: 35201-8649643-9 Mrs. Samina Ahmed Khan NIC #: 273-66-215080	Lt Gen (R) Zahid Ali Akbar Khan	7500	555	-	8,055	-	555	-	555
13	Khurram Enterprises 145/1, 18th Street, Phase-I, Defence Housing Authority, Karachi	Nadeem Elahi NIC: 42301-3908284-3	Mr Noor Elahi	15000	4,488	-	19,488	-	4,488	-	4,488
14	Ravi Textile Mills Ltd 75-D-I, Gulberg III, Lahore	Kh. Omer Farooq NIC #: 35202-4874409-7 Kh. Abdul Hakim NIC #: 35202-8498259-7 Ayesha Omer NIC #: 35202-2682685-8 Mahrukh Omer NIC #: 35202-2541087-4 Saira Omer NIC #: 35202-5831951-4 Natasha Omer Farooq NIC #: 35202-2365914-4	Kh. Abdul Hakim	4768	1,283	-	6,051	-	1,283	-	1,283

Combined Pattern Of CDC And Physical Share Holdings

As at December 31, 2008

Share Holders Category	Number Of Share Holders	Share Held"	"Percentage %"
Individuals	2,587	46,119,651	5.12
Investment Companies	10	29,180,931	3.24
Joint Stock Companies	103	25,688,751	2.85
Directors, Chief Executive Officer and their Spouse and Minor Children	10	45,033,384	5.00
Executives	2	200,000	0.02
Banks, DFIs, NBFIs, Insurance Companies, Associated Companies, Undertaking and Related Parties	37	3,291,914	0.37
Financial Institution	6	735,492,044	81.69
Public Sector Companies & Corporations	4	9,236,061	1.03
Foreign Investors	-	-	-
Co-Operative Societies	7	5,749,440	0.64
Charitable Trusts	1	5,000	0.00
Others	-	-	-
Total	2,773	900,315,000	100.00

Additional Shareholders' Information

Associated Companies, Undertaking and Related Parties

- Bank Muscat S.A.O.G.	315,776,969
- International Finance Corporation	170,969,636
- Nomura European Investment Limited	80,956,342
- Mr. Shaukat Tarin	167,789,097

National Bank of Pakistan

9,233,395

Investment Corporation of Pakistan

2,666

Directors, Chief Executive Officer, their Spouse and Minor Children

Mr. Munnawar Hamid OBE	900
Mr. Azmat Tarin	20,013,115
Mr. Sadeq Sayeed	25,016,169
Mr. Ahmed Al- Abri	900
Mr. Humayun Bashir	900
Mr. Yugo Ishida	900
Mr. Javed Hamid	500

Public Sector Companies and Corporation

Nil

Banks, DFIs, NBFIs, Insurance Companies

3,291,914

Shareholders holding 10% or more voting interest

- Bank Muscat S.A.O.G.	315,776,969
- International Finance Corporation	170,969,636
- Mr. Shaukat Tarin	167,789,097

