



Habib Metropolitan Bank

(Subsidiary of Habib Bank AG Zurich)

CONSOLIDATED ACCOUNTS

AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Habib Metropolitan Bank Ltd. (the Bank) and its subsidiary companies (together referred to as Group) as at 31 December 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof for the year then ended, in which are incorporated the unaudited certified returns from the branches except for fifteen branches which have been audited by us. We have also expressed separate opinions on the financial statements of the Bank and its subsidiary company, Habib Metropolitan Financial Services Limited. The financial statements of Habib Metropolitan Trade Services Limited (a subsidiary company) are unaudited. Hence, total assets of Rs. 2,760 thousand and net profit of Rs. 965 thousand pertaining to such subsidiary company have been incorporated in these consolidated financial statements by the management using the unaudited financial statements.

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial 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 consolidated financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for any adjustment that may have been required due to the unaudited figures in respect of a subsidiary company as referred to in the first paragraph of the report, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Karachi: March 2, 2009

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2008

	Note	2008	2007
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks	8	11,401,384	10,201,545
Balances with other banks	9	2,974,237	3,691,183
Lendings to financial institutions	10	98,176	3,989,249
Investments	11	53,335,855	61,735,716
Advances	12	108,261,259	89,826,806
Operating fixed assets	13	1,528,913	1,294,486
Deferred tax assets	14	1,145,665	—
Other assets	15	3,369,135	2,128,703
		182,114,624	172,867,688
LIABILITIES			
Bills payable	16	2,372,146	3,210,041
Borrowings	17	30,435,543	29,991,633
Deposits and other accounts	18	128,127,997	121,066,389
Sub-ordinated loans		—	—
Liabilities against assets subject to finance lease		—	—
Deferred tax liabilities	14	—	60,874
Other liabilities	19	6,082,412	5,018,843
		167,018,098	159,347,780
NET ASSETS		15,096,526	13,519,908
REPRESENTED BY			
Share capital	20	6,022,020	5,018,350
Reserves		7,039,936	6,383,936
Unappropriated profit		3,179,905	2,061,674
		16,241,861	13,463,960
(Deficit)/Surplus on revaluation of assets-net of tax	21	(1,145,335)	55,948
		15,096,526	13,519,908
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 45 and annexures I & II form an integral part of these financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

BASHIR ALI MOHAMMAD
Director

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2008



	Note	2008	2007
		Rupees in '000	
Mark-up / return / interest earned	24	15,873,445	11,983,551
Mark-up / return / interest expensed	25	(10,907,002)	(8,259,184)
Net mark-up / interest income		4,966,443	3,724,367
Provision against non-performing loans and advances	12.4	1,004,572	434,740
Provision for diminution in the value of investments	11.3	242,713	7,344
Bad debts written off directly	12.6.1	2,535	76
		(1,249,820)	(442,160)
Net mark-up / interest income after provisions		3,716,623	3,282,207
Non mark-up / interest income			
Fee, commission and brokerage income		1,185,599	997,687
Dividend income		655,845	33,211
Income from dealing in foreign currencies		2,043,127	1,153,845
Gain on sale/redemption of securities	26	170,941	822,388
Unrealized gain/(loss) on revaluation of investments classified as held-for-trading		-	-
Other income	27	220,743	169,516
Total non mark-up / interest income		4,276,255	3,176,647
		7,992,878	6,458,854
Non mark-up / interest expenses			
Administrative expenses	28	3,102,436	2,254,018
Other provisions / write offs		-	-
Other charges	29	147,150	456
Total non mark-up / interest expenses		(3,249,586)	(2,254,474)
		4,743,292	4,204,380
Extraordinary / unusual items		-	-
Profit before taxation		4,743,292	4,204,380
Taxation - Current		(1,994,037)	(1,279,080)
- Prior years		(29,186)	(174,000)
- Deferred		559,667	46,108
	30	(1,463,556)	(1,406,972)
Profit after taxation		3,279,736	2,797,408
Unappropriated profit brought forward		2,061,674	1,836,616
Profit available for appropriation		5,341,410	4,634,024
			(Restated)
Basic earnings per share - (Rupees)	31	5.45	4.65
Diluted earnings per share - (Rupees)	31	5.45	4.65

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KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

BASHIR ALI MOHAMMAD
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
Rupees in '000			
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		4,743,292	4,204,380
Less: Dividend income		655,845	33,211
		4,087,447	4,171,169
Adjustments			
Depreciation	13.1	164,431	60,837
Provision against non-performing loans and advances	12.4	1,004,572	434,740
Provision for diminution in the value of investments	11.3	242,713	7,344
(Loss)/Gain on sale of fixed assets	27	103	(6,137)
		1,411,819	496,784
		5,499,266	4,667,953
(Increase) / decrease in operating assets			
Lendings to financial institutions		3,891,073	1,457,861
Advances		(19,439,022)	(6,937,487)
Other assets		(1,240,432)	(79,147)
		(16,788,381)	(5,558,773)
Increase / (decrease) in operating liabilities			
Bills payable		(837,895)	1,590,245
Borrowings from financial institutions		(239,618)	227,674
Deposits and other accounts		7,061,608	18,573,756
Other liabilities (excluding current taxation)		1,119,175	938,823
		7,103,270	21,330,498
		(4,185,845)	20,439,678
Income tax paid		(2,079,542)	(1,366,003)
Net cash (used in) / inflow from operating activities		(6,265,387)	19,073,675
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		2,108,990	(21,304,318)
Net investments in held-to-maturity securities		4,200,000	(1,100,000)
Investment in subsidiary company		-	-
Dividend received		655,845	33,212
Investments in operating fixed assets		(408,135)	(712,489)
Sale proceeds of operating fixed assets		9,174	12,425
Net cash inflow from/(used in) investing activities		6,565,874	(23,071,170)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(501,122)	(4)
Decrease in cash and cash equivalents		(200,635)	(3,997,499)
Cash and cash equivalents at beginning of the year		13,309,131	17,306,630
Cash and cash equivalents at end of the year	32	13,108,496	13,309,131

The annexed notes 1 to 45 and annexures I & II form an integral part of these financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

BASHIR ALI MOHAMMAD
Director

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**
FOR THE YEAR ENDED DECEMBER 31, 2008



	Share Capital	Reserves				Un- appropriated Profit	Total
		Share premium	Statutory Reserve	Special Reserve	Revenue Reserve		
Rupees in '000							
Balance as at December 31, 2006	3,005,000	2,550,985	1,533,590	240,361	1,500,000	1,836,616	10,666,552
Issue of bonus shares in the ratio of 67 shares for every 100 shares held	2,013,350	–	–	–	–	(2,013,350)	–
Profit after taxation	–	–	–	–	–	2,797,408	2,797,408
Transfer to statutory reserve	–	–	559,000	–	–	(559,000)	–
Balance as at December 31, 2007	5,018,350	2,550,985	2,092,590	240,361	1,500,000	2,061,674	13,463,960
Issue of bonus shares in the ratio of 20 shares for every 100 shares held	1,003,670	–	–	–	–	(1,003,670)	–
Cash dividend (Re 1 per share)	–	–	–	–	–	(501,835)	(501,835)
Profit after taxation	–	–	–	–	–	3,279,736	3,279,736
Transfer to statutory reserve	–	–	656,000	–	–	(656,000)	–
Balance as at December 31, 2008	6,022,020	2,550,985	2,748,590	240,361	1,500,000	3,179,905	16,241,861

The annexed notes 1 to 45 and annexures I & II form an integral part of these financial statements.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

BASHIR ALI MOHAMMAD
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 The Group comprises of:

- **Holding company**
Habib Metropolitan Bank Limited
- **Subsidiary companies**
Habib Metropolitan Trade Services Limited
Habib Metropolitan Financial Services Limited

The Group is engaged in providing Commercial Banking and brokerage services.

1.2 Habib Metropolitan Bank Limited (the Bank) was incorporated in Pakistan on August 3, 1992 as a public limited company, under the Companies Ordinance, 1984 and is engaged in commercial banking and related services. Its shares are listed on all stock exchanges in Pakistan. The registered office of the Bank is situated at Spencer's Building, I.I Chundrigar Road, Karachi. The Bank operates 110 (2007: 100) branches including 4 (2007: 4) Islamic banking branches in Pakistan. The Bank is a subsidiary of Habib Bank AG Zurich (the holding company) which is incorporated in Switzerland.

1.3 Brief profile of the subsidiaries is as follows:

Name of company	Percentage of Shareholding	Net Profit	Net Assets	Nature of Business	Country of Incorporation
		Rupees in '000			
Habib Metropolitan Trade Services Limited	100	965	2,760	Trade related services (under winding-up)	Hong Kong
Habib Metropolitan Financial Services Limited	100	1,393	301,057	Brokerage company	Pakistan

2. BASIS OF PRESENTATION AND CONSOLIDATION

2.1 These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BSD Circular No. 04, dated 17 February 2006.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on a 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. However, during the year the Islamic banking branches of the Bank have adopted Islamic Financial Accounting Standard (IFAS) 1 "Murabaha" in respect of murabaha financing arrangements. This standard requires murabaha arrangements to be accounted for as a purchase and sale transaction of the underlying goods, and the related profit be recognised on a time proportionate basis over a period of murabaha transaction. The adoption of the above standard has not resulted in a material impact on these consolidated financial statements.

2.3 These consolidated financial statements comprise the financial statements of the Bank and its subsidiary companies. The financial statements of the subsidiary companies have been prepared for the same reporting year as the Bank using consistent accounting policies. The assets, liabilities, income and expenses of the subsidiary companies have been consolidated on a line by line basis. Intra-group balances and transactions have been eliminated for the consolidation purpose of consolidation.

3. STATEMENT OF COMPLIANCE

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

The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 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 consolidated financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

During the year, interpretations of accounting standards, namely IFRIC 11 "IFRS 2 - Group Reporting and Treasury Share Transactions", IFRIC 12 "Service Concession Arrangements" and IFRIC 14 "IAS 19 - The Limit on Defined Benefit Asset Minimum Funding Requirements and their Interaction" become effective. However, these interpretations do not affect the Group's consolidated financial statements.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except that certain investments are stated at market value and derivative financial instruments are carried at fair value as disclosed in notes 5.3 and 5.6 respectively.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

These include cash and balances with treasury and other banks less over drawn nostro and local bank accounts.

5.2 Repurchase/resale agreements

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

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repo agreement.

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

5.3 Investments

Investments are classified as follows:

Held-for-trading

These are securities, which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold to maturity.

Available-for-sale

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

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date the Bank commits to purchase / sell the investments. Regular way purchases and sales of equity investments require delivery of securities within 2 days after the transaction date as required by stock exchange regulations.

Investments (other than held-for-trading) are initially recognised at fair value plus transaction cost associated with the investment. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

After initial recognition quoted securities, other than those classified as held-to-maturity, are carried at market value. Unquoted securities are valued at cost less impairment losses, if any. Held-to-maturity securities are carried at amortised cost.

Surplus / (deficit) arising on revaluation of quoted securities which are classified as available-for-sale is taken to a separate account which is shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. The unrealized surplus / (deficit) arising on revaluation of quoted securities which are classified as held-for-trading is taken to the profit and loss account.

Provision for diminution in the values of securities (except Bonds and Term Finance Certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for impairment against Bonds and Term Finance Certificates is made as per the aging criteria prescribed by the Prudential Regulations issued by the SBP.

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

5.4 Advances including net investment in finance lease

Loans and advances

These are stated net of provisions against non-performing advances. The provision is made in accordance with the Prudential Regulations issued by the SBP and is charged to profit and loss account. The Group also maintains general provision in addition to the requirements of the Prudential Regulations on the basis of management's assessment of credit risk characteristics such as nature of credit, collateral type, industry sector and other relevant factors. Advances are written-off when there are no realistic prospects of recovery. Murabaha receivables are stated at gross amount receivable less deferred income and provisions, if any.

Finance lease receivables

Lease where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance lease. A receivable is recognised at an amount equal to the present value of the lease payments. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

5.5 Operating fixed assets

Tangible

These are stated at cost less accumulated depreciation and impairment, if any, except for land and capital work-in-progress which are stated at cost.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset at the rates specified in note 13.1. Depreciation on additions during the year is charged from the date of addition. In case of disposals during the year, the depreciation is charged uptill the date of disposal.

Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

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

An item of fixed asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

Gain and loss on disposal of assets is included in income currently.

Intangible

These are stated at cost less accumulated amortization and impairment, if any. Intangible assets are amortized from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Impairment

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If each indication exists, and when the carrying value exceeds the estimated recoverable amount, assets are written down to the recoverable amount. The resulting impairment loss is taken to the profit and loss account currently.

5.6 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

Derivative financial instruments are initially recognised at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

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

5.7 Provisions

Provisions are recognised when the Group 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 a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Provisions for guarantee claims and other off balance sheet obligations are recognised when intimated and reasonable certainty exists for the Group to settle the obligation. Expected recoveries are recognised by debiting the customers' account. Charge to profit and loss account is stated net off expected recoveries.

5.8 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into consideration available tax credits and rebates, if any. The charge for the current tax also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date, expected to be applicable at the time of its reversal.

