

WHY SILK?

Inspiration for the name Silkbanks comes from the Silk Route - a trade corridor connecting Asia to Europe and the rest of the world. Silk, known for its distinctive properties and characteristics, symbolizes Silkbanks brand beliefs.

Premium & Upscale

Silk is known for class and premium quality. Silkbanks is positioned as an upscale bank providing its customers with premium banking experience.

Talent & Innovation

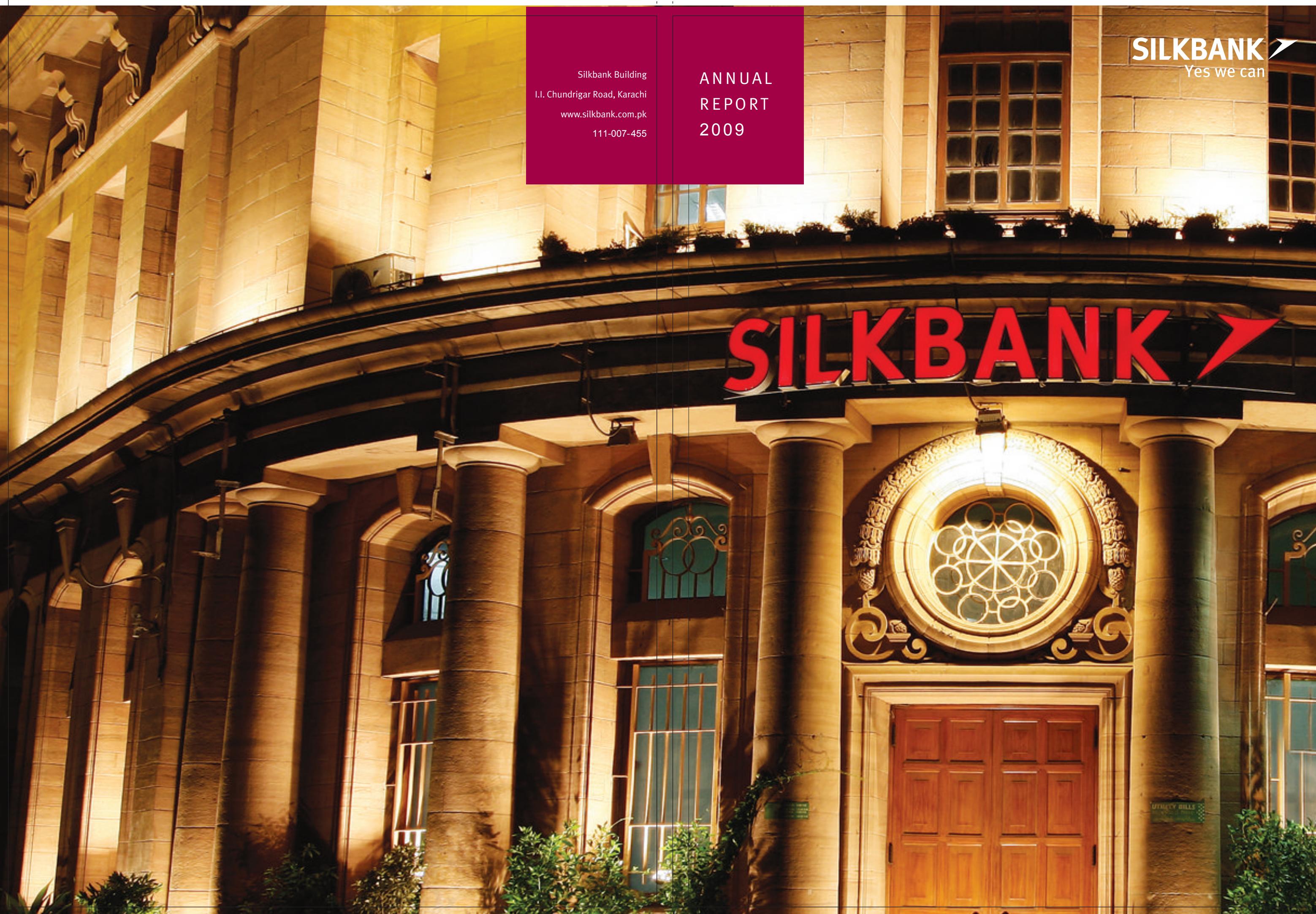
Silk embodies talent and timeless innovation. Silkbanks promises its customers innovative products delivered through talented staff.

Strong & Reliable

Silk is amongst the strongest fibres known to mankind. Silkbanks derives its strength from its strong international institutional sponsors giving it credibility and reliability.

Dependable

Silk through the times has held its value. Silkbanks driven by a team of professionals provides an optimal experience that you can depend on.



Silkbank Building
I.I. Chundrigar Road, Karachi
www.silkbank.com.pk
111-007-455

ANNUAL
REPORT
2009

SILKBANK 
Yes we can



Contents



Silbank Products	
Assets	M'POWER
Liabilities	ALL-IN-ONE ACCOUNT
	MUNAFA HE MUNAFA
	ONLINE EXPRESS
	PLS ACCOUNT
	SALANA MUNAFA
	SUPER SAVER
Bancassurance	MEHFOOZ HAR PAL
	ROSHAN MUSTAQBIL
	SUNEHRA KAL
Technology	E-STATEMENT
	MOBILE BANKING
	SILKBANK-DIRECT
	SMS ALERTS
	VISA DEBIT CARD

Vision & Mission	02
Chairman's Message	03
President & CEO's Message	05
Senior Management Committee	07
Corporate Information	11
Directors' Report	15
Statement of Compliance with the Code of Corporate Governance	23
Statement of Internal Control	25
Notice of AGM	29
Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance	30
Independent Auditors' Report	33
Balance Sheet	37
Profit and Loss Account	38
Statement of Comprehensive Income	39
Cash Flow Statement	40
Statement of Changes in Equity	41
Notes to the Financial Statements	42
Annexure I - Statement of Written - off Loans	92
Six Year's Key Financial Data	95
Combined Pattern of CDC & Physical Share Holdings	96
Milestones and Achievements 2009	101
Corporate Social Responsibility	102
Branch Network	103
Foreign Correspondents	105
Proxy Form	106

Vision

Benchmark of Excellence in premier banking



Mission

To be the leader in premier banking, trusted by customers for accessibility, service & innovation; be an employer of choice creating value for all stakeholders.



Chairman's Message

“ The franchise of the predecessor bank of Silkbank i.e. Saudi Pak Commercial Bank was acquired by the consortium of major investors in March 2008. Since then in a background of difficult economic and political environment, the management has been engaged in cleaning up and strengthening the balance sheet of the bank and making necessary investment in people, technology, service quality, brand equity and new products.

I and my colleagues on the board, are confident that with improving macro economic conditions, a strong balance sheet and the successful results of investment, Silkbank will make rapid progress towards its goal of becoming a strong and well established brand and a financial institution that is not only profitable but also creates significant value for both its customers and other stakeholders, consistently building on its success and setting higher standards for itself all the time.”



Munnawar Hamid, OBE
Chairman





President & CEO's Message

“The year 2009 was a challenging year for all of us. It was the year when we changed our identity to Silkbank. The successful re-branding of the bank in June 2009 established Silkbank as an upscale bank with a promise to provide our customers an unmatched service experience. It is our endeavour to establish Silkbank as a reliable financial institution resourced by talented staff, who have the ability and empowerment to provide innovative solutions. We aim at always being accessible to our customers. Our values will ensure that we attain service leadership in the banking industry.

Despite the challenges of 2009, we managed to attain an admirable revenue growth setting the pace for sustainable performance in the future years. We have strengthened our controls and restructured our balance sheet, aggressively providing for portfolio impairment. We invested heavily in our distribution and have expanded our network to 85 branches in 32 cities. We continued to upgrade the skill set of our people through training and development, enabled further by a world class technology infrastructure to meet the dynamic needs of our customers and making our service a truly differentiating factor.

I would like to personally thank every member of the team for their commitment and enthusiasm, as well as all our sponsors, associates and customers for their continued support.”



Azmat Tarin
President & CEO

Senior Management Committee



Syed Jawaid Akhter

Head of Internal Audit

Shafaq Rahid

Head of Customer
Satisfaction & Quality

Goharulayn Afzal

Group Head Marketing &
Strategic Planning

Talha Saeed

Group Head
Retail Banking

Aneeq Khawar

Chief Operating Officer



Azmat Tarin

President & CEO

Syed Liaquat Ali

CFO & Company Secretary

Jamil A. Khan

Group Head
Compliance, Legal & ICD

Kasim Feroze Khan

Group Head
Special Assets Management

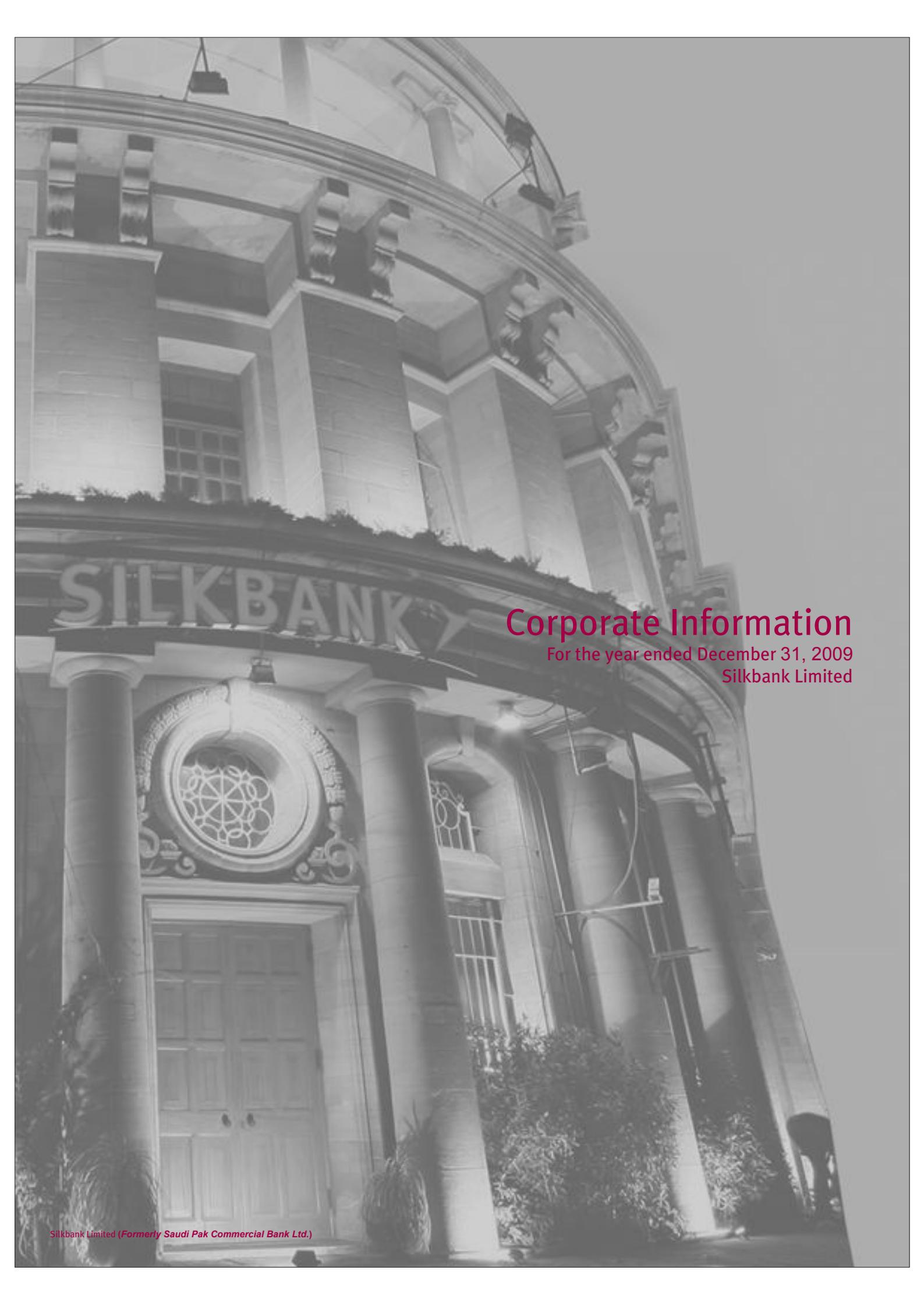
Sumbul Munir

Head of Corporate &
Investment Banking

Higher



SILKBANK 
Yes we can



Corporate Information

For the year ended December 31, 2009
Silkbank Limited

Corporate Information

Board of Directors

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

Company Secretary

Syed Liaquat Ali, FCA

Audit Committee

Humayun Bashir	Chairman
Sadeq Sayeed	Member
Arif Mahmood Ali	Member
Arshad Ghaffur	Member

Risk Committee

Ahmed Al-Abri	Chairman
Humayun Bashir	Member
Javed Hamid	Member
Arshad Ghafur	Member

Human Resources Committee

Munnawar Hamid, OBE	Chairman
Azmat Shahzad Ahmed Tarin	Member
Javed Hamid	Member

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti

Corporate Information

Registered Office

Silkbanks Limited
Silkbanks Building, I.I. Chundrigar Road, Karachi.
Telephone No: +92 21 111 007 455 Ext. 414 & +92 21 32460025
Fax No: +92 21 32460464
Website: www.silkbanks.com.pk

Share Registrar

Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal
Karachi – 75350
Phone: + 92 21 34325482-87
Fax: + 92 21 34325442
E-mail: ncsl@noble-computers.com
Website: www.noble-computers.com

Senior Management Committee (SMC)

Azmat Tarin	President & CEO
Aneeq Khawar	Chief Operating Officer
Jamil A. Khan	Group Head Compliance, Legal & ICD
Kasim Feroze Khan	Group Head Special Assets Management
Goharulayn Afzal	Group Head Marketing & Strategic Planning
Talha Saeed	Group Head Retail Banking
Syed Liaquat Ali	CFO & Company Secretary
Syed Jawaid Akhtar	Head of Internal Audit
Sumbul Munir	Head of Corporate & Investment Banking
Shafaq Rahid	Head of Customer Satisfaction & Quality

Enjoy the **All-in-One** current account that offers amazing **free benefits** and **protects your...**



cash



vital documents



mobile



home contents

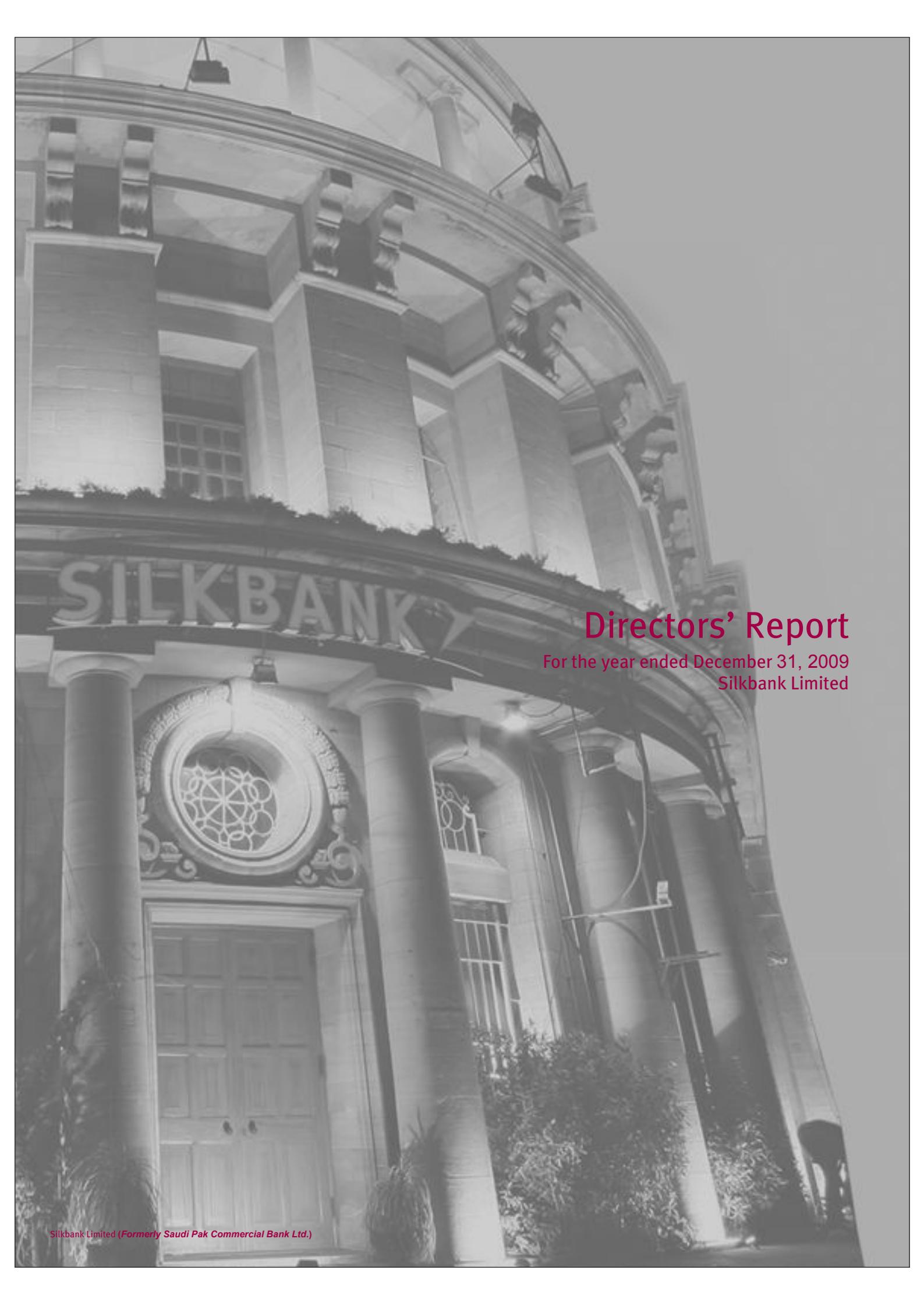
ALL-IN-ONE ACCOUNT

- Free Cheque Books
- Free Intercity Transactions
- Free Pay Orders
- Free VISA Debit Card

Maintain an average balance of Rs. 100,000 and enjoy free cover for:
ATM and Over-the-Counter Cash Withdrawals, Theft of Vital Documents, Mobile Snatching, Burglary of Home Contents, Accidental Death and Disability.

Call 111-100-333

or visit www.silkbank.com.pk



Directors' Report

For the year ended December 31, 2009
Silkbank Limited

Directors' Report

The Board of Directors is pleased to present the 16th Annual Report and the audited financial statements for the year ended December 31, 2009.

2009 Review

2009 has been a very challenging year for the Bank. The country suffered from the fall out of the global recession and not only faced, as a consequence, a slowdown of the economy and deteriorating foreign exchange reserves, but also serious security threats, an energy crisis and rising inflation. As a result GDP growth rate declined to just 2.5% and the Government had to curtail its development expenditures to meet contingencies as well as contain inflation. However, a tight monetary policy adopted by the State Bank, a timely inflow of funds from the IMF, and generally improved financial discipline contained inflation to some extent and relieved pressure on liquidity in the financial markets. This produced an improvement in the macroeconomic indicators and consequently in the overall stability of the economy.

In this challenging environment, which adversely affected margins and asset quality, the bank increased its investment portfolio and deposits by 68% and 21% respectively as compared with the position in 2008 and liquidity was managed effectively despite the delay in the recapitalization of the Bank. Similarly gross mark up income as well as non fund based revenue recorded a growth of 29% and 72% respectively, but the net interest income suffered due to high market rates on funds mobilized.

A cleanup of the balance sheet continued and additional NPL provisions of Rs 2.171 billion had to be created. Much needed investment in new hiring, branch network expansion and new technology particularly in IT resulted in an increase of 37% in the total cost base of the Bank for the year. As a result the Bank, despite a recovery of non-performing loans of over a billion rupees, continued to incur a loss after tax of Rs. 2.9 billion for the year.

Financial Results 2009

	2009
	Rs. in million
Operating Loss before provisions and interest suspense	(1,723)
Interest on non-performing loans taken to suspense account	<u>(220)</u>
	(1,943)
Provision against non-performing loans/direct write offs	(3,273)
Impairment of AFS securities, Diminution in value of investments	(144)
Recoveries of non-performing loans	1,108
Provision against non-performing advances/impairments	<u>(2,309)</u>
Loss before tax	(4,252)
Tax	<u>1,349</u>
Loss after tax	(2,903)

Minimum Capital Requirement (MCR)

To meet the MCR of the State Bank of Pakistan (SBP) the Bank, after completing all regulatory requirements, announced a Rights Issue of 311% at a discount of Rs. 7.5 per share on December 02, 2009 to generate net additional capital of Rs 7.00 billion. The issue has been supported by all members of the consortium of investors, except Bank Muscat because of regulatory constraints by the Central Bank of Oman. However, their share will be subscribed by new investors and the process is expected to successfully complete by end June 2010.

Re-Branding

The new "Silkbank" identity was launched with the inauguration of the Central Office Building on May 31, 2009 by the Governor of the State Bank of Pakistan. An extensive re-branding exercise through an integrated communication strategy has been carried out and nationwide branches have been given a new look and feel in line with the Bank's strategy to achieve the position of an up market bank.

The success of the re-branding has been tested through a pre-launch (Apr '09) and post-launch (Oct '09) survey. The results reflected a remarkable improvement in the perception of the target market, the salient features of which are as follows:

- Top of Mind brand recall increased from 0% (Saudi Pak) to 3% (Silkbank),
- Overall Silkbank Launch/Re-branding awareness was 44% which was higher than two other banks re-branded in the same period, and
- Silkbank's un-aided brand awareness was 11% immediately on launch, which compares significantly better with 14% for Saudi Pak, after a period of ten years of investment in brand equity

New Products

Innovation being a core brand belief of Silkbank it embarked on new launches, following the successful re-branding exercise, of the following new products.

- Silkbank VISA Debit Card – Launched with the successful roll-out of the Bank's new identity, is an important technological upgrade which offers our customers the ability to access their funds at over 3,000 ATMs and 53,000 merchants in Pakistan and over 27 million merchants worldwide.
- All-in-One Account – The All-in-One account is a current account that provides customers the ultimate security and protection, unique banking facilities and convenience. Launched in June 2009, the product has been very well received and has played an important role in lowering the Bank's cost of funds.
- M'Power – M'Power is a running finance credit line facility for businessmen, secured against real estate to finance working capital requirements. M'Power account comes equipped with an internationally accepted VISA Debit Card and a cheque book. Launched in October '09, M'Power is the latest addition to the family of Silkbank products, designed to meet the needs of SME customers.

Silkbank will continue to innovate competitive and distinctive new products, services and systems to meet the needs of a growing customer base and strive to achieve a level which is a benchmark for excellence in premiere banking.

Technology

As already reported the Bank has made investment in critical upgrade of its essential infrastructure. Two significant additions, as a result, have been the state of the art core banking system, "Temenos-24" and the Oracle Financials reporting system. The Board is pleased to report that conversion to the new "Temenos -24" system is in successful progress and the Trade, and Treasury modules have already been converted on the new system, and the conversion of the Retail and Finance modules is in process. The conversion is expected to be complete in the next few months. Once fully in place, the Temenos -24 and the Oracle Financials System are expected to enhance the Bank's Operating and Reporting efficiencies very significantly and achieve the desired competitive levels.

Risk Management

The Bank's risk management policies have been revisited and upgraded and new policies added wherever gaps existed. The Risk Management setup was also restructured during the year for improved and effective operations.

Underwriting standards for the Corporate Banking Group were introduced. ORR (Obligor Risk Rating) model for Corporate/ Commercial/ SME customers were also established and an Early Warning Signals policy introduced. The classification policy and procedures were also revisited to bring them in line with the current best practice and per-party limits were rationalized for greater prudence.

Following the Bank's overall drive for reducing costs, various actions have been completed. Service Level Agreements were signed with various departments to ensure timely processing of all requests. The Credit Application Approval process was automated to ensure timely and cost effective processing of Applications and CAD (Credit Administration Division) was centralized to make it more efficient both in terms of cost and turnaround time.