Combined Pattern of CDC and Physical Share Holdings

PATTERN OF SHARE HOLDINGS CDC AND PHYSICAL AS ON DECEMBER 31, 2008

NUMBER OF SHARE HOLDER	Share Holding		Total Shares Held
	From	To	
167	1	100	11,075
537	101	500	192,192
522	501	1,000	444,899
948	1,001	5,000	2,465,402
232	5,001	10,000	1,792,592
87	10,001	15,000	1,071,337
64	15,001a	20,000	1,149,079
34	20,001	25,000	780,427
24	25,001	30,000	654,303
16	30,001	35,000	526,293
11	35,001	40,000	410,040
10	40,001	45,000	434,762
7	45,001	50,000	343,307
7	50,001	55,000	366,787
3	55,001	60,000	175,317
3	60,001	65,000	186,679
5	65,001	70,000	340,244
4	70,001	75,000	289,100
3	75,001	80,000	231,940
1	80,001	85,000	80,280
4	85,001	90,000	360,000
1	90,001	95,000	91,080
6	95,001	100,000	594,940
2	100,001	105,000	206,410
1	105,001	110,000	107,500
1	115,001	120,000	115,200
1	120,001	125,000	120,161
1	125,001	130,000	130,000
2	130,001	135,000	268,904
1	135,001	140,000	135,900
2	145,001	150,000	300,000
3	155,001	160,000	468,950
2	160,001	165,000	324,000
1	165,001	170,000	170,000
4	170,001	175,000	690,104
6	175,001	180,000	1,069,278
2	180,001	185,000	361,882
1	195,001	200,000	200,000
1	210,001	215,000	211,838
1	230,001	235,000	234,000
1	235,001	240,000	239,400
1	240,001	245,000	244,198
1	245,001	250,000	246,631
1	255,001	260,000	260,000
1	260,001	265,000	264,780
1	285,001	290,000	289,700
1	300,001	305,000	304,717
1	305,001	310,000	306,000
2	310,001	315,000	628,100
1	320,001	325,000	322,369
1	450,001	455,000	453,958
1	550,001	555,000	551,700
1	555,001	560,000	556,833
1	575,001	580,000	578,000
1	600,001	605,000	602,000
1	695,001	700,000	699,700
1	720,001	725,000	720,680
1	800,001	805,000	801,268
1	805,001	810,000	806,500
1	1,000,001	1,005,000	1,001,500
1	1,020,001	1,025,000	1,025,000
1	1,775,001	1,780,000	1,779,068
1	1,795,001	1,800,000	1,800,000
1	2,115,001	2,120,000	2,118,600
1	2,360,001	2,365,000	2,362,500
1	2,600,001	2,605,000	2,601,724
1	3,135,001	3,140,000	3,137,000
1	3,175,001	3,180,000	3,177,394
1	3,295,001	3,300,000	3,300,000
1	3,385,001	3,390,000	3,389,936
1	4,345,001	4,350,000	4,348,000
1	5,745,001	5,750,000	5,745,755
1	6,835,001	6,840,000	6,838,154
1	8,545,001	8,550,000	8,548,592
1	13,170,001	13,175,000	13,174,061
1	16,465,001	16,470,000	16,467,577
1	16,745,001	16,750,000	16,748,831
1	21,415,001	21,420,000	21,420,000
1	21,455,001	21,460,000	21,458,252
1	36,225,001	36,230,000	36,228,668
1	80,955,001	80,960,000	80,956,342
1	128,955,001	128,960,000	128,958,705
1	170,965,001	170,970,000	170,969,636
1	315,775,001	315,780,000	315,776,969
2,773		900,315,000	

LIST OF BRANCHES

KARACHI REGION A

Mr. Omer Bin Javaid
Regional General Manager
Saudi Pak Building, I. I. Chundrigar Road
Karachi.
Tel: (021) 2460436, 111-00-1987 Ext. 141
Fax: (021) 2460419

Mr. Omer Bin Javaid
Manager
Karachi Main Branch
Saudi Pak Building
I.I.Chundrigar Road, Karachi
Tel: (021) 2460436, 111-00-1987
Fax: (021) 2460419

Mr. Muhammad Arshad
Manager
Cloth Market Branch, Karachi
Property No. BR-1-50, Khandwala Building,
Fakhre Matri Road, Kharadar, Karachi
Tel: (021) 2201908, 2201041-42
Fax: (021) 2201860

Mr. Junaid Iqbal
Manager
Jodia Bazar Branch, Karachi
6/16, Virjee Street, Jodia Bazar, Karachi
Tel: (021) 2440005, 2436915, 2446386, 2440016
Fax: (021) 2441049

Mr. Maqsood Ullah Kazim
Manager Opetion
Defence Branch, Karachi
Property No. 39/C, Shahbaz Commercial Area
Khayaban-e-Shahbaz, Phase-VI
D.H.A Karachi.
Tel: (021) 5844001, 5341145-47
Fax: (021) 5844002

Mr. Asher Saem Farooqui
Manager
Korangi Road Branch, Karachi
Plot # 119, Arcadia Shopping Mall
DHA, Phase-1, Main Korangi Road
Karachi.
Tel: (021) 5388021, 5388018-20
Fax: (021) 5804342