A deferred tax asset is recognised only to the extent that it is probable that the future taxable profit will be available and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group also recognises deferred tax asset / liability on deficit / surplus on revaluation of assets which is adjusted against the related deficit / surplus in accordance with the requirements of IAS 12 "Income Taxes".

5.9 Employees' benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Retirement benefits are payable to the members of the scheme on completion of prescribed qualifying period of service under the scheme. Contribution is made in accordance with the actuarial recommendation. The actuarial valuation is carried out annually using "Projected Unit Credit Method". The actuarial gains or losses are recognised over the average remaining working lives of the employees participating in the plan.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees, which is administered by the Board of Trustees. Contributions are made by the Group and its employees, to the fund at the rate of 10% of basic salary.

Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A provision is made for estimated liability for annual leaves as a result of services rendered by the employee against unavailed leaves, as per term of service contract, up to balance sheet date.

5.10 Revenue recognition

Mark-up / interest / return on advances and investments is recognised on accrual basis, except for income which is required to be suspended in compliance with Prudential Regulations issued by the SBP.

Income from dealing in foreign currencies is recognised on accrual basis.

Other fee, commission and brokerage except income from letter of guarantee is accounted for on receipt basis. Income from letter of guarantee is recognized on accrual basis.

Dividend income is recognised when the Group's right to receive the dividend is established.

Income from murabaha is accounted for on a time proportionate basis over a period of murabaha transaction.

Income from placements is recognized on time proportion basis.

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

5.11 Foreign currencies

The financial statements are presented in Pakistani Rupees, which is the Bank's functional and presentation currency.

Foreign currency transactions are translated into local currency at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into rupees at the exchange rates prevailing at the balance sheet date. Forward exchange contracts are revalued using forward exchange rates applicable to their respective remaining maturities. Exchange gains or losses are included in income currently.

5.12 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04, dated 17 February 2006.

5.13 Transactions with related parties

Transactions with related parties are entered into at arm's length.

5.14 Dividend and appropriations

Dividends and other appropriation to reserves (excluding statutory reserve) declared subsequent to balance sheet date are considered as non-adjusting event and are recorded in the financial statements when declared.

6. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgements, 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 forms the basis of making judgement 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. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgements that have a significant effect on the financial statements are in respect of the following:

	Note
Classification of investments and provision for diminuation in the value of investments	5.3 & 11
Provision against non-performing advances	5.4 & 12
Useful lives of assets and methods of depreciation	5.5 & 13
Deferred taxation	5.8 & 14
Defined benefit plan	5.9 & 34

7. ACCOUNTING STANDARDS NOT YET EFFECTIVE

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretations.

Standard or Interpretation	Effective date (accounting period beginning on or after)
IAS 1 Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 Borrowings Costs (Revised)	January 01, 2009
IAS 27 Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 Business Combinations (Revised)	July 01, 2009
IFRS 4 Insurance Contracts	January 01, 2009
IFRS 8 Operating Segments	January 01, 2009
IFRIC 13 Customer Loyalty Programs	July 01, 2008
IFRIC 15 Agreements for the Construction of Real Estate	January 01, 2009
IFRIC 16 Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC 17 Distributions of Non-cash Assets to Owners	July 01, 2009
IFRIC 18 Transfers of Assets from Customers	July 01, 2009
IFAS 2 Ijara	January 01, 2009

The Group considers that the above standards and interpretations except for IFAS 2, are either not relevant or will have no material impact on its financial statements in the period of initial application other than certain changes or enhancements in the presentations and disclosures in the financial statements provided such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by SBP for banks.

IFAS 2 would affect the accounting for ijarah financing contract undertaken by the Islamic banking branches of the Bank. The Standard would be applicable prospectively to such contracts entered into on or after 01 January 2009 and requires that the assets leased out under the ijarah arrangements be recorded as fixed assets separate from the assets in the Group's own use. The said assets will be carried at cost less depreciation and impairment if any. The rentals from ijarah are to be recognised in the profit and loss account on a straight line basis over the term of the contract. Currently, the ijarah arrangements are accounted for by the Group as finance leases in accordance with the accounting policy is stated in note 5.4 above.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after 01 January 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Group's financial statements for the ensuing periods.

	Note	2008	2007
Rupees in '000			
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		1,967,601	1,490,460
- foreign currencies		463,180	343,772
National Prize Bonds		4,990	8,506
		2,435,771	1,842,738
With State Bank of Pakistan in			
- local currency current accounts	8.1	6,871,297	7,202,615
- foreign currency current account	8.2	17,984	44,038
- foreign currency deposit account			
- cash reserve account - non - remunerative	8.3	510,976	542,500
- special cash reserve account - remunerative	8.4	1,515,923	542,500
		8,916,180	8,331,653
With National Bank of Pakistan in local currency current accounts		49,433	27,154
		11,401,384	10,201,545

8.1 These accounts are maintained to comply with the statutory cash reserve requirements and include cash reserve account of Rs. 941,386 thousand (2007: 512,880 thousand) in respect of the Islamic banking branches of the Bank.

8.2 Represents US Dollar collection/settlement account with the SBP.

8.3 This represents cash reserve maintained with SBP against foreign currency deposits.

8.4 This represents special cash reserve maintained with SBP against foreign currency deposits and is remunerated at the rate declared by the SBP on monthly basis. The special cash reserve account carries mark-up rate of 0.90% (2007 : 4.24%) per annum.

	Note	2008	2007
Rupees in '000			
9. BALANCES WITH OTHER BANKS			
In Pakistan			
- Current accounts		232,907	279,288
- Deposit accounts	9.1	8,497	808,251
		241,404	1,087,539
Outside Pakistan			
- Current accounts	9.3	1,204,020	1,236,443
- Deposit accounts	9.2 & 9.3	1,528,813	1,367,201
		2,732,833	2,603,644
		2,974,237	3,691,183

9.1 These carry mark-up rates ranging between 5% to 9% (2007: 3.75% to 9%) per annum.

9.2 These carry mark-up rates ranging between 1% to 2.75% (2007: 3.75% to 5.87%) per annum.

9.3 Include balances in current and deposit accounts of Rs.44,429 thousand (2007: Rs.90,953 thousand) and Rs.971,485 thousand (2007: Rs.1,184,785 thousand) respectively with branches of the holding company.

	Note	2008	2007
Rupees in '000			
10. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings		–	2,000,000
Repurchase agreement lendings (Reverse Repo)	10.2	98,176	1,989,249
		98,176	3,989,249
10.1 Particulars of Lendings			
In local currency		98,176	3,989,249
In foreign currencies		–	–
		98,176	3,989,249

10.2 Securities held as collateral against lendings to financial institutions (Reverse Repo)

	Note	2008			2007		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in'000							
Market Treasury Bills		–	–	–	1,451,749	–	1,451,749
Pakistan Investment Bonds	10.2.1	98,176	–	98,176	500,000	–	500,000
Term Finance Certificates		–	–	–	37,500	–	37,500
		98,176	–	98,176	1,989,249	–	1,989,249

10.2.1 Pakistan Investment Bonds have been purchased under resale agreement at a rate of 14% (2007: 9.5%) per annum. The agreement matured on January 26, 2009.

10.3 Market value of the securities under repurchase agreement lendings amounted to Rs. 98,233 thousand (2007: Rs. 2,029,391 thousand).

	Note	2008			2007		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
11. INVESTMENTS	11.4	Rupees in'000					
11.1 Investments by types							
Available-for-sale securities							
Market Treasury Bills		25,869,803	6,480,493	32,350,296	26,470,917	11,266,204	37,737,121
Pakistan Investment Bonds		10,924,261	–	10,924,261	7,000,014	2,492,491	9,492,505
Ordinary Shares of listed companies		63,713	–	63,713	70,405	–	70,405
Ordinary Shares of un-listed companies		123,101	–	123,101	88,101	–	88,101
Preference Shares of listed companies		40,000	–	40,000	40,000	–	40,000
Preference Shares of unlisted companies		25,000	–	25,000	25,000	–	25,000
Listed Term Finance Certificates		1,462,796	–	1,462,796	1,264,640	–	1,264,640
Unlisted Term Finance Certificates		1,550,809	–	1,550,809	474,324	–	474,324
Sukuk Bonds		1,900,000	–	1,900,000	1,075,000	–	1,075,000
Open ended mutual funds		6,380,460	–	6,380,460	6,659,830	–	6,659,830
Close ended mutual funds		177,348	–	177,348	179,848	–	179,848
		48,517,291	6,480,493	54,997,784	43,348,079	13,758,695	57,106,774
Held-to-maturity securities							
Certificate of Investments		350,000	–	350,000	4,550,000	–	4,550,000
Investments at cost		48,867,291	6,480,493	55,347,784	47,898,079	13,758,695	61,656,774
Provision for diminution in the value of investments	11.3	(250,057)	–	(250,057)	(7,344)	–	(7,344)
Investments net of provision		48,617,234	6,480,493	55,097,727	47,890,735	13,758,695	61,649,430
(Deficit) / Surplus on revaluation of available-for-sale investments - net	21	(1,745,971)	(15,901)	(1,761,872)	89,254	(2,968)	86,286
Investments after revaluation of available-for-sale investments		46,871,263	6,464,592	53,335,855	47,979,989	13,755,727	61,735,716

	Note	2008	2007
		Rupees in '000	
11.2 Investments by segments	11.4		
Federal Government Securities			
- Market Treasury Bills		32,350,296	37,737,121
- Pakistan Investment Bonds		10,924,261	9,492,505
		<u>43,274,557</u>	<u>47,229,626</u>
Fully Paid Up Ordinary Shares			
- Listed Companies		63,713	70,405
- Unlisted Companies		123,101	88,101
		<u>186,814</u>	<u>158,506</u>
Fully Paid Up Preference Shares			
- Listed Companies		40,000	40,000
- Unlisted Companies		25,000	25,000
		<u>65,000</u>	<u>65,000</u>
Term Finance Certificates, Bonds and Participation Term Certificates			
- Listed Term Finance Certificates		1,462,796	1,264,640
- Unlisted Term Finance Certificates		1,550,809	474,324
- Sukuk Bonds		1,900,000	1,075,000
- Certificate of Investments		350,000	4,550,000
		<u>5,263,605</u>	<u>7,363,964</u>
Mutual Funds			
- Open ended mutual funds		6,380,460	6,659,830
- Close ended mutual funds		177,348	179,848
		<u>6,557,808</u>	<u>6,839,678</u>
Investments at cost		<u>55,347,784</u>	<u>61,656,774</u>
Provision for diminution in the value of investments	11.3	<u>(250,057)</u>	<u>(7,344)</u>
Investments - net of provisions		<u>55,097,727</u>	<u>61,649,430</u>
(Deficit)/Surplus on revaluation of available-for-sale investments	21	<u>(1,761,872)</u>	<u>86,286</u>
Investments at market value		<u><u>53,335,855</u></u>	<u><u>61,735,716</u></u>
11.3 Particulars of provision for diminution in the value of investments			
- Opening balance		7,344	—
- Charge for the year		242,713	7,344
- Closing balance		<u>250,057</u>	<u>7,344</u>
11.3.1 Particulars of provision in respect of type and segment			
Available-for-sale securities			
- Mutual funds	11.3.2	298,195	—
- Listed shares	11.3.2	37,780	—
- Unlisted companies		11,361	7,344
- Listed term finance certificate		11,458	—
		<u>358,794</u>	<u>7,344</u>

11.3.2 Represent impairment loss due to significant decline in the quoted market price of equity securities and net asset values of mutual funds. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as on 31 December 2008. However, in case of mutual funds, where issue and redemption of units was suspended on 31 December 2008, the valuation is based on net asset values as of the date when the said funds recommenced the redemption of units. The Group has fully recognised the impairment loss, as a matter of prudence, in the profit and loss account.

11.4 Information relating to investments in Federal Government Securities, ordinary and preference shares of listed and unlisted companies, mutual funds, Term Finance Certificates and Bonds required to be disclosed as part of the consolidated financial statements under the SBP's BSD Circular No. 4, dated 17 February 2006, is given in Annexure I.