New initiatives were carried out to formulate policies on Legal and "Muccadam" Services, for the provision of a Personal Guarantee Policy, establishing internal guidelines on Current Ratio, upgrading the MIS systems, streamlining CIB reporting and rationalizing limits for insurance of companies and banks etc.

To support these policies and procedures to ensure that they are uniformly understood and implemented at each level, various training sessions were conducted countrywide by the Risk Management Group for all concerned staff and the Risk Management Group itself remains fully committed to implementing these policies in letter and spirit.

A Business Risk Review, an independent ongoing function of Audit, has also been initiated during the year.

Branch Expansion

The Bank also continues to pursue its strategic branch expansion plan to enhance market share. Seventeen 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.

Special Assets Management Group

We are pleased to report that the management's focus on recovery of non-performing loans (NPLs) and cleaning up bank's balance sheet has yielded effective results, with reduction of NPLs and provisioning reversals.

Human Resource

We believe that our people are our primary assets and training and development of the existing and new staff has always remained a priority. Continuous efforts were made during the year to provide multi dimensional training, with a special emphasis on training in Anti Money Laundering, Know Your Customers practices & requirements and to create greater awareness of the Prudential Regulations in order to improve the overall control environment.

Our efforts to modernize the HR function also continued with the implementation of the Harmony HRMS system which is expected to improve HR related MIS, procedures and systems, and facilitate implementation of the Bank's policies. The HR manual is currently in the process of review and the revised version is expected to be introduced during 2010.

Service Quality

To ensure promotion and implementation of service standards of a premier institution, the Bank has established a service quality department staffed by a dedicated team. Internal service measures and Service Level Agreements have been developed and agreed, and a regular system of customer surveys and mystery shopping by independent agencies is in place.

Board of Directors

Mr. Yugo Ishida, nominee Director of Nomura European Investment Limited resigned with effect from August 18, 2009. The resulting casual vacancy was filled by the appointment of Mr. Arshad Ghaffur (Managing Director, Head of Global Finance, Middle East and Africa, Nomura International Plc. Dubai) as Director with effect from August 18, 2009.

The Board wishes, to thank Mr. Yugo Ishida for his very valuable contribution to the Board, particularly in the very critical early days of the acquisition of the Bank, and every success in the future. It also wishes to welcome Mr. Arshad Ghaffur to the Board and looks forward to his support in strengthening the Bank.

Corporate and Financial Reporting Framework

The Board is mindful of its responsibilities under the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan (SECP). In doing so it wishes to make the following statements:

- 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 Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from 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 the 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, as well as the scope of its relationship with the external auditors. It also receives reports from the internal audit and any material control weaknesses that have been identified, discusses and agrees 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 appropriate 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 any 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 accounts which highlight key performance indicators and variance from budget and quarterly forecasts.
- Review of the health, safety, environment and contingency management processes and other significant policies.

Further, reviews of the system of internal control are also carried out by the internal audit department and management conclusions on internal control are confirmed by 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

Silkbank 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 and we are pleased to inform that we are continuously progressing to be compliant with the guidelines issued by the State Bank of Pakistan (SBP) on risk management. The 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 being further revamped and the established review process is capable of identifying problem loans at an early stage.

In consumer banking, separate collection units operate for recovery. A centralized Special Assets Management unit is responsible for the classified Corporate/SME portfolio and its recovery.

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 established; liquidity policy has been approved by the Board. Various excel based tools are currently in use, but a new system will be implemented with a more sophisticated modeling capability.

c) Operational Risk

Appropriate policies and procedures have been documented and disseminated. An internal Control unit is in operation which is continuously being strengthened. An independent Audit function has been established by the Bank, reporting to the Audit committee of the Board; a Compliance department has been established as well, to ensure that all legal and regulatory risks are properly addressed. In addition, to the implementation of anti money laundering and know your customer (AML/KYC) policies. Appropriate training plans have been implemented including training in strict monitoring of transaction and 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 also been initiated.

The Bank as reported above, has acquired the T24 system from Temenos which is currently in the process of implementation. Further, the Bank is also implementing Oracle Financials to improve upon its MIS and improve controls in 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 expects to be fully compliant with the SBP risk management guidelines.

Key operating and financial data of last six years:

Fiscal year ending December 31	2009	2008	2007	2006	2005	2004	Rupees in Million
Share Capital	9,003	9,003	5,002	3,848	3,848	2,250	
Deposits	49,610	41,056	42,374	49,015	37,136	33,271	
Advances	32,097	31,087	25,875	29,022	19,513	25,487	
Investments	20,179	12,012	17,859	15,829	12,465	9,707	
Assets	68,664	55,645	53,661	59,200	47,748	42,837	
Profit/(loss) before taxation	(4,252)	(2,834)	(3,320)	(409)	140	497	
Profit/(loss) after taxation	(2,903)	(2,014)	(3,041)	(304)	65	326	

Value of contribution made by Bank in Employees' Provident and Gratuity Fund schemes for the year 2009 is as under:

- Provident Fund Rs. 43.87 million
- Gratuity Scheme Rs. 34.96 million

During the year nine meetings of the Board of Directors were held. Attendances by the Directors were as follows:

	Numbers of the Meetings		
	Held During Directorship	Attended	Leave of Absence
Munnawar Hamid, OBE	9	9	-
Ahmed Al-Abri	9	9	-
Humayun Bashir	9	9	-
Javed Hamid	9	9	-
Sadeq Sayeed	9	5	4
Arif Mahmood Ali	9	7	2
Arshad Ghaffur	5	5	-
Azmat Tarin	9	9	-
Yugo Ishida (Resigned)	4	2	2

Pattern of Shareholding

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

Credit Rating

The JCR-VIS Credit Rating Agency has maintained the long term entity rating of the Bank as A- (Single A Minus) and the short term rating as A-3 (A-Three) and the rating has been put under a rating watch as "Developing".

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 Rahman, Chartered Accountants, the retiring auditors, as external auditors of the Bank for another term.

Future Outlook

As has been reported on several occasions the new management, after acquisition of the Bank in March 2008, has been intensively engaged in re-building the franchise. To achieve this overall objective considerable but extremely essential investment of time, money and expertise has been made in strengthening some of the most critical constituencies of the Bank, in a background of very difficult business conditions. These include in the main:

1. Technology, Human Resources competitive and New Products.
2. Risk management and the control environment.
3. Expansion and improvement in quality of the Branch network and infrastructure in general
4. Audit and Management of NPLs and processes for successful recovery with consequent improvement of asset quality.
5. Brand quality supported by an upscale customer service process.

It is expected that as the impact of these endeavors begins to take effect and the process of re-capitalizing the bank and strengthening its Balance Sheet is successfully completed in the early part of the current year the Bank will be strongly positioned in the market. The management is committed to use this strength, hopefully in a gradually stabilizing economic and political environment, to drive the performance of the Bank towards profitability and in making the Bank a player in the premier segment of the market in the coming period in line with shareholder aspirations.

Appreciation and Acknowledgement

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

For and on Behalf of the Board of
Silkbank Limited


Chairman

Karachi, April 28, 2010

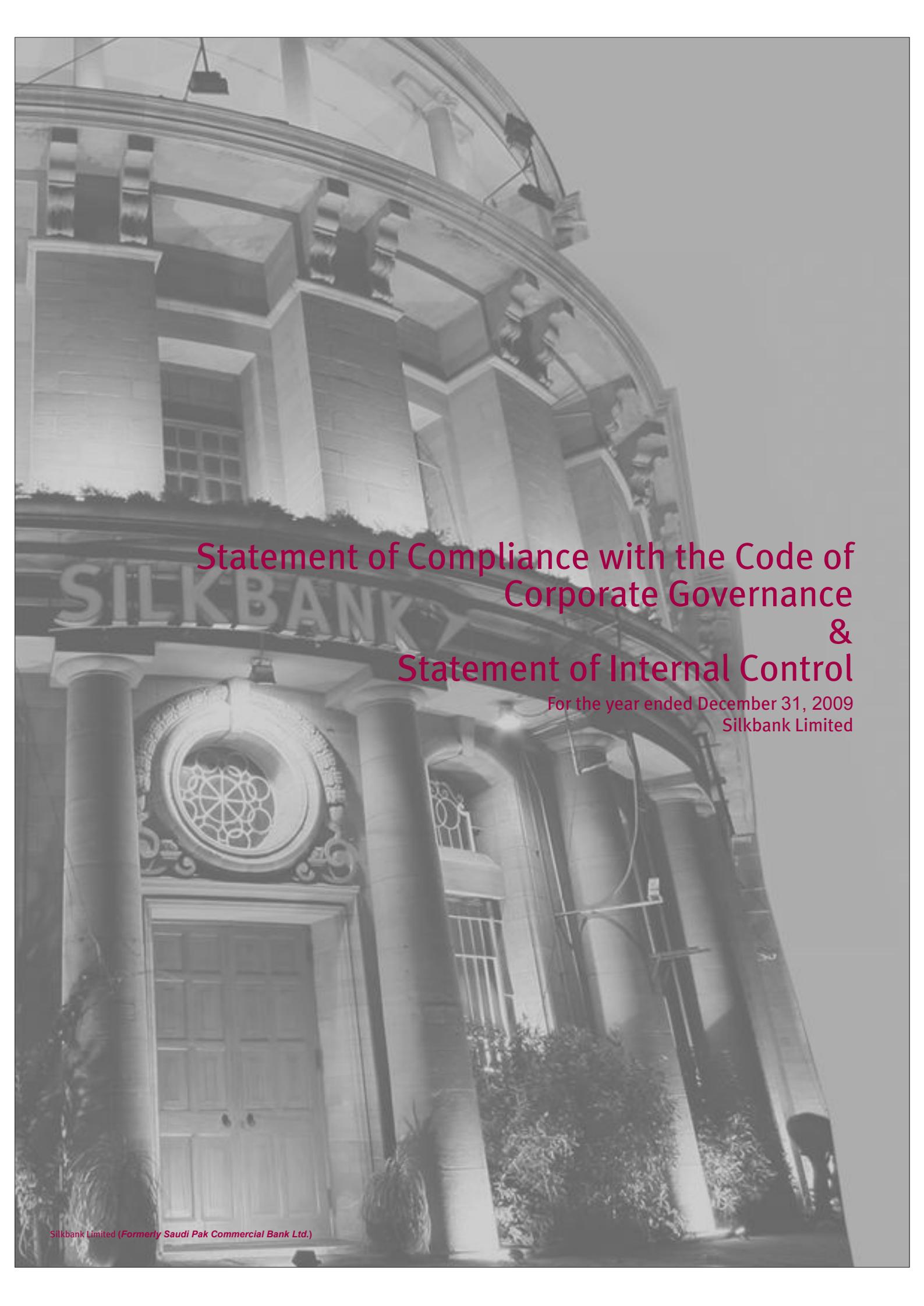


Talent & Innovation

- Team of world class professionals to serve you
- Innovative solutions to keep you ahead
- Providing the right platform to meet your banking needs

Call 111-100-333

www.silkbank.com.pk

A black and white photograph of the exterior of a large, classical-style building. The building features prominent columns, a decorative cornice, and a circular window above a double door. A sign on the building reads "SILK BANK".

Statement of Compliance with the Code of Corporate Governance & Statement of Internal Control

For the year ended December 31, 2009
Silkbank Limited

Statement of Compliance with the Code of Corporate Governance as on December 31, 2009

The Board of Silkbank Limited extends full 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. At present, the Board consists of two independent, one non executive, one executive and four nominee/sponsor directors.
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 was filled in by the Board within 30 days.
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 polices along with the dates on which they were approved or amended has been maintained.
7. 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.
8. The meetings of the Board were presided over by the Chairman.
9. Related party transactions carried out on “Arm’s Length Basis” in accordance with the Related Party Transaction Policy were placed before Audit Committee of the Board and Board of Directors.
10. The Board has met nine 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 & 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 Audit Committee comprising of four 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 setup an effective internal audit function, the members of which are considered suitably qualified and experienced for the purpose. The Audit department reports 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, 2009 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
Silkbank Limited



Azmat Tarin
President & CEO



Munnawar Hamid, OBE
Chairman

Karachi, April 28, 2010

Management's Statement on Internal Control as of December 31, 2009

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

Management of Silkbank 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 & policies and to provide reasonable assurance in relation to the above mentioned objectives.

An Internal Control System comprises of various interrelated components which include a control environment, a risk assessment process, control activities, creation of relevant information and its communication, and finally a monitoring process.

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

1. In order to meet the SBP requirements on internal control, the Bank had acquired the services of a reputable consultancy firm for guidance and documenting the existing controls. Based on their recommendations, the Bank has implemented the COSO (Committee of Sponsoring Organization of Tread-way Commission) Framework of Internal Controls, which is currently under testing.
2. The Bank has adopted a statement of ethics and business practices that is signed by all directors and employees. Further, the compliance function also ensures an ongoing audit to monitor the Bank's compliance with all applicable laws, regulations and code of ethics.
3. Policies and procedures in all significant areas.
4. A new vision/mission statement of the bank along with the core values is currently in process of formulation and will be adopted by the Board shortly.
5. An organization structure has been established which supports clear lines of communication and tiered levels of authority and segregation of duties commensurate with accountability.
6. The Bank has established an effective Internal Audit Department, which reports directly to the Audit Committee of the Board. This department carries out periodical audits of all branches, Head Office and its departments and business risk reviews to monitor compliance of the Bank's policies and procedures, based on an audit plan approved by the Audit Committee of the Board.
7. An Internal Control Unit (ICU) has also been established to proactive manage all control related issues and activities.
8. Management gives due consideration to the recommendations made by the internal and external auditors for improvements in the internal control system and takes action to implement such recommendations.
9. The management has established evaluation and approval procedures for all major capital expenditure and other transactions.
10. There is an annual budgeting and strategic planning process in the bank. Financial forecasts are reviewed on a periodical basis to reflect significant change in the business environment. Regular reporting and monitoring of financial performance of the departments and the Bank as a whole has been implemented, using statistics and monthly management accounts to highlight key performance indicators and variance from budgets and forecasts.

-
11. Review and implementation of the health, safety, environment policies, as well as the contingency management processes and other significant policies is in hand and have been made part of the periodical review process.
 12. Management also emphasizes on imparting of training to enhance knowledge and understanding of the Bank's internal policies and procedures and prudential regulations, has resulted in the strengthening of the control environment.

We believe that with the implementation and the regular monitoring of the above stated controls, the overall control environment in the bank will improve further with time.

Karachi, April 28, 2010



Azmat Tarin
President & CEO



Service Leadership

Strong & Reliable

Secure financial environment backed by solid international institutional shareholders

Accessible

A warm and welcoming environment with nationwide reach & 24 hour access through ATMs, internet and mobile banking

Talent & Innovation

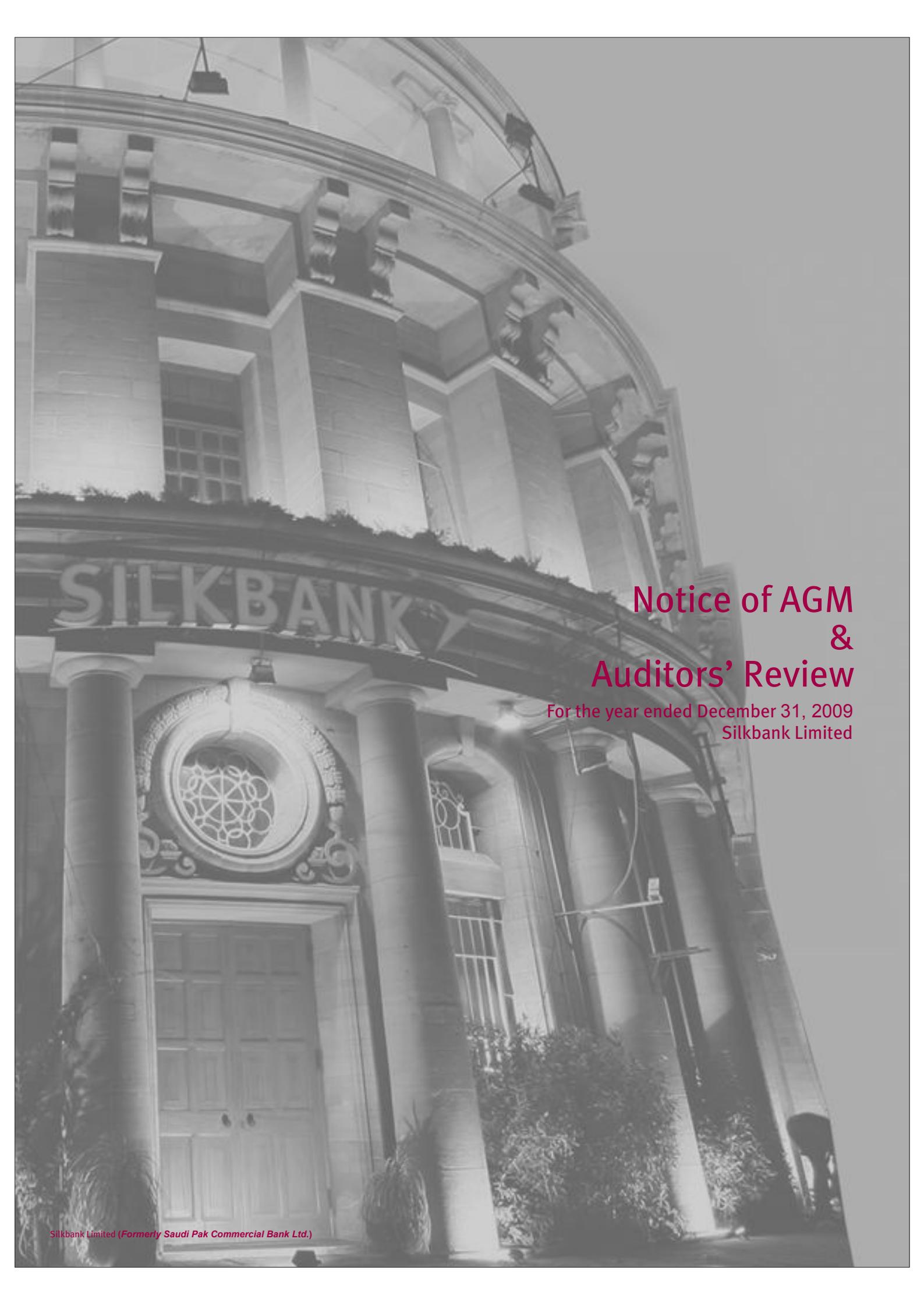
A team of world class professionals to provide you with innovative solutions

Dependable

Competent and experienced management supported by world class systems, technology and processes

Call 111-100-333
www.silkbank.com.pk

SILKBANK 
Yes we can



Notice of AGM & Auditors' Review

For the year ended December 31, 2009
Silkbank Limited

Notice of the 16th Annual General Meeting

Notice is hereby given that the sixteenth Annual General Meeting of Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited) will be held on Thursday, May 27, 2010 at 11:00 am at the Beach Luxury Hotel, Karachi, to transact the following business.

Ordinary Business

1. To confirm the minutes of Annual General Meeting held on March 30, 2009 and Extraordinary General Meeting held on December 29, 2009.
2. To receive, consider and adopt the audited financial statements of the Bank for the year ended December 31, 2009 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 Chartered Accountants, retire and being eligible offers themselves for re-appointment.

Special Business

Fraction Shares – Rights Issue 311.00226% approved by the shareholders on December 29, 2009

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

"Resolved that;

If as a consequence of the 311.00226% Rights shares any fractional entitlement will be consolidated into whole shares and sold on the Karachi Stock Exchange and the sale proceeds thereof will be applied and/or donated to such a charitable organization as may be determined by the Chief Executive of the Bank."

Any Other Business

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

By the Order of the Board

Karachi, May 4, 2010



Syed Liaquat Ali
Company Secretary

Notes:

- The Share Transfer Book of the Bank will remain closed from May 20, 2010 to May 27, 2010 (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.

Auditors' 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 Silkbank Limited (Formerly Saudi Pak Commercial Bank) (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 No. 35 of the Karachi Stock Exchange, Chapter XI of Lahore Stock Exchange and Chapter XI of Islamabad Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors (the Board) 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, listing regulations of Karachi, Lahore and Islamabad Stock Exchanges require the bank to place before the board for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2009.



Anjum Asim Shahid Rahman
Chartered Accountants

Karachi, April 30, 2010

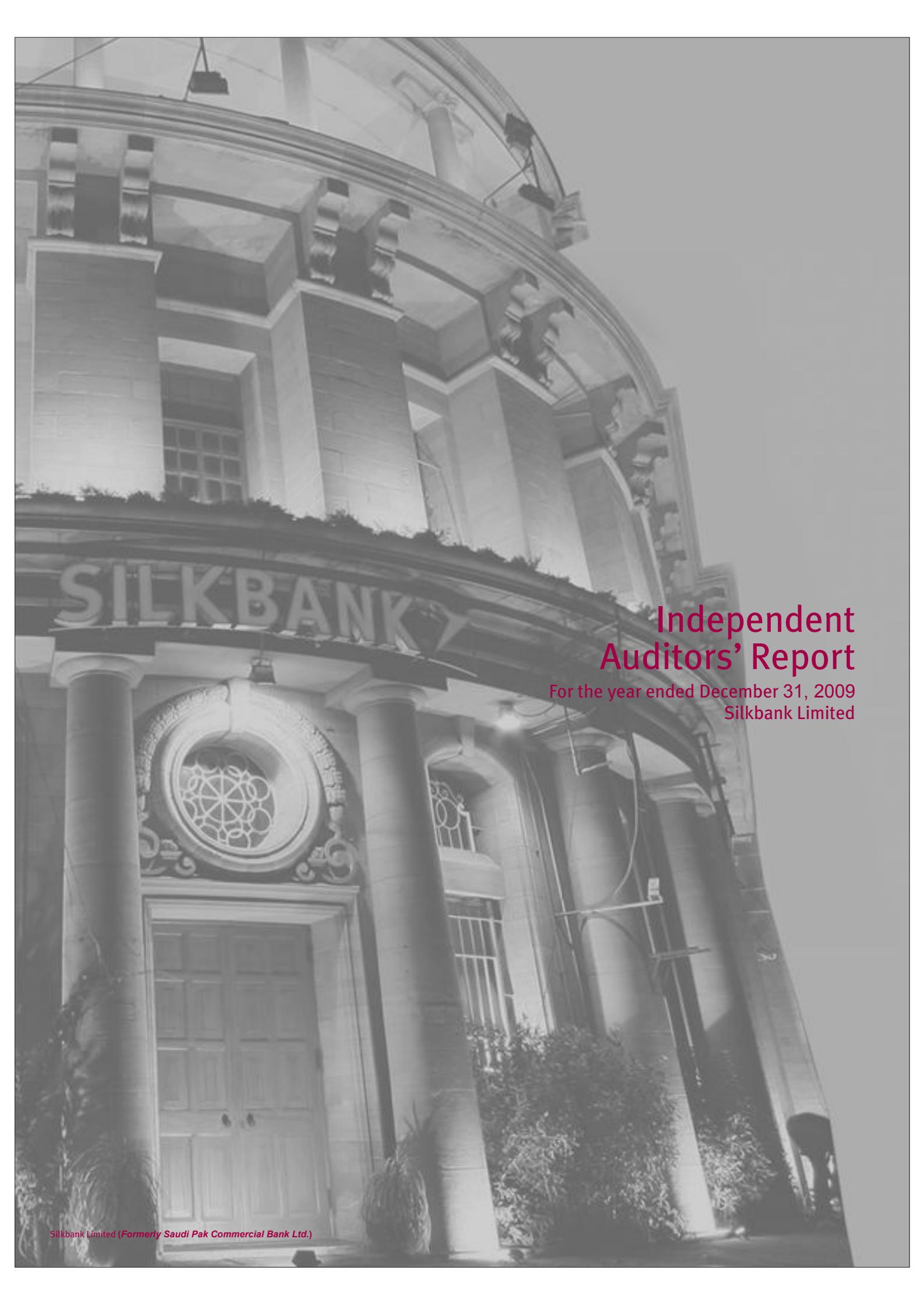


Dependable

- Competent and experienced management
- World class systems, technology and processes
- Providing an enabling environment to make you succeed
- Backed by expertise from our world class international partners