Mr. Sohail Rana Janjua
Manager
Korangi Industrial Area Branch
Plot No.25/1-A, Sector 23, Korangi Industrial Area
Near Suzuki South, Karachi.
Tel: (021) 5067201, 5067215, 5067205
Fax: (021) 5067201

Mr. Shahid Mahmood
Branch Operation Manager
Zamzama Branch
9th, E-8 Zamzama Commercial Lane,
Zamzama Clifton, Karachi.
Tel: (021) 5301912, 5301905
Fax: (021) 5301912

Mr. Saeed Ahmad Khan
Manager
Quetta Branch
Firdousi Building, Jinnah Road, Quetta
Tel: (081) 2821773
Fax: (081) 2824061

Mr. Chaudary Zafar Iqbal
Branch Operation Manager
26th Street DHA, Branch
Plot # 23-C, Street-37,
Tauheed Commercial Area, Phase-V, Karachi.
Tel: (021) 5871540, 5871524
Fax: (021) 5871540

Mr. Asif Hussain
Manager
Shahrah-e-Faisal Branch
Shahrah-e-Faisal P.E.C.H.S. Karachi
Tel: (021) 4533106-9, 4523099, 4521766
Fax: (021) 4533110

Mr. Asif Hussain
Acting Manager
Shahra-e-Faisal Branch
47-A Darul-Aman Housing Society, P.E.C.H.S
Block-7/8, Shahra-e-Faisal, Karachi.
Tel: (021) 4321761
Fax: (021) 4321762

KARACHI REGION B

Mr. Wamiq Hassan
Regional General Manager
University Road Branch, 2nd Floor, B-9-10,
Block-16, Gulshan-e-Iqbal, Karachi.
Tel: (021) 4829590-91
Fax: (021) 4829592

Mr. Mumtaz Ahmed
Manager
Hyderabad Branch
F-17, Badri Manzil, opposite old Cafe George
Risala Road, Hyderabad
Tel: (022) 2728370
Fax: (022) 2781192

Mr. Mahmood Ahmed
Manager
Gulshan-Iqbal, Branch
Block-10/A, Saima Classic, Main Rashid Minhas
Road, Gulshan-e-Iqbal, Karachi
Tel: (021) 4991139, 4989652-3
Fax: (021) 4989654

Mr. Syed Fasiah Haider Burney
Manager
Bahdurabad Branch, Karachi
Survey No. 35, P/1, Khenani Centre
Main Bahadurshah Zafar Road
Bahdurabad Commercial Area, Karachi
Tel: (021) 4933262, 4145180-81
Fax: (021) 4145182

Mr. Imran Alam Fazli
Chief Manager
S.I.T.E. Branch, Karachi
Plot # B/9, C-1, Unit No. 2, Sind Industrial Trading
Estate, Karachi
Tel: (021) 2586671-4
Fax: (021) 2550279

Mr. Syed Muhammad Ali
Manager
University Road Branch, Karachi
Plot No. 9-10, Block -16 Main University Road, Karachi
Tel: (021) 4829590 -1
Fax: (021) 4829592

Mr. Rashid Qureshi
Manager
Hyderi Branch, Karachi
D-11, Block-H
Khayaban Shershah Suri
North Nazimabad, Karachi
Tel: (021) 6643280, 6643275-76
Fax: (021) 6643263

Mr. Junaid A.Bachani
Manager
M.A. Jinnah Road Branch, Karachi
Plot No.21 Survey Sheet # WO-7
Wadhumal Odharam Quarters
Opp. City Court, M.A. Jinnah Road, Karachi.
Tel: (021) 2745624-27
Fax: (021) 2745628

Mr. Syed Latafat Hussain Naqvi
Manager
Sohrab Goth, Branch
Al-Asif Square, Sohrab Goth, Karachi.
Tel: (021) 6345827, 6340984
Fax: (021) 6343704

Mr. Syed Muhammad Faisal Imam
Manager
Saddar Branch
Shop # 1, 283-A, Snow White Center, Abdullah Haroon
Road, Near Hotel Jabees, Saddar, Karachi.
Tel: (021) 5223053
Fax: (021) 5223050