	Note	2008	2007
		Rupees in '000	
12. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		85,304,478	70,318,994
Outside Pakistan		–	–
		<u>85,304,478</u>	<u>70,318,994</u>
Net investment in finance lease			
In Pakistan	12.2	2,560,428	2,180,889
Outside Pakistan		–	–
		<u>2,560,428</u>	<u>2,180,889</u>
Bills discounted and purchased (excluding Market treasury bills)			
Payable in Pakistan		5,382,542	4,570,152
Payable outside Pakistan		17,143,916	13,974,026
		<u>22,526,458</u>	<u>18,544,178</u>
Advances – gross		<u>110,391,364</u>	<u>91,044,061</u>
Provision against non-performing advances			
- specific		(1,083,785)	(700,981)
- general		(1,046,320)	(516,274)
	12.4	<u>(2,130,105)</u>	<u>(1,217,255)</u>
Advances – net of provisions		<u>108,261,259</u>	<u>89,826,806</u>
12.1 Particulars of advances – gross			
12.1.1 In local currency		95,931,381	74,308,938
In foreign currencies		14,459,983	16,735,123
		<u>110,391,364</u>	<u>91,044,061</u>
12.1.2 Short term (for upto one year)		98,883,595	81,184,185
Long term (for over one year)		11,507,769	9,859,876
		<u>110,391,364</u>	<u>91,044,061</u>

12.2 Net investment in finance leases

	2008				2007			
	Not later than one year	Later than one & less than five years	Over five years	Total	Not later than one year	Later than one & less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	1,039,658	1,721,523	–	2,761,181	1,048,023	1,334,995	–	2,383,018
Residual value	51,782	117,760	–	169,542	22,078	82,181	–	104,259
Minimum lease payments	1,091,440	1,839,283	–	2,930,723	1,070,101	1,417,176	–	2,487,277
Financial charges for future periods	(124,032)	(246,263)	–	(370,295)	(130,487)	(175,901)	–	(306,388)
Present value of minimum lease payments	967,408	1,593,020	–	2,560,428	939,614	1,241,275	–	2,180,889

12.3 Advances include Rs. 1,747,599 thousand (2007: Rs. 804,247 thousand) which have been placed under non-performing status as detailed below:

	2008								
	Classified Advances			Provision required			Provision held*		
Category of Classification	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Substandard	715,558	–	715,558	178,890	–	178,890	178,890	–	178,890
Doubtful	231,698	–	231,698	142,088	–	142,088	142,088	–	142,088
Loss	800,343	–	800,343	762,807	–	762,807	762,807	–	762,807
	1,747,599	–	1,747,599	1,083,785	–	1,083,785	1,083,785	–	1,083,785

* The above provision has been made after taking into account liquid securities realisable without recourse to court held against non-performing advances. Subsequent to year end, the SBP vide circular number 02 of 2009 dated 27 January 2009 has amended the Prudential Regulations whereby benefit of Forced Sale Value (FSV) of commercial and residential properties, to the extent of 30% of value, held against non-performing advances has been allowed to be taken into account for the purpose of calculating the provisioning requirement. However, the Group has presently decided not to avail such benefit for computing the above provision as in the previous years.

12.4 Particulars of provision against non-performing advances:

	2008			2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	700,981	516,274	1,217,255	304,575	513,460	818,035
Charge for the year	531,254	530,046	1,061,300	472,218	3,994	476,212
Reversals	(56,728)	–	(56,728)	(40,292)	(1,180)	(41,472)
Net charge for the year	474,526	530,046	1,004,572	431,926	2,814	434,740
Amount written off	(91,722)	–	(91,722)	(35,520)	–	(35,520)
Closing balance	1,083,785	1,046,320	2,130,105	700,981	516,274	1,217,255

12.4.1 The general provision includes provision made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% of fully secured and at 5% of the unsecured consumer portfolio.

12.5 Particulars of provision against non-performing advances:

	2008			2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local Currency	1,083,785	1,046,320	2,130,105	700,981	516,274	1,217,255
In foreign Currencies	–	–	–	–	–	–
	<u>1,083,785</u>	<u>1,046,320</u>	<u>2,130,105</u>	<u>700,981</u>	<u>516,274</u>	<u>1,217,255</u>

Note **2008** 2007
Rupees in '000

12.6 Particulars of write offs:

12.6.1 Against provisions	91,722	35,520
Directly charged to profit and loss account	2,535	76
	<u>94,257</u>	<u>35,596</u>
12.6.2 Write offs of Rs. 500,000/- and above	89,950	35,427
Write offs of below Rs. 500,000/-	4,307	169
	<u>94,257</u>	<u>35,596</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of Rs. 500,000/- or above allowed to the persons during the year ended December 31, 2008 is enclosed as Annexure II.

12.8 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

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

Opening balance	486,031	471,301
Loans granted during the year	336,935	206,993
Repayments	(239,689)	(192,263)
Closing balance	<u>583,277</u>	<u>486,031</u>

Debts due by companies or firms in which the directors of the
Bank are interested as directors, partners or in the case of
private companies as members

Opening balance	753,624	410,678
Loans granted during the year	17,350,601	15,415,463
Repayments	(16,555,972)	(15,072,517)
Closing balance	<u>1,548,253</u>	<u>753,624</u>

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

–	–
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13. OPERATING FIXED ASSETS

Property and equipment	13.1	1,452,663	1,280,306
Advance against purchase of property for own use		76,250	14,180
		<u>1,528,913</u>	<u>1,294,486</u>

13.1 Property and equipment

	COST			DEPRECIATION			BOOK VALUE	Rate of depreciation %
	As at January 1, 2008	Additions/ (deletions)	As at December 31, 2008	As at January 1, 2008	Charge for the year/ (deletions)	As at December 31, 2008	As at December 31, 2008	
	Rupees in '000							
Leasehold land	30,178	–	30,178	–	–	–	30,178	–
Buildings/office premises	1,130,769	5,866	1,136,635	278,668	35,241	313,909	822,726	4
Furniture, fixtures, office and computer equipment	230,436	180,702 (6,714)	404,424	93,089	62,354 (4,833)	150,610	253,814	15 & 25
Vehicles	9,357	8,778 (8,641)	9,494	4,213	1,525 (1,245)	4,493	5,001	20
Leasehold improvements	299,126	150,719 (2,352)	447,493	43,590	65,311 (2,352)	106,549	340,944	20
2008	1,699,866	346,065 (17,707)	2,028,224	419,560	164,431 (8,430)	575,561	1,452,663	

	COST			DEPRECIATION			BOOK VALUE	Rate of depreciation %
	As at January 1, 2007	Additions/ (deletions)	As at December 31, 2007	As at January 1, 2007	Charge for the year/ (deletions)	As at December 31, 2007	As at December 31, 2007	
	Rupees in '000							
Leasehold land	30,178	–	30,178	–	–	–	30,178	–
Buildings/office premises	763,153	367,616	1,130,769	253,856	24,812	278,668	852,101	4
Furniture, fixtures, office and computer equipment	110,049	124,606 (4,219)	230,436	75,141	21,032 (3,084)	93,089	137,347	15 & 25
Vehicles	7,276	8,250 (6,169)	9,357	4,222	1,007 (1,016)	4,213	5,144	20
Leasehold improvements	68,631	230,495	299,126	29,604	13,986	43,590	255,536	20
2007	979,287	730,967 (10,388)	1,699,866	362,823	60,837 (4,100)	419,560	1,280,306	

13.1.1 The latest valuation of Group's properties was carried out during the year 2006. As per such valuation, the aggregate fair value of properties work out to be Rs.1,778,000 thousand.

13.1.2 The cost of fully depreciated assets still in use is Rs.99,188 thousand (2007: Rs.57,152 thousand).

13.1.3 Details of fixed assets deleted with original cost or book value in excess of Rs.1,000 thousand or Rs.250 thousand respectively (whichever is less):

Particulars	Cost	Book Value	Sales proceed	Mode of disposal	Particulars of Purchaser
Furniture, fixtures, office and computer equipment	1,799	1,013	–	Retirement benefit	Mr. Kassim Parekh (Ex-President & CEO)
Vehicles	5,310	5,278	–	Retirement benefit	Mr. Kassim Parekh (Ex-President & CEO)
	320	307	850	Insurance Claim	Adamjee Insurance Co. Ltd, Karachi
	1,071	1,065	2,000	Negotiations	Toyota Central Motors, Karachi
	496	487	519	Negotiations	Mr. Farhan Hamdeed Bakhshy
	7,197	7,137	3,369		
	8,996	8,150	3,369		

13.2 Intangible assets

The cost of fully amortised intangible assets (computer software) still in use is Rs. 27,875 thousand (2007: Rs. 27,875 thousand).

	Note	2008 Rupees in '000	2007
14. DEFERRED TAX ASSETS / (LIABILITIES)			
Deferred tax credits arising due to:			
Surplus on revaluation of securities		–	(30,338)
Net investment in finance lease		(53,362)	(260,132)
Accelerated depreciation		(251,781)	(196,443)
		(305,143)	(486,913)
Deferred tax debits arising in respect of:			
Surplus on revaluation of securities		616,537	–
Provision for diminution in the value of investment		87,520	–
Provision for non-performing advances		745,537	426,039
Pre operation expenses of a subsidiary		1,214	–
		1,450,808	426,039
		1,145,665	(60,874)
15. OTHER ASSETS			
Income / mark-up accrued in local currency		2,550,315	1,607,423
Income / mark-up accrued in foreign currencies		37,077	74,655
Receivable from defined benefit plan	34	–	5,548
Advances, deposits and other prepayments		291,768	290,682
Due from the SBP against encashment of Government Securities		43,100	45,727
Stationery and stamps on hand		23,770	27,555
Unrealized gain on forward exchange contracts		370,309	–
Membership of Karachi Stock Exchange (Guarantee) Limited		34,750	34,750
Others		18,046	42,363
		3,369,135	2,128,703
16. BILLS PAYABLE			
In Pakistan		2,372,146	3,210,041

	Note	2008 Rupees in '000	2007
17. BORROWINGS			
In Pakistan		29,232,450	29,362,736
Outside Pakistan		1,203,093	628,897
		30,435,543	29,991,633
17.1 Particulars of borrowings with respect of currencies			
In local currency		29,232,450	29,362,736
In foreign currency		1,203,093	628,897
		30,435,543	29,991,633
17.2 Details of borrowings			
Secured			
Borrowings from the SBP			
- export refinance scheme		20,550,658	12,397,762
- long term financing - export oriented projects		2,237,881	2,137,979
	17.2.1	22,788,539	14,535,741
Repurchase agreement borrowings	17.2.2	6,379,879	13,758,695
		29,168,418	28,294,436
Unsecured			
Call borrowings		-	1,113,600
Overdrawn nostro accounts		1,203,093	566,897
Overdrawn local bank accounts		64,032	16,700
		1,267,125	1,697,197
		30,435,543	29,991,633

17.2.1 These carry mark-up rate of 7.50% (2007: 7.50%) per annum which is payable quarterly or upon maturity of loans, whichever is earlier.

17.2.2 These have been borrowed from financial institutions and are secured against Federal Government Securities and carry mark-up rates ranging between 11.5% to 14.9% (2007: 9.1% to 10%) per annum, with maturities upto February 2009.

18. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	62,433,207	54,812,561
Savings deposits	29,654,843	28,326,985
Current accounts - non-remunerative	31,190,498	33,326,607
Others	1,804,305	1,185,870
	125,082,853	117,652,023

Financial institutions

Remunerative deposits	2,955,987	3,209,976
Non-remunerative deposits	89,157	204,390
	3,045,144	3,414,366
	128,127,997	121,066,389

	Note	2008	2007
		Rupees in '000	
18.1 Particulars of deposits			
In local currency		117,820,437	110,200,532
In foreign currencies		10,307,560	10,865,857
		128,127,997	121,066,389
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,859,017	3,008,904
Mark-up / return / interest payable in foreign currencies		29,739	57,882
Unearned commission and income on bills discounted		110,757	78,594
Accrued expenses		228,066	198,282
Workers' Welfare Fund		125,862	–
Current taxation (provisions less payments)	30	782,619	838,938
Unclaimed dividends		1,086	373
Branch adjustment account		1,679	42
Unrealized loss on forward exchange contracts		–	14,658
Excise duty payable		9,754	4,795
Locker deposits		216,024	185,709
Advance against diminishing musharaka		152,490	103,194
Advance rental for Ijara		12,877	53,494
Security deposits against leases/ Ijara		475,672	359,036
Sundry creditors		51,470	99,100
Others		25,300	15,842
		6,082,412	5,018,843
20. SHARE CAPITAL			
20.1 Authorised capital			
		2008	2007
		Number of shares	
		1,200,000,000	600,000,000
		Ordinary shares of Rs 10/- each	12,000,000
			6,000,000
20.2 Issued, subscribed and paid-up capital			
		Ordinary shares of Rs 10/- each	
		30,000,000	30,000,000
		- issued for cash	300,000
		92,500,000	92,500,000
		- issued upon amalgamation	925,000
		479,702,000	379,335,000
		- issued as bonus shares	4,797,020
		602,202,000	501,835,000
			6,022,020
			5,018,350
20.3		As of the balance sheet date, Habib Bank AG Zurich – Switzerland (the holding company) held 307,123 thousand (2007: 255,936 thousand) Ordinary shares of Rs.10/- each (51% holding).	

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group deals in derivative financial instruments namely forward foreign exchange contracts and foreign currency swaps with the principle view of hedging the risks arising from its trade business.

As per the Group's policy, these contracts are reported on their fair value at the balance sheet date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealized gains and losses on these contracts are recorded on the balance sheet under "other assets / other liabilities".

These products are offered to the Bank's customers to protect from unfavorable movements in foreign currencies. The Group effectively hedges such exposures in the inter-bank foreign exchange market.

These positions are reviewed on a regular basis by the Group's Asset and Liability Committee (ALCO).