Call 111-100-333

www.silkbank.com.pk



Independent Auditors' Report

For the year ended December 31, 2009
Silkbank Limited

Independent Auditors' Report to the Members of Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited)

We have audited the annexed balance sheet of Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited) as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 6.1 to the financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

-
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 December 31, 2009, and its true balance of loss, its comprehensive loss, changes in equity and its cash flows 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, April 30, 2010



Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb



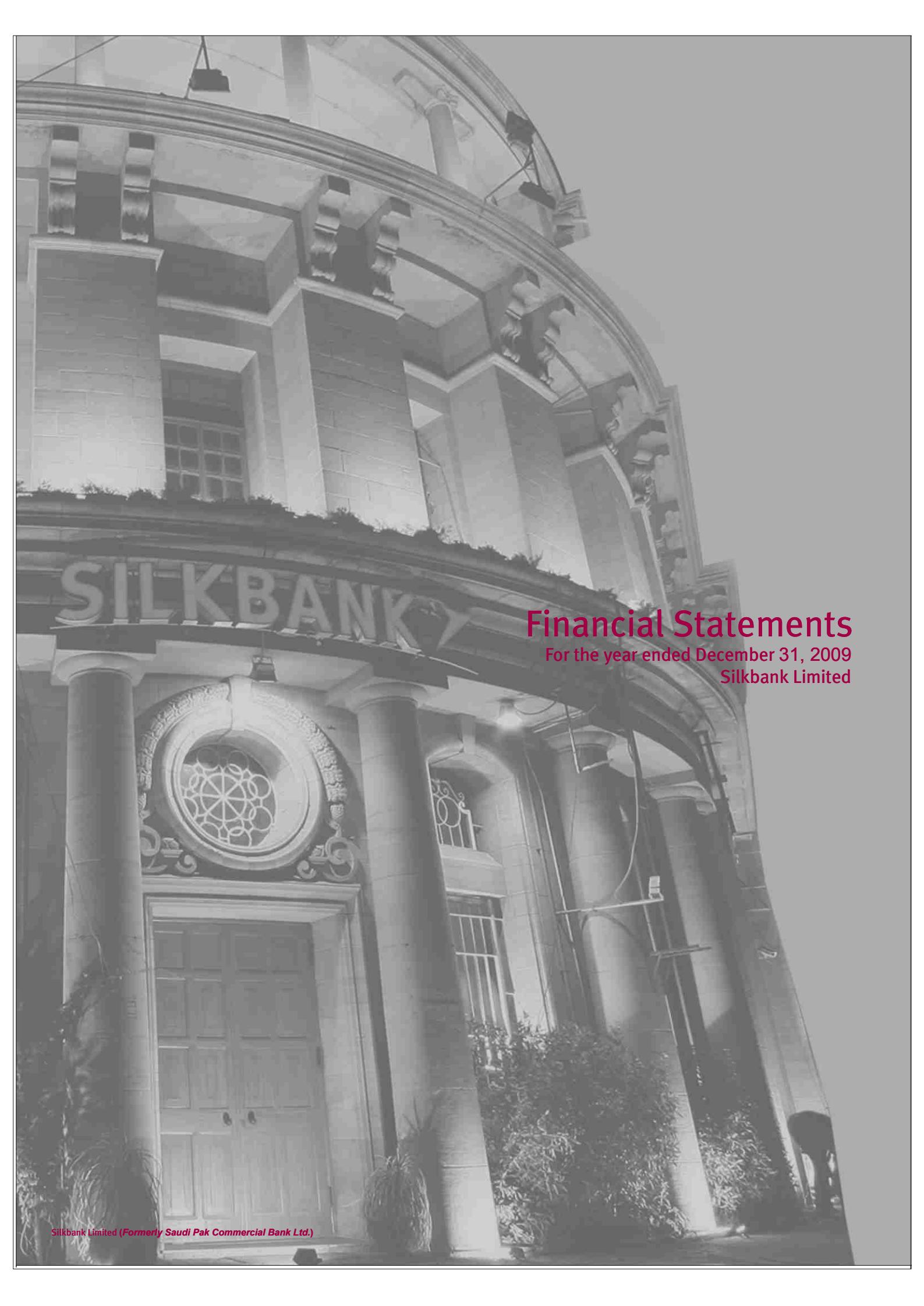
Accessible

- A warm and welcoming environment to greet you

Accessible staff always

our network of 85 br
and 32 cities

24 - hour access through
ATMs, internet and mobile
banking



Financial Statements

For the year ended December 31, 2009

Silkbank Limited

Balance Sheet as at December 31, 2009

	Note	2009	2008
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	3,120,880	3,070,067
Balances with other banks	8	151,068	190,197
Lendings to financial institutions	9	1,067,708	1,376,651
Investments - net	10	20,179,329	12,012,233
Advances - net	11	32,097,490	31,087,373
Operating fixed assets	12	3,720,695	3,002,450
Deferred tax assets - net	13	3,976,149	2,613,939
Other assets	14	4,351,022	2,292,358
		68,664,341	55,645,268
LIABILITIES			
Bills payable	15	637,602	431,537
Borrowings	16	15,088,332	8,738,616
Deposits and other accounts	17	49,610,034	41,056,630
Liabilities against assets subject to finance lease	18	10,476	39,731
Deferred tax liabilities		-	-
Other liabilities	19	1,554,808	987,394
		66,901,252	51,253,908
NET ASSETS		1,763,089	4,391,360
REPRESENTED BY			
Shareholders' equity			
Share capital	20	9,003,150	9,003,150
Reserves		224,649	218,556
Accumulated losses		(9,030,894)	(6,131,709)
		196,905	3,089,997
Surplus on revaluation of assets - net of deferred tax	21	1,566,184	1,301,363
		1,763,089	4,391,360
CONTINGENCIES AND COMMITMENTS			
	22		

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

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Profit and Loss Account for the year ended December 31, 2009

	Note	2009 Rupees in '000	2008 Rupees in '000
Mark-up / return / interest earned	24	5,913,317	4,588,299
Mark-up / return / interest expensed	25	5,855,517	4,218,901
Net mark-up / interest income		57,800	369,398
Provision against non-performing loans and advances - net	11.3.2	2,170,738	1,663,314
(Reversal) against consumer finance	11.3	(5,803)	(12,163)
Provision / (reversal) for diminution in the value of investments - net	10.3	6,144	(11,668)
Impairment of available-for-sale securities	10.4	138,276	-
Bad debts written off directly		-	2,610
		2,309,355	1,642,093
Net mark-up / interest loss after provisions		(2,251,555)	(1,272,695)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		327,949	188,596
Dividend income		27,921	27,173
Income from dealing in foreign currencies		113,733	53,343
Gain on sale of securities - net	26	58,640	19,536
Unrealized gain on revaluation of investment classified as held for trading	10.5	69	-
Other income	27	133,875	95,862
Total non-markup / interest income		662,187	384,510
NON MARK-UP / INTEREST EXPENSES		(1,589,368)	(888,185)
Administrative expenses	28	2,747,856	1,935,732
Other (reversal) / provisions / impairment / write offs	29	(102,246)	9,489
Other charges	30	17,481	849
Total non-markup/interest expenses		2,663,091	1,946,070
		(4,252,459)	(2,834,255)
Extra ordinary items		-	-
LOSS BEFORE TAXATION		(4,252,459)	(2,834,255)
Taxation			
- Current	31	8,414	16,462
- Prior year(s)		34,616	-
- Deferred		(1,392,584)	(836,449)
LOSS AFTER TAXATION		(1,349,554)	(819,987)
		(2,902,905)	(2,014,268)
		Rupees	
Loss per share - Basic and Diluted	32	(3.22)	(2.83)

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

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Statement of Comprehensive Income for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
Loss for the year		(2,902,905)	(2,014,268)
Other comprehensive income			
Reversal of provision against upgraded rescheduled advances	11.3.1	6,093	-
Total comprehensive loss for the year		(2,896,812)	(2,014,268)

Surplus/ deficit on revaluation of 'available-for-sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated August 04, 2000 and BSD circular 10 dated July 13, 2004 and Companies Ordinance, 1984 respectively.

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

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Cash Flow Statement for the year ended December 31, 2009

	Note	2009 Rupees in '000	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(4,252,459)	(2,834,255)
Add: Dividend income		(27,921)	(27,173)
		(4,280,380)	(2,861,428)
Adjustment for:			
Depreciation	12.2	216,437	160,236
Amortization of intangible assets	12.3	6,635	15,979
Provision against non-performing advances	11.3.2	2,176,831	1,663,314
Provision/(Reversal) against consumer financing	11.3	(5,803)	(12,163)
Provision for diminution in the value of investments / other assets	10.3	6,144	(11,668)
Unrealized gain on revaluation of investment classified as held-for-trading	10.5	(69)	-
Gain on sale of operating fixed assets	12.2.1	(9,387)	(7,708)
Financial charges on leased assets		4,375	9,032
Other (reversals) / provisions / write offs	29	(102,246)	9,489
Bad debts written off		-	2,610
Provision for gratuity	35.4	34,960	26,517
		2,327,877	1,855,638
(Increase) / Decrease in operating assets		(1,952,503)	(1,005,790)
Lendings to financial institutions		(242,208)	764,459
Advances - net		(3,175,052)	(6,863,552)
Held-for-trading securities		(1,782,703)	9,720
Other assets - net		(1,935,733)	(704,269)
		(7,135,696)	(6,793,642)
Increase / (Decrease) in operating liabilities			
Bills payable		206,065	(139,219)
Borrowings		6,349,716	1,858,167
Deposits		8,553,404	(1,317,080)
Other liabilities - net		511,727	35,786
		15,620,912	437,654
Income tax paid		6,532,713	(7,361,778)
		(22,303)	(26,202)
Net cash from / (used in) operating activities		6,510,410	(7,387,980)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(6,343,789)	5,150,758
Net investment in held-to-maturity securities		252,236	508,824
Dividend income received		27,921	27,173
Investment in operating fixed assets		(993,235)	(420,971)
Sale proceeds from operating fixed assets disposed off		40,620	28,896
Net cash (used in) / from investing activities		(7,016,247)	5,294,680
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of sub-ordinated loan		-	(650,000)
Payments of lease obligations		(33,630)	(49,456)
Issue of share capital		-	4,001,400
Net cash (used in) / from financing activities		(33,630)	3,301,944
(Decrease) / Increase in cash and cash equivalents		(539,467)	1,208,644
Cash and cash equivalents at beginning of the year		4,561,415	3,352,771
Cash and cash equivalents at end of the year	33	4,021,948	4,561,415

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

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Statement of Changes in Equity for the year ended December 31, 2009

	Share Capital	Share Deposit Money	*Statutory Reserves	Other (refer note 11.3.1)	Accumulated Loss	Net Equity
Rupees in '000						
Balance as at January 01, 2008	5,001,750	-	218,556	-	(4,119,537)	1,100,769
Total comprehensive loss for the year ended December 31, 2008	-	-	-	-	(2,014,268)	(2,014,268)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of deferred tax	-	-	-	-	2,096	2,096
Transactions with owner recognized directly in equity						
Share deposit money received	-	4,001,400	-	-	-	4,001,400
Right shares issued against share deposit money	4,001,400	(4,001,400)	-	-	-	-
Balance as at December 31, 2008	9,003,150	-	218,556	-	(6,131,709)	3,089,997
Total comprehensive loss for the year ended December 31, 2009	-	-	-	6,093	(2,902,905)	(2,896,812)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of deferred tax	-	-	-	-	3,720	3,720
Transactions with owner recognized directly in equity						
Balance as at December 31, 2009	9,003,150	-	218,556	6,093	(9,030,894)	196,905

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

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

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Notes to the Financial Statements for the year ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1** SilkBank Limited (formerly 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 82 branches (2008: 65) in Pakistan with the registered office located at SilkBank 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 July 2009 is 'A-3' and 'A-' respectively.
- 1.2** Majority shareholding (86.69%) in the Bank as on December 31, 2009 hold by a consortium comprising of Bank Muscat S.A.O.G, Nomura European Investment Limited, International Finance Corporation (IFC) and executives of the Senthos Capital Advisors Limited. As a result of a rights issue which is in process of subscription as disclosed in notes 20. 3 and 20.6, the majority shareholding in the Bank will change upon full subscription towards the rights.

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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

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

4. INITIAL APPLICATION OF STANDARDS, AMENDMENTS OR AN INTERPRETATION TO EXISTING STANDARDS

4.1 Standards, amendments and interpretations to published approved accounting standards that are effective in 2009 and are relevant

International Accounting Standard (IAS) 23, 'Borrowing Costs' (effective from January 1, 2009): The amendment requires an entity to capitalize borrowing costs directly to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed. The Bank's current accounting policy is in compliance with this amendment, and therefore, there is no effect on the Bank's financial statements.

International Accounting Standard (IAS) 36, 'Impairment of Assets' (effective from January 1, 2009): As per the new requirement, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosure equivalent to those for value-in-use calculation should be made. The Bank has adopted aforementioned amendment from January 1, 2009. The management of the Bank believes that presently this amendment does not have any impact on the Bank's financial statements.

Amendment to International Accounting Standard (IAS) 38, 'Intangible Assets', (effective from January 01, 2009): The amended standard states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining rights of access to goods or receipt of services. The Bank has adopted aforementioned amendment from January 1, 2009. The management of the Bank believes that this amendment does not have any impact on the Bank's financial statements.

International Financial Reporting Standards (IFRS) 8, 'Operating Segments' (effective from January 1, 2009) replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment is presented on the basis as that used for internal reporting purposes, and introduces detailed disclosures regarding the reportable segments and products. There is no impact of the new standard on the Bank's financial statements.

4.2 Standards, amendments and interpretations to published approved accounting standards that are not yet effective and / or not relevant to the Bank

International Accounting Standards (IAS) 1 (amendment), 'Presentation of financial statements': The amendment is part of the International Accounting Standard Board's (IASB's) annual improvement project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

By amending the definition of current liability, IAS permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period)

Notes to the Financial Statements for the year ended December 31, 2009

notwithstanding to the fact that the entity could be required by the counterparty to settle in shares at any time. It is not expected that the amendment would have material impact on the Bank's financial statements.

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

International Accounting Standard (IAS) 27 (revised), 'Consolidated and separate financial statements', (effective from July 1, 2009): The revised standard requires the effect of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and gain or loss is recognized in profit and loss. It is not expected that the amendment would have material impact on the Bank's financial statements.

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

International Accounting Standard (IAS) 38 (amendment), 'Intangible assets': The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each has similar useful economic lives. The amendment would not result in any impact on the Bank's financial statements.

International Financial Reporting Standards (IFRS) 2 (amendment), 'Share-based payment' (effective from January 1, 2009): The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value of transactions with employees and others provisioning similar services. That is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. There is no impact of the new standard on the Bank's financial statements.

International Financial Reporting Standard (IFRS) 2 (amendment), 'Group Cash-settled and share-based payment transactions': In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of entity's arrangement that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Bank's financial statements.

International Financial Reporting Standard (IFRS) 3 (revised), 'Business combination' (effective from July 1, 2009): The revised standard continues to apply the acquisition method to business combinations with some significant changes. Now, all payments to purchase a business are to be recorded at fair value at the acquisition date with contingent payments classified as debt, which subsequently re-measured through income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquire at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed. The new guidance is not expected to have a material impact on the Bank's financial statements.

International Financial Reporting Standard (IFRS) 5 (amendment), 'Measurement of non-current assets (or disposal groups)' classified as held-for-sale: The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply. Particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (source of estimation uncertainty) of IAS 1. The amendment would not result in any impact on the Bank's financial statements.

International Financial Reporting Standards (IFRS) 7, 'Financial Instrument - Disclosures' (amendment) - effective from January 1, 2009: The amendment requires enhanced disclosure about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of the fair value measurement by level of a fair value hierarchy. However, SECP in its notification SRO 411(I)/2008 deferred the implementation of IFRS 7 on banks.

Amendments to International Financial Reporting Interpretation Committee's (IFRIC's) interpretation 13, 'Customer Loyalty Programmes' (effective from annual periods beginning on or after July 01, 2008): As per IFRIC-13 where goods or services are sold together with a customer loyalty incentive, the arrangement is a multi-element arrangement and the consideration receivable is allocated between the components of the arrangement using fair values. If a third party supplies the awards and the entity is collecting the consideration on its own account, it shall measure its revenue as the gross consideration allocated to the award credits and recognize the revenue when it fulfills its obligations in respect of the awards.

The Bank has adopted IFRIC-13 from January 1, 2009. The adoption of this interpretation has no impact on the financial statements of the Bank.

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

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

Notes to the Financial Statements for the year ended December 31, 2009

International Financial Reporting Interpretation Committee's (IFRIC's) interpretation 17, 'Distribution of non-cash assets to owners' (effective on or after July 1, 2009): The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. It is not expected to have material impact on the Bank's financial statements, due to this interpretation.

International Financial Reporting Interpretation Committee's (IFRIC's) interpretation 18, 'Transfer of assets from customers' (effective for periods beginning on or after July 1, 2009): The interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or contracts specific assets. This interpretation is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This interpretation is not expected to have a material impact on the Bank's financial statements.

International Financial Reporting Interpretation Committee's (IFRIC's) interpretation 19, 'Extinguishing financial liability with equity instruments' (effective for periods beginning on or after July 1, 2010): The interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor if the entity to extinguish all or part of the financial liability. The interpretation requires the issuer of the equity instrument to measure it at fair value of equity instrument, unless that fair value cannot be reliably measured. This interpretation is not expected to have a material impact on the Bank's financial statements.

There are a number of minor amendments in other IFRS and IAS, which are part of annual improvement project published in April 2009. These amendments or interpretation, not addressed above, are unlikely to have any impact on the Bank's financial statements and therefore have not been analyzed in detail.

5. BASIS OF MEASUREMENT

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.

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

5.1 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:

5.1.1 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.

5.1.2 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.

5.1.3 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.

5.1.4 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.

Notes to the Financial Statements for the year ended December 31, 2009

5.1.5 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.

5.1.6 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 determine future taxable profit / loss for recording of deferred tax asset or liability.

5.1.7 Useful life of property and equipments

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Change in accounting policy

6.1.1 Presentation of financial statements

IAS-1 (Revised) 'Presentation of financial statements' (effective from January 01, 2009), was issued in September 2007. According to new standard, the items of income and expenses that are not recognized in the profit and loss and non-owners changes in equity should be recognized through statement of comprehensive income. The revised standard requires an entity to opt for presenting such items of income and expenses either in (a) single statement (a statement of comprehensive income) or (b) two statements (a separate income statement and a statement of comprehensive income). The Bank has adopted IAS 1 (Revised) with effect from January 01, 2009 and presents two separate statements. The adoption of IAS 1 has no effect on the financial statements of the Bank other than additional disclosures.

6.2 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.

6.3 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:

6.3.1 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.

6.3.2 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.

6.4 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.

6.5 Investments

6.5.1 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-to-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.

Notes to the Financial Statements for the year ended December 31, 2009

6.5.2 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.

6.5.3 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.

6.5.4 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.

6.5.5 Investments in associates

Investments in associates are stated at cost. Provision is made for impairment in value, if any.

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

6.5.7 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.

6.6 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.

6.7 Operating fixed assets

6.7.1 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.

6.7.2 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.

6.7.3 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.

6.7.4 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.

Notes to the Financial Statements for the year ended December 31, 2009

6.7.5 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.

6.8 Income tax

6.8.1 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.

6.8.2 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".

6.9 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.

6.10 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.

6.11 Staff retirement benefits

6.11.1 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.

6.11.2 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.

6.12 Revenue recognition

Mark-up/Return on advances and return on investments are recognized on accrual basis that takes in account effective yield on the asset 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.

Notes to the Financial Statements for the year ended December 31, 2009

6.13 Foreign currencies

6.13.1 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. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

6.13.2 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.

6.14 Financial instrument

6.14.1 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.

6.14.2 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.

6.15 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.

6.16 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 and 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.

Notes to the Financial Statements for the year ended December 31, 2009

6.18 Fiduciary assets

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

6.19 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.

	Note	2009	2008
		Rupees in '000	
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		402,550	488,114
Foreign currencies		166,576	194,376
With State Bank of Pakistan (SBP) in:			
Local currency account	7.1	1,725,068	1,621,359
Foreign currency		176,897	150,276
- Current account			
- Deposit account	7.2	570,174	467,268
With National Bank of Pakistan (NBP) in:			
Local currency current account		79,615	148,674
		3,120,880	3,070,067

7.1 Deposits with SBP are maintained to comply with the statutory requirements issued from time to time.

7.2 This includes certain amount, which carry interest at the rate of Nil (2008: 0.90% per annum).

	Note	2009	2008		
		Rupees in '000			
8 BALANCES WITH OTHER BANKS					
In Pakistan					
Current accounts		53,075	101,888		
Outside Pakistan					
Current accounts	8.1	97,993	88,309		
		151,068	190,197		

8.1 This includes Rs. 82.67 million (2008: Rs. 123.57 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.

Notes to the Financial Statements for the year ended December 31, 2009

		Note	2009	2008
			Rupees in '000	
9	LENDINGS TO FINANCIAL INSTITUTIONS			
	In local currency			
	Call money lendings	9.1	750,000	1,301,151
	Repurchase agreement lendings (Reverse repo)	9.2	275,457	75,500
	In foreign currency			
	Placement	9.3	42,251	-
			1,067,708	1,376,651

9.1 These carry mark-up at rates ranging from 12.25% to 13.5% per annum (2008: 5.5% to 29% per annum).

9.2 Securities held as collateral against lendings to financial institutions

		2009			2008		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000							
Market treasury bills	9.2.1	275,457	-	275,457	-	-	-
Pakistan investment bonds	9.2.2	-	-	-	75,500	-	75,500
		275,457	-	275,457	75,500	-	75,500

9.2.1 These have been purchased under the resale agreements at markup rates of 12.2% per annum (2008: Nil) with maturities upto January 2010.

9.2.2 These have been purchased under the resale agreements at markup rates of Nil (2008: 12.5% to 18% per annum) with maturities upto January 2009.

9.3 This represent USD 0.5 million (2008: Nil) placed with Mashreq Bank Hong Kong, which carry interest at the rate of 0.25% per annum (2008: Nil).