Mr. Atif Asad Mirza
Manager
Adamjee Nagar Branch
Plot # 419/F, Sana Complex, C.P, Berar Society
Ameer Khurroo Road, Karachi.
Tel: (021) 4302501-03
Fax: (021) 4302503

ISLAMABAD REGION

Mr. Imran Aslam
Regional General Manager
1st Floor, Laraib Plaza, Plot # 6,
Sector I-8 Markaz, Islamabad.
Tel: (051) 4861080-4861324
Fax: (051) 4861320, (051) 4861329

Mr. Muhammad Farooq Sarwar
Manager
Islamabad Main Branch
93-Riaz Sharif Plaza, Blue Area, Islamabad
Tel: (051)-2276101-2802061-3-2272921-23
Fax: (051)-2829935

Mr. Syed Furqan Ali
Manager
Rawalpindi Main Branch
Aslam Plaza, Saddar, 60 Main Adamjee Road,
Rawalpindi Cantt.
Tel: (051) 5794165-5512104-6
Fax: (051) 5524560

Mr. Munawaruddin Durrani
Manager
Peshawar Main Branch
Lamsy Arcade, 1-C Fakhar-e-Alam Road
Peshawar Cantt.
Tel: (091) 5276290-5278122-5276938
Fax:(091) 5276414

Mr. Ishaq Ahmed Qazi
Manager
Mirpur(Azad Kashmir) Branch
82-D, Allama Iqbal Road, Sector B-4
Mirpur (Azad Kashmir)
Tel: (058610) 46415-46559
Fax: (058610) 45145

Mr. Muhammad Humayun Khan
Manager
Khyber Bazar Branch, Peshawar
Haji Khan Building, Suikarno Square,
Khyber Bazar, Peshawar
Tel: (091) 9213883-2552832
Fax: (091) 2552481

Mr. Khurram Hanif
Manager
I-8 Markaz Branch, Islamabad
Plot # 6, Laraib Plaza, Sector I-8, Markaz, Islamabad
Tel: (051) 4861302-4102163-64-4861304
Fax: (051) 4861300

Mr. Sohail Gulzar
Manager
F-11 Markaz Branch
Plot # 25-D, F-11 Markaz, Islamabad.
Tel : (051) 2102305-2228005-06
Fax: (051) 2210587

LAHORE EAST REGION

Mr. Izhar-ul-Haq
Regional General Manager
Saudi Pak House,
14 - Egerton Road, Lahore
Tel: (042) 6302317
Fax: (042) 6302503

Mr. Raza Ali
Chief Manager
Main Branch, Lahore
Saudi Pak House, 14-Egerton Road, Lahore
Tel: (042) 6309055-6364024
Fax: (042) 6279272

Mr. Najam Faiz
Manager
PECO Road Branch, Lahore
896-D, Faisalabad Town, Peco Road, Lahore
Tel: (042) 5177414
Fax: (042) 5177413

Mr. Ghulam Shabir Malik
Manager
Allama Iqbal Town Branch, Lahore
6-Hunza Block, Allama Iqbal Town, Lahore
Tel: (042) 5433094-5433680-81
Fax: (042) 5433682

Mr. Ejaz Ahmed Malik
Manager
Circular Road Branch
73-Circular Road, Lahore
Tel: (042) 7673828-29,7658564
Fax: (042) 7673831

Mr. Muhammad Azam Saroya
Manager
Sheikhupura Branch
Shairt Plaza, Main Lahore Sargodha Road, Sheikhupura
Tel: (056) 3813529-3812665
Fax: (056) 3810059

Mr. Khaliq Ikramullah
Manager
Sargodha Branch
Khayyam Chowk, Gulberg Park, Sargodha.
Tel: (048) 9230826-28
Fax: (048) 9230825

Mr. Iqbal Mussarad Siddiqui
Manager
Badami Bagh Branch
66, Grain Market, Badami Bagh, Lahore.
Tel: (042) 7731351-2, 7731353
Fax: (042) 7731355