	Note	2008	2007
		Rupees in '000	
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		9,467,208	6,513,996
Financial institutions		73,163	80,487
		9,540,371	6,594,483
On investments in:			
Available-for-sale securities		5,044,066	3,958,661
Held-to-maturity securities		340,412	339,958
		5,384,478	4,298,619
On deposits with financial institutions		630,100	584,859
On securities purchased under resale agreements		318,496	505,590
		15,873,445	11,983,551
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits and other accounts		9,169,940	7,413,879
Securities sold under repurchase agreements		1,698,625	790,108
Other borrowings		38,437	55,197
		10,907,002	8,259,184
26. GAIN ON SALE/REDEMPTION OF SECURITIES			
Pakistan Investment Bonds		–	209,469
Market Treasury Bills		141	(132)
Shares-listed companies		642	8,236
Mutual Funds		170,158	604,815
		170,941	822,388
27. OTHER INCOME			
(Loss) / gain on sale of fixed assets		(103)	6,137
Recovery of expenses from customers	27.1	104,601	101,766
Others	27.2	116,245	61,613
		220,743	169,516

27.1 Includes courier, telex, postage and other charges from customers.

27.2 Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.

	Note	2008	2007
		Rupees in '000	
28. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		1,368,770	946,375
Contract staff		67,595	46,223
Charge for defined benefit plan	34	33,690	24,602
Contribution to defined contribution plan		50,290	39,700
Non-executive directors' fees, allowances and other expenses		190	210
Brokerage and commission		58,937	46,991
Rent, taxes, insurance, electricity, etc.		399,825	306,984
Legal and professional charges		25,200	25,971
Communications		112,015	92,896
Repairs and maintenance		102,702	69,261
Rentals of operating leases		167,006	190,756
Stationery and printing		73,369	59,951
Management fee	40	112,170	82,601
Advertisement and publicity		34,469	30,637
Donations	28.1	24,166	20,260
Auditors' remuneration	28.2	4,095	3,410
Depreciation	13.1	164,431	60,837
Security charges		47,810	35,299
Travelling and conveyance		38,759	27,316
Computer software maintenance		53,541	35,614
Motor car running		25,473	11,892
Cartage, handling and freight charges		30,400	18,825
Ijarah payments		2,196	–
Others		105,337	77,407
		3,102,436	2,254,018

28.1 Details of the donations given in excess of Rupees 100,000/- are given below :

DONEE

Abbas Alamdar Hostel	984	884
Abdul Sattar Edhi Foundation	500	250
Academy of Quranic Studies	120	120
Ahmed Abdullah Foundation	200	100
Al Sayyeda Benevolent Trust	960	960
Al-Umeed Rehabilitation Association	400	100
Anjuman Behbood-e-Samat-e-Atfal	250	250
Bantva Memon Jamat	200	175
Bantva Memon Rahat Committee	200	175
Bantva Anjuman Himayat-e-Islam	125	100
Children Foundation Trust	–	1,000
Dar-ul-Sukun	250	100
Developments in Literacy	200	–
Fatimiyah Education Network	500	250
Habib Medical Trust	960	960
Habib Poor Fund	960	960
IDA Rieu Poor Welfare Association	200	100
Kashmir Education Foundation	300	100
Kiran Patient Welfare Association	250	–
Lahore University of Management Sciences	500	250

	Note	2008	2007
		Rupees in '000	
DONEE			
Madarsa Jafria		168	183
Marie Adelaide Leprosy Centre		450	250
Memon Educational Board		400	350
Milestone Charitable Trust		110	–
Pakistan Memon Educational & Welfare Society		600	600
Pakistan Memon Women Educational Society		400	350
Pak Medical and Welfare Trust		250	100
Rahmatbai Habib Food & Clothing Trust		960	960
Rahmatbai Habib Widows & Orphans Trust		960	960
Safina-e-Ahlebeit		174	186
Shaukat Khanum Memorial Trust		500	250
Society for Welfare of Patient of SIUT		500	300
Spencers Eye Hospital		250	–
Sun Development Foundation		113	–
Tabba Heart Institute		500	750
The Citizens Foundation		6,620	5,738
The Institute of Business Administration		500	–
The Kidney Centre		500	250
The Layton Rehmatulla Benevolent Trust		500	250
Zehra Home		250	–
28.2 Auditors' remuneration			
Audit fee		1,360	1,200
Review of half yearly financial statements		300	300
Special audit certifications and sundry advisory services		395	461
Tax services		1,792	1,123
Out-of-pocket expenses		248	326
		4,095	3,410
29. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		21,288	456
Workers' Welfare Fund		125,862	–
		147,150	456
29.1	The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which, the Bank is now liable to pay workers' welfare fund @ 2% of accounting profit before tax or declared income as per income tax return, whichever is higher.		
30. TAXATION			
- Current		1,994,037	1,279,080
- Prior years		29,186	174,000
- Deferred		(559,667)	(46,108)
	30.2	1,463,556	1,406,972
30.1	Income tax assessments of the Bank have been finalised upto the tax year 2007 (corresponding to the accounting year ended December 31, 2006). The Bank has filed income tax return for the tax year 2008, (corresponding to the accounting year ended December 31, 2007) and the same is deemed to be assessed in terms of section 120 of the Income Tax Ordinance, 2001.		

	Note	2008	2007
		Rupees in '000	
30.2 Relationship between tax expense and accounting profit			
Profit before tax		<u>4,743,292</u>	<u>4,204,380</u>
Tax at the applicable rate of 35% (2007: 35%)		1,660,152	1,471,533
Tax effect of income not subject to tax		(111)	(115,286)
Tax effect of income taxed at reduced rate		(166,531)	(6,323)
Tax effect of expenses / (income) that are not adjustable in determining taxable income		500,527	(70,844)
Tax effect of temporary differences		(559,667)	(46,108)
Tax effect for prior years		29,186	174,000
Tax charge for the year		<u>1,463,556</u>	<u>1,406,972</u>

31. BASIC AND DILUTED EARNINGS PER SHARE

Profit after taxation		<u>3,279,736</u>	<u>2,797,408</u>
Weighted average number of ordinary shares (in'000)	31.1	<u>602,202</u>	<u>602,202</u>
Basic and diluted earnings per share (Rupees)		<u>5.45</u>	<u>4.65</u>

31.1 The weighted average number of shares for 2007 have been adjusted for the effect of bonus shares issued during the year.

32. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	8	11,401,384	10,201,545
Balances with other banks	9	2,974,237	3,691,183
Overdrawn nostro account	17.2	(1,203,093)	(566,897)
Overdrawn local banks account	17.2	(64,032)	(16,700)
		<u>13,108,496</u>	<u>13,309,131</u>

33. STAFF STRENGTH

		Number	
Permanent		1,491	1,395
Temporary/on contractual basis		460	404
Bank's own Staff Strength		<u>1,951</u>	<u>1,799</u>
Outsourced		536	501
Total Staff Strength		<u>2,487</u>	<u>2,300</u>

34. DEFINED BENEFIT PLAN

General description

The benefits under the funded gratuity scheme are payable on retirement at the age of 60 or earlier cessation of service. The benefit is equal to one month's last basic salary drawn for each year of eligible service subject to a maximum of 24 months last drawn basic salary. The minimum qualifying period for eligibility under the plan is five years of continuous service.

Principal actuarial assumptions

The actuarial valuation was carried out on December 31, 2008 using "Projected Unit Credit Actuarial Cost Method". The main assumptions used for actuarial valuation were as follows:

	2008	2007
Discount rate – percent (per annum)	15	10
Expected rate of return on plan assets – percent (per annum)	15	10
Long term rate of salary increase – percent (per annum)	15	10

Reconciliation of defined benefit plan

	2008	2007
	Rupees in '000	
Fair value of plan assets	205,633	189,481
Present value of defined benefit obligation	(263,311)	(240,826)
Unrecognised actuarial loss	58,291	58,120
Unrecognised past service cost	(613)	(1,227)
	<u>–</u>	<u>5,548</u>

Movement in defined benefit plan

Opening balance	5,548	30,150
Charge for the year	(33,690)	(24,602)
Contribution to the fund	28,142	–
Closing balance	<u>–</u>	<u>5,548</u>

Charge for defined benefit plan

Current service cost	25,765	27,500
Interest cost	24,083	16,514
Expected return on plan assets	(18,948)	(18,798)
Actuarial loss recognized	3,404	–
Negative past service cost	(614)	(614)
	<u>33,690</u>	<u>24,602</u>

Movement in fair value of plan assets

Opening balance	189,481	187,976
Expected return on plan assets	18,948	18,798
Actuarial loss recognized	(13,329)	(7,650)
Benefits paid	(17,609)	(9,643)
Contribution to the fund	28,142	–
Closing balance	<u>205,633</u>	<u>189,481</u>

Movement in present value of defined benefit obligation

Opening balance	240,826	165,137
Current service cost	25,765	27,500
Interest cost	24,083	16,514
Actuarial (gain)/loss recognized	(9,754)	41,318
Benefits paid	(17,609)	(9,643)
Closing balance	<u>263,311</u>	<u>240,826</u>

	2008	2007
	Rupees in '000	
Annual actuarial loss		
Experience (gain) / loss on obligation	(9,754)	41,318
Experience loss on plan assets	13,329	7,650
Total loss during the year	3,575	48,968
Actual return on plan assets	5,619	11,148

Plan assets comprise the following:

	2008		2007	
	Amount Rupees in '000	%	Amount Rupees in '000	%
Government Securities	170,746	83%	188,158	99%
Bank Deposits	34,887	17%	1,323	1%
	205,633	100%	189,481	100%

Historical Information

	2008	2007	2006
	Rupees in '000		
Present value of defined benefit obligation	263,311	240,826	165,137
Fair value of plan assets	(205,633)	(189,481)	(187,976)
Deficit/(Surplus)	57,678	51,345	(22,839)

35. DEFINED CONTRIBUTION PLAN

The general description of the plan is included in note 5.9

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	President & Chief Executive		Directors		Executives	
		2008*	2007	2008	2007	2008	2007
Rupees in '000							
Fees		-	-	190	210	-	-
Managerial Remuneration		12,948	2,839	-	-	505,066	318,172
Charge for defined benefit plan		975	226	-	-	17,942	12,011
Contribution to defined contribution plan		1,170	284	-	-	21,869	14,797
Rent and house maintenance		1,586	1,637	-	-	-	-
Utilities		111	150	810	450	-	-
Bonus		3,562	734	-	-	71,465	47,398
Others	36.1	103,411	1,928	3,010	1,719	2,342	-
		123,763	7,798	4,010	2,379	618,684	392,378
Number of persons		2	1	7	7	326	226

36.1 Includes one time ex-gratia payment made by the Bank upon retirement to ex-President /Chief Executive.

36.2 The Chief Executive, Executive Director and certain executives are provided with free use of cars and household equipment in accordance with their terms of employment.

* Represents compensation paid to the ex-President/Chief Executive and current Chief Executive of the Bank.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

In the opinion of the management, the fair value of the financial assets and financial liabilities including off-balance sheet financial instruments are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits, are frequently repriced.

Fair value of investments in Federal Government Securities is based on PKRV rates (Reuters Page). Fair value of listed securities is based on their market prices whereas fair value of mutual funds is based on net asset value of the funds. Fair value of unquoted equity instruments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

The provision for impairment of loans and advances and debt securities has been calculated in accordance with the Bank's accounting policy as stated in note 5.4.

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Trade & Sales	Retail Banking	Commercial Banking
	Rupees in '000		
2008			
Total income*	6,468,806	5,257,017	13,411,229
Total expenses*	5,354,200	4,984,339	10,055,221
Net income	1,114,606	272,678	3,356,008
Segment assets (gross)	54,625,597	1,163,573	126,325,454
Segment non performing loans	–	6,725	1,077,060
Segment provision required	–	6,725	1,077,060
Segment liabilities	6,494,847	71,507,761	89,015,490
Segment return on net assets (%)	11.84	7.35	10.62
Segment cost of funds (%)	9.80	6.97	7.96
2007			
Total income*	5,387,878	3,943,930	10,208,177
Total expenses*	4,592,174	3,319,401	7,424,030
Net income (loss)	795,704	624,529	2,784,147
Segment assets (gross)	66,217,524	1,084,275	106,339,707
Segment non performing loans	–	2,986	801,261
Segment provision required	–	1,369	699,612
Segment liabilities	14,924,219	55,401,880	89,718,260
Segment return on net assets (%)	8.14	7.12	9.60
Segment cost of funds (%)	6.93	5.99	6.98

* Includes inter-segment revenues and expenses

39. TRUST ACTIVITIES

The Bank acts as a Trustee of the Metro Bank Pakistan Sovereign Fund (the Fund). As of December 31, 2008, Net Asset Value of the Fund was Rs. 373,868 thousand (2007: Rs. 824,331 thousand)

40. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Group comprise of the ultimate holding company of the Group, entities with common directorships, directors and their close family members, staff retirement benefit funds, key executives and major shareholders of the Group.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2008	2007
	Rupees in '000	
Balance outstanding at year end		
Holding company of the Group (Habib Bank AG Zurich)		
Bank balances	1,015,486	1,275,738
Management fee payable	112,170	82,601
Entities with common directorships		
Advances	1,548,253	753,624
Deposits	1,197,119	3,165,383
Trade related contingent liabilities	1,256,265	1,769,635
Key Management Personnel		
Advances	11,409	16,828
Deposits	7,536	15,384
Retirement benefit plan		
Deposits	631,304	480,409
Transactions for the year		
Holding company of the Group (Habib Bank AG Zurich)		
Mark-up/return/interest earned	66,391	146,176
Management fee for technical and consultancy services	112,170	82,601
Entities with common directorships		
Mark-up/return/interest earned	99,618	38,815
Mark-up/return/interest expensed	283,036	439,097
Commission/bank charges recovered	8,202	8,145
Insurance premium paid	1,481	1,369
Rent income	767	658
Key Management Personnel		
Mark-up/return/interest earned	774	709
Mark-up/return/interest expensed	244	361
Salaries, allowances, etc	169,848	55,881
Directors' fee	190	210
Retirement benefit plan		
Mark-up/return/interest expensed	17,591	28,003
Contribution to defined benefit plan	28,142	-
Contribution to defined contribution plan	50,290	39,700

The above transactions are carried at arm's length basis other than advances to key management personnel which are in accordance with their terms of employment.