Notes to the Financial Statements for the year ended December 31, 2009

10 INVESTMENTS - net	2009			2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
10.1 Investments by type						
Held-for-trading securities						
Listed shares	15,547	-	15,547	-	-	-
Market treasury bills	1,622,640	-	1,622,640	-	-	-
Pakistan investment bonds	144,516	-	144,516	-	-	-
	1,782,703	-	1,782,703	-	-	-
Available-for-sale securities						
Market treasury bills	657,951	6,749,264	7,407,215	1,684,932	3,632,469	5,317,401
Pakistan investment bonds	2,431,303	1,012,636	3,443,939	572,095	-	572,095
Mutual fund units	54,543	-	54,543	88,907	-	88,907
Investment in commercial papers	46,504	-	46,504	-	-	-
Preference shares						
Listed	44,538	-	44,538	65,000	-	65,000
Unlisted	-	-	-	50,000	-	50,000
Term finance certificates						
Listed	197,890	-	197,890	19,187	-	19,187
Unlisted	1,786,911	-	1,786,911	478,267	-	478,267
Ordinary shares						
Listed	159,211	-	159,211	206,105	-	206,105
Unlisted	65,680	-	65,680	65,680	-	65,680
	5,444,531	7,761,900	13,206,431	3,230,173	3,632,469	6,862,642
Held-to-maturity securities						
Pakistan investment bonds	1,410,998	3,759,550	5,170,548	3,052,712	2,333,994	5,386,706
Term finance certificates						
Listed	54,240	-	54,240	61,052	-	61,052
Unlisted	-	-	-	28,571	-	28,571
Shares repo	74,910	-	74,910	75,605	-	75,605
	1,540,148	3,759,550	5,299,698	3,217,940	2,333,994	5,551,934
Investment in associate	75,000	-	75,000	75,000	-	75,000
Investments at cost / Impaired value						
	8,842,382	11,521,450	20,363,832	6,523,113	5,966,463	12,489,576
Less: Provisions for diminution in value of investments	(85,137)	-	(85,137)	(78,993)	-	(78,993)
Investments-net of provision						
Surplus on revaluation of held-for-trading investments	8,757,245	11,521,450	20,278,695	6,444,120	5,966,463	12,410,583
(Deficit) on revaluation of available-for-sale investments	69	-	69	-	-	-
	(99,435)	-	(99,435)	(398,350)	-	(398,350)
Total investments at market value	8,657,879	11,521,450	20,179,329	6,045,770	5,966,463	12,012,233

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
10.2 Investments by segments			
Federal Government Securities			
Market treasury bills	10.2.1	9,029,855	5,317,401
Pakistan investment bonds	10.2.2	8,759,003	5,958,801
		17,788,858	11,276,202
Fully paid-up ordinary shares			
Listed companies	10.7	174,758	206,105
Unlisted companies	10.8	65,680	65,680
		240,438	271,785
Term Finance Certificates, Debentures,	10.9		
Bonds and Participation Term Certificates			
Term finance certificates - Listed	10.9.1	252,130	80,239
- Unlisted	10.9.2	1,786,911	506,838
		2,039,041	587,077
Other investments			
Mutual fund units	10.10	54,543	88,907
Preference shares - Listed	10.11-10.12	44,538	65,000
- Unlisted		-	50,000
Investment in associate	10.13	75,000	75,000
Investment in commercial papers	10.14	46,504	-
Shares repo		74,910	75,605
		295,495	354,512
Total investments at cost		20,363,832	12,489,576
Provision for diminution in the value of investments	10.3	(85,137)	(78,993)
Investments - net of provision		20,278,695	12,410,583
Unrealized gain on revaluation of investment classified as held-for-trading	10.5	69	-
Deficit on revaluation of available-for-sale investments	21.1	(99,435)	(398,350)
Total investments at market value		20,179,329	12,012,233

10.2.1 Principal terms of investments in market treasury bills

Name of investment	Maturity period	Principal payment	Coupon rate	Coupon payment
Market treasury bills	February 2010 to December 2010	On maturity	11.5% to 13.24%	At maturity

10.2.2 Principal terms of investments in Pakistan investment bonds

Name of investment	Maturity period	Principal payment	Coupon rate	Coupon payment
Pakistan investment bonds	December 2010 to August 2018	On maturity	8% to 14%	Semi-annually

These include securities having face value of Rs. 47.7 million (2008: 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.

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
10.3 Particulars of provision			
Opening balance		78,993	91,311
Charge for the year		6,839	-
Reversals		(695)	(11,668)
Write off		6,144	(11,668)
Closing balance	10.3.1	-	(650)
		85,137	78,993
10.3.1 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares - unlisted		7,239	3,388
Term finance certificates - unlisted		2,988	-
Held-to-maturities securities			
Shares repo		74,910	75,605
		85,137	78,993

10.4 Impairment on available-for-sale securities

During the year, the management has recognized impairment loss amounting to Rs. 138.276 million after taking into account adjustment effect of price movement during each quarter on available-for-sale investments as required by SBP circular BSD 4 of 2009 and SRO 150(1)/2009 issued by Securities and Exchange Commission of Pakistan dated February 13, 2009.

	Note	2009	2008
		Rupees in '000	
10.5 Unrealized gain on revaluation of investments classified as held-for-trading			
Listed shares		(393)	-
Market treasury bills		(18)	-
Pakistan investment bonds		480	-
		69	-

Notes to the Financial Statements for the year ended December 31, 2009

		2009		2008
		Rating long term / short term	Amount	Rating long term / short term
Rupees in '000				
10.6 Quality of available-for-sale securities				
10.6.1 Market treasury bills	Unrated	7,407,215	Unrated	5,317,401
10.6.2 Pakistan investment bonds	Unrated	3,443,939	Unrated	572,095
		10,851,154		5,889,496
10.6.3 Mutual fund units				
Pakistan Strategic Allocation Fund	Unrated	8,880	4 Star	20,000
PICIC Growth Fund	Unrated	2,852	Unrated	8,598
ABAMCO Composite Fund	Unrated	24,035	Unrated	52,249
NAMCO Balanced Fund	Unrated	3,776	Unrated	8,060
MCB Cash Management Optimizer Fund	Unrated	15,000		-
		54,543		88,907
10.6.4 Investment in commercial papers	Unrated	46,504		-
10.6.5 Preference shares-listed				
Chenab Limited	Unrated	29,538	Unrated	50,000
Masood Textile Mills Limited	Unrated	15,000	Unrated	15,000
		44,538		65,000
10.6.6 Preference shares-unlisted				
Jamshoro Joint Venture Limited		-	A+	50,000
10.6.7 Term finance certificates-listed				
Escort Investment Bank Limited	A+	8,327	A	9,994
Worldcall Telecom Limited	A	6,128	A+	9,193
Askari Bank Limited	AA-	93,065		-
Engro Chemicals Limited	AA-	90,370		-
		197,890		19,187
Term finance certificates-unlisted				
Avari Hotels	A-	565,000	A-	286,267
JDW Sugar Mills Limited	A	192,000	Unrated	192,000
Gharibwal Cement Limited	D	5,974		-
Bank Al-Habib Limited	AA	156,937		-
Power Holding (Private) Limited	Unrated	867,000		-
		1,786,911		478,267

Notes to the Financial Statements for the year ended December 31, 2009

	2009		2008	
	Rating long term / short term	Amount	Rating long term / short term	Amount
Rupees in '000				
10.6.8 Ordinary shares-listed				
Fauji Fertilizer Company Limited	Unrated	19,204	Unrated	2,247
Hub Power Company Limited	AA+/A1+	21,069	Unrated	26,058
Hira Textile Mills Limited	Unrated	7,497	Unrated	32,968
Kohinoor Energy Limited	Unrated	2,177	Unrated	4,817
PTA Limited	Unrated	2,845	Unrated	10
Maple Leaf Cement Limited	SD	3,407	BBB+	34,396
National Bank of Pakistan	AAA	5,704	AAA	22,506
Oil & Gas Development Corporation		-	AAA	22,660
Pakistan Oil fields Limited	Unrated	8,139	Unrated	44,094
Pioneer Cement Limited	Unrated	213	BBB	1,230
Sui Southern Gas Company Limited	AA-/A1+	4,701	AA-	15,119
EFU General Insurance Limited	AA	2,549		-
Pakistan Reinsurance Limited	Unrated	885		-
Habib Bank Limited	AA+	3,404		-
Engro Chemicals Limited	AA/A1+	13,362		-
TRG Pakistan Limited	Unrated	6,270		-
Standard Chartered Bank Limited	AAA / A1+	329		-
Nishat Power Limited	AA/A1+	53,750		-
Shell Pakistan Limited	Unrated	2,577		-
Allied Bank Limited	AA/A1+	1,129		-
		159,211		206,105
10.6.9 Ordinary shares-unlisted				
Pakistan Export Finance Guarantee Limited	Unrated	5,680	Unrated	5,680
Khushali Bank Limited	A-	10,000	Unrated	10,000
Al-Hamra (Private) Limited	Unrated	50,000	Unrated	50,000
		65,680		65,680
		13,206,431		6,862,642

Notes to the Financial Statements for the year ended December 31, 2009

10.7 Investment in fully paid up ordinary share-listed

2009 No. of shares	2008 No. of shares	Paid up value per	Name of investee	2009 Rupees in '000	2008 Rupees in '000
200,005	17,400	10	Fauji Fertilizer Company Limited	19,204	2,247
685,000	625,000	10	Hub Power Company Limited	21,069	26,058
2,585,000	2,637,420	10	Hira Textile Mills Limited	7,497	32,968
74,997	159,510	10	Kohinoor Energy Limited	2,177	4,817
500,000	1,950	10	PTA Limited	2,845	10
906,250	906,250	10	Maple Leaf Cement Limited	3,407	34,396
75,000	200,000	10	National Bank of Pakistan	5,704	22,506
-	150,000	10	Oil & Gas Development Corporation	-	22,660
40,000	147,000	10	Pakistan Oil fields Limited	8,139	44,094
19,962	19,962	10	Pioneer Cement Limited	213	1,230
350,000	350,000	10	Sui Southern Gas Company Limited	4,701	15,119
25,000	-	10	EFU General Insurance Limited	2,549	-
25,000	-	10	Pakistan Reinsurance Limited	885	-
25,000	-	10	Habib Bank Limited	3,404	-
75,000	-	10	Engro Chemicals Limited	13,362	-
2,200,000	-	10	TRG Pakistan Limited	6,270	-
30,000	-	10	Standard Chartered Bank Limited	329	-
4,300,000	-	10	Nishat Power Limited	53,750	-
10,000	-	10	Shell Pakistan Limited	2,577	-
24,050	-	10	Allied Bank Limited	1,129	-
25,000	-	10	MCB Bank Limited	5,581	-
200,000	-	10	Bank Al-Falah Limited	2,854	-
200,000	-	10	NIB Bank Limited	1,112	-
20,000	-	10	Pakistan State Oil Limited	6,000	-
12,595,264	5,214,492			174,758	206,105

10.8 Investment in fully paid up ordinary share-unlisted

2009 No. of shares	2008 No. of shares	Paid up value per	Name of investee	2009 Rupees in '000	2008 Rupees in '000
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

- 10.8.1** 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.

Notes to the Financial Statements for the year ended December 31, 2009

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

10.9.1 Term finance certificates-listed

Name of investee	No. of certificates held	Paid up value per certificate (Rupees)	2009	2008
			Rupees in '000	
Invest Capital Investment Bank Limited (Formerly Al Zamin Leasing Modaraba)	4,000	5,000	6,800	13,600
Bank Al-Habib Limited	6,000	5,000	29,940	29,952
Invest Capital Investment Bank Limited (Formerly Al-Zamin Leasing Corporation Limited)	3,500	5,000	17,500	17,500
Escort Investment Bank Limited	2,000	5,000	8,327	9,994
Worldcall Telecom Limited	1,840	5,000	6,128	9,193
Askari Bank Limited	29,413	5,000	93,065	-
Engro Chemicals Limited	18,074	5,000	90,370	-
			252,130	80,239

10.9.2 Term finance certificates-unlisted

Name of investee	Name of Chief Executive	No. of certificates held	Paid up value per certificate (Rupees)	2009	2008
				Rupees in '000	
Avari Hotels	Mr. Bahram Avari	113,000	5,000	565,000	286,267
JDW Sugar Mills Limited	Mr. Dewan Abdullah	38,400	5,000	192,000	192,000
Gharibwal Cement Limited	Mr. Mohd Tousif	1,195	5,000	5,974	-
Bank Al-Habib Limited	Mr. Abbas D. Habib	37,000	5,000	156,937	-
Power Holding (Private) Limited	Mr. Shahid Rafi	173,400	5,000	867,000	-
BYCO Petroleum Pakistan Limited (Formerly Bosicar Pakistan Limited)	Mr. M. Wasi Khan	-	5,000	-	28,571
				1,786,911	506,838

10.10 Mutual funds

2009	2008	Paid up value per unit	Name of investee	2009	2008
				Rupees in '000	
2,000,000	2,000,000	10	Pakistan Strategic Allocation Fund	8,880	20,000
200,000	200,000	10	PICIC Growth Fund	2,852	8,598
5,224,895	5,224,895	100	ABAMCO Composite Fund	24,035	52,249
800,000	806,000	10	NAMCO Balanced Fund	3,776	8,060
			MCB Cash Management Optimizer Fund	15,000	-
150,190	-	100		54,543	88,907
8,375,085	8,230,895				

Notes to the Financial Statements for the year ended December 31, 2009

10.11 This includes investment in 5 million (2008: 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.

10.12 This also includes investment in 1.5 million (2008: 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.

10.13 Investment in associate

Name of associate	Chief Executive	Proportion of ownership interest	Place of incorporation	Principal activity
Saudi Pak Insurance Company Limited	Capt. Azhar Ehtesham Ahmed	23.07% (2008: 30%)	Pakistan	General Insurance

Summarized financial information in respect of associate based on latest available financial statements as at December 31, 2009 is set out below:

	Note	2009	2008
		Rupees in '000	
Total assets		522,699	634,704
Total liabilities		321,830	433,973
Net assets		200,869	200,731
Net premium revenue		124,851	145,286
Profit / (Loss) for the year (after tax)		848	(59,884)
Share of loss from associate	10.13.1	(32,700)	(32,896)

10.13.1 Share of loss from associate

Opening balance		(32,896)	(19,075)
Share of profit / (loss) based on audited financial statements		196	(13,821)
Closing balance		(32,700)	(32,896)

10.14 This represents investment in commercial papers issued by Pak Electron Limited carrying interest rate of 7.52% (2008: Nil) with maturity up to March 24, 2010.

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
11. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		39,637,979	37,657,007
Outside Pakistan		-	-
		39,637,979	37,657,007
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		296,655	21,691
Payable outside Pakistan		657,460	508,694
		954,115	530,385
Advances - gross		40,592,094	38,187,392
Provision for non-performing advances - specific	11.2	(8,490,158)	(7,089,770)
Provision against consumer finance- general	11.4.1	(4,446)	(10,249)
Advances - net of provisions		32,097,490	31,087,373
11.1 Particulars of advances (Gross)			
11.1.1 In local currency		40,404,337	37,999,635
In foreign currencies		187,757	187,757
		40,592,094	38,187,392
11.1.2 Short term (for up to one year)		19,737,785	20,264,055
Long term (for over one year)		20,854,309	17,923,337
		40,592,094	38,187,392
11.2 Advances include Rs. 11,891 million (2008: Rs. 12,845 million) which have been placed under non-performing status as detailed below:			
		2009	2008
Category of classification - Specific	Classified advances	Provision required (Domestic)	Provision held
		Rupees in '000	
Substandard	457,149	103,196	103,196
Doubtful	1,054,404	263,384	263,384
Loss	10,379,875	8,123,578	8,123,578
	11,891,428	8,490,158	8,490,158
		12,845,225	7,089,770
		7,089,770	7,089,770

Notes to the Financial Statements for the year ended December 31, 2009

11.3 Particulars of provision against non-performing advances

	Note	2009			2008		
		Specific	General	Total	Specific	General	Total
Rupees in '000							
Opening balance		7,089,770	10,249	7,100,019	5,518,432	22,412	5,540,844
Reclassification of provision against other assets	14.2	(323,097)	-	(323,097)	-	-	-
		6,766,673	10,249	6,776,922	5,518,432	22,412	5,540,844
Charge for the year		3,272,861	-	3,272,861	2,608,208	-	2,608,208
Reversals for the year	11.3.1	(1,108,216)	(5,803)	(1,114,019)	(944,894)	(12,163)	(957,057)
Net charge/(reversal) (note 11.3.2)		2,164,645	(5,803)	2,158,842	1,663,314	(12,163)	1,651,151
Written off	11.6	(441,160)	-	(441,160)	(91,976)	-	(91,976)
Closing balance		8,490,158	4,446	8,494,604	7,089,770	10,249	7,100,019

	Note	2009 Rupees in '000	2008
11.3.1 Reversal for the year			
Reversal charged to profit and loss statement		(1,102,123)	(957,057)
Reversal made directly to equity as capital reserve	11.3.3	(6,093)	-
Net reversal		(1,108,216)	(957,057)
11.3.2 Net charge during the year - specific provisioning			
Net charge classified to profit and loss account		2,170,738	1,663,314
Less: Reversal made directly to the equity as capital reserve	11.3.3	(6,093)	-
Net increase in provision against non-performing advances	11.3	2,164,645	1,663,314

11.3.3 SBP, through its BSD Circular 10 of 2009, introduced interim instructions on classification / provisioning requirement in respect of rescheduling / restructuring of such loans and advances that are overdue by less than one year at the time of rescheduling / restructuring.

Interim instructions allow the banks to upgrade its classified loans by one category at the time of rescheduling / restructuring of the loan or advances, subject to some terms and conditions imposed in the aforementioned Circular. Moreover, the reversal of provisions against rescheduled / restructured loan and advances need to be made into the equity as a capital reserve and shall not be credited to profit and loss account.

Notes to the Financial Statements for the year ended December 31, 2009

11.4 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.

11.4.1 Particulars of provision for consumer financing - general

	2009	2008
	Rupees in '000	
Opening balance	10,249	22,412
Reversals	(5,803)	(12,163)
Closing balance	4,446	10,249

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

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

The aforesaid changes in the computation of provisioning has resulted in reduction of provision against non-performing advances by Rs. 323.053 million and a consequent decrease in loss after tax by Rs. 209.98 million.

During the year, total FSV benefit availed by the Bank resulted in decrease in after tax loss of Rs. 360.117 million (2008: Nil). Accordingly, as of December 31, 2009, the accumulated decrease in loss after tax of Rs. 234.076 million (2008: Nil) shall not available for payment of cash or stock dividend.

11.6 Particulars of write offs

	2009	2008
	Rupees in '000	
Against provision	441,160	91,976
Directly charged to profit and loss account	-	2,610
	441,160	94,586
Write offs of Rs. 500,000 and above	439,956	88,806
Write offs of below Rs. 500,000	1,204	3,170
	441,160	91,976

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, 2009 is given in Annexure - I. However, this write-off does not affect the Bank's right to recover the debts from these customers.

Notes to the Financial Statements for the year ended December 31, 2009

	2009	2008
	Rupees in '000	
11.7 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		
Balance at beginning of the year	272,097	355
Loans granted during the year	88,669	282,480
Repayments	(28,243)	(10,738)
Balance at end of the year	332,523	272,097
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		
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of the year	-	-
Loans granted during the year	-	-
Repayments	-	-
Balance at end of the year	-	-
Details of loans and advances to associates, subsidiary and other realted parties are given in note 39.		
12 OPERATING FIXED ASSETS		
Capital work-in-progress	12.1 569,328	94,880
Property and equipment	12.2 3,122,480	2,890,288
Intangible assets	12.3 28,887	17,282
	3,720,695	3,002,450
12.1 Capital work-in-progress		
Civil works	12.1.1 569,328	94,880
Equipment	-	-
Advances to suppliers and contractors	-	-
	569,328	94,880
12.1.1 Civil work		
Opening balance	94,880	92,447
Additions during the year	799,828	87,819
Transferred to property and equipment	(312,586)	(85,386)
Impairment on capital work-in-progress	22.4.1 (12,794)	-
	569,328	94,880

Notes to the Financial Statements for the year ended December 31, 2009

12.2 Property and equipments

	Cost / Revaluation				Accumulated Depreciation				Net Book value as at December 31, 2009	Rate of depreciation
	As at January 01, 2009	Adjust-ment	Additions/ Revaluation*/ Lease**	Disposals	As at December 31, 2009	As at January 01, 2009	Adjust-ment	Charge for the year/ (Revaluation)** / (Deletions)*		
Rupees in '000										
Freehold land	557,179	-	-	-	557,179	-	-	-	557,179	-
Building on freehold land	64,000	-	-	-	64,000	-	-	3,200	3,200	60,800 5%
Leasehold land	1,282,131	-	-	-	1,282,131	-	-	-	-	1,282,131
Building on leasehold land	260,919	-	-	-	260,919	314	-	13,046	13,360	247,559 5%
Leasehold improvements	398,943	-	193,659	4,834	587,768	118,265	-	41,254 (1,047)*	158,472	429,296 10%
Furniture and fixture	107,608	(12,230)	44,331	-	139,709	40,673	(4,663)	11,686	47,696	92,013 10%
Other equipments	180,874	(14,765)	120,221	829	285,501	106,248	(14,644)	36,527 (398)*	127,733	157,768 20%
Computers	208,859	(21,817)	58,301	-	245,343	135,899	(21,331)	39,468	154,036	91,307 20% - 33.3%
Vehicles	256,211	(1,450)	72,643	43,121	284,283	63,838	(48)	47,178 (22,923)*	88,045	196,238 20%
	3,316,724	(50,262)	489,155	48,784	3,706,833	465,237	(40,686)	192,359	592,542	3,114,291
								(24,368)*		
Assets held under finance lease										
Vehicles	33,762	-	-	13,481	20,281	13,383	-	5,657 (6,947)	12,093	8,188 20%
Computers	55,253	-	-	-	55,253	36,831	-	18,421	55,252	1 33.3%
	89,015	-	-	13,481	75,534	50,214	-	24,078 (6,947)	67,345	8,189
December 31, 2009	3,405,739	(50,262)	489,155	62,265	3,782,367	515,451	(40,686)	216,437	659,887	3,122,480
								(31,315)		
December 31, 2008	2,671,021	-	387,945 399,489*	52,266	3,406,189	414,601	-	160,236 (28,308)* (31,078)	515,451	2,890,288

Notes to the Financial Statements for the year ended December 31, 2009

12.2.1 Details of disposal of fixed assets - By negotiations

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (Loss)	Particulars of purchasers
Rupees in '000						
Honda Civic Reg # APZ-600	1,192	119	1,073	1,122	49	Bank Employee Mr. Sarmad Qureshi
Suzuki Liana Reg # U-4900	875	335	540	590	50	Bank Employee Mr. Iqbal Shah
Suzuki Cultus VXL Reg # APM-490	694	174	520	651	131	M/s. Ittehad Motors Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Suzuki Cultus VXL Reg # LEJ-07-4067	694	150	544	651	107	M/s. Iqbal Motors 17 Jail Road, Lahore.
Toyota Prado Reg # BF-0079	3,974	596	3,378	3,444	66	Bank Employee Mr. Shams-ul-Hassan
Honda City Reg # AJL-968	665	289	376	387	11	Bank Employee Mr. Anwaruddin Ahmed
Honda Civic Reg # HH-233	1,246	1,244	2	806	804	M/s. Ittehad Motors Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Suzuki Cultus VXL Reg # AJG-406	447	193	254	461	207	M/s. Excel Service Enterprise A-494, Block 12, Gulberg, FB Area. Karachi.
Toyota Corolla Gli Reg # LWH-9948	779	91	688	688	-	Saudi Pak Insurance (related party) 2nd Floor, State Life Building No. 2A, I Chundrigar Road, Karachi.
Renovation	4,834	1,047	3,787	260	(3,527)	Farhan & Co. Park Street 20, Baghbanpura, Lahore.
Toyota Corolla Xli Reg # LEE-08-5588	779	117	662	662	-	Bank Employee Ms. Humera Mirza
Suzuki Cultus Reg # LEE-08-3125	707	130	577	577	-	Bank Employee Mr. Faisal Saeed
Toyota Corolla Gli Reg # AMT-648	779	130	649	649	-	Bank Employee Mr. Muhammad Ali
Suzuki Cultus Reg # LEH-07-9361	694	220	474	595	121	M/s. Iqbal Motors 17 Jail Road, Lahore.
Suzuki Cultus Reg # AKZ-084	548	275	273	-	(273)	Written-off
Honda City Vtec Steermatic Reg# ALF-715	950	491	459	475	16	Bank Employee Mr. Farhanullah Khan
Toyota Land Cruiser Prado Reg# BD-3401	3,942	2,037	1,905	3,060	1,155	Mr. M Sohail Hameed House No. 32, Street 16, DHA, Karachi.
Suzuki Cultus Reg # STV-579	620	289	331	460	129	M/s. Iqbal Motors 17 Jail Road, Lahore.
Suzuki Cultus Reg # MK-295	694	231	463	544	81	M/s. Behzad Motors 55 Muslimabad, M.A Jinnah Road, Karachi.
Honda City Exis Reg # AKY-657	548	283	265	514	249	M/s. Behzad Motors 55 Muslimabad, M.A Jinnah Road, Karachi.
Honda City Vario Reg # LEA-08-9119	891	193	698	698	-	Bank Employee Ms. Ayesha Rauf
Suzuki Cultus Reg #	889	148	741	741	-	Bank Employee Ms. Attia Raja
Suzuki Cultus Reg # AMF-089	599	320	279	556	277	M/s. Ittehad Motors Showroom # 8, 55 Muslimabad, M.A Jinnah Road, Karachi.
Honda City Vario Reg # LZX-3776	662	365	297	343	46	Bank Employee Mr. Akram Khan
Honda City Vario Reg # ALR-516	889	504	385	606	221	M/s. Excel Service Enterprise A-494, Block 12, Gulberg, FB Area, Karachi.
Honda Civic Vti Reg # AJL-920	965	750	215	215	-	Bank Employee Mr. Huzair Soomro
Honda City Automatic Reg # ARS-871	1,439	216	1,223	1,223	-	Bank Employee Mr. Shahab Qureshi
Honda Civic Vti Reg # LRV-0952	1,000	33	967	983	16	Bank Employee Mr. Irfan Azam Zaffar
Toyota Land Cruiser Prado Reg # BD-5264	4,360	145	4,215	4,215	-	Bank Employee Mr. Arjumand Minai
Other Equipment-Generator	500	92	408	408	-	Bank Employee Mr. Jamil A Khan
Honda City I-Dsi Reg # ANW-521	779	208	571	571	-	Bank Employee Mr. Junaid Shabbir
Honda Civic Vti Reg # AJL-972	1,245	988	257	257	-	Bank Employee Mr. Javaid Yousuf Edhi
Honda City Vtec Steermatic	742	136	606	606	-	Bank Employee Mr. Ali Bokhary
Honda City Vario Reg # LZW-1214	649	325	324	335	11	Bank Employee Mr. Shahid Ali Shaikh
Suzuki Mehran Reg #	530	35	495	504	9	Bank Employee Mr. Ahmed Afzalullah
Suzuki Cultus Reg # ARN-631	889	133	756	710	(46)	Bank Employee Ms. Kanwal Hassan
Items having book value of less than Rs.250,000 and cost of less than Rs.1,000,000	19,576	18,283	1,293	10,770	9,477	Various
	62,265	31,315	30,950	40,337	9,387	

Notes to the Financial Statements for the year ended December 31, 2009

12.2.2 Operating fixed assets written offs

	2009 Rupees in '000	2008 -
Cost of the assets written off	48,812	-
Less: Accumulated depreciation	(40,638)	-
Net book value	8,174	-
Less: Cash realization on disposal of write off assets	(283)	-
Net charge for the year	<u>7,891</u>	-

This represents write-offs of fixed assets and accumulated depreciation thereon based on an exercise carried out by the management to reconcile the records with physical assets.