Mr. M. Asad Ali Sheikh
Manager
Thokar Niaz Baig Branch, Lahore
7-B, Judicial Colony, Raiwind Road,
Thokar Niaz Baig, Lahore
Tel: (042) 5314045-6, 5314049
Fax : (042) 5314048

Mr. Azeemuddin Ahmed
Manager
Shadman Town Branch, Lahore
119-A, Colony No. 1, Shadman Town, Lahore
Tel: (042) 7576442, 7576397
Fax : (042) 7576559

Mr. Muhammad Ghufran
Manager
Kotwali Road Branch, Faisalabad
Kotwali Road, Faisalabad
Tel: (041) 2619973, 2643604
Fax : (041) 2619984

Mr. Anjum Rafiq
Manager
Madina Town Branch, Faisalabad
6C-Z-101, Susan Road, Madina Town, Faisalabad
Tel: (041) 8503411-3, 8503414
Fax : (041) 8503416

LAHORE WEST REGION

Mr. Sardar Kamran Nakai
Regional General Manager
R.G.M. Office, 6-Q Gulbar-II Lahore.
Tel: (042) 5751536-7
Fax: (042) 5764076

Mr. Nawazish Ali Hashmi
Chief Manager
Gujranwala Branch
B-13/7S-147, Shaukat Centre, G.T. Road, Gujranwala
Tel: (055) 3250214, 3731269, 3856268-70
Fax: (055) 3856271

Mr. Qaiser Mehmood Sheikh
Manager
Sialkot Branch
70, Paris Road, Sialkot
Tel: (052) 4266778, 4597489, 4597491
Fax: (052) 4589002

Mr. Tasaddaq Maqbool Malik
Manager
Gujrat Branch
B-17/1553-R, Near Eidgah Musjid, G.T.Road, Gujrat
Tel: (053) 3531466, 3535144, 3531472
Fax: (053) 3531732

Ms. Saira Raza
Manager
Gulberg Branch, Lahore
Gulberg Branch, 97-A/D-I, P.E.C. Building, Liberty
Roundabout Gulberg III, Lahore.
Tel: (042) 5878010-11, 5878351
Fax: (042) 5878012

Mr. Taifur Hameed
Manager
Garden Town Lahore
14-A, Ali Block, New Garden Town Lahore
Tel: (042) 5886933-35
Fax: (042) 5886931

Mr. Muhammad Nadeem Faisal
Manager
Defence Branch, Lahore
101-Commercial Sector 'Y', Phase-III, Defence
Housing Authority, Lahore
Tel: (042) 5728505, 5692495-7
Fax: (042) 5692493

Ms. Ayesha Hameed
Manager
T-Block DHA, Lahore
88 Sector CCA, Phase 2C,
DHA Lahore.
Tel: (042) 5707635-6
Fax:

Mr. Mudassar Raza
Acting Manager
Gulberg Mini Market Branch
6-Q Gulberg II, Lahore.
Tel: (042) 5751536-7
Fax: (042) 5764076

Mr. Shaheryar Alam
Manager
Model Town Branch
16, Bank Squar Market, Model Town, Lahore
Tel: (042) 5915580-1
Fax:

Mr. Manzoor Ahmed Qamar
Manager
Mandi Bahauddin Branch
Qader Trade Centre, Ghallah Mandi,
Mandi Bahauddin
Tel: (0546) 507060, 507056-8
Fax: (0546) 507059

Mr. Rizwan Ahmed Khan
Manager
Tufail Road Branch
1C Park Lane Town, 172 Tufail Road,
Lahore Cantt
Tel: (042) 6602823-25
Fax: (042) 6602547

MULTAN REGION

Mr. Izhar-ul-Haq
Regional General Manager
SaudiPak House
14-Egerton Road, Lahore.
Tel: (042) 6302317
Fax: (042) 6302503

Mr. Ahmed Bilal
Manager
Bahawalpur Branch
Near Fawara Chowk, off Ahmedpur East Road,
Bahawalpur
Tel: (062) 2876184, 2877520-21
Fax: (062) 2877531

Mr. Ashfaq Ahmed Khan Ghori
Manager
Dera Ghazi Khan, Branch
Hotel Shalimar, Faridi Bazar, Dera Ghazi Khan
Tel: (064) 2466684
Fax: (064) 2466682