41. CAPITAL ADEQUACY

41.1 The objectives of the Bank's capital management are to ensure that the Bank complies with the regulatory capital requirement and maintain healthy capital ratios in order to support its business and maximise shareholders' value. The SBP through its BSD Circular No.19 dated 05 September 2008 requires the minimum paid up capital (net of losses) for all banks to be raised to Rs. 23 billion by the year ending on 31 December 2013. The raise is to be achieved in a phased manner requiring Rs. 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital of the Bank as of 31 December 2008 stands at Rs. 6.02 billion. In addition to the above paid up capital requirement, the banks are also required to maintain a Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure. The Bank's CAR as at 31 December 2008 was 10.62% of its risk weighted exposure.

41.2 Regulatory Capital Base	2008	2007
	Rupees in '000	
Tier I Capital		
Share Capital	6,022,020	5,018,350
Balance in share premium account	2,550,985	2,550,985
Reserves	4,488,951	3,832,951
Un-appropriated profits	3,179,905	2,059,958
Less: Deficit on account of revaluation of available-for-sale investments	(1,761,872)	-
Total Tier I Capital	14,479,989	13,462,244
Tier II Capital		
General provision subject to 1.25% of total risk weighted assets	1,046,320	516,274
Total Tier II Capital	1,046,320	516,274
Eligible Tier III Capital	-	-
Total regulatory capital base	15,526,309	13,978,518

41.3 The risk weighted assets to capital ratio, calculated in accordance with the SBP's guidelines on capital adequacy is as follows:

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	Rupees in '000			
Credit risk				
Cash and cash equivalents	-	-	-	-
Sovereign	-	-	-	-
Public Sector Entities	66,899	15,768	743,321	197,102
Banks	342,357	364,775	3,803,968	4,559,687
Corporate	8,550,953	6,522,463	95,010,590	81,530,791
Retail	452,613	121,262	5,029,028	1,515,769
Mortgage finance	12,939	11,299	143,772	141,235
Past due loans	16,265	32,472	180,722	405,894
Equity	59,547	219,630	661,629	2,745,381
Claims on fixed assets	23,840	-	264,892	-
All other fixed assets	906,881	772,736	10,076,460	9,659,197
OBS - Non market related	1,310,943	1,107,913	14,566,035	13,848,910
OBS - Market related	79,113	44,603	879,029	557,541
Market risk				
Interest rate risk	18,067	-	225,838	-
Foreign exchange risk	12,220	24,111	152,752	301,385
Equity position risk	-	-	-	-
Operational risk	1,152,701	673,457	14,408,767	8,418,212
	13,005,338	9,910,489	146,146,803	123,881,104
Capital adequacy ratio				
Total eligible regulatory capital held	15,526,309	13,978,518		
Total risk weighted assets	146,146,803	123,881,104		
CAR	10.62%	11.28%		

42. RISK MANAGEMENT

Risk management aspects are embedded in the Bank's strategy, organization structure and processes. The Bank has adopted a cohesive risk management structure for credit, operations, liquidity and market risk to strengthen the process and system from the foundation as controls are more effective and valuable when built into the process. Effective risk management is considered essential in the preservation of the assets and long-term profitability of the Bank. Clear guidelines and limits, which are under regular review, are backed up by a system of internal controls and independent audit inspections. Internal reporting / MIS are additional tools for measuring and controlling risks. Separation of duties is also embedded in the Bank's system and organization.

42.1 Credit risk

Credit risk arises from the possibility that the counterparty in a transaction may default. It arises principally in relation to the lending and trade finance business carried out by the Bank.

As per Basel II methodology the gross credit risk weighted exposure incorporating relevant credit conversion factor is Rs. 131 million as depicted in note 41.

The Bank's strategy is to minimize credit risk through a strong pre-disbursement credit analysis, approval and risk measurement process added with product, geography and customer diversification. The Bank, as its strategic preference, extends trade and working capital financing, so as to keep the major portion of exposure (funded and non-funded) on a short-term, self-liquidating basis. Major portion of the Bank credit portfolio is priced on flexible basis with pricing reviewed on periodic basis.

The Bank's credit policy / instructions defines the credit extension criteria, the credit approval and monitoring process, the loan classification system and provisioning policy.

The Bank continually assesses and monitors credit exposures. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgement with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency.

42.1.1 Segmental Information

Segment by class of business	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	59,644,569	54.03	4,735,420	3.70	6,759,168	16.19
Exports/Imports	7,962,200	7.21	3,167,176	2.47	10,769,876	25.79
Chemical and pharmaceuticals	4,023,955	3.65	1,874,131	1.46	2,400,278	5.75
Wholesale and retail trade	3,284,494	2.98	2,898,815	2.26	674,443	1.62
Electronics and electrical appliances	2,527,105	2.29	725,492	0.57	986,029	2.36
Services	2,159,258	1.96	5,406,426	4.21	350,906	0.84
Automobile and transportation equipment	1,898,547	1.72	1,806,747	1.41	1,267,733	3.04
Power (electricity), gas, water and sanitary	1,889,857	1.71	2,855,833	2.23	6,314,685	15.12
Transport, storage and communication	1,845,685	1.67	3,383,293	2.64	259,219	0.62
Construction	1,566,564	1.42	1,208,267	0.94	363,925	0.87
Individuals	1,523,088	1.38	43,995,105	34.34	23,859	0.06
Cement	1,413,280	1.28	28,467	0.02	669,207	1.60
Financial	1,369,679	1.24	3,045,144	2.38	309,094	0.74
Footwear and leather garments	1,369,097	1.24	1,464,992	1.14	57,918	0.14
Sugar	751,709	0.68	696,532	0.54	107,232	0.26
Insurance	104,668	0.10	1,612,247	1.26	15,662	0.04
Mining and quarrying	39,019	0.04	39,790	0.03	8	0.00
Agriculture, forestry, hunting and fishing	38,196	0.03	182,286	0.14	482,353	1.16
Others	16,980,394	15.37	49,001,834	38.26	9,942,167	23.80
	110,391,364	100	128,127,997	100	41,753,816	100

Segment by sector	2008					
	Advances		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Private	109,232,970	98.95	117,552,015	91.75	36,566,360	87.57
Public /Government	1,158,394	1.05	10,575,982	8.25	5,187,456	12.43
	110,391,364	100.00	128,127,997	100.00	41,753,816	100.00

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

	2008		2007	
	Classified Advances	Specific provision held	Classified Advances	Specific provision held
	Rupees in '000			
Textile	438,306	384,982	372,527	346,847
Individuals	79,684	58,452	39,761	37,572
Agriculture, forestry, hunting and fishing	58,995	58,995	64,624	64,624
Automobile and transportation equipment	31,934	31,934	648	648
Electronics and electrical appliances	625,836	172,884	31,339	31,339
Footwear and leather garments	30,752	30,752	—	—
Wholesale and retail trade	2,490	2,490	—	—
Chemical and pharmaceuticals	1,042	1,042	40,207	40,207
Exports/Imports	1,000	1,000	—	—
Others	477,560	341,254	255,141	179,744
	1,747,599	1,083,785	804,247	700,981

Details of non-performing advances and specific provisions by sector

	2008		2007	
	Classified Advances	Specific provision held	Classified Advances	Specific provision held
	Rupees in '000			
Private	1,747,599	1,083,785	804,247	700,981
Public/Government	—	—	—	—
	1,747,599	1,083,785	804,247	700,981

Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingence and Commitments
	Rupees in '000			
Pakistan	4,743,292	182,114,624	15,096,526	41,753,762

Total assets employed include intra group items of Rs. 2,265 million.

42.1.2 Credit risk - General disclosures Basel II specific

The Bank uses the 'Standardised Approach' in calculation of credit risk and capital requirements.

Credit Risk: Disclosures for portfolio subject to the standardised approach & supervisory risk weights in the IRB approach – Basel II specific.

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:

Types of Exposures and ECAI's used

Exposures	2008			
	JCR-VIS	PACRA	S & P	Fitch
Corporate	✓	✓	✓	✓
Banks	✓	✓	✓	✓
Sovereigns	✓	✓	✓	✓
SME's	✓	✓	✓	✓
Securitisation	N.A	N.A	N.A	N.A
Others	✓	✓	✓	✓

Credit Exposures subject to Standardised Approach

Exposures	Rating Category #	Rating Risk Weight	2008		
			Amount Outstanding	Deduction CRM	Net Amount
Cash and cash equivalents		0%	2,815,766	–	2,815,766
Claims on Government of Pakistan and SBP, denominated in PKR		0%	51,508,089	–	51,508,089
Foreign currency claims on SBP arising out of statutory obligations of banks in Pakistan		0%	2,044,883	–	2,044,883
Claims on Public Sector Entities in Pakistan	1	20%	400,000	–	400,000
Claims on Public Sector Entities in Pakistan	2,3	50%	1,118,034	–	1,118,034
Claims on Public Sector Entities in Pakistan	4,5	100%	–	–	–
Claims on banks		0%	–	556,924	556,924
Claims on banks	1	20%	3,204,670	(556,924)	2,647,746
Claims on banks	2,3	50%	633,438	–	633,438
Claims on banks	4,5	100%	40,659	–	40,659
Claims on banks	6	150%	–	–	–
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	1,2,3	20%	2,159,270	–	2,159,270
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR		0%	–	5,822,956	5,822,956
Claims on Corporates (Excluding equity exposures)		20%	7,373,311	(5,822,956)	1,550,355
Claims on Corporates (Excluding equity exposures)		0%	–	2,700,514	2,700,514
Claims on Corporates (Excluding equity exposures)	1	20%	2,962,803	98,176	3,060,979
Claims on Corporates (Excluding equity exposures)	2	50%	675,969	–	675,969
Claims on Corporates (Excluding equity exposures)	3,4	100%	47,031	–	47,031
Claims categorized as retail portfolio		0%	–	343,005	343,005
Claims categorized as retail portfolio		75%	7,048,376	(343,005)	6,705,371
Claims fully secured by residential property		35%	410,776	–	410,776
Past due loan (not secured against residential)	PRO L.T	150%	18,320	–	18,320
Past due loan (not secured against residential)	PRO M.T	100%	132,775	–	132,775
Past due loan (not secured against residential)	PRO M.T	50%	40,933	–	40,933
Listed Equity investments and regulatory capital instruments issued by other banks (other than deducted from capital) held in the banking book.			574,570	–	574,570
Unlisted equity investments (other than that deducted from capital) held in banking book			58,039	–	58,039
Claims on all fixed assets under operating lease			264,892	–	264,892
All other assets			9,467,946	–	9,467,946
Unrated			99,195,793	(2,798,690)	96,397,103
			192,196,343		192,496,343

Credit risk: Disclosures with respect to credit risk mitigation for Standardised and IRB Approaches – Basel II specific

The forms of collateral that are deemed to eligible collateral under the 'Simple Approach' to Credit Risk Mitigation (CRM) as per SBP guidelines are used by the Group and primarily includes cash, government and rated debt securities.

The Bank applies SBP specified haircut to collateral for Basel II Credit Risk Mitigation. Collateral Management is embedded in the Bank's risk taking and risk management policy and procedures. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge/control documents and monitoring of each exposure on an ongoing basis.

Collateral information is recorded diligently in the Bank's main processing systems by type of collateral, amount of collateral against relevant credit exposures. A cohesive accounting / risk management system facilitates effective collateral management for Basel II reporting. For details of each separately disclosed credit risk portfolio under the standardised approach and related eligible financial collateral, refer the table above.

Equity position risk in the banking book-Basel II specific

Investment in equities is governed by the Board of Directors' approved investment policies which restricts the equity portfolio as well as individual investments to avoid risk of concentration and excessive specific scrip holding. The Bank's investment in equity is conservative and is driven by yield optimization and portfolio diversification objectives. As such the Bank does not conduct 'trading' activities in equities.

The Bank books the equity at cost and has adopted the 'mark to market' approach for equity valuation as per SBP guidelines which for Basel – II purposes prescribe 100% risk weight for listed equity and 150% risk weight for unlisted equity (refer note 11 and annexure I for investment in listed and unlisted shares).

42.3 Market risk

Market risk is the possibility that fluctuation in interest rates, foreign exchange or stock prices will change the market value of financial product(s) leading to a loss.