- 12.2.3** 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 over the properties net book value of Rs. 1,736.5 million as on that date. Had there been no revaluation, the carrying value of the revalued assets would have been lower by Rs. 397.864 million (2008: Rs. 413.346 million).

2009 2008
Rupees in '000

12.2.4 The gross carrying amount of fully depreciated assets that are still in use:

Furniture, electrical, office and computer equipment	293,591	158,155
Vehicles	28,231	38,487
	<u>321,822</u>	196,642

12.3 Intangible assets

	Cost			Accumulated Amortization			Net book value as at December 31, 2009	Rate of amortization		
	As at January 01, 2009	Adjust -ment	Addition / (Disposal)	As at December 31, 2009	As at January 01, 2009	Adjust -ment	Amortiz -ation for the year	As at December 31, 2009		
Rupees in '000										
Computer software	61,599	(14,340)	18,240	65,499	44,317	(14,340)	6,635	36,612	28,887	25
December 31, 2008	47,353	-	14,246	61,599	28,338	-	15,979	44,317	17,282	33.33

12.4 Change in accounting estimate

During the year, the management has reviewed the useful life of other equipments and intangible assets of the Bank. As a result of such review, expectations of useful life of ATM machines and computer softwares differ from previous estimates. Useful life of ATM machines and computer softwares is determined to be five years and four years respectively as opposed to the previous estimate of three years.

This change in useful life has been accounting for as a change in accounting estimate in accordance with the International Accounting Standard 8 Accounting Policies, Change in Accounting Estimates and Errors. Had the useful life was not been changed, the depreciation / amortization charged for the year would have been higher by Rs. 8.926 million and carrying value of property and equipments would have been lower by the same amount.

13 DEFERRED TAX ASSETS - NET

Deferred tax debits arising in respect of

Provision against:

Non-performing advances {including consumer financing}	989,352	643,319
Accumulated loss	3,164,324	2,040,382
Revaluation of securities	30,520	62,194

Note 2009 2008
Rupees in '000

Deferred tax credits arising in respect of

Liabilities against assets subject to finance lease	(800)	(326)
Accelerated tax depreciation	(175,158)	(98,241)
Revaluation of property and equipment	(32,089)	(33,389)
	<u>(208,047)</u>	(131,956)
	<u>3,976,149</u>	2,613,939

- 13.1** Deferred tax asset has been recognized based on the projections performed by the management indicating reasonable probability that taxable profits will be available in the foreseeable future against which the unused tax losses will be utilized.

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
14 OTHER ASSETS			
Income/ Mark-up accrued in local currency		1,684,105	1,428,510
Income/ Mark-up accrued in foreign currency		11,682	10,846
Advances, deposits, advance rent and other prepayments		511,638	482,896
Non-banking assets acquired in satisfaction of claims	14.1	2,306,269	355,550
Unrealized gain on forward foreign exchange contracts		-	3,974
Others		69,359	119,738
		4,583,053	2,401,514
Less: Provision held against other assets	14.2	(232,031)	(109,156)
Other assets (net of provision)		4,351,022	2,292,358
		2,306,269	355,550
14.1 Market value of Non-Banking assets acquired in satisfaction of claims			
Opening balance		109,156	99,667
Reclassification from advances	11.3	323,097	-
Charge for the year		432,253	99,667
Reversals		59,148	9,489
Net (reversal) / charge for the year	29	182,079	-
Amount written off		(122,931)	9,489
Closing balance		77,291	-
		232,031	109,156
15 BILLS PAYABLE			
In Pakistan		637,602	431,537
Outside Pakistan		-	-
		637,602	431,537
16 BORROWINGS			
In Pakistan		15,088,332	8,738,616
Outside Pakistan		-	-
		15,088,332	8,738,616
16.1 Particulars of borrowings			
In local currency		15,088,332	8,738,616
In foreign currencies		-	-
		15,088,332	8,738,616

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008		
		Rupees in '000			
16.2 Details of borrowings					
Secured					
Borrowings from SBP					
Under export refinance scheme	16.2.1	3,409,365	2,218,436		
LTF.-Export Oriented Projects	16.2.1	109,818	157,334		
Repurchase agreement borrowing	16.2.2	11,569,149	5,912,806		
		15,088,332	8,288,576		
Unsecured					
Call borrowings	16.2.3	-	450,040		
Overdrawn NOSTRO accounts		-	-		
		-	450,040		
		15,088,332	8,738,616		

- 16.2.1 These borrowings carry markup at the rate of 7% and 5% respectively (2008: 6.5% and 5%) per annum.
- 16.2.2 These represents funds borrowed from the local interbank money market carrying interest rate ranging from 11.96% to 12.5% (2008: 9.1% to 9.95%) per annum with maturities up to January, 2010.
- 16.2.3 These represents unsecured borrowings from the local money market carrying interest rate of Nil (2008: 8.5% to 15%) per annum.

	2009	2008
		Rupees in '000
17 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	23,722,819	22,162,637
Savings deposits	12,847,945	10,149,501
Current accounts - non-remunerative	8,169,844	5,893,172
Margin accounts - non -remunerative	580,773	514,724
Others	179,233	218,170
	45,500,614	38,938,204
Financial institutions		
Remunerative deposits	4,093,822	2,107,133
Non-remunerative deposits	15,598	11,293
	4,109,420	2,118,426
	49,610,034	41,056,630
17.1 Particulars of deposits		
In local currency	46,329,818	38,079,532
In foreign currencies	3,280,216	2,977,098
	49,610,034	41,056,630

Notes to the Financial Statements for the year ended December 31, 2009

18 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Period	2009			2008		
	Minimum lease payments	Financial charges allocated to future periods	Principal outstanding	Minimum lease payments	Financial charges allocated to future periods	Principal outstanding
Rupees in '000						
Not later than one year	10,708	232	10,476	37,978	3,671	34,307
Later than one year and not later than five years	-	-	-	5,815	391	5,424
	10,708	232	10,476	43,793	4,062	39,731

18.1 The Bank entered 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 3.5% (2008: 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	2009	2008
		Rupees in '000	
19 OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency		894,712	659,370
Mark-up/ Return/ Interest payable in foreign currency		5,372	14,351
Unearned commission and income on bills discounted		16,556	15,817
Accrued expenses		184,939	84,979
Branch adjustment account		102,794	36,441
Unrealized loss on forward foreign exchange contracts		3,841	-
Tax liability - net		42,575	21,848
Provision for gratuity	35.3	35,075	26,632
Others		268,944	127,956
		1,554,808	987,394

20 SHARE CAPITAL

20.1 Authorized capital

2009	2008	
Number of shares in '000		
4,000,000	2,500,000	Ordinary shares of Rs. 10 each.

Notes to the Financial Statements for the year ended December 31, 2009

20.2 Issued, subscribed and paid up share capital

2009	2008				
Number of shares in '000					
800,315	800,315	Ordinary shares of Rs. 10 each fully paid in cash	8,003,150	8,003,150	
		Ordinary shares of Rs. 10 each fully paid in cash and issued at a discount of Rs. 2.5 per share			
100,000	100,000		1,000,000	1,000,000	
900,315	900,315		9,003,150	9,003,150	

20.3 The Bank has approved issuance of rights shares @311.00226% on December 2, 2009 at a discount of Rs.7.5 per share on the face value of Rs.10 each to generate net additional capital of Rs. 7 billion. These rights shares were subsequently taken up by the shareholders and by the close date Rs. 4.3 billion had been subscribed by the shareholders. Arrangements are in hand for the subscription of Rs. 2.7 billion towards the un-paid rights shares and it is expected to be completed by the end of May 2010.

20.4 Capital management policies and procedures

The Bank's objectives when managing capital are:

to comply with the capital requirements set by the regulator;

to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

to maintain a strong capital base to support the development of its business.

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

20.5 The State Bank of Pakistan requires each commercial bank to: (a) hold the minimum level of the regulatory capital (net of losses) to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in phased manner requiring Rs. 6 billion paid up capital (net of losses) by the end of the financial year 2009 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 10%.

20.6 The Bank had a short fall of Rs. 6,028 million as on December 31, 2009 in meeting the minimum capital requirement of Rs. 6 billion (net of losses), as required under BSD circular No. 7 of 2009. The Bank, in order to cover this short fall, approved issuance of the rights shares at a discount on December 2, 2009, to generate net additional capital of Rs. 7 billion. These rights shares were subscribed to the extent of Rs. 4.3 billion by the close date of the rights. Arrangements have been finalized to generate Rs. 2.7 billion towards the un-paid rights shares, by end May 2010. With this additional Rs. 2.7 billion in place, the Bank would be fully compliant for the minimum capital requirements (MCR) and for the capital adequacy ratio (CAR) as at December 31, 2009.

20.7 However, the Bank has been granted extension to meet regulatory capital requirements till April 30, 2010. Further, extension in meeting MCR requirement has been applied by the Bank till June 25, 2010 against which SBP's response is awaited.

Notes to the Financial Statements for the year ended December 31, 2009

20.8 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 refer to in note 40, summaries the composition of regulatory capital and the ratios of the Bank for the year ended December 31, 2009.

	Note	2009	2008
		No. of shares in '000	
20.9 Reconciliation of number of ordinary shares of Rs. 10 each			
At the beginning of the year		900,315	500,175
Issued during the year		-	400,140
At the end of the year		900,315	900,315

21 SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

(Deficit) on revaluation of securities	21.1	(68,915)	(336,156)
Surplus on revaluation of property	21.2	1,635,099	1,637,519
		1,566,184	1,301,363

21.1 (Deficit) on revaluation of securities

Federal government securities		(87,199)	(177,698)
Quoted securities		(12,236)	(220,652)
	10.2	(99,435)	(398,350)
Deferred tax asset recognized	13	30,520	62,194
		(68,915)	(336,156)

21.2 Surplus on revaluation of property

Surplus on revaluation of properties	21.2.1	1,667,188	1,670,908
Deferred tax (liability) recognized	13	(32,089)	(33,389)
		1,635,099	1,637,519

21.2.1 Reconciliation of surplus on revaluation of property

At the beginning of the year		1,670,908	1,245,660
Surplus during the year		-	427,344
Surplus realized on account of incremental depreciation (net of tax)		(3,720)	(2,096)
At the end of the year		1,667,188	1,670,908

Notes to the Financial Statements for the year ended December 31, 2009

22 CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

22.2 Transaction-related contingent liabilities

Guarantees favoring:		
Government	4,063,478	3,948,414
Banking companies and other financial institutions	573,262	90,442
Others	1,428,959	1,293,072

22.3 Trade-related contingent liabilities

Others	4,054,459	2,923,902
--------	------------------	-----------

22.4 Other contingencies

Claims against the Bank not acknowledged as debt	22.4.1	207,607	186,875
--	--------	----------------	---------

22.4.1 The Bank had purchased a property of Rs. 68.882 million in Lahore in year 2006 for its own use. Although the builder has released the clearance letter in favor of the Bank but due to dispute between Military Estate Officer and builder in respect of area allotted for parking, the title documents of the property has not been transferred in Bank's name. The said property has therefore been classified as capital work in progress. However, impairment at the rate of 5% per annum has accordingly been charged to the accounts (refer note 12.1).

	2009	2008
	Rupees in '000	
22.5 Commitments in respect of		
Forward Exchange Contracts with State Bank of Pakistan, banks and other institutions		
Sale	2,109,623	1,137,795
Purchase	4,459,746	3,190,282
	6,569,369	4,328,077
22.6 Commitments in respect of		
Property, civil work & equipment	411,241	388,052
Purchase of software	205,227	50,152
	616,468	438,204

23 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 22.5 There was no equity futures position at the year end.

Notes to the Financial Statements for the year ended December 31, 2009

		Note	2009	2008
			Rupees in '000	
24	MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:				
Customers	24.1		4,143,977	3,441,144
On investments in:				
Held-for-trading securities			-	-
Available-for-sale securities			954,189	553,230
Held-to-maturity securities			668,608	335,407
On deposits with financial institutions			1,394	2,452
On call money lendings			105,660	104,932
On securities purchased under resale agreements			39,348	151,134
On placements - foreign currency			141	-
			5,913,317	4,588,299

24.1 This figure is net off mark-up suspended in accordance with the Prudential Regulations of the SBP amounting to Rs. 219.629 million (2008: Rs. 644.428 million).

		Note	2009	2008
			Rupees in '000	
25	MARK-UP / RETURN / INTEREST EXPENSED			
Deposits			4,493,551	3,494,719
Securities sold under repurchase agreements			866,277	205,495
Call borrowings			295,577	317,821
Borrowing from State Bank of Pakistan under export refinance scheme			198,010	99,952
Interest on sub-ordinated loan			-	39,433
Others			2,102	61,481
			5,855,517	4,218,901

26 GAIN / (LOSS) ON SALE OF SECURITIES - net

Federal government securities		55,809	-
-Pakistan investment bonds		4,468	570
-Market treasury bills		(1,625)	1,435
Shares - Listed		(12)	17,531
Mutual funds		58,640	19,536

27 OTHER INCOME

Rent on property - non banking assets		7,935	9,210
Net profit on sale of property and equipment		9,387	7,708
Postage, telex, services charges etc.		79,178	57,914
Others		37,375	21,030
		133,875	95,862

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
28 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits		1,327,645	980,440
Charge for defined benefit plan	35.5	34,960	26,517
Contribution to defined contribution plan		43,872	30,488
Non-executives directors' fees, allowances and other expenses		19,380	18,307
Rent, taxes, insurance, electricity, etc.		434,279	239,361
Legal and professional charges		87,947	77,854
Communications		129,004	48,272
Repairs and maintenance		46,275	59,607
Financial charges on leased assets		4,375	9,032
Stationery and printing		58,853	29,976
Security charges		46,564	40,287
Advertisement and publicity		109,933	29,519
Donation	28.1	1,083	-
Depreciation	12.2	216,437	160,236
Amortization of intangible assets	12.3	6,635	15,979
Auditors' remuneration	28.2	2,283	1,508
Fuel and traveling expenses		111,032	93,172
Brokerage and commission		7,220	5,496
Subscriptions and newspapers		1,427	18,298
Entertainment		26,367	18,591
Others		32,285	32,792
		2,747,856	1,935,732
28.1 Donations			
Pakistan Parkinsons Society	28.1.1	250	-
Pakistan Centre for Philanthropy		833	-
		1,083	-
28.1.1	Munawar Hamid, OBE, Chairman of the Board of Directors of SilkBank is also vice chairman on the Board of Governors of Pakistan Parkinsons Society, except for this none of the directors, executives and their spouses had any interest in the donations made during the year.		
28.2 Auditors' remuneration		2009	2008
Annual audit fee		1,050	750
Half yearly review		450	350
Special certifications, limited scope review		645	375
Out-of-pocket expenses		138	33
		2,283	1,508
29 OTHER (REVERSAL) / PROVISIONS / IMPAIRMENT / WRITE OFFS			
Net charge against operating fixed assets written off	12.2.2	7,891	-
Net (reversal) / charge against other assets	14.2	(122,931)	9,489
Impairment of capital assets	22.4.1	12,794	-
		(102,246)	9,489

Notes to the Financial Statements for the year ended December 31, 2009

30 OTHER CHARGES

National Accountability Bureau Commission	30.1	10,710	43
Penalties imposed by SBP	30.2	771	806
Other provisions		6,000	-
		17,481	849

30.1 This represents commission paid to National Accountability Bureau 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.

2009 **2008**
Rupees in '000

31 INCOME TAX EXPENSE

Current	8,414	16,462
Prior years	34,616	-
Deferred	(1,392,584)	(836,449)
	(1,349,554)	(819,987)

31.1 Effective tax rate reconciliation

The charge for the current year represents tax charge on profit of Azad Jammu and Kashmir operations. 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 returns of the Bank have been submitted upto Tax Year 2009. As regard to tax year 2008, the Bank was selected for tax audit. The Bank has filed appeals before the Income Tax Appellate Tribunal (ITAT) against certain disallowances amounting to Rs. 4,640 million made by Taxation Officer (TO) for assessment / Tax Year(s) 1999-2000, 2000-2001, 2001-2002, 2002-2003 and 2004. The disallowances amounting to Rs. 530 million in respect of Tax Year 2003 and 2006 are pending at Commissioner of Income Tax (Appeals). However, on prudent basis tax impact of Rs. 34.616 million in respect of certain disallowances made by the income tax authorities have been incorporated in the these financial statements.t

31.3 The Bank's return in respect of AJK branches operations have submitted up to and including Tax Year 2009. 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.

31.4 The Finance Act, 2009 has made amendments in the Seventh Schedule to the Income Tax Ordinance, 2001. Deductions on account of provision for doubtful and loss category advances and off balance sheet items are allowable upto a maximum of 1% of total advances. Amount of bad debts classified as Substandard under Prudential Regulations issued by State Bank of Pakistan would not however be admissible. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. However, income tax provisions in respect of provisions against NPL loans relating to Tax Year 2008 and prior years are same as they were before the said amendment.

32 LOSS PER SHARE - BASIC AND DILUTED

	2009	2008
Loss after taxation for the year (Rupees in '000)	(2,902,905)	(2,014,268)
Weighted average number of ordinary shares (Rupees in '000)	900,315	712,749
Loss per share - Basic and Diluted (Rupee per share)	(3.22)	(2.83)

There is no dilutive effect on the basic earnings per share of the Bank.

Notes to the Financial Statements for the year ended December 31, 2009

	Note	2009	2008
		Rupees in '000	
33 CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	3,120,880	3,070,067
Balances with other banks	8	151,068	190,197
Call money lendings	9	750,000	1,301,151
		4,021,948	4,561,415
34 STAFF STRENGTH		2009	2008
Permanent		Number of persons	
Temporary/ Contractual basis		1,238	1,157
Bank's own staff strength at the end of the year		21	25
Outsourced		1,259	1,182
Total staff strength		700	539
		1,959	1,721
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. Projected Unit Credit Actuarial Cost Method has been used for actuarial valuation.			
The main assumptions used for actuarial valuation are as under:			
35.2 Principal actuarial assumption		2009	2008
Discount factor used per annum		12.75%	15%
Expected increase in eligible pay per annum		12.75%	15%
Normal retirement age		60 years	60 years
Average future remaining working life of employees		14 years	15 years
35.3 Reconciliation of amount payable to defined benefit plan		Note	2009
Present value of defined benefit obligation		35.4	Rupees in '000
(Unrecognized) actuarial gain		93,632	49,762
Fair value of plan assets		(20,851)	(4,716)
Unrecognized prior years service cost		(40,740)	(22,862)
Liability recognized in balance sheet	35.4	3,034	4,448
		35,075	26,632

Notes to the Financial Statements for the year ended December 31, 2009

35.4 Movement in payable to defined benefit plan

Opening balance		26,632	21,164
Charge for the year	35.5	34,960	26,517
Contribution during the period		(26,517)	(21,049)
Closing balance		35,075	26,632

35.5 Charge for defined benefit plan

Current service cost		32,522	24,881
Interest cost		9,736	5,469
Expected return on plan assets		(5,885)	(3,480)
Recognition of (gain) on obligation		(1,413)	(353)
	28	34,960	26,517

36 COMPENSATION OF DIRECTORS AND EXECUTIVES

	2009 President / CEO	2008 President / CEO	2009 Executives	2008 Executives
Rupees in '000				
Managerial remuneration	22,552	41,583	334,558	152,874
Charge for defined benefit plan	1,879	3,464	25,665	12,416
Contribution to defined contribution plan	1,879	3,464	25,680	12,416
Rent and house maintenance	7,893	14,739	132,836	65,685
Utilities	2,255	2,474	33,462	14,200
Medical	-	185	29,937	14,715
Conveyance	-	-	29,778	19,852
Others	7,586	11,812	113,720	93,349
	44,044	77,721	725,636	385,507
Number of persons remained during the year	1	3	245	140

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.

Notes to the Financial Statements for the year ended December 31, 2009

37 FAIR VALUE OF FINANCIAL INSTRUMENTS

37.1 On-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
Rupees in '000				
Assets				
Cash balances with treasury banks	3,120,880	3,120,880	3,070,067	3,070,067
Balances with other banks	151,068	151,068	190,197	190,197
Lending to financial institutions	1,067,708	1,067,708	1,376,651	1,376,651
Investments	20,179,329	20,179,329	12,012,233	12,012,233
Advances	32,097,490	32,097,490	31,087,373	31,087,373
Other assets	1,695,787	1,695,787	1,439,356	1,439,356
	58,312,262	58,312,262	49,175,877	49,175,877
Liabilities				
Bills payable	637,602	637,602	431,537	431,537
Borrowings	15,088,332	15,088,332	8,738,616	8,738,616
Deposits and other accounts	49,610,034	49,610,034	41,056,630	41,056,630
Liabilities against assets subject to finance lease	10,476	10,476	39,731	39,731
Other liabilities	900,084	900,084	673,721	673,721
	66,246,528	66,246,528	50,940,235	50,940,235

37.2 Off-balance sheet financial instruments

	2009		2008	
	Book value	Fair value	Book value	Fair value
Rupees in '000				
Forward purchase of foreign exchange	4,459,746	4,459,746	3,190,282	3,190,282
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	2,109,623	2,109,623	1,137,795	1,137,795
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.

Notes to the Financial Statements for the year ended December 31, 2009

38 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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.