Mr. Rauf Jamal
Chief Manager
Multan Branch
Abdali Road, Multan
Tel: (061) 4589723, 4589087, 4587355
Fax: (061) 4589801

Mr. Muhammad Ikramullah
Manager
Sahiwal Branch
Khasra # 4998, Khawet # 07, Khatooni # 07,
Jail Road, Civil Lines, Sahiwal
Tel: (040) 4224182, 4224184
Fax: (040) 4222915

Mr. Nooruddin Shiekh
Manager
Sukkur Branch
Husaini Road, Sukkur
Tel: (071) 5619141-43
Fax: (071) 5619151

Mr. Mahmood Hussain
Manager
Rahimyar Khan, Branch
26-Shahi Road Branch, Rahim Yar Khan
Tel: (068) 5884345, 5881302
Fax: (068) 5879408

Mr. Badar-Ud-Din-Abro
Manager
Larkana Branch
Pakistan Chowk, Larkana
Tel: (074) 4059499
Fax: (074) 4059599

Foreign Correspondents

Afghanistan Habib Bank Ltd National Bank of Pakistan	Finland Nordea Bank Finland Plc Skandinaviska Enskilda Banken	Kenya Standard Chartered Bank Habib Bank Ltd	Qatar HSBC Bank United Bank Limited Doha Bank Mashreq Bank	Standard Chartered Bank United Bank Ltd Mashreq Bank Psc Royal Bank of Scotland Habib Bank Ag Zurich Barclays Bank Dubai Islamic Bank Emirates Int'l Bank BNP Paribas Citibank Habib Bank Ltd National Bank of Fujairah
Argentina HSBC Bank U.S.A. Standard Chartered Bank Commerzbank Ag Royal Bank of Scotland	France HSBC Bank Commerzbank National Bank of Pakistan UBAF Habib Bank Ltd Deutsche Bank Ag BNP Paribas Banque Palatine	Kuwait Gulf Bank, K.S.C. Alahil Bank of Kuwait K.S.C. National Bank of Kuwait	Romania Piraeus Bank Romania Commerzbank Royal Bank of Scotland	U.K. ABC International Bank HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Royal Bank of Scotland Habibsons Bank Ltd Citibank N.A. Clydesdale Bank Fortis Bank Deutsche Bank Habib Allied Bank of America Nordea Bank United National Bank Lloyds Bank TSB Bank Leumi Psc
Australia Bank of America, N.A. Sydney RBS Australia Limited HSBC Bank Australia Limited BNP Paribas	Germany HSBC Bank Royal Bank of Scotland Commerzbank Ag National Bank of Pakistan SEB AG Suedwestbank AG Standard Chartered Deutsche Bank Danske Bank	Korea Royal Bank of Scotland HSBC Bank Kookmin Bank Korea Exchange Bank Korea Development Bank National Bank of Pakistan Standard Chartered Bank UBAF Pusan Bank Shinhan Bank Woori Bank	Russia HSBC Bank	Saudi Arabia National Commercial Bank Saudi Hollandi Bank
Austria Bank Austria Creditanstalt Vienna Royal Bank of Scotland Raiffeisen Zentralbank Oesterreich	Greece HSBC Bank Royal Bank of Scotland	Singapore HSBC Bank Standard Chartered Bank UBAF Royal Bank of Scotland Citibank N.A. Fortis Bank Habib Bank Ltd BNP Paribas Bank of America Mizuho Corporate Bank National Bank of Kuwait Sumitomo Mitsui Banking Corporation	Singapore HSBC Bank Standard Chartered Bank UBAF Royal Bank of Scotland Citibank N.A. Fortis Bank Habib Bank Ltd BNP Paribas Bank of America Mizuho Corporate Bank National Bank of Kuwait Sumitomo Mitsui Banking Corporation	U.S.A. Royal Bank of Scotland Bank of America Bank of New York Citibank Commerzbank Deutsche Bank Doha Bank Habib American Bank Habib Bank Ltd HSBC Bank U.S.A. Mashreqbank Standard Chartered Bank Sumitomo Mitsui Banking Corporation United Bank Ltd Union Bank of California Valley National Bank Wachovia Bank, NA Woori Bank National Bank of Pakistan
Azerbaijan National Bank of Pakistan	Hungary Deutsche Bank Rt. CIB Bank Ltd Calyon Bank Magyarorszagi Volksbank K and H Bank NYRT	Luxembourg Commerzbank Ag HSBC Bank	Malaysia HSBC Bank Standard Chartered Bank	Venezuela HSBC Bank Standard Chartered Bank
Bahrain HSBC Bank U.S.A. United Bank Ltd National Bank of Pakistan Standard Chartered Bank Arab Investment Company BNP Paribas Habib Bank Ltd	Hong Kong HSBC UBAF Standard Chartered Bank Intesa BNP Paribas National Bank of Pakistan Mashreqbank Wachovia Bank DBS Bank Royal Bank of Scotland Habib Bank Ltd	Maldives Habib Bank Ltd HSBC Bank	Mauritius HSBC Bank Habib Bank Ltd	Vienna HSBC Bank Standard Chartered Bank
Bangladesh HSBC Bank U.S.A. Habib Bank Ltd Standard Chartered Bank National Bank of Pakistan	India HSBC Bank Standard Chartered Mashreqbank Royal Bank of Scotland	Morocco Attijariwafa Bank	Mexico HSBC Bank	Yemen United Bank Ltd