The Board of Directors oversees the Bank's strategy for market risk exposures. ALCO which comprises of senior management, oversees the balance sheet of the Bank and performs oversight function to ensure sound asset quality, liquidity and pricing. The investment policy, amongst other aspects, covers the Bank asset allocation guidelines inclusive of equity investments. While market risk limits are in place and are monitored effectively, the Bank has also formalized liquidity and market risk management policies which contain action plans to strengthen the market risk management system.

42.4 Foreign exchange risk

Foreign Exchange Risk is the probability of loss resulting from adverse movement in exchange rates.

The Bank's business model for foreign exchange risk is to serve trading activities of its clients in an efficient and cost effective manner. The Bank is not in the business of actively trading and market making activities. A conservative risk approach and the Bank's business strategy to work with export oriented clients gives the ability to meet its foreign exchange needs generally and frequently provide foreign exchange to the inter-bank market.

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	162,415,154	170,586,958	12,193,446	4,021,642
United States Dollar	15,893,994	9,450,305	(10,695,455)	(4,251,766)
Euro	2,368,099	938,481	(1,401,238)	28,380
Great Britain Pound	1,077,179	1,077,853	(1,716)	(2,390)
Asian Currency unit	216,075	56,937	–	159,138
Japanes Yen	72,008	3,984	(60,521)	7,503
Arab Emirates Dirham	51,781	106	(41,909)	9,766
Canadian Dollar	4,551	–	–	4,551
Australian Dollar	4,091	–	–	4,091
Saudi Riyal	1,905	–	1,905	3,810
Other Currencies	9,787	–	5,488	15,275
	182,114,624	182,114,624	–	–

42.5 Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. The Bank's interest rate exposure is low due to the short-term nature of the majority of business transactions. Interest rate risk is also controlled through flexible credit pricing mechanism and variable deposit rates. Optimization of yield is achieved through the Bank's investment strategy which aims on attaining a balance between yield and liquidity under the strategic guidance of ALCO. The advances and deposits of the Bank are repriced on a periodic basis based on interest rates scenario.

2008

	Effective Yield/Interest Rate %	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Above 10 years		
On balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0.90%	11,401,384	1,515,923	-	-	-	-	-	-	-	-	-	9,885,461
Balances with other banks	5.00% - 9.00%	2,974,237	1,537,310	-	-	-	-	-	-	-	-	-	1,436,927
Lendings to financial institutions	14.00%	98,176	98,176	-	-	-	-	-	-	-	-	-	-
Investments	8.00% - 18.52%	53,335,855	14,672,758	14,919,676	4,898,611	241,520	580,610	6,107,249	1,748,880	3,587,603	704,490	5,874,458	
Advances	3.50% - 24.50%	108,261,259	10,479,718	34,357,137	25,126,271	25,042,765	3,484,922	3,171,198	2,124,877	1,995,856	730,916	1,747,599	
Other assets		3,369,135	-	-	-	-	-	-	-	-	-	-	3,369,135
		179,440,046	28,303,885	49,276,813	30,024,882	25,284,285	4,065,532	9,278,447	3,873,757	5,583,459	1,435,406	22,313,580	
Liabilities													
Bills payable		2,372,146	-	-	-	-	-	-	-	-	-	-	2,372,146
Borrowings	7.50% - 14.00%	30,435,543	13,961,570	-	13,596,991	2,185,154	691,828	-	-	-	-	-	-
Deposits and other accounts	0.50% - 19.50%	128,127,997	27,592,049	22,353,612	12,865,331	16,731,421	5,064,899	2,542,846	3,066,410	2,413,732	2,413,732	33,083,965	
Other liabilities		6,082,412	-	-	-	-	-	-	-	-	-	-	6,082,412
		167,018,098	41,553,619	22,353,612	26,462,322	18,916,575	5,756,727	2,542,846	3,066,410	2,413,732	2,413,732	41,538,523	
On-balance sheet gap		12,421,948	(13,249,734)	26,923,201	3,562,560	6,367,710	(1,691,195)	6,735,601	807,347	3,169,727	(978,326)	(19,224,943)	
Off-balance sheet financial instruments													
Forward lending		-	-	-	-	-	-	-	-	-	-	-	-
Forward borrowing		-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity gap		(13,249,734)	26,923,201	3,562,560	6,367,710	(1,691,195)	6,735,601	807,347	3,169,727	(978,326)	(19,224,943)		
Cumulative Yield/Interest Risk Sensitivity gap		(13,249,734)	13,673,467	17,236,027	23,603,737	21,912,542	28,648,143	29,455,490	32,625,217	31,646,891	12,421,948		

2007

	Effective Yield/Interest Rate %	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
		Total	Upto 1 month	Over 1 month to 3 months	over 3 months to 6 months	over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Above 10 years		
On balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	4.24%	10,201,545	542,500	—	—	—	—	—	—	—	—	—	9,659,045
Balances with other banks	3.75% to 9.00%	3,691,183	2,175,452	—	—	—	—	—	—	—	—	—	1,515,731
Lendings to financial institutions	9.25% to 10.60%	3,989,249	2,701,749	1,250,000	37,500	—	—	—	—	—	—	—	—
Investments	8.00% to 14.00%	61,735,716	3,094,000	12,662,367	4,182,693	22,990,516	1,658,699	166,491	7,268,672	2,588,336	—	—	7,123,942
Advances	3.50% to 20.00%	89,826,806	5,773,840	26,344,138	19,397,184	30,998,044	2,607,481	2,607,481	—	1,010,251	—	—	804,247
Other assets		2,128,703	—	—	—	—	—	—	—	—	—	—	2,128,703
		171,573,202	14,287,541	40,256,505	23,617,377	53,988,560	4,266,180	2,773,972	7,268,672	3,598,587	284,140	—	21,231,668
Liabilities													
Bills payable		3,210,041	—	—	—	—	—	—	—	—	—	—	3,210,041
Borrowings	2.00% to 10.00%	29,991,633	13,639,031	6,098,450	7,335,010	298,096	528,505	355,846	468,178	684,920	—	—	583,597
Deposits and other accounts	1.50% to 10.80%	121,066,389	11,131,828	21,541,696	19,265,766	19,546,060	2,106,436	3,763,172	3,857,935	2,588,051	—	—	34,978,544
Other liabilities		4,179,905	—	—	—	—	—	—	—	—	—	—	4,179,905
		158,447,968	24,770,859	27,640,146	26,600,776	19,844,156	2,634,941	4,119,018	4,326,113	3,272,971	2,286,901	—	42,952,087
On-balance sheet gap		13,125,234	(10,483,318)	12,616,359	(2,983,399)	34,144,404	1,631,239	(1,345,046)	2,942,559	325,616	(2,002,761)	—	(21,720,419)
Off-balance sheet financial instruments													
Forward lending		—	—	—	—	—	—	—	—	—	—	—	—
Forward borrowing		—	—	—	—	—	—	—	—	—	—	—	—
Off-balance sheet gap		—	—	—	—	—	—	—	—	—	—	—	—
Total Yield/Interest Risk Sensitivity gap		(10,483,318)	12,616,359	(2,983,399)	34,144,404	1,631,239	(1,345,046)	2,942,559	325,616	(2,002,761)	—	—	(21,720,419)
Cumulative Yield/Interest Risk Sensitivity gap		(10,483,318)	2,133,041	(850,358)	33,294,046	34,925,285	33,580,239	36,522,798	34,845,653	36,848,414	34,845,653	—	13,125,234

2007

Maturities of assets and liabilities

	Rupees in '000								
	Upto 1 month	Over 1 month to 3 months	over 3 months to 6 months	over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets									
Cash and balances with treasury banks	10,201,545	—	—	—	—	—	—	—	—
Balances with other banks	3,691,183	—	—	—	—	—	—	—	—
Lending to financial institutions	2,701,749	1,250,000	37,500	—	—	—	—	—	—
Investments	10,218,022	12,662,367	4,182,693	22,990,516	1,658,699	166,491	7,288,672	2,588,256	—
Advances	5,773,840	26,344,138	19,397,184	28,517,553	2,480,491	5,214,962	—	1,814,498	284,140
Operating fixed assets	1,294,486	12,900	19,350	38,700	77,400	154,800	232,200	387,000	365,686
Other assets	1,846,737	31,239	63,008	110,466	26,678	—	50,575	—	—
172,867,688	34,439,526	40,300,644	23,699,735	51,657,235	4,243,268	5,536,253	7,551,447	4,789,754	649,826
Liabilities									
Bills payable	3,210,041	—	—	—	—	—	—	—	—
Borrowings	29,991,633	6,098,450	7,335,010	298,096	528,505	355,846	468,178	684,920	—
Deposits and other accounts	14,638,791	25,038,548	28,007,894	28,288,188	3,854,861	5,511,597	5,606,360	5,210,690	4,909,460
Deferred tax liabilities	—	—	—	—	14,465	—	—	46,409	—
Other liabilities	1,128,375	272,200	612,273	1,604,551	197	856,502	359,036	—	185,709
159,347,780	33,199,835	31,409,198	35,955,177	29,910,541	4,398,028	6,723,945	6,433,574	5,942,019	5,095,169
Net assets / (liabilities)	13,519,908	8,891,446	(12,255,442)	21,466,400	(154,760)	(1,187,692)	1,117,873	(1,152,265)	(4,445,343)
Share capital	5,018,350								
Reserves	6,383,936								
Unappropriated profit	2,061,674								
Surplus on revaluation of assets	55,948								
13,519,908									

42.7 Operational risk

The Bank operates in a controlled manner and operations risk is generally managed effectively. With the evolution of operations risk management into a separate distinct discipline, the Bank's strategy is to further strengthen the risk management system along new industry standards.

The Bank's operations risk management strategy takes guidance from Basel – II, Committee of Sponsoring Organization of Treadway Commission (COSO) publications, the SBP guidelines and standard industry practices. The operational risk management manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software, hardware and I.T security.

While broadening risk awareness and assuring regulatory compliance, internal audit department of the Bank is an important pillar of the Bank's risk management and controls infrastructure, performing continuous reviews to improve the quality of the Bank's internal control environment, ensuring an effective balance in safety and performance of processes and adding value towards the bank's risk mitigation endeavours.

The Bank's Business Continuity Plan includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The Bank's operational risk management infrastructure has been further strengthened through the establishment of a separate operational and risk control unit.

42.8 Operational risk – Disclosures Basel II specific

The Bank uses Basic Indicator Approach (BIA) for regulatory capital at risk calculation for operational risk. Under BIA the capital charge for operational risk is a fixed percentage of average positive annual gross income of the bank over the past three years. Figures of capital charge of operation risk for December 2008 was Rs. 1,152,701 thousand (2007: Rs. 673,457 thousand).

43. ISLAMIC BANKING BUSINESS

43.1 The Bank is operating 4 (2007: 4) Islamic banking branches in Pakistan. The balance sheet and Profit and Loss Account of these branches as at December 31, 2008 and for the year are as follows:

43.1.1 BALANCE SHEET

As at December 31, 2008

	2008	2007
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	986,565	551,062
Balances with and due from financial institutions	478	800,632
Investments	1,429,020	432,500
Financing and receivables		
- Murabaha	2,449,851	1,842,382
- Ijara	1,804,204	1,820,897
- Diminishing Musharaka	1,184,840	1,033,550
Due from head office	198,271	-
Other assets	192,465	173,076
TOTAL ASSETS	8,245,694	6,654,099
LIABILITIES		
Bills payable	33,231	61,806
Deposits and other accounts		
- Current accounts	434,020	344,106
- Saving accounts	847,305	1,261,557
- Term deposits	2,527,470	1,691,342
- Deposits from financial institutions - remunerative	2,781,327	1,824,198
- Deposits from financial institutions - non-remunerative	17,423	30
Due to head office	-	393,037
Other liabilities	796,701	538,788
TOTAL LIABILITIES	7,437,477	6,114,864
NET ASSETS	808,217	539,235
REPRESENTED BY:		
Islamic banking fund	601,977	401,550
Unappropriated profit	217,220	137,685
	819,197	539,235
Deficit on revaluation of assets	(10,980)	-
	808,217	539,235

43.1.2 PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	2008	2007
	Rupees in '000	
Profit / return on financing and placements earned	682,388	444,210
Profit / return on deposits and other dues expensed	(455,143)	(276,081)
Net spread earned	227,245	168,129
Provision against non performing financing	5,401	-
Provision for diminution in the value of investments	-	-
Provision for consumer financing ijarah	-	308
Bad debts written off directly	-	-
	(5,401)	(308)
Net spread after provisions	221,844	167,821
OTHER INCOME		
Fee, commission and brokerage income	12,201	11,334
Dividend income	20,470	-
Income from dealing in foreign currencies	14,670	1,284
Gain on sale/redemption of securities	-	-
Unrealized gain/(loss) on revaluation of investments classified as held-for-trading	-	-
Other income	13,526	8,299
Total other income	60,867	20,917
	282,711	188,738
OTHER EXPENSES		
Administrative expenses	65,491	51,053
Other provisions / write offs	-	-
Other charges	-	-
	(65,491)	(51,053)
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION	217,220	137,685
43.2 Remuneration to Shariah Advisor/Board	1,045	1,086
43.3 Charity Fund		
Opening balance	43	33
Additions during the year	1	69
Payments/utilizaion during the year	(44)	(59)
Closing balance	-	43

44. GENERAL

- 44.1** Captions, as prescribed by BSD Circular No. 04, dated February 17, 2006 issued by the SBP, in respect of which there are no amounts have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.
- 44.2** Figures have been rounded off to the nearest thousand rupees.
- 44.3** Subsequent to the year end the Board of Directors resolved to issue bonus shares of Rs. 10/- each in the ratio of 25 ordinary shares for every 100 ordinary shares held. Accordingly, the Board approved transfer of Rs.1,505,505 thousand from unappropriated profit to reserve for issue of bonus shares.

45. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 2, 2009 by the Board of Directors of the Bank.

KASSIM PAREKH
Chairman

ANJUM IQBAL
Chief Executive

FIRASAT ALI
Director

BASHIR ALI MOHAMMAD
Director

ANNEXURE I (REFERRED NOTE 11.4)
DETAILS OF INVESTMENTS AS AT DECEMBER 31, 2008

1. MARKET TREASURY BILLS

These securities have maturity period of 1 year, with yield ranging between 9.75% to 13.85 % (2007: 9% to 9.4%) per annum.

2. PAKISTAN INVESTMENT BONDS

These securities have maturity period of 3 to 10 years with interest rates ranging between 8% to 14% (2007: 8% to 14%) per annum. These include securities having book value of Rs. 158,500 thousand (2007: Rs. 158,500 thousand) pledged with the SBP and National Bank of Pakistan as security for TT discounting facility.

3. FULLY PAID-UP ORDINARY SHARES - LISTED

	2008	2007	2008	2007	2008	2007	2008	2007
	No. of shares of Rs. 10/- each		Paid up value		Market value		Cost	
	Rupees in '000							
Adamjee Insurance Company Limited	5,000	—	50	—	509	—	949	—
Allied Bank Limited	1	—	—	—	—	—	—	—
Arif Habib Bank Limited	19	—	—	—	—	—	—	—
Arif Habib Limited	208	—	2	—	18	—	16	—
Arif Habib Securities Limited	13,653	—	137	—	574	—	617	—
Askari Bank Limited	20	—	—	—	—	—	—	—
Attock Refinery Limited	1	—	—	—	—	—	—	—
Bank Alfalah Limited	16	—	—	—	—	—	—	—
Bank Al-Habib Limited	130,200	84,000	13,020	8,400	3,238	6,485	4,370	3,646
Bank Islami Pakistan Limited	54	—	1	—	—	—	—	—
Bosicor Pakistan Limited	41	—	—	—	—	—	—	—
Crescent Steel and Allied Products Limited	6	—	—	—	—	—	—	—
D. G. Khan Cement Company Limited	5	—	—	—	—	—	—	—
D. S. Industries Limited	999	—	10	—	15	—	13	—
Dewan Cement Limited	6	—	—	—	—	—	—	—
Engro Chemicals Pakistan Limited	19,703	—	197	—	1,901	—	2,042	—
Fauji Cement Company Limited	11	—	—	—	—	—	—	—
Fauji Fertilizer Bin Qasim Limited	13	—	—	—	—	—	—	—
Fauji Fertilizer Company Limited	101,371	95,461	10,055	9,546	5,953	11,336	10,233	9,682
Faysal Bank Limited	2	—	—	—	—	—	—	—
Habib Bank Limited	2	—	—	—	—	—	—	—
Jahangir Siddiqui & Company Limited	65	—	1	—	3	—	4	—
Javed Omer Vohra and Company Limited	1,155	—	12	—	10	—	13	—
JS Bank Limited	65	—	1	—	—	—	—	—

	2008	2007	2008	2007	2008	2007	2008	2007
	No. of shares of Rs. 10/- each		Paid up value		Market value		Cost	
	Rupees in '000							
JS Investments Limited	2	—	—	—	—	—	—	—
Lucky Cement Limited	3	—	—	—	—	—	—	—
National Bank of Pakistan	5,003	—	500	—	252	—	465	—
Netsol Technologies Limited	1	—	—	—	—	—	—	—
NIB Bank Limited	59	—	1	—	—	—	—	—
Nishat (Chunian) Limited	5	—	—	—	—	—	—	—
Nishat Mills Limited	5	—	—	—	—	—	—	—
Oil and Gas Development Corporation Limited	125,019	115,000	12,500	11,500	6,250	13,737	14,438	13,372
Pace (Pakistan) Limited	205	—	2	—	2	—	2	—
Pak Elektron Limited	14	—	—	—	—	—	—	—
Pakistan Oil Fields Limited	2	25,000	—	2,500	—	8,360	—	8,462
Pakistan Petroleum Limited	71,001	90,000	7,100	9,000	7,144	22,055	16,249	22,921
Pakistan Reinsurance Company Limited	6	—	—	—	—	—	—	—
Pakistan State Oil Company Limited	5	—	—	—	1	—	1	—
Pakistan Telecomm- unication Company Limited	107,504	—	1,075	—	1,816	—	1,969	—
Pervez Ahmed Securities Limited	1,102	—	11	—	4	—	7	—
PICIC Growth Fund	4	—	—	—	—	—	—	—
Pioneer Cement Limited	5	—	—	—	—	—	—	—
Sitara Peroxide Limited	1	—	—	—	—	—	—	—
Soneri Bank Limited	474,768	474,768	47,477	47,477	5,222	20,605	12,322	12,322
Sui Southern Gas Company Limited	4	—	—	—	—	—	—	—
The Bank of Punjab	9	—	—	—	—	—	—	—
The Hub Power Company Limited	282	—	3	—	4	—	3	—
TRG Pakistan Limited	42	—	—	—	—	—	—	—
United Bank Limited	10	—	—	—	—	—	—	—
WorldCall Telecomm- unication Limited	109	—	1	—	—	—	—	—
					32,916	82,578	63,713	70,405

	2008 No. of shares	2007	2008 Rupees in '000	2007
4. FULLY PAID-UP ORDINARY SHARES - UNLISTED				
Khushali Bank Limited Ordinary shares of Rs. 1,000,000/- each Chief Executive - Mr. Ghalib Nishtar Break-up value per share Rs. 1,078,934/- based on audited accounts for the year ended December 31,2007	25	25	25,000	25,000
Pakistan Export Finance Guarantee Ordinary shares of Rs. 10/- each Chief Executive - Mr. S. M. Zaeem Break-up value per share Rs. 3.14/- based on audited accounts for the year ended December 31, 2007	1,136,088	1,136,088	11,361	11,361
DHA Cogen Limited Ordinary shares of Rs. 10/- each Chief Executive - Mr. Michael Yap Break-up value per share Rs. 9.84/- based on audited accounts for the year ended June 30, 2008	5,000,000	5,000,000	50,000	50,000
Dawood Family Takaful Limited Ordinary shares of Rs. 10/- each Chief Executive - Mr. Abdul Halim Nasri Break-up value per share Rs. 9.92/- based on audited accounts for the year ended June 30, 2008	3,500,000	–	35,000	–
Society for World Wide Inter Bank Fund Transfer (SWIFT) Ordinary shares of Euro 2,290/- each Chief Executive - Mr. Pascal Deman	14	14	1,740	1,740
			123,101	88,101
5. FULLY PAID-UP PREFERENCE SHARES - LISTED				
Chenab Limited Preference shares of Rs. 10/- each These are non-voting, cumulative preference shares redeemable by August 2008 and carry preferred dividend of 9.25% (2007:9.25%) per annum on cumulative basis and have a market value of Rs. 32,680 thousand (2007: 32,000 thousand).	4,000,000	4,000,000	40,000	40,000
			25,000	25,000
6. FULLY PAID-UP PREFERENCE SHARES - UNLISTED				
Jamshoro Joint Venture Limited Ordinary shares of Rs. 10/- each These are non-voting, cumulative preference shares redeemable after January 2009 and carry preferred dividend of 15.00% (2007:15.00%) per annum on cumulative basis and have a market value of Rs. 32,680 thousand (2007: 32,000 thousand).	2,500,000	2,500,000	25,000	25,000

7. TERM FINANCE CERTIFICATES - LISTED

	No. of certificates of Rs. 5,000/- each		Market Value		Cost		Rating	
	2008	2007	2008	2007	2008	2007	2008	2007
	Rupees in '000		Rupees in '000		Rupees in '000		Rupees in '000	
Allied Bank Limited	10,000	10,000	54,516	54,538	49,960	49,980	AA-	A+
Al Zamin Leasing Modaraba	10,000	-	50,000	-	50,000	-	A	-
Askari Bank Limited	5,000	5,000	24,965	25,474	24,965	24,975	AA-	AA-
Askari Bank Limited II	2,000	2,000	9,988	9,992	9,988	9,992	AA-	AA-
Bank Alfalah Limited	-	12,700	-	71,640	-	63,398	AA-	AA-
Bank Al-Habib Limited I	20,000	20,000	99,840	99,880	99,840	99,880	AA-	AA-
Bank Al-Habib Limited II	10,000	10,000	50,660	50,679	49,970	49,990	AA-	AA-
Engro Chemical Pakistan Limited - IPO	20,000	20,000	99,960	100,000	99,960	100,000	AA	AA
Engro Chemical Pakistan Limited - Perpetual	24,000	-	123,310	-	123,310	-	AA	-
First International Investment Bank Limited	10,000	10,000	37,485	49,980	37,485	49,980	A+	A+
First Receivables Securitization Limited	5,000	5,000	22,908	24,995	22,908	24,995	AA-	AA-
Ittehad Chemicals Limited	-	1,714	-	2,854	-	2,854	-	A-
Jahangir Siddiqi & Company Limited	10,000	10,000	49,960	49,980	49,960	49,980	AA+	AA+
Jahangir Siddiqi & Company Limited	-	7,182	-	8,967	-	8,967	-	AA+
MCB Bank Limited	-	8,544	-	12,821	-	12,821	-	A1+
New Allied Electronics Industries (Pvt) Ltd.	10,000	10,000	45,833	50,000	45,833	50,000	-	A-
NIB Bank Limited	13,400	13,400	66,987	67,000	66,987	67,000	A+	A
Orix Leasing Pakistan Limited II	10,000	10,000	55,467	55,489	49,970	49,990	AA+	AA+
Orix Leasing Pakistan Limited III	2,000	40,000	200,000	200,000	200,000	200,000	AA+	AA+
Pak Arab Fertilizer Limited	20,000	20,000	99,980	100,000	99,980	100,000	AA	AA-
Pakistan Services Limited	-	2,987	-	4,435	-	4,265	-	A-
Prime Commercial Bank Limited	-	1,974	-	9,860	-	9,860	-	A+
Royal Bank of Scotland	1,974	-	9,856	-	9,856	-	AA-	-
Sitara Energy Limited	11,273	-	56,364	-	56,364	-	Unrated	-
Soneri Bank Limited	17,000	17,000	84,881	84,915	84,881	84,915	A+	A+
Standard Chartered Bank Limited	1,974	4,742	24,639	24,649	23,690	23,701	AAA	AAA
Trust Investment Bank Limited - II	5,000	5,000	10,000	15,000	10,000	15,000	A	AA
Trust Leasing Company Limited	-	5,857	-	12,010	-	11,172	-	AA-
Trust Leasing Company Limited	4,000	4,000	4,300	8,000	4,000	8,000	A	AA-
United Bank Limited I	10,000	10,000	48,525	48,558	49,923	49,942	AA	AA
United Bank Limited III	5,000	5,000	26,991	27,001	24,980	24,990	AA	AA
WorldCall TeleCom Limited II	3,600	3,600	17,986	17,993	17,986	17,993	AA-	AA-
WorldCall TeleCom Limited III	20,000	-	100,000	-	100,000	-	AA-	-
			1,475,401	1,286,710	1,462,796	1,264,640		

7.1 Other particulars of listed term finance certificates are as follows:

	Rate	Payment	Maturity Date
Allied Bank Limited	6 months KIBOR plus 190 bps	semi annually	16-Nov-14
Al Zamin Leasing Modaraba	6 months KIBOR plus 190 bps	semi annually	12-May-12
Askari Bank Limited	6 months KIBOR plus 150 bps	semi annually	03-Feb-13
Askari Bank Limited II	6 months KIBOR plus 150 bps	semi annually	26-Oct-13
Bank Al-Habib Limited I	6 months KIBOR plus 150 bps	semi annually	29-Jun-12
Bank Al-Habib Limited II	6 months KIBOR plus 195 bps	semi annually	29-Dec-14
Engro Chemical Pakistan Limited - IPO	6 months KIBOR plus 155 bps	semi annually	21-Jun-15
Engro Chemical Pakistan Limited - Perpetual	6 months KIBOR plus 170 bps	semi annually	18-Sep-18
First International Investment Bank Limited	6 months KIBOR plus 225 bps	semi annually	27-Jun-11
First Receivables Securitization Limited	6 months KIBOR plus 200 bps	semi annually	26-Dec-13
Jahangir Siddiqi & Company Limited	6 months KIBOR plus 250 bps	semi annually	8-Jan-12
New Allied Electronics Industries (Pvt) Ltd.	3 months KIBOR plus 275 bps	Quarterly	14-May-11
NIB Bank Limited	6 months KIBOR plus 180 bps	semi annually	27-Dec-15
Orix Leasing Pakistan Limited II	6 months KIBOR plus 150 bps	semi annually	19-Sep-11
Orix Leasing Pakistan Limited III	6 months KIBOR plus 120 bps	semi annually	13-Jul-12
Pak Arab Fertilizer Limited	6 months KIBOR plus 150 bps	semi annually	12-Jul-12
Royal Bank of Scotland	6 months KIBOR plus 190 bps	semi annually	3-Mar-10
Sitara Energy Limited	6 months KIBOR plus 115 bps	semi annually	13-Nov-13
Soneri Bank Limited	6 months KIBOR plus 160 bps	semi annually	5-May-13
Standard Chartered Bank Limited	6 months KIBOR plus 200 bps	semi annually	1-Feb-13
Trust Investment Bank Limites - II	6 months KIBOR plus 200 bps	semi annually	15-Nov-10
Trust Leasing Company Limited	6 months KIBOR plus 300 bps	semi annually	17-Jul-09
United Bank Limited I	8 year's PIB rate plus 100 bps	semi annually	29-Jun-12
United Bank Limited III	6 months KIBOR plus 170 bps	semi annually	28-Jun-14
WorldCall TeleCommunication Limited II	6 months KIBOR plus 275 bps	semi annually	5-Dec-11
WorldCall TeleCommunication Limited III	6 months KIBOR plus 240 bps	semi annually	16-May-13