	2009				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
Rupees in '000					
Current year					
Total income	81,542	1,910,042	93,481	4,297,855	192,584
Total expenses	29,576	1,163,956	-	4,691,561	4,942,870
Net income (loss)	51,966	746,086	93,481	(406,493)	(4,737,499)
Segment assets (gross)	9,328,984	22,585,201	1,721,813	43,522,947	-
Segment non performing loans	9,113,190	-	101,054	2,677,184	-
Segment provision required	6,777,226	-	27,000	1,685,932	-
Segment liabilities	-	11,606,241	17,449	55,277,562	-
Segment return on net assets (ROA) (%)	0.56	6.80	5.48	3.46	-
Segment cost of funds (%)	-	10.03	-	8.49	-
2008					
Rupees in '000					
Prior year					
Total income	63,741	1,227,672	126,354	3,439,644	115,398
Total expenses	39,433	584,797	-	3,594,671	3,588,163
Net income (loss)	24,308	642,875	126,354	(155,027)	(3,472,765)
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	-

Detail segment information is mentioned in note 41.1.4

Notes to the Financial Statements for the year ended December 31, 2009

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 the house building, conveyance and for personal use have also been provided to the staff and executives at the reduced rates in accordance with the employment and pay policy. These have been disclosed in note 11.7 of the financial statements. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained car.

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

	2009			2008		
	Directors	Key manage -ment personnel	Associated companies & common directorship	Directors	Key manage -ment personnel	Associated companies & common directorship
Rupees in '000						
Balances						
Loans						
Outstanding at beginning	-	1,666	-	-	2,625	64,833
Loans given during the year	-	5,307	-	-	1,605	-
Loans repaid during the year	-	(5,820)	-	-	(2,564)	(64,833)
Loans outstanding at end	-	1,153	-	-	1,666	-
Deposits						
Deposits at beginning	6,915	105,632	20,755	1,141	32,936	219,564
Deposit received during the year	143,375	815,101	1,218,805	211,809	1,392,047	10,261,430
Deposit repaid during the year	(147,821)	(862,872)	(1,202,730)	(206,035)	(1,319,351)	(10,460,239)
Deposit at end	2,469	57,861	36,830	6,915	105,632	20,755
Letter of credit and acceptance	-	-	-	-	-	601
Investment in Term Finance Certificates	-	-	6,128	-	-	9,193
Transactions						
Short term employment benefits	-	288,235	-	-	247,919	-
Termination benefits	-	23,431	-	-	56,327	-
Mark-up and commission earned	-	198	1,407	-	116	6,923
Mark-up and commission paid	279	4,412	3,449	166	1,716	39,861
Revaluation & exchange income	-	-	-	-	-	(1,182)
Rent paid	-	-	-	-	-	57
Services rendered	-	-	191,248	-	10,078	-
Software purchased	-	-	10,145	-	3,738	-

Notes to the Financial Statements for the year ended December 31, 2009

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:

	2009	2008
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Fully paid-up-capital	9,003,150	9,003,150
General reserves as disclosed on the Balance Sheet	224,649	218,556
Accumulated losses	(9,030,894)	(6,131,709)
	196,905	3,089,997
Deductions:		
Book value of intangibles	28,887	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)	-	336,156
Other deductions	37,500	-
	66,387	353,438
Total eligible Tier I capital	130,518	2,736,559
Supplementary Capital		
Tier II Capital		
Subordinated debt (up to 50% of total Tier I Capital)	-	-
General provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets	4,446	10,249
Revaluation reserve (up to 45%)	705,489	736,884
	709,935	747,133
Deductions:		
Other deductions	37,500	-
Total eligible Tier II Capital	672,435	747,133
Eligible Tier III Capital	-	-
Total Supplementary Capital eligible for capital adequacy ratio (Maximum upto 100% of Total eligible Tier 1 capital)	130,518	747,133
Total Eligible Capital	261,036	3,483,692
Risk Weighted Amounts		
Total Credit Risk Weighted Amount	41,144,697	41,208,965
Total Market Risk Weighted Amount	3,598,710	301,723
Total Operational Risk Weighted Amount	1,670,233	2,085,990
Total Risk Weighted Amount	46,413,640	43,596,678
Capital Adequacy Ratios		
Credit Risk Capital Adequacy Ratio	1.95%	8.45%
Tier I Capital to Total Risk Weighted Amount	0.28%	6.28%
TOTAL CAPITAL ADEQUACY RATIO	0.56%	7.99%

The capital adequacy ratio would be in excess of 10% as required by State Bank of Pakistan if the rights money of Rs. 7 billion as disclosed in notes 20.3 and 20.6 is incorporated in above calculation.

Notes to the Financial Statements for the year ended December 31, 2009

40.1 Credit risk - General disclosures

The Bank uses the 'Standardised Approach' for all its credit risk exposures.

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

Exposures	2009	
	JCR - VIS	PACRA
Corporate	P	P
Banks	P	P
Sovereigns	O	O
SME's	O	O
Securitisation	N/A	N/A
Others	N/A	N/A

40.2 Credit exposures subject to Standardised Approach

Exposures	Rating Category #	2009			2008		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Cash and Cash Equivalents	-	569,126	-	569,126	682,489	-	682,489
Claims on Government of Pakistan	-	6,975,231	-	6,975,231	7,728,834	-	7,728,834
Foreign Currency claims on SBP	-	747,071	-	747,071	617,544	-	617,544
Claims on other sovereigns and on GoP	1	-	-	-	-	-	-
Claims on other sovereigns and on GoP	2,3,4, 5	-	-	-	-	-	-
Claims on other sovereigns and on GoP	Unrated	-	-	-	-	-	-
PSE's	1	-	-	-	-	-	-
PSE's	Unrated	-	-	-	-	-	-
Banks	1,2,3,4, 5	-	-	-	-	-	-
Banks	-	2,172,891	-	2,172,891	2,097,234	-	2,097,234
Corporates	1	-	-	-	-	-	-
Corporates	2,3,4	1,754,224	-	1,754,224	1,901,305	-	1,901,305
Corporates	5,6	104,502	-	104,502	-	-	-
Corporates	Unrated	20,663,219	949,961	19,713,258	19,419,035	1,466,776	17,952,259
Retail portfolio	Unrated	4,993,994	1,124,426	3,869,568	3,094,186	226,308	2,867,878
Secured by residential property	-	1,228,717	-	1,228,717	934,068	-	934,068
Past due loans	-	1,319,238	-	1,319,238	5,888,904	-	5,888,904
Listed Equity investments - banks	-	98,778	-	98,778	145,669	-	145,669
Unlisted equity investments	-	75,418	-	75,418	692,529	-	692,529
Investments in operating fixed assets	-	3,704,602	-	3,704,602	3,002,450	-	3,002,450
Other assets	-	8,327,171	-	8,327,171	4,906,297	-	4,906,297
		52,734,182	2,074,387	50,659,795	51,110,544	1,693,084	49,417,460

Notes to the Financial Statements for the year ended December 31, 2009

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 obligation 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.

SilkBank'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.

Notes to the Financial Statements for the year ended December 31, 2009

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 (ORR)

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 Silkbank the initial objective of ORR is to generate accurate and consistent ratings for credit portfolio of the Bank. Credit/Obligor risk ratings are summary indicators of the degree of risk inherent in SilkBank'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 SilkBank a system has been developed and successfully implemented to assign Credit/Obligor Risk Ratings to each borrower.

Notes to the Financial Statements for the year ended December 31, 2009

41.1.4 Segmental information

41.1.4.1 Segments by class of business

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and Pharmaceuticals	3,086,857	7.6%	1,079,035	2.2%	1,137,402	6.5%
Agribusiness	177,021	0.4%	32,564	0.1%	-	0.0%
Cement	1,401,089	3.5%	370,022	0.7%	367,468	2.1%
Sugar	1,023,905	2.5%	55,830	0.1%	244,979	1.4%
Textile	9,261,815	22.8%	160,542	0.3%	1,609,861	9.2%
Footwear and Leather garments	667,695	1.6%	18,131	0.0%	-	0.0%
Automobile/transportation equipment	808,267	2.0%	957	0.0%	150,487	0.9%
Electronics and electrical appliances	1,062,071	2.6%	242,720	0.5%	318,473	1.8%
Power (electricity), Gas, Water, Sanitary	1,074,345	2.6%	112,702	0.2%	937,919	5.4%
Financial	469,684	1.2%	4,109,420	8.3%	8,147,298	46.5%
Insurance	200,000	0.5%	322,860	0.7%	283,476	1.6%
Individuals	1,658,310	4.1%	24,524,148	49.4%	3,500	0.0%
Others	19,701,035	48.5%	18,581,103	37.5%	4,312,739	24.6%
	40,592,094	100%	49,610,034	100%	17,513,602	100%
2008						
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 and 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%

Notes to the Financial Statements for the year ended December 31, 2009

41.1.4.2 Segment by sector

	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	-	-	7,591,320	15%	4,063,478	23%
Private	40,592,094	100%	42,018,714	85%	13,450,124	77%
	40,592,094	100%	49,610,034	100%	17,513,602	100%
2008						
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%

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

	2009		2008	
	Classified advances	Specific provisions	Classified advances	Specific provisions
Rupees in '000				
Agriculture, forestry, hunting and fishing	35,264	21,295	33,760	12,166
Textile	3,444,953	2,469,913	3,814,568	1,827,216
Chemical and pharmaceuticals	193,086	136,071	611,800	308,945
Cement	204,778	113,907	254,778	137,480
Sugar	492,136	193,905	218,811	45,643
Footwear and leather garments	14,103	8,718	8,406	7,132
Automobile and transportation equipment	611,888	335,118	519,042	57,142
Electronics and electrical appliances	1,338,409	1,232,547	865,409	550,443
Construction	360,845	72,072	-	-
Exports / Imports	66,626	20,153	-	-
Financial	52,067	52,067	52,067	52,067
Services	132,920	41,107	-	-
Individuals	133,931	93,143	231,696	144,190
Others	4,810,422	3,700,142	6,234,889	3,947,346
	11,891,428	8,490,158	12,845,225	7,089,770

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

	2009		2008	
	Classified Advances	Specific Provisions	Classified Advances	Specific Provisions
Rupees in '000				
Public / Government	-	-	-	-
Private	11,891,428	8,490,158	12,845,225	7,089,770
	11,891,428	8,490,158	12,845,225	7,089,770

Notes to the Financial Statements for the year ended December 31, 2009

41.1.4.5 Geographical segment analysis

	2009			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
Rupees in '000				
Pakistan	(4,252,459)	68,664,341	1,763,089	17,513,602
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	(4,252,459)	68,664,341	1,763,089	17,513,602
2008				
Rupees in '000				
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

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 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.

Notes to the Financial Statements for the year ended December 31, 2009

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.

	2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan rupee	67,192,727	63,436,560	(1,968,238)	1,787,929
United States dollar	1,324,804	2,595,124	1,348,946	78,626
Great Britain pound	55,024	479,187	421,024	(3,139)
Japanese yen	706	11	-	695
Euro	89,263	390,370	300,393	(714)
Other currencies	1,818	-	(102,126)	(100,308)
	68,664,341	66,901,252	-	1,763,089
2008				
Rupees in '000				
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

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 are monitored on a regular basis.

Notes to the Financial Statements for the year ended December 31, 2009

41.2.3 Mismatch of interest rate sensitive assets and liabilities

Effective Yield / Interest rate	Total	2009									Non-interest bearing financial instruments		
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
Rupees in '000													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	3,120,880	369,102	-	-	-	-	-	-	-	-	2,751,778		
Balances with other banks	151,068	-	-	-	-	-	-	-	-	-	151,068		
Lending to financial institutions	11.38%	1,067,708	1,067,708	(41,960)	2,927,452	4,466,640	2,175,540	960,024	2,840,452	2,922,422	3,446,624	46,504	
Investments	7.64%	20,179,329	(41,960)	2,927,452	4,466,640	2,175,540	960,024	2,840,452	2,922,422	3,446,624	435,631		
Advances	10.56%	32,097,490	8,345,416	2,768,014	2,492,377	6,129,755	2,531,139	3,077,994	4,628,069	245,743	1,874,532	4,451	
Other assets		1,695,787										1,695,787	
		58,312,262	9,740,266	5,695,466	6,959,017	8,305,295	3,491,163	5,918,446	7,550,491	3,692,367	1,921,036	5,038,715	
Liabilities													
Bills		637,602										637,602	
Borrowings	12.43%	15,088,332	15,088,332										
Deposits and other accounts	8.43%	49,610,034	8,141,604	9,832,120	8,500,723	5,303,342	1,243,345	1,457,693	2,262,023	1,961,054	1,961,054	8,947,076	
Liabilities against assets subject to finance lease	17.18%	10,476	1,293	1,886	3,018	2,465	1,771	43	-	-	-		
Other liabilities		900,084										900,084	
		66,246,528	23,231,229	9,834,006	8,503,741	5,305,807	1,245,116	1,457,736	2,262,023	1,961,054	1,961,054	10,484,762	
On-balance sheet gap													
Off-balance sheet financial instruments		(7,934,266)	(13,490,963)	(4,138,540)	(1,544,724)	2,999,488	2,246,047	4,460,710	5,288,468	1,731,313	(40,018)	(5,446,047)	
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		(7,934,266)	(13,490,963)	(4,138,540)	(1,544,724)	2,999,488	2,246,047	4,460,710	5,288,468	1,731,313	(40,018)	(5,446,047)	
Cumulative Yield/Interest Risk Sensitivity Gap													
		(13,490,963)	(17,629,503)	(19,174,227)	(16,174,739)	(13,928,692)	(9,467,982)	(4,179,514)	(2,448,201)	(2,488,219)	(7,934,266)		
2008													
Effective Yield / Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments		
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
Rupees in '000													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	3,070,067	369,102	-	-	-	-	-	-	-	-	2,700,965		
Balances with other banks	190,197	-	-	-	-	-	-	-	-	-	190,197		
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	
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	6,639,092	
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-		
Liabilities against assets subject to finance lease	18.00%	39,731	2,216	4,788	7,138	20,479	5,110	-	-	-	-	673,721	
Other liabilities		673,721	-	-	-	-	-	-	-	-	-		
		50,940,235	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													
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)		

Notes to the Financial Statements for the year ended December 31, 2009

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

	Total	Up to 1 month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	3,120,880	2,100,180	255,175	255,175	255,175	255,175	-	-	-	-
Balances with other banks	151,068	151,068	-	-	-	-	-	-	-	-
Lending to financial institutions	1,067,708	1,067,708	-	-	-	-	-	-	-	-
Investments	20,179,329	180,408	3,008,040	4,466,640	2,175,540	960,026	2,840,452	2,922,422	3,459,849	165,952
Advances	32,097,490	8,345,972	2,768,569	2,492,933	6,130,311	2,531,695	3,078,550	4,629,180	245,748	1,874,532
Other assets	4,351,022	1,803,998	444,811	1,922,056	180,157	-	-	-	-	-
Operating fixed assets	3,720,695	-	-	-	-	589,248	111,751	354,037	530,784	2,147,669
Deferred tax assets	3,976,149	-	-	-	-	994,038	994,037	994,037	994,037	-
	68,664,341	13,649,334	6,476,595	9,136,804	8,741,183	5,330,182	7,024,790	8,899,676	5,230,418	4,188,153
Liabilities										
Bills payable	637,602	637,602	-	-	-	-	-	-	-	-
Borrowings	15,088,332	15,088,332	-	-	-	-	-	-	-	-
Deposits and other accounts	49,610,034	9,016,343	10,745,577	9,394,820	6,255,517	2,115,664	2,330,014	4,006,659	2,896,919	2,848,521
Liabilities against assets subject to finance lease	10,476	1,291	1,886	3,018	2,465	1,771	45	-	-	-
Other liabilities	1,554,808	902,048	236,852	166,365	83,181	83,181	83,181	-	-	-
	66,901,252	25,645,616	10,984,315	9,564,203	6,341,163	2,200,616	2,413,240	4,006,659	2,896,919	2,848,521
Net assets	1,763,089	(11,996,282)	(4,507,720)	(427,399)	2,400,020	3,129,566	4,611,550	4,893,017	2,333,499	1,339,632
Share capital	9,003,150									
Reserves	224,649									
Accumulated loss	(9,030,894)									
Surplus on revaluation of asset - net of deferred tax	1,566,184									
	1,763,089									

Notes to the Financial Statements for the year ended December 31, 2009

	2008									
	Total	Up to 1 month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
Assets										
Cash and balances with treasury banks	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	<u>4,391,360</u>	(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 on revaluation of assets - net of deferred tax	1,301,363									
	<u>4,391,360</u>									

Notes to the Financial Statements for the year ended December 31, 2009

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, 2009, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements except as disclosed in note no. 20.3.

43 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **April 28, 2010** 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, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

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

Rs. in Million

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				Principal Written-off	Interest / Mark-up written-off	Other Financial Relief Provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Usman Textiles 208-A, Peoples colony # 1, Faisalabad Gulshan street, Usmanabad, Jaranwala Road, Faisalabad	Tahir Javed NIC #: 244-63-055115 Amir Javed NIC #: 244-65-055116 M. Asim Javed NIC #: 244-89-055117	Muhammad Hanif Muhammad Hanif Muhammad Hanif	6.00	2.62		8.62	1.50	2.62		4.12
2	Malik Brothers 60, Club Road, Quetta Cantt	Malik Mumtaz Ahmed NIC#: 54400-1920618-5	Malik Muhammad Shafi	19.78	5.66		25.44			2.83	2.83
3	Mirza Sugar Mills Limited 10th Floor, Block-B, Building No: 1, Lakson Square, Sarwar Saheed Rd, Karachi	Dr Mrs Fahmida Mirza NIC: 450-56-31153 Mr Zulfiqar Mirza NIC: 510-54-256538 Mr Sajid H. Naqvi NIC: 422-45-302572 Mr Fawad H. Mirza NIC: 510-63-106635	w/o Zulfiqar Mirza	16.38	3.02		19.41	12.88	3.02		15.91
4	Elite Agro Services 146/149- The Mall Palza, Mall Road, Lahore	Syed Zawar Hussain NIC#: 337-49-020900 Mahmood Ahmed Virk NIC#: 322-45-965832	Sharif Hussain Shah Abdul Haq Virk	3.59			3.59	1.28			1.28
5	Cordial Trading Corporation 404, Gul Tower, I.I. Chundrigar Road Karachi	Haji Abubakar NIC: 42201-0757624-7 Mehboob Abubakar NIC: 42201-5008155-7 Mehmood Abubakar NIC: 42201-5470470-5	Haji Salman Haji Abubakar Haji Abubakar	3.00	0.44		3.44			0.43	0.43
6	S.B. Engineering Pvt Ltd 5-KM, Manga Raiwind Road, District Lahore	Sheikh Farrukh Rafiq NIC: 35202-6886968-9 Sheikh Ijaz Rafiq NIC: 272-85-368028 Aftab Ahmed NIC: 272-85-368029 Mrs. Shabnam Bela NIC # 35202-4153972-0	Sh. Muhammad Rafiq Sh. Muhammad Rafiq Sh. Muhammad Rafiq Sh. Muhammad Rafiq Sh. Farrukh Rafiq	7.95	6.33		14.28			6.33	6.33
7	Irtaza Textile 22 KM, Ferozepur Road, Lahore	Muhammad Kausar NIC#: 271-53-017248 Sajid Hussain Bhatti NIC#: 271-89-093147	Muhammad Akhtar Karam Hussain Bhatti	8.32	1.59		9.91			1.59	1.59
8	Soomro Flour Mills Near Citizen Colony Sachalabad Hyderabad	Mr Aftab Ali Soomro NIC: 41303-1498371-5	Ghulam Mustafa Soomro	0.40	0.01		0.41			0.01	0.01
9	The Socks Company Plot No: 227, Sector 27, Korangi Industrial Area, Karachi	Mr Mohsin Khurshid NIC: 42301-5908969-9	Khursheed Alam	3.85	0.24		4.09			0.17	0.17
10	Adnan Shoaib (Pvt) Ltd 313- Circular Road, Near General Bus Stop, Badami Bagh, Lahore	Mr. Adnan Jawad NIC #: 35200-1439703-5 Mrs. Asiya Jawad NIC #: 35200-1391668-4 Ms. Hina Jawad NIC #: 35202-7799269-0	Jawad Rasheed Jawad Rasheed Jawad Rasheed	4.59	0.30		4.89			0.30	0.30
11	Golden Trading Corporation 14 - Branderth Road, Lahore	Mr. Abdul Khalil NIC #: 269-56-291504	Haji Muhammad Shafi	0.91	0.09		1.00			0.07	0.07
12	Jhanda Sport Wazirabad Road, Ugoki, District Sialkot	Mr. Khasif Bajwa NIC #: 301-78-656245 Mr. Mst. Shamshed Akhtar NIC #: 301-49-150676	Muhammad Sharif Muhammad Sharif	4.70	0.65		5.35			0.65	0.65
13	S.A. Brothers (Pvt) Ltd 77-78, Industrial Area, Sector I/9, Islamabad	Mr. Muhammad Siddique NIC # 101-87-388298 Mr. Ashiq Ali NIC # 101-87-388292 Mr. Sohail Sadig NIC # 101-88-386192 Mr. Khalid NIC # 101-68-529316		52.65	5.98		58.63	19.09	5.84		24.93
14	Chimera (Pvt) Ltd 93-A, Block D/1, Gulberg III, Lahore	Mr. Amir Saleem Anwar Khan NIC # 35202-3418643-7 Mr. Tahir Saleem Anwar Khan NIC # 35202-2713059-9 Mr. Nasir Saleem Anwar Khan NIC # 352006-304912-5	Muhammad Anwar Khan Muhammad Anwar Khan Muhammad Anwar Khan	25.78	3.96		29.74	5.78	3.96		9.74