Belgium Habib Bank Ltd Commerzbank Ag, Kbc Bank Nv Fortis Bank S.A./N.V. Brussels Royal Bank of Scotland ING Bank	Indonesia HSBC Bank Standard Chartered Bank Royal Bank of Scotland	Netherlands Commerzbank Habib Bank Ltd Hollandsche Bank Unie NV Royal Bank of Scotland Fortis Bank Nederland N.V. ING Bank N.V.	Netherlands HSBC Bank Habib Bank Ltd Himalayan Bank	Zaire HSBC Bank
Brazil HSBC Bank Standard Chartered Bank	Iran Habib Bank Ltd	Nepal Habib Bank Ltd Himalayan Bank	New Zealand HSBC Bank	Zimbabwe HSBC Bank
Bulgaria Citi Bank United Bulgarian Bank	Ireland Commerzbank Royal Bank of Scotland	Nicaragua Marfin Popular Bank	Norway Nordea Bank Norge Asa DNB Nor Bank	
Brunei HSBC Bank	Italy HSBC Bank Commerzbank Ag Unicredito Italiano Spa Banca UAE	Oman Habib Bank Ltd Omani International Bank Standard Chartered Bank	Oman Habib Bank Ltd Omani International Bank Standard Chartered Bank	
Canada HSBC Bank Habib Canadian Bank BNP Paribas Royal Bank of Scotland	Japan HSBC Bank National Bank of Pakistan Royal Bank of Scotland UBAF Ltd ING Bank Bank of New York Mizuho Corporate Bank Sumitomo Mitsui Banking Corporation	Poland Royal Bank of Scotland Commerzbank Nordea Bank	Philippines Royal Bank of Scotland HSBC Bank Standard Chartered Bank Mizuho Corporate Bank	
Channel Islands HSBC Bank	Jordan HSBC Bank Standard Chartered Bank	Panama HSBC Bank	Paraguay Royal Bank of Scotland	
Chile HSBC Bank	Kazakhstan HSBC Bank National Bank of Pakistan BTA Bank	Taiwan HSBC Bank Standard Chartered Bank Mizuho Corporate Bank, Ltd. Royal Bank of Scotland Bank of New York Raiffeisen Zentralbank Oesterreich	Thailand HSBC Bank Standard Chartered Bank Royal Bank of Scotland Citibank N.A. Bank of Ayudhya Public Co Ltd Export Import Bank of Thailand Kasikor Public Co Ltd	
China HSBC Bank Standard Chartered Bank Agricultural Bank of China Commerzbank Ag Royal Bank of Scotland Bank of China China Everbright Bank Industrial & Commercial Bank of China China Construction Bank Laiwu City Commercial Bank Co Ltd Bank of New York Shenzhen Development Bank Co Ltd	Lebanon HSBC Bank Commerzbank Ag Royal Bank of Scotland UBAF Ltd ING Bank Bank of New York Mizuho Corporate Bank Sumitomo Mitsui Banking Corporation	Turkey HSBC Bank Royal Bank of Scotland Habib Bank Ltd Turkye Vakiflar Bankasi	U.A.E. HSBC Bank Middle East	
Czech Republic Commerzbank Ag Bawag Bank Royal Bank of Scotland	Morocco HSBC Bank Standard Chartered Bank	U.S.A. Royal Bank of Scotland Bank of America Bank of New York Mizuho Corporate Bank Sumitomo Mitsui Banking Corporation	U.A.E. HSBC Bank Middle East	
Denmark Danske Bank A/S	Portugal HSBC Bank Standard Chartered Bank	U.K. ABC International Bank HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Royal Bank of Scotland Habibsons Bank Ltd Citibank N.A. Clydesdale Bank Fortis Bank Deutsche Bank Habib Allied Bank of America Nordea Bank United National Bank Lloyds Bank TSB Bank Leumi Psc	U.K. ABC International Bank HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Royal Bank of Scotland Habibsons Bank Ltd Citibank N.A. Clydesdale Bank Fortis Bank Deutsche Bank Habib Allied Bank of America Nordea Bank United National Bank Lloyds Bank TSB Bank Leumi Psc	
Ecuador Royal Bank of Scotland	Qatar HSBC Bank Standard Chartered Bank	U.S.A. Royal Bank of Scotland Bank of America Bank of New York Mizuho Corporate Bank Sumitomo Mitsui Banking Corporation	U.K. ABC International Bank HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Royal Bank of Scotland Habibsons Bank Ltd Citibank N.A. Clydesdale Bank Fortis Bank Deutsche Bank Habib Allied Bank of America Nordea Bank United National Bank Lloyds Bank TSB Bank Leumi Psc	
Egypt HSBC Bank NBP	U.S.A. HSBC Bank Standard Chartered Bank	U.S.A. Royal Bank of Scotland Bank of America Bank of New York Mizuho Corporate Bank Sumitomo Mitsui Banking Corporation	U.K. ABC International Bank HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Royal Bank of Scotland Habibsons Bank Ltd Citibank N.A. Clydesdale Bank Fortis Bank Deutsche Bank Habib Allied Bank of America Nordea Bank United National Bank Lloyds Bank TSB Bank Leumi Psc	