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

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				Principal Written-off	Interest / Mark-up written-off	Other Financial Relief Provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12
15	Moon Traders 1st Floor, G/16, Shaki Pir Road, Hyderabad	Mr Muhammad Aleem Siddiqui NIC: 41303-1507110-9	Muhammad Saleem Siddiqui		0.03		0.03		0.03		0.03
16	VIP Flour & General Mills Rawat National, Industrial Zone, Islamabad Plot # 6, Street # 5, Industrial Area Rawat	Mr. Cap® Pervaiz Bashir NIC #: 37405-0288989-9	Bashir Ahmed	19.39	2.20		21.59		1.10		1.10
17	Pan Pacific Commodity House 271- G.T. Road, Lahore	Mr. Saleem Yaqoob	Sh. Muhammad Yaqoob	22.58	19.90		42.47	21.08	19.90		40.97
18	Carnation Garments Industries Pvt Ltd	Mr. Rizwan Mehmood Mir NIC #: 270-53-050224 Mr. Raza Ali Khan Tareen NIC #: 35202-814581813-7	Mehmood Mir Sardar Khan Tareen	24.43	11.44		35.87	14.43	11.44		25.87
19	WAK Ltd 135 - E/1, Stadium Road, Gulberg III Lahore	Mr. Ammar Ahmed Khan NIC #: 12101-0972883-3 Mrs. Asma Waqar NIC #: 35202-2588797-4 Mst. Razia Sultana NIC #: 35202-4492417-4 Mrs. Sehr Ashar NIC #: 12101-0918878-8 Mrs. Shazia Ammar NIC #: 35202-2747946-0	Mr. Gulzar Ahmed Khan Waqar Ahmed Khan Gulzar Ahmed Khan Ashar Sohail A. Khan Ammar Ahmed Khan	400.00	40.84		440.84		40.84		40.84
20	Tradcon Pakistan Pvt Ltd 85 - B - II, Gulberg III, Lahore	Mr. Ammar Ahmed Khan NIC #: 12101-0972883-3 Mst. Razia Sultana NIC #: 270-93-333383	Gulzar Ahmed Khan Ghulam Qadir	200.00	17.04		217.04		17.04		17.04
21	Global Broad Cast Network Pvt Ltd 135 - E/1, Stadium Road, Gulberg III Lahore	Mst. Surraya Yasmin NIC #: 35200-2635873-2 Mr. Syed Manzar Abbas Shah NIC #: 272-36-370093	Abdullah Khan Syed Sharif Hussain	145.00	12.36		157.36		12.36		12.36
22	Transnational Gas Pvt Ltd 135 - E/1, Stadium Road, Gulberg III Lahore	Mrs. Sehar Ashar NIC #: 35202-4492417-4 Mr. Muhammad Khan NIC #: 235-62-114709	Ashar Sohail Ahmed Khan Nasir - ud - Din	200.00	17.04		217.04		17.04		17.04
23	Vital Enterprises Pvt Ltd	Mrs. Asma Waqar NIC # 35202-2747946-0 Mrs. Shazia Ammar NIC # 12101-0918887-8	Waqar Ahmed Khan Ammar Ahmed Khan	200.00	17.04		217.04		17.04		17.04
24	Imperial Developers & Builders (Pvt.) Ltd. 7th Floor, Lakson Square, Building -1, Mian Shahid Farooq Sarwar Shaheed Road, Karachi	Mian Pervez Akhter 42301-7176596-3 9150-90101111-9		271.25	29.14		300.39		3.78		3.78
25	Sky Casing 20- Nashemani Colony, Bosan Road Multan	Mst. Farous Akhtar	Muhammad Attique	2.01	0.76		2.77	2.01	0.76		2.77
26	World Travel Care International Pvt Ltd 28- Davis Road, Lahore	Mr. M. Aslam Siddiqui NIC # 270-55-009816 Mrs. Tashina Aslam NIC # 270-85-421009 Mrs. Habibs Khatoon NIC # 271-36-005744 Mr. M. Yousaf NIC # 270-45-328154 Mr. Mohammad Ashraf NIC # 276-54-160580 Mr. Shaukat Ali NIC # 277-48-063881	M. Zarika Siddiqui M. Aslam Siddiqui M. Zarika Siddiqui Muhammad Ismail Kamal Din Mushtaq Ali	3.24	0.89		4.13	3.24	0.89		4.13
27	Black Stone Pvt Ltd Shahbazpur Road, Rahim Yar Khan	Mr. Ausaf Hameed Khan NIC # 272-91-029490 Mr. Kh. Masood Kamal Banday NIC # 270-36-111573	Abdul Hameed Khan Kh. Ghulam Qadir Banday	12.83	4.60		17.44	12.83	4.60		17.44
28	Kohistan Awan Services Pvt Ltd Iqbal Park, Flat # 712, Kachi Abadi Badami Bagh, Lahore	Malik Rabnawaz Khan NIC # 35201-5246423-5 Malik Hasham Khan NIC # 37203-0994065-5	Malik Muhammad Khan Malik Muhammad Khan	17.78			17.78	17.77			17.77
29	Texzeus House # 73, Street # 13, Cavalry Ground Ext, Lahore	Ashar Zaman Khan NIC # 35201-6626166-5	Qaisar Zaman Khan	4.46	2.51		6.97	4.46	2.51		6.97

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

Rs. in Million

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				Principal Written-off	Interest / Mark-up written-off	Other Financial Relief Provided	Total (9+10+11)
				Principal	Interest / Mark-up	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12
30	International Enterprises 18 - Chaurjri Centre, 46 - Multan Road, Lahore	Mr. Mehboob Ali Manji		15.77	7.32		23.09	12.17	7.32		19.49
31	Lahore Spinning Mills Pvt Ltd 471/2 KM, Multan Road, Bhai Pheru Chunian	Mustajab Hassan Mst. Adebah Mustajab	Khawaja Ghulam Sadiq Mustajab Hassan	15.00	2.73		17.73	15.00	2.73		17.73
32	Sania Fabrics Pvt Ltd 1st Floor Taj Plaza, Kotwali Road Faisalabad	Mr. Shahid Mahmood NIC# 244-38-376985 Mr. Zaka Ullah Ranjha	M. Ismail	5.73			5.73	5.70			5.70
33	Hanif Trading Company House # 427, Block - A, Gulshan-e-Ravi, Lahore	Mr. Muhammad Hanif NIC # 35202-2934822-9	Muhammad Sharif	21.17	3.25		24.41	16.16	3.25		19.40
34	Southern Network Ltd 5-Y, Block 6, PECHS, Karachi	Tahir A. Khan NIC # 42301-7870622-3 Asim Hussain 42101-0992023-7 Muhammad Zaki 42201-0770679-9	Late Hawas Khan Najmul Hussain Muhammad Afzal	4.63	1.23		5.86	4.63	1.23		5.86
35	Sheikh & Co 41-1- Babar Plaza, Gulberg III, Lahore	Muhammad Raiz		1.83	1.42		3.24	1.78	1.42		3.19
36	Muhammad Islam & Co House # 572, Block - C, Mumtazabad Colony, Multan	Muhammad Islam NIC # 36302-6048543-7	Ashraf Ali	1.98	0.43		2.40		0.43		0.43
37	Irfan Mahmood House # 7, Street # 13, Farooq Gunj, Lahore	Irfan Mahmood NIC # 35202-4533874-7	Mahmood-ul Hassan	0.69			0.69	0.69			0.69
38	Fayyaz Ahmed House # 25, Block # H, Gulshan-e-Ravi Lahore	Fayyaz Ahmed NIC # 35202-6380964-7	Raiz Ahmed	5.97			5.97	5.97			5.97
39	Tordher Melamine Industries (Pvt) Ltd R-9, Plot # 349/1, Industrial Estate, Gadoon Amazai	Mr. Muhammad Jamil Mr. Muhtaram Shah NIC # 17101-3538239-7 Ibrahim Shah	Fazal Shah	0.46	0.46		0.92	0.46	0.46		0.92
40	Zahur Textile Mills Ltd 31- Cavalry Ground, Main Walton Road, Lahore	Arif Zahoor NIC # 35201-1656433-5 Mohsin Zahoor NIC # 35201-6334522-1 Raza Arif Zahoor NIC # 35201-2942330-5 Ijaz ul Haq NIC # 35202-7768779-1	Zahoor-ul-Hassan Zahoor-ul-Hassan Zahoor-ul-Hassan Ch. Israr -ul- Haq	6.70			6.70	6.70			6.70
41	Raja Fruits 35, Khayaban-e-Shujat, Phase-V, DHA, Karachi	Raja Saqib Khan		0.11	0.10		0.21	0.11	0.10		0.21
42	Syeda Fizza Enterprises S-3, Semorina Apartment # 13-A, Gulshan-e-Iqbal, Karachi	Syed Muhammad Usman Shah	Syed Ghulam Sabir Shah	0.73				0.73			0.73
43	Shamrez Khan	Shamraiz Khan (Deceased) NIC: 512-42-167267	Asif Khan	22.79	7.23		30.02	22.79	7.23		30.02
44	S. K. Baluchistan			94.95	71.10		166.04	94.95	71.10		166.04
45	Shamraiz Khan 3rd Floor, Shalimar Centre, Tariq Road, PECHS, Karachi	NIC #: 34603-8188315-5		46.56	14.22		60.78	46.56	14.22		60.78
46	Rex Hotel 44- Nicholson Road, Lahore.	Mr. Maqsood Iqbal CNIC#: 35202-5734929-9	Muhammad Ismail	1.18	0.28		1.46		0.28		0.28
47	Noor Corporation Ali Plaza, 3 Muzang Road, Lahore.	Rubina Mazhar(Proprietor) OLD NIC# 266-85-018334	Nusrat Shah	7.63			7.63	7.63			7.63
48	Travel Home N/A	Muhammad Tariq Aslam OLD NIC# 272-58-444620	Ch. Muhammad Aslam					2.33	0.64		2.97
49	Highnoon Textiles Ltd 71-B, C/2, Gulberg II, Lahore	Babar Agha, CEO/ Director OLD NIC# 270-54-050987 Soheil Ahmed Khan, Director OLD NIC# 270-55-038693		80.30	8.83		89.13	76.38	8.83		85.21
Total				2,014.99	325.27		2,339.53	437.04	296.39		733.43

Six Year's Key Financial Data

	2009	2008	2007	2006 Restated	2005 Restated	Rs in Million 2004
As at December 31						
Share Capital	9,003	9,003	5,002	3,848	3,848	2,250
Deposits	49,610	41,056	42,374	49,015	37,136	33,271
Advances	32,097	31,087	25,875	29,022	19,513	25,487
Investments	20,179	12,012	17,859	15,829	12,465	9,707
Assets	68,664	55,645	53,661	59,200	47,748	42,837
Year Ended December 31						
Import Business	17,814	11,941	15,792	16,660	19,706	31,087
Export Business	13,702	8,502	11,259	10,874	8,438	14,682
Guarantees	7,567	1,625	3,311	3,978	3,315	5,699
Gross Revenue						
Profit / (loss) before taxation	(4,252)	(2,834)	(3,320)	(409)	140	497
Profit / (loss) after taxation	(2,903)	(2,014)	(3,041)	(304)	65	326
No. of Branches	82	65	55	50	50	37

Combined Pattern of CDC and Physical Share Holdings as on December 31, 2009

CATEGORIES OF SHAREHOLDERS	NO. OF SHARE HOLDERS	SHARES HELD	PERCENTAGE
INDIVIDUALS	3794	56,918,878	6.32
INVESTMENT COMPANIES	4	30,090,726	3.34
JOINT STOCK COMPANIES	105	14,868,503	1.65
DIRECTORS, CHIEF EXECUTIVES OFFICER AND THEIR SPOUSE AND MINOR CHILDREN	10	45,067,484	5.01
EXECUTIVES	12	2,346,750	0.26
NIT / ICP	3	9,138,357	1.02
ASSOCIATED COMPANIES , UNDERTAKINGS AND RELATED PARTIES	6	735,492,044	81.69
BANKS, DFIs, NBFIs, INSURANCE COMPANIES MODARABAS AND MUTUAL FUNDS	18	3,723,085	0.41
FINANCIAL INSTITUTIONS	3	1,812,844	0.20
LEASING COMPANIES	4	1,201,667	0.13
INSURANCE COMPANIES	6	75,032	0.01
MODARABAS	3	597,000	0.07
MUTUAL FUNDS	2	36,542	0.00
FOREIGN INVESTORS	12	2,371,960	0.26
CO-OPERATIVE SOCIETIES	1	5,000	0.00
OTHERS	4	292,213	0.03
TOATAL	3,969	900,315,000	100.00

ADDITIONAL SHAREHOLDERS' INFORMATION

ASSOCIATED COMPANIES, UNDERTAKINGS

INTERNATIONAL FINANCE CORPORATION	170,969,636
NOMURA EUROPEAN INVESTMENT LIMITED	80,956,342
BANK MUSCAT S. A.O. G.	315,776,969
SHAUKAT FAYAZ AHMED TARIN	167,789,097
NATIONAL BANK OF PAKISTAN , TRUSTEE DEPTT.	9,135,691
INVESTMENT CORPORATION OF PAKISTAN	2,666

DIRECTORS ,CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN

MUNNAWAR HAMID, OBE	900
AZMAT TARIN	13,174,061
AZMAT TARIN	6,838,154
AZMAT TARIN	900
SADEQ SAYEED	16,467,577
SADEQ SAYEED	8,548,592
AHMED M. AL-ABRI	900
HUMAYUN BASHIR	900
JAVED HAMID	500
ARIF MAHMOOD ALI	-
ARSHAD GHAFUR	-
AMINA JENNIFER ALI W/O ARIF MAHMOOD ALI	35,000

PUBLIC SECTOR COMPANIES AND CORPORATION

BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS	3,723,085
--	-----------

SHAREHOLDERS HOLDING 10% OR MORE VOTING INTREST

BANK MUSCAT S. A. O. G.	315,776,969
INTERNATIONAL FINANCE CORPORATION	170,969,636
SHAUKAT FAYAZ AHMED TARIN	167,789,097

Combined Pattern of CDC and Physical Share Holdings as on December 31, 2009

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING TO	SHARES HELD	TOTAL	NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING TO	SHARES HELD	TOTAL
222	1	- 100	12,257		2	115,001	- 120,000	237,688	
644	101	- 500	248,936		1	125,001	- 130,000	130,000	
723	501	- 1,000	655,919		2	130,001	- 135,000	267,454	
1,376	1,001	- 5,000	3,843,168		1	135,001	- 140,000	140,000	
445	5,001	- 10,000	3,583,622		4	140,001	- 145,000	573,928	
113	10,001	- 15,000	1,429,767		3	145,001	- 150,000	450,000	
103	15,001	- 20,000	1,896,152		2	160,001	- 165,000	324,000	
55	20,001	- 25,000	1,270,275		3	170,001	- 175,000	514,724	
45	25,001	- 30,000	1,248,678		5	175,001	- 180,000	889,278	
27	30,001	- 35,000	894,256		3	180,001	- 185,000	545,079	
24	35,001	- 40,000	915,772		1	185,001	- 190,000	185,751	
23	40,001	- 45,000	1,009,958		1	200,001	- 205,000	202,682	
28	45,001	- 50,000	1,386,489		2	205,001	- 210,000	413,833	
9	50,001	- 55,000	477,733		1	215,001	- 220,000	218,160	
5	55,001	- 60,000	293,814		1	220,001	- 225,000	224,080	
6	60,001	- 65,000	375,449		1	240,001	- 245,000	241,500	
6	65,001	- 70,000	408,284		1	255,001	- 260,000	260,000	
6	70,001	- 75,000	437,077		2	260,001	- 265,000	528,780	
3	75,001	- 80,000	233,440		1	280,001	- 285,000	285,000	
1	80,001	- 85,000	80,280		1	295,001	- 300,000	300,000	
4	85,001	- 90,000	353,459		1	310,001	- 315,000	315,000	
4	90,001	- 95,000	376,122		1	315,001	- 320,000	319,700	
8	95,001	- 100,000	796,800		1	320,001	- 325,000	322,369	
3	100,001	- 105,000	308,136		1	350,001	- 355,000	355,000	
1	105,001	- 110,000	110,000		1	355,001	- 360,000	358,960	
6	110,001	- 115,000	674,784		2	370,001	- 375,000	746,918	

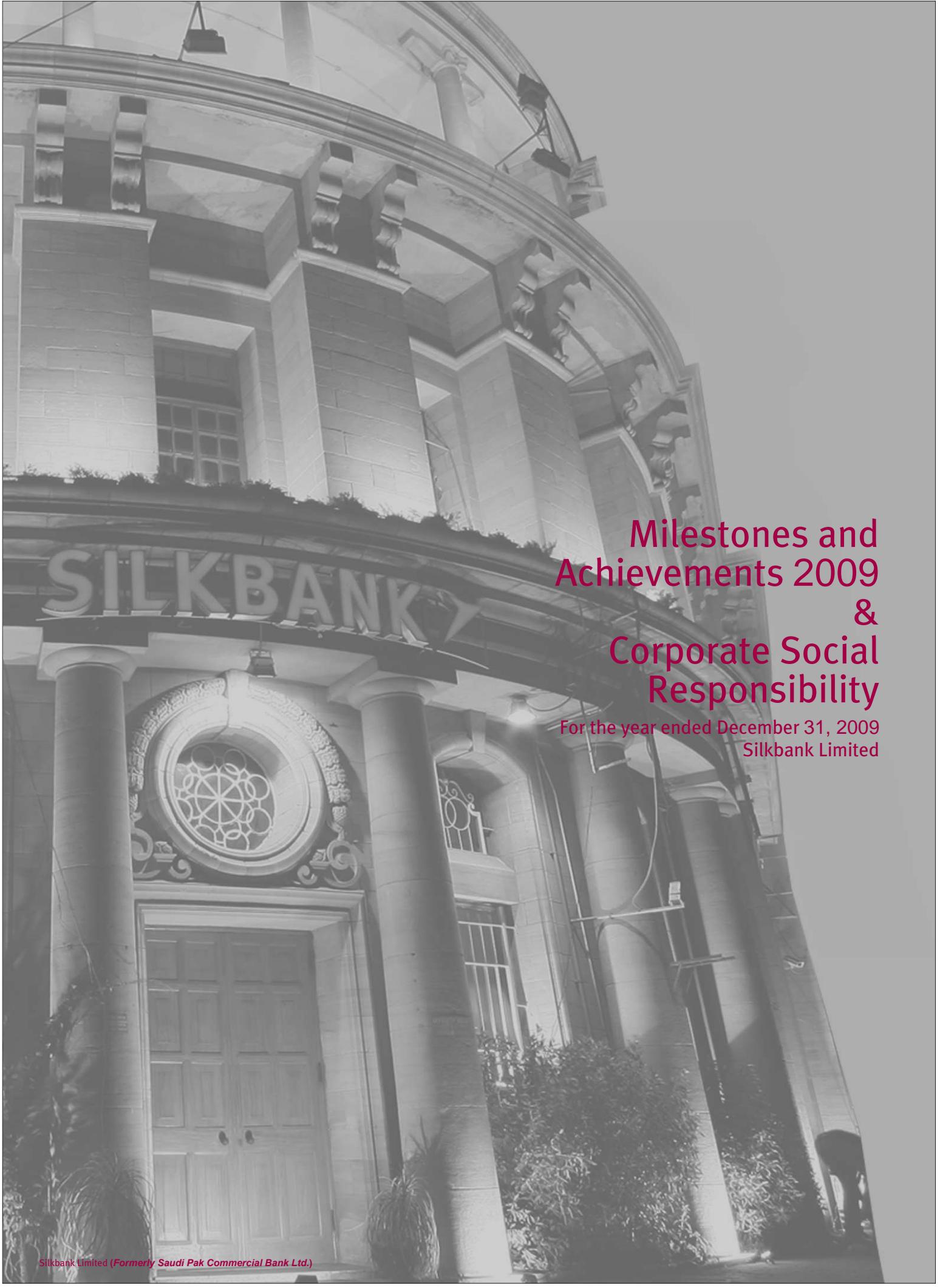
Combined Pattern of CDC and Physical Share Holdings as on December 31, 2009

NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING TO	SHARES HELD	TOTAL	NUMBER OF SHARE HOLDERS	FROM	SHARE HOLDING TO	SHARES HELD	TOTAL
1	375,001	- -	380,000	377,001	1	19,900,001	- -	19,905,000	19,904,576
1	385,001	- -	390,000	390,000	1	21,415,001	- -	21,420,000	21,420,000
1	420,001	- -	425,000	421,000	1	36,225,001	- -	36,230,000	36,228,668
1	525,001	- -	530,000	528,851	1	80,955,001	- -	80,960,000	80,956,342
1	625,001	- -	630,000	625,838	1	128,955,001	- -	128,960,000	128,958,705
1	695,001	- -	700,000	699,700	1	170,965,001	- -	170,970,000	170,969,636
1	755,001	- -	760,000	756,846	1	315,775,001	- -	315,780,000	315,776,969
1	800,001	- -	805,000	801,268					
1	805,001	- -	810,000	806,500	<u>3,969</u>				<u>900,315,000</u>
1	995,001	- -	1,000,000	1,000,000					
1	1,000,001	- -	1,005,000	1,001,500					
1	1,020,001	- -	1,025,000	1,025,000					
1	1,430,001	- -	1,435,000	1,433,500					
2	1,795,001	- -	1,800,000	3,600,000					
1	2,120,001	- -	2,125,000	2,122,790					
1	2,600,001	- -	2,605,000	2,601,724					
1	2,990,001	- -	2,995,000	2,991,000					
1	3,385,001	- -	3,390,000	3,389,936					
1	3,730,001	- -	3,735,000	3,735,000					
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	9,995,001	- -	10,000,000	10,000,000					
1	13,170,001	- -	13,175,000	13,174,061					
1	16,465,001	- -	16,470,000	16,467,577					

Scaling heights



SILKBANK 
Yes we can



Milestones and
Achievements 2009
&
Corporate Social
Responsibility

For the year ended December 31, 2009
Silkbank Limited

Milestones & Achievements 2009



Branch unveiling ceremony took place at the Head Office of Silkbank Limited which was attended by the Governor State Bank of Pakistan. The official launch took place on June 01, 2009.



As part of the re-branding exercise Town Halls were organized, which were attended by all employees of the bank, where the management shared the future vision of the bank with the Silkbank team.

Corporate Social Responsibility



The Pink Ribbon event was dedicated to 40,000 women who died of Breast Cancer last year. The event was sponsored by Silkbanks.

SILKBANK		SILKBANK		SILKBANK	
No. _____	Date _____	No. _____	Date _____	No. _____	Date _____
TITLE OF ACCOUNT SHAUKAT KHANUM MEMORIAL TRUST		TITLE OF ACCOUNT SHAUKAT KHANUM MEMORIAL TRUST		TITLE OF ACCOUNT SHAUKAT KHANUM MEMORIAL TRUST	
Funds may please be transferred to SKMT main account at Egerton Road Branch Lahore. A/C No. (0003)-011005207-401		Funds may please be transferred to SKMT main account at Egerton Road Branch Lahore. A/C No. (0003)-011005207-401		Funds may please be transferred to SKMT main account at Egerton Road Branch Lahore. A/C No. (0003)-011005207-401	
Cheque/Cash _____	Amount _____	Cheque/Cash _____	Amount _____	Amount _____	_____
Rupees _____		Rupees _____		Donor's Name & Address _____	_____
Donor's Name & Address _____ _____ _____		Donor's Name & Address _____ _____ _____		_____ _____ _____	
Transfer Scroll No. _____		Transfer Scroll No. _____		Tel No. _____	_____
Donor's Signature _____	Authorised Officer's Signature _____	Donor's Signature _____	Authorised Officer's Signature _____	Donor's Signature _____	Authorised Officer's Signature _____
BANK COPY		DONOR COPY		HOSPITAL COPY	
SHAUKAT KHANUM MEMORIAL CANCER HOSPITAL & RESEARCH CENTRE UAN: 1111-155-555		SHAUKAT KHANUM MEMORIAL CANCER HOSPITAL & RESEARCH CENTRE UAN: 1111-155-555		SHAUKAT KHANUM MEMORIAL CANCER HOSPITAL & RESEARCH CENTRE UAN: 1111-155-555	

Silkbanks opens heartedly assisted Shaukat Khanum Memorial Cancer Hospital and Research Centre for the collection of Zakat in October 2009.

Branch Network



(1) KARACHI REGION A

Omer Bin Javaid
Regional General Manager
Silkbank Building, I. I. Chundrigar Road
Karachi.
Tel: (021) 3246 0045- 111-007-455
Ext. 334
Fax: (021) 3246 041

Sohail Rana Janjua
Manager
Main Branch
Silkbank Building, I.I.Chundrigar Road,
Karachi.
Tel: (021) 3246 0436- 111-00-7455
Ext. 141
Fax: (021) 3246 0419

Muhammad Ali Rangonwala
Branch Operation Manager
Cloth Market Branch, Karachi
Property No. BR-1-50, Khandwala
Building, Fakhre Matri Road, Kharadar,
Karachi
Tel: (021) 3220 1908-3220 1041-42
Fax: (021) 3220 1860

Ashraf Usman
Manager Operation
Jodia Bazar Branch, Karachi
6/16, Virjee Street, Jodia Bazar, Karachi
Tel: (021) 32440005- 32436915-
32446386-32440016
Fax: (021) 32441049

Maqsoodullah Kazim
Branch Operation Manager
Defence Branch, Karachi
Property No. 39/C, Shahbaz Commercial
Area Khayaban-e-Shahbaz, Phase-VI
D.H.A Karachi.
Tel: (021) 35844001
(021) 35341145-47
Fax: (021) 35844002

Asher Saeem Farooqui
Manager
Korangi Road Branch, Karachi
Plot # 119, Arcadia Shopping Mall
DHA, Phase-1, Main Korangi Road
Karachi.
Tel: (021) 35388021- 35388018-20
Fax: (021) 35804342

Syed Naveed Ali
Manager
Korangi Industrial Area Branch
Plot No. 25/1, Sector 23, Korangi
Industrial Area
Near Suzuki South, Karachi.
Tel: (021) 35067201, (021) 35067215,
(021-35067205) (021) 35067275
Fax: (021) 35067201

Asif Hussain
Manager
Shahrah-e-Faisal Branch
27-A Business Arcade PECHS Block-6,
Shahrah-e-Faisal Branch
Tel: (021) 34533106-9 (021) 34523099
(021) 34521766
Fax: (021) 34533110

Saeed Ahmad Khan
Manager
Quetta Branch
Firdousi Building, Jinnah Road, Quetta
Tel: (081) 2821773
Fax: (081) 282 4061

Syed Mutahir Ali Naqvi
Manager
26th Street DHA
Plot No 23-C, Street -37,Tauheed
Commercial Area,
Phase- V, Karachi.
Tel: (021) 35871492-35871524
Fax: (021) 35871540

Akbar Amin
Branch Operation Manager
Zamzama Branch
9th E-8 Zamzama Commercial Lane,
Zamzama clifton Karachi.
Tel: 021-35301912-35301905-35301909
Fax: (021) 3530192

Majid Khan
Manager
Clifton Branch
Show room #1 Plot # D-69 Block -7
Clifton, Karachi.
Tel: (021) 3537 1840-42
Fax: (021) 3537 1839

Imran Rashid Khan
Branch Operation Manager
100 C 11th Commercial Street
Main Khayaban-e-Itehad
DHA Phase II Ext.
Tel : (021) 35312045
Fax: (021) 35312046

Manzoor Ali
Branch Operation Manager
91 -E 9th Commercial Street
DHA Phae IV
Tel : (021) 35312045
Fax: (021) 35312046

(2) KARACHI REGION B

Mirza Asim Baig
Regional General Manager
Silkbank Building, I. I. Chundrigar Road
Central Office Karachi
Tel: (021) 32460361- 111-007-455
Ext :511
Fax: 021-32460047

Syed Ahmed Hasne
Manager
University Road Branch, Karachi
Plot No. B-9-10, Block -16 Main
University Road, Karachi

Mashhood Jan-e-Alam
Manager
Hyderabad Branch
F-17, Badri Manzil, opposite Old Cafe
George Risala Road, Hyderabad
Tel: (022) 2728370
Fax: (022) 2781192

Mahmood Ahmed
Manager
Gulshan-Iqbal, Branch.
Block 10/A, Saima Classic, Main Rashid
Minhas Road Gulshan-e-Iqbal, Karachi
Tel: (021) 34991139- 34989652-3
Fax: (021) 34989654

Syed Fasih Haider Burney
Manager
Bahadurabad Branch, Karachi
Survey No. 35, P/1, Khanani Centre
Main Bahadurshah Zafar Road
Bahdurbad Commercial Area, Karachi
Tel: (021) 34933262 - 34145180-81
Fax: (021) 34145182

Imran Alam Fazli
Manager
S.I.T.E. Branch, Karachi
Address: Plot No. B/9, C-1, Unit No. 2,
Sind Industrial Trading Estate, Karachi
Tel: (021) 3258673 - 4
Fax: (021) 32550279

Syed Muhammad Faisal Imam
Manager
Saddar Branch
Shop No. 1, 283-A, Snow White Center,
Abdullah Haroon Road, Near Hotel
Jabees, Saddar, Karachi.
Tel: (021) 35223053
Fax: (021) 35223050

Rashid Qureshi
Manager
Hyderi Branch, Karachi
D-11, Block-H Khayaban Sher Shah Suri
North Nazimabad, Karachi
Tel: (021) 36643280 (021) 36643275-76
Fax: (021) 36643263

Junaid A.Bachani
Manager
M.A. Jinnah Road Branch, Karachi
Plot No.21 Survey Sheet No. WO-7
Wadhumal Odharam Quarters
Opp. City Court, M.A. Jinnah Road,
Karachi
Tel: (021) 32745626 (021) 32745624-27
Fax No: (021) 32745628

Syed Latafat Hussain Naqvi
Manager
Sohrab Goth, Branch
Al-Asif Square, Sohrab Goth, Karachi.
Tel: (021) 36345827 (021) 36340984
Fax: (021) 36343704

Syed Muhammad Faisal Imam
Manager
Saddar Branch
Shop No. 1, 283-A, Snow White Center,
Abdullah Haroon Road, Near Hotel
Jabees, Saddar, Karachi.
Tel: (021) 35223053
Fax: (021) 35223050

Muhammad Qadir
Branch Operations Manager
Adamjee Nagar Branch
Plot # 419/F, Sana Complex, C.P, Berar
Society Amer Khosroo Road Karachi.
Tel: (021) 34302501-(021) 34302500-02
Fax: (021) 34302503

Mohammad Hassan Riaz Branch Manager Khalid Bin Waleed Road Branch Shop No.1, 2, 3 & 4, Plot No.151-A, Khalid Bin Waleed Road/Allama Iqbal Road, Block-2, PECHS, Karachi Tel: (021) 34306525-(021) 34306521-23 Fax: (021) 021-34306524	Ahmed Afzal Ullah Manager Attock Branch B-2, Pleader Lane, Attock City, Tehsil & District Attock. Tel No: (057) 2702201, (057) 2613646, (057) 2702202 Fax No: (057) 2613486	Tel: (042) 36309055 Fax No: (042) 36279272	Sajjad A. Malik Manager Raiwind Branch Railway Road, Adjacent Red Chilli Restaurant, Raiwind Tel: (042) 35393811 - 13 Fax: (042) 35393814	Tel: (054) 6507060, (054) 6507056-58 Fax: (054) 6507059
Syed Latafat Hussain Naqvi Acting Branch Manager F.B Area Branch Plot No.C-31/A, Ground Floor, Block - 6, F.B. Area, KDA Scheme 16, Karachi Tel: (021) 36342995 (021) 36342901-2 Fax: (021) 36342904	Muzzamil Subhani Manager Gujjar Khan Branch Ward No.5, Main G.T. Road Gujjar Khan Tel: (051) 510026, 512866-71 Fax: (051) 512872	Najam Faiz Manager PECO Road Branch, Lahore 896-D, Faisalabad Town, Peco Road, Lahore Tel: (042) 35177414 Fax: (042) 35177413	Ramiz H. Farooqui Manager Allama Iqbal Town Branch, Lahore 6-Hunza Block, Allama Iqbal Town, Lahore Phone No: (042) 35433094, 35433680-81 Fax No: (042) 35433682	Liaquat Ali Manager Pull-111, Sargodha Pull - 111, Sargodha - Faisalabad Road, Sargodha Tel: (048) 3791980 - 82 Fax: (048) 3791983 (5) LAHORE WEST
(3) ISLAMABAD REGION	Masood Tariq Abbas Manager Chaklala Branch Plot No.46, Commercial Area, Chaklala Scheme-III, Rawalpindi Tel. (051) 57661547 (051) 5766151-52 Fax: (051) 5766150	Ejaz Ahmed Malik Manager Circular Road Branch 73-Circular Road, Lahore Tel: (042) 37673828-29 - (042) 37658564 Fax: (042) 37673831	Sardar Kamran Nakai Regional General Manager R.G.M. Office, 6-Q Gulberg II Lahore Tel No: 0333 4211383 PABX No: (042) -5751536-7, (042)-5761088 Fax: (042) - 5764076	Shahid Aziz Malik Branch Manager Cavalry Ground Branch 20-Commercial Area, Cavalry Ground Lahore Tel: (042) 6610273-6
Imran Aslam Regional General Manager 13-L, F-7 Markaz Islamabad. Tel: (051) 2608025, (051) 2608028 Fax: (051) 2608027	Muhammad Farooq Sarwar Manager Islamabad Main Branch 93-Riazia Sharif Plaza, Blue Area, Islamabad Tel: (051)-2276101- (051) 2802061-3 (051) 2272921-23 Fax: (051) 2829935	Iqbal Mussarat Siddiqui Manager Badami Bagh Branch 66, Grain Market, Badami Bagh, Lahore Tel: (042) 37731351-2, 37731353 Fa: (042) 37731355	Nawazish Ali Hashmi Branch Manager Guirawala Branch B-13/7-147, Shaikat Centre, G.T. Road, Guirawala Tel: (055) 3250214, (055) 3731269 (055) 3856268-70 Fax: :055-3856271	Shahid Akhter Nadeem Branch Operation Manager Batapur Branch Lahore Tel: (042) 6580385-7
Munawar-ud-Din Durrani Manager Rawalpindi Main Branch Aslam Plaza, Saddar, 60 Main Adamjee Road, Rawalpindi Cantt Tel: (051) 5794165 (051) 5512104-6 Fax: (051) 5524560	Mohammad Talal Akbar Khan Bangash Manager Wah Cantt. Branch Plot No1, A/37, Civic Centre, Aslam MarketWah Cantt. Tel. (051) 4546306, (051) 4546300, 4546303 Fax: (051) 4546302	Iqbal Mussarat Siddiqui Manager Badami Bagh Branch 66, Grain Market, Badami Bagh, Lahore Tel: (042) 37731351-2, 37731353 Fax: (042) 37731355	Tahir Jamil Qureshi Branch Operation Manager Sialkot Branch 70, Paris Road, Sialkot Tel: (052) 4266778, (052) 4597489 (052) 4597491 Fax: (052) 4589002	(6) MULTAN REGION
Asad Sajid Area Manager / Branch Manager Peshawar Main Branch Lams Arcade, 1-C Fakhar-e-Alam Road Peshawar Cantt Tel: (091) 5278120 (091) 5278122 (091) 5276938 Fax: (091) 5276414	Sonia Usman Manager F-8 Markaz Branch Plot # 18-C, Kaghan Road, Islamabad Tel.051-2287450, 2287455-57 Fax: 051-2287454	Azeemuddin Ahmed Manager Shahdaman Town Lahore 119-A, Colony No. 1 Shadman Town, Lahore. Tel : (042) 37576442, (042) 37576397 Fax No: (042) 37576559	Muhammad Ayub Branch Manager Gujrat Branch B-17/1553-R-R, Near Eidgah Musjid, G.I.Road, Gujrat Tel: (053) 351466, (053) 3535144, (053) 3531472 Fax: (053) 3531732	Qazi Zubair Ud Din Manager Dera Ghazi Khan, Branch Hotel Shalimar, Faridi Bazar, Dera Ghazi Khan Tel: (064) 2466682, 2466683 Fax: (064) 2466682
Ishtiaq Ahmed Qazi Manager Mirpur(Azad Kashmir) Branch 82-D, Allama Iqbal Road, Sector B-4 Mirpur (Azad Kashmir) Tel: (05827) 446415, 446414, 446559 Fax: (05827) 445145	Sonia Usman Manager F-8 Markaz Branch Plot # 18-C, Kaghan Road, Islamabad Tel.051-2287450, 2287455-57 Fax: 051-2287454	Maryam Rashid Manager E-11 Markaz Branch Plot # 3, E-11/3 Markaz, Islamabad Tel.051-2228750, 2228746-48 Fax: 051-2228749	Muhammad Ghufran Manager Kotwali Road Branch, Faisalabad Kotwali Road, Faisalabad Tel: (041)-2619973, (041)-2643604 Fax: (041)-2619984	Rouf Jamal Chief Manager Multan Branch Abdal Road, Multan Tel: (061) 4589723, (061) 4589087, (061) 4587355 Fax No: (061) 4589801
Shamyl Akbar Khan Manager Khyber Bazar Branch, Peshawar Haji Khan Building, Suikarno Square, Khyber Bazar, Peshawar Tel: (091) 9213883, (091) 2552832 Fax: (091) 2552481	Shamoon Ali Chaudhary Manager Dadayal Branch Plot # 315, Rajput Plaza, Main Rawalpindi Road Opp. Old Tehsil Headquarter Hospital Dadayal (AJK) Tel. 05827-465741, 05827-465736-8 Fax: 05827-465739	Anjum Rafiq Manager Madina Town Branch, Faisalabad 6C-Z-101, Susan Road, Madina Town, Faisalabad Tel: (041)-8503411-13, 8503414 Fax: (041)-8503416	Muhammad Nadeem Faisal Branch Manager Defence Branch, Lahore 320-Z Block Commercial area,Phase III,Lahore Tel: (042) 5693080 (042) 5692930-33 Fax: (042) 5693010	Muhammad Ikramullah Manager Sahiwal Branch Jail Road, Civil Lines, Sahiwal Tel: (040) 4224182, 4224184 Fax: (040) 4222915
Khuram Hanif Manager I-8 Markaz Branch, Islamabad Plot No. 6, Laraib Plaza, Sector I-8, Markaz, Islamabad Tel: (051) 4861302, (051) 4102163, (051) 4861303-04 Fax: (051) 4861300	Farrukh Kiani Manager Jhelum Branch Plot # 8, Paswal Plaza, G.T.S. Square, Jhelum City, Jhelum Tel. 0544-624971, 623973-75 Fax: 0544-623976	Muhammad Azam Saroya Manager Sheikhupura Branch Shaif Plaza, Main Lahore Sargodha Road. Sheikhupura Tel: (056) 3813529, (056) 3812665 Fax: (056) 3810059	Ayesha Hameed Branch Manager T - Block DHA 88 Sector CCA, Phase 2C DHA Lahore Tel: (042) 5707635-6 (042) 5748850 Fax: (042) 5707637	Adil Jatoi Manager Sukkur Branch Husaini Road, Sukkur Tel: (071) 5619141-43 Fax: (071) 5619151
Bakhtiar Ali Khan Manager F-11 Markaz Branch Plot # 25-D, F-11 Markaz, Islamabad Tel : (051) 2120305, (051) 2210586 (051) 2228005-06 Fax: (051) 2210587	Khaliq Ikrumullah Manager Kibriya Sana Manager Westridge Branch Plot # 488-491, Westridge Bazar Road, Westridge-1 Rawalpindi Tel. 051-5491544, 5491540-42 Fax: 051-5491543	M. Asad Ali Sheikh Manager Johar Town Branch Plot No.15, Block-M, M.A.Johar Town, Lahore Tel: (042) 35314890 - 92 Fax: (042) 35314893	M. Taqi Raza Branch Manager Model Town Branch 16, Bank Square Market, Model Town, Lahore Tel: (042) 5915580-1,(042)-5915587 Fax: (042) 5915583	Mehmood Hussain Manager Rahimyar Khan, Branch 26-Shahi Road Branch, Rahim Yar Khan Tel: (068) 5884345, (068) 5881302 Fax: (068) 5879408
Mariam Khalid Yasser Manager G-9 Markaz Branch, Islamabad "4-B Karachi Company, G-9 Markaz, Islamabad Tel: (051) 2855826, (051) 2855824-5 Fax: (051) 2855827	(4) LAHORE EAST	Aqeel Mirza Manager Shahalam Market Branch 15-B, Shahalam Market, Lahore Tel: (042)	Shahryar Alam Branch Manager Gulberg Mini Market Q Block 6-Q Gulberg II, Lahore Tel: (042) -5751536-7 (042) 5752855 Fax No: (042) - 5764076	Arif Irfan Manager Larkana Branch Pakistan Chowk, Larkana Tel: (074) 4059499 Fax: (074) 4059599
Sajid Hassan Khan Manager Rawalpindi Satellite Town Branch D-321, Fifth Road, Satellite Town, Rawalpindi Tel: (051) 4850676, 4850677-8 Fax: (051) 4850674	Izhar-ul-Haq Regional General Manager Silkbank House,14-Egerton Road, Lahore Tel: (042) 36302317 Fax: (042) 36279272	M. Asad Ali Sheikh Manager Johar Town Branch Plot No.15, Block-M, M.A.Johar Town, Lahore Tel: (042) 35314890 - 92 Fax: (042) 35314893	Manzoor Ahmed Qamar Branch Manager Model Town Branch 16, Bank Square Market, Model Town, Lahore Tel: (042) 5915580-1,(042)-5915587 Fax: (042) 5915583	Mustafa Haider Manager 76-Qasim Branch S.P Chowk, Multan Tel: (061) 4587791- (061) 4587751-31 Fax No: (061) - 4586880
Raza Ali Chief Manager Main Branch, Lahore Silkbank House, 14-Egerton Road, Lahore		Aqeel Mirza Manager Shahalam Market Branch 15-B, Shahalam Market, Lahore Tel: (042)		

Foreign Correspondents

Afghanistan Habib Bank Ltd	Finland Nordea Bank Finland Plc Skandinaviska Enskilda Banken	Jordan Standard Chartered Bank	Panama HSBC Bank	Taiwan HSBC Bank The Bank of New York Bank of America Standard Chartered Bank Mizuho Corporate Bank, Ltd. Abn Amro Bank
Argentina HSBC Bank U.S.A. Abn Amro Bank	France HSBC Bank Commerzbank National Bank of Pakistan UBAF	Kazakhstan BTA Bank JSC	Philippines The Royal Bank of Scotland HSBC Bank Mizuho Corporate Bank	Thailand HSBC Bank Bank of Ayudha Public Company Ltd Export Import Bank of Thailand Standard Chartered Bank Abn Amro Bank Citibank N.A.
Australia HSBC Bank Australia Limited	Germany HSBC Trinkaus und Burkhardt AG Commerzbank Ag Danske Bank Deutsche Bank AG National Bank of Pakistan SEB AG Standard Chartered Bank Suedwestbank AG	Kenya Standard Chartered Bank	Kuwait Gulf Bank, K.S.C. Alahli Bank of Kuwait K.S.C. National Bank of Kuwait Citibank NA	Portugal Banco BPI SA
Austria Abn Amro Bank Raiffeisen Zentralbank Oesterreich Unicredit Bank Austria	Greece Habib Bank Limited	Korea Woori Bank Korea Exchange Bank Korea Development Bank Kookmin Bank National Bank of Pakistan Standard Chartered First Bank Shinhan Bank Suhyup Bank HSBC Bank U.S.A. UBAF	Qatar United Bank Limited Doha Bank	Republic Of Serbia Raiffeisen Bank Kosovo Unicredit Bank Serbia
Bahrain Arab Investment Bank Al Baraka Islamic Bank Habib Bank Ltd United Bank Ltd National Bank of Pakistan Standard Chartered Bank	Hungary K and H Bank Zrt Magyarorszagi Volksbank RT Deutsche Bank Rt. Calyon Bank CIB Bank Ltd	Luxembourg HSBC Private Bank	Romania Piraeus Bank Romania	Turkey HSBC Bank Abn Amro Bank Habib Bank Ltd Turkiye Vakiflar Bankasi T.A.O Turkiye Garanti Bankasi AS
Bangladesh HSBC Bank U.S.A. Habib Bank Ltd. Standard Chartered Bank	India Standard Chartered Mashreqbank Abn Amro Bank HSBC	Lebanon Habib Bank Ltd	Saudi Arabia National Commercial Bank Saudi Hollandi Bank Bank Muscat Riyad	U.A.E. Citibank Dubai Islamic Bank Emirates Bank International Emirates Islamic Bank HSBC Bank Middle East Standard Chartered Bank United Bank Ltd Mashreq Bank Psc Abn Amro Bank Habib Bank Ag Zurich National Bank of Dubai
Belgium Habib Bank Ltd Commerzbank Ag, ING Bank NV/SA Kbc Bank Nv Fortis Bank S.A. /N.V. Brussels Abn Amro Bank	Indonesia HSBC Bank Standard Chartered Bank Abn Amro Bank	Mauritius HSBC Bank Habib Bank Ltd Mauritius Commercial Bank Ltd	Singapore ABN Amro Bank Bank of America Citibank NA Fortis Bank HSBC Bank Habib Bank Ltd J P Morgan Chase Bank Mizuho Corporate Bank National Bank of Kuwait Sumitomo Mitsui Banking Corporation Ltd Standard Chartered Bank West LB AG UBAF	U.K. ABC International bank plc HSBC Bank Standard Chartered Bank Commerzbank Mashreq Bank Psc Abn Amro Bank Habibsons Bank Ltd Citibank N.A.
Brazil HSBC Bank	Iran Bank Mellti Iran Bank Sedarat Iran	Morocco Attijariwafa Bank	South Africa ABN Amro ABSA Bank Ltd Habib Overseas Bank Ltd HBZ Bank Ltd HSBC	U.S.A. Abn Amro Bank Bank of America The Bank of New York Bank of the West Citibank Commerzbank Deutsche Bank AG Doha Bank Habib American Bank Habib Bank Ltd HSBC Bank U.S.A. International Finance Corporation Intesa Sanpaolo SPA JP Morgan Chase Mashreqbank psc Mizuho Corporate Bank Ltd National Bank Of Pakistan Standard Chartered Bank Sumitomo Mitsui Banking Corporation Ltd TD Bank NA Union Bank of California Valley National Bank United Bank Ltd Wachovia Bank, NA Woori Bank
Bulgaria Citibank Bulgaria United Bulgarian Bank	Ireland National Irish Bank	Mexico HSBC	Spain HSBC Bank Commerzbank Fortis Bank S.A. Banco Popular Espanol, S.A. Bankinter SA	Vietnam HSBC Bank
Canada HSBC Bank Habib Canadian Bank Abn Amro Bank	Italy HSBC Bank Commerzbank Ag Abn Amro Bank Banca Di Roma S.P.A. Banco Di Napoli SPA Banco Popolare Banco Popolare Di Novara Banco Popolare Di Verona SGSP Banca Monte Parma Banca Carige SPA Banca UBAE Iccrea Banca Intesa Sanpaolo Mizuho Corporate Bank Ltd Unicredit Banca SPA Unicredit Corporate Banking SPA Union Di Banche Italiane SCPA Cassa di Risparmio in Bologna	Monaco HSBC Private Bank	Nepal Himalayan Bank Ltd	Denmark Nordea Bank Skandinaviska Enskilda Banken Svenska Handelsbanken Abn Amro Bank
China HSBC Bank Standard Chartered Bank Agricultural Bank of China Commerzbank Ag Mashreqbank Abn Amro Bank Bank of China China Construction Bank Corporation China Ever bright Bank Industrial and Commercial Bank of China Laishang Bank Co Ltd Bank of New York Mellon Wachovia Bank West LB AG	Netherlands Commerzbank ABN Amro Bank Deutsche Bank AG Habib Bank Ltd. Hollandsche Bank Unie NV Abn Amro Bank Fortis Bank Nederland N.V. ING Bank N.V.	New Zealand HSBC Bank	Norway Nordea Bank Norge Asa DNB Nor Bank ASA	Sweden Nordea Bank Skandinaviska Enskilda Banken Svenska Handelsbanken Abn Amro Bank
Cyprus Marfin Popular Bank Public Co	Japan HSBC Bank National Bank of Pakistan ING Bank NV The Bank of New York Mizuho Corporate Bank Ltd Sumitomo Mitsui Banking Corp Abn Amro Bank UBAF	Oman Habib Bank Ltd Oman International Bank Standard Chartered Bank Bank Muscat Oman	Switzerland Habib Bank Ag Zurich BNP Paribans (Sussie) Credit Agricole (Sussie) Habibsons Bank Abn Amro Bank Credit Suisse United Bank AG	Egypt HSBC Bank
Czech Republic Commerzbank Ag Abn Amro Bank LBBW Bank CZ A.S	Poland Abn Amro Bank Nordea Bank Poliska SA			
Denmark Danske Bank A/S Nordea Bank Denmark A/S				

Form of Proxy
Annual General Meeting

SILKBANK 

I/We _____
of _____
being a member(s) of Silkbank 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 my/our behalf at Annual General
Meeting of the Bank to be held on May 27, 2010 and/or adjournment thereof.

As witness my/our hand(s) seal this on the _____ day of _____ 2010

Signed by the said _____

In the presence of 1. _____

2. _____

Folio No. /CDC Account No.

Signature on
Revenue Stamp
of Appropriate Value

Important:

1. The Proxy form, duly completed and signed, must be received at the Company'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 Company, 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 Company, 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 Company.

Affix
Correct
Postage

SILKBANK 

The Company Secretary
Silkbank limited
Central Office Silkbank Building
I.I. Chundrigar Road,
Karachi