Form of Proxy

Fifteenth Annual General Meeting

I/We _____

of _____

being a member(s) of **Saudi Pak Commercial Bank Limited** holding _____

ordinary shares hereby appoint _____

of _____ or failing him/her _____

of _____ as my/our proxy in my/our absence to attend and vote for me/us and
on my/our behalf at Annual General Meeting of the Company to be held on March 30, 2009
and/or any adjournment thereof.

As witness my/our hand(s) seal this on the _____ day of _____ 2009

Signed by the said _____

In the presence of 1. _____

2. _____

Folio No./CDC Account No.

Signature on
Revenue Stamp
of Appropriate Value

The signature should
agree with the specimen
registered with the Bank.

Important:

1. The Proxy form, duly completed and signed, must be received at the Bank's Shares Registrar Office not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he/she himself/herself is a member of the Bank, except that a corporate entity may appoint any person who is not a member.
3. If a member appoints more than one proxy and more than one instrument of proxy are deposited by a member with the Bank, all such instrument of proxy shall be rendered invalid.
4. In case of proxy for an individual CDC shareholder, attested copies of CNIC or the passport, account and participant's ID number of the beneficial owner along with the proxy is required to be furnished with the proxy form.
5. In case of corporate entity, the Board of Directors' resolution/power of attorney with the specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the Bank.



Affix
Correct
Postage

The Company Secretary
Saudi Pak Commercial Bank Limited
Central Office, Saudi Pak Building
I.I. Chundrigar Road, Karachi
Pakistan.

Annual Report 2008

www.saudipakbank.com