8. TERM FINANCE CERTIFICATES - UNLISTED

	2008	2007	2008	2007	2008	2007
	No. of certificates of Rs. 5,000/- each		Rupees in '000		Rating	
Avari Hotels Limited	10,133	10,133	50,667	50,667	A-	AA
Jamshoro Joint Venture Limited	11,000	11,000	6,875	20,625	-	A
Pakistan International Airlines Corporation Limited	38,700	38,700	137,057	169,306	Unrated	Unrated
Pakistan Mobile Communication (Private) Limited	38,000	68,000	69,960	189,976	Unrated	Unrated
Security Leasing Corporation Limited	10,000	10,000	31,250	43,750	Unrated	Unrated
Faisalabad Electric Supply Corporation I	67,000	-	335,000	-	Unrated	-
Gujranwala Electric Power Corporation I	67,000	-	335,000	-	Unrated	-
Islamabad Electric Supply Corporation I	67,000	-	335,000	-	Unrated	-
Sitara Peroxide Limited	20,000	-	100,000	-	Unrated	-
K. S. Sulemanji Esmailji & Sons (Pvt) Ltd	30,000	-	150,000	-	Unrated	-
			<u>1,550,809</u>	<u>474,324</u>		

8.1 Other particulars of unlisted term finance certificates are as follows:

	Rate	Payment	Maturity Date
Avari Hotels Limited	6 months KIBOR plus 325 bps	semi annually	1-Nov-14
Jamshoro Joint Venture Limited	3 months KIBOR plus 275 bps	Quarterly	15-Dec-09
Pakistan International Airlines Corporation Limited	6 months KIBOR plus 85 bps	semi annually	9-Feb-11
Pakistan Mobile Communication (Private) Limited	6 months KIBOR plus 285 bps	semi annually	24-Feb-13
Security Leasing Corporation Limited	6 months KIBOR plus 130 bps	semi annually	28-Mar-11
Faisalabad Electric Supply Corporation I	6 months KIBOR plus 23 bps	semi annually	3-Jun-11
Gujranwala Electric Power Corporation I	6 months KIBOR plus 23 bps	semi annually	3-Jun-11
Islamabad Electric Supply Corporation I	6 months KIBOR plus 23 bps	semi annually	3-Jun-11
Sitara Peroxide Limited	6 months KIBOR plus 110 bps	Quarterly	31-Dec-12
K. S. Sulemanji Esmailji & Sons (Pvt) Ltd	6 months KIBOR plus 130 bps	Quarterly	28-Jun-12

9. SUKUK BONDS

	2008	2007	Maturity Date	2008	2007	2008	2007
	No. of certificates of Rs. 5,000/- each			Rupees in '000		Rating	
WAPDA	140,000	155,000	Jun-17	700,000	775,000	Unrated	Unrated
Sui Southern Gas Company Limited	60,000	60,000	Dec-12	300,000	300,000	Unrated	Unrated
State Bank of Pakistan	-	-	Dec-11	900,000	-	Unrated	Unrated
				1,900,000	1,075,000		

9.1 Other particulars of Sukuk are as follows:

	Rate	Payment	Maturity Date
WAPDA	6 months KIBOR minus 25 bps	semi annually	13-Jan-18 to 31-Dec-18
Sui Southern Gas Company Limited	3 months KIBOR plus 20 bps	Quarterly	31-Dec-12
Pakistan Ijarah Sukuk Bonds	14.75%	semi annually	31-Dec-11

10. CERTIFICATES OF INVESTMENT

Represent Certificates of Investment of various financial institutions carrying mark-up rates ranging between 17.55 to 20% (2007: 9.45% to 10%) per annum maturing in January 2009.

11. OPEN ENDED MUTUAL FUNDS

	No. of Units		Face Value Rs.		Net Asset Value Rupees in '000		Cost		Rating	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Metro Bank Pakistan Sovereign Fund*	8,425,300	16,762,000	50	821,338	370,460	819,830	Unrated	Unrated		
ABL Income Fund	2,500,000	—	10	25,022	25,000	—	A(f)	—		
AKD Index and Tracker Fund	1,582,913	1,500,000	10	8,611	15,000	15,000	5 Star	Unrated		
AKD Opportunity Fund	811,646	—	50	23,944	50,000	—	Unrated	—		
Alfalah GHP Principal Protected Fund	500,000	3,382,151	50	23,890	25,000	175,000	Unrated	Unrated		
AMZ Plus Income Fund	—	3,861,983	100	—	—	400,000	Bbb+(f)	A (f)		
Askari Assets Allocation Fund	629,050	—	100	37,815	60,000	—	Unrated	—		
Askari Income Fund	6,702,795	7,660,819	100	635,693	705,000	800,000	5 Star	A (f)		
Atlas Income Fund	394,750	478,176	500	188,568	200,000	250,000	4 Star	5 star		
BMA Chundrigarh Road Savings Fund	—	1,506,072	10	—	—	15,000	A (f)	Unrated		
Dawood Money Market Fund	—	1,712,383	100	—	—	180,000	5 Star	3 Star		
Faysal Savings growth Fund	1,479,874	965,826	100	153,285	150,000	100,000	A+ (f)	A+ (f)		
HBL Income Fund	4,346,613	4,856,727	100	413,493	450,000	500,000	Unrated	Unrated		
IGI Income Fund	—	2,179,708	100	—	—	225,000	Unrated	Unrated		
JS Aggressive Income Fund	—	5,000,000	10	—	—	50,000	Unrated	Unrated		
JS Income Fund	4,953,704	3,881,945	100	499,631	500,000	405,000	5 Star	5 Star		
KASB Balance Fund	—	2,500,000	50	—	—	25,000	Unrated	Unrated		
KASB Liquid Fund	7,002,677	6,726,388	100	636,263	745,000	695,000	5 Star	Unrated		
MCB Dynamic Allocation Fund	250,000	—	100	13,762	25,000	—	Unrated	Unrated		
MCB Dynamic Cash Fund	6,990,342	2,236,852	100	689,885	730,000	225,000	Unrated	Unrated		
Meezan Islamic Income Fund	5,772,472	—	50	280,037	300,000	—	Unrated	Unrated		
NAFA Cash Fund	37,189,583	67,221,725	10	356,630	400,000	700,000	A (f)	—		
NAFA Islamic Income Fund	—	1,500,000	10	—	—	15,000	A (f)	5 Star		
NAFA Islamic Multi Asset Fund	2,500,000	2,500,000	10	21,312	25,000	25,000	Unrated	Unrated		
NAFA Stock Fund	3,216,727	—	10	17,117	40,000	—	Unrated	Unrated		
Pak Oman BoP Advantage Plus Fund	—	998,942	50	—	—	50,000	Unrated	Unrated		
Pakistan Income Fund	6,054,073	7,640,879	050	292,109	300,000	400,000	A (f)	A (f)		
Pakistan International Element Islamic Fund	—	600,556	50	—	—	25,000	5 Star	4 Star		
Pakistan Stock Market Fund	368,351	—	50	13,832	25,000	—	Unrated	Unrated		
UBL Islamic Income Fund	150,000	150,000	100	13,985	15,000	15,000	Unrated	Unrated		
UBL Principal Protected Plan - I	190,721	—	50	17,095	25,000	—	Unrated	Unrated		
United Growth & Income Fund	7,850,919	1,925,855	100	751,105	800,000	200,000	A (f)	A (f)		
United Money Market Fund	4,106,743	3,373,078	100	389,622	400,000	350,000	A+ (f)	A+ (f)		
	5,874,599	6,748,849			6,380,460	6,659,830				

* The Bank is also a trustee of the Fund.

12. CLOSE ENDED MUTUAL FUNDS

	2008	2007	2008	2007	2008	2007	2008	2007
	No. of certificates of Rs. 5,000/- each		Market Value Rupees in '000		Cost		Rating	
BMA Principal Guaranteed Fund - I	5,517,697	5,254,950	49,659	47,557	49,575	49,575	Unrated	Unrated
Intersecurities Islamic Fund	-	250,000	-	2,569	-	2,500	-	Unrated
Meezan Balanced Fund	2,500,000	2,500,000	12,700	21,000	25,000	25,000	Unrated	5-Star
Pakistan Strategic Allocation Fund	3,087,000	3,087,000	8,582	28,092	30,868	30,868	5-Star	4-Star
PICIC Energy Fund	4,200,000	4,200,000	15,162	31,500	42,000	42,000	4-Star	Unrated
PICIC Growth Fund	42,000	42,000	332	1,197	1,946	1,946	Unrated	2-Star
UTP-Large Capital Fund	2,820,500	2,820,500	9,279	22,846	27,959	27,969	Unrated	4-Star
			95,714	154,761	177,348	179,848		

ANNEXURE II (REFERRED NOTE 12.7)
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER
FINANCIAL RELIEF OF RS. 500,000/- OR ABOVE PROVIDED
DURING THE YEAR ENDED DECEMBER 31, 2008

S. No.	Name and address of the borrower	Name of Individuals/ partners/directors (with NIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year		Principal written-off	Interest/ mark-up written off	Total
				Principal	Interest/ mark-up			
1.	Abdul Majeed 137-Lakshmidas Street, Kharadar, Karachi.	Mr. Abdul Majeed 511-52-019052	Mr. Abdul Hameed	8,813	-	8,813	-	8,813
2.	AIM Fashion, 30-B, Near Al-Fatah Masjid, Block B, North Nazimabad, Karachi.	Mr. Saeed 42501-8635782-9	Mr. Abdul Majeed	1,213	-	1,213	-	1,213
3.	Anum Weaving (Private) Ltd. 20-KM, Ferozepur Road, Lahore	Mr. Anis Ismail Naviwala 35202-7910452-7 Mr. Anis Karim 35202-9884667-0 Mr. Javed Arshad Bhatti 35202-8469816-7 Mr. Mohammad Ahsan 271-54-091273 Mr. Mohammad Rafiq 517-85-070755 Mr. Mohammad Yahya 517-86-071753	Mr. Mohammad Naviwala Mr. Haji Karim Mr. Salim Bhatti Mr. Haji Niamat Mr. Abdul Ghafoor Mr. Abdul Ghafoor	4,826	-	4,826	-	4,826
4	Dye-Chem Industries (Private) Limited 84-B, Phase II, Gadoon Amazai Industrial Estate, Dist: Swabi, N.W.F.P.	Mr. Mansoor Ahmad Khatri 4200-0471446-5 Mr. Abdul Rahim Khatri 42201-0287054-1 Mr. Abdul Aziz Khatri 42301-1067990-1 Mr. M. Siddiq Khatri 42201-0357972-7	Haji Ayub Abdul Rehman Haji Ayub Haji Muhammad	40,207	-	40,207	-	40,207
5	Halima Garments (Private) Limited 7-A, Muslim Town, Lahore	Mr. Ali Abbas 271-88-250914 Mr. Ali Sajjad 271-88-250913 Mrs. Haleema Shuja N.A. Ms. Alia Hassan 271-90250916 Mr. Tariq Rashid 35201-4899442-7	Mr. Shuja-ul-Hassan Mr. Shuja-ul-Hassan Mr. Shuja-ul-Hassan Mr. Shuja-ul-Hassan	9,713	-	9,713	-	9,713

S. No.	Name and address of the borrower	Name of Individuals/partners/directors (with NIC No.)	Father's/Husband's Name	Outstanding liabilities at beginning of the year		Principal written-off	Interest/mark-up written off	Total
				Principal	Interest/mark-up			
6.	Mumtaz Apparel (Private) Limited D-165/A, S.I.T.E. Karachi	Mr. Akbar 42301-0855821-1 Mr. Amir Ali 42301-0861033-7	Mr. Amir Ali Mr. Kassam Ali	1,983	58	1983	58	2,041
7.	Soft Knit Textile Mills (Private) Limited Raiwind Road, Lahore	Mr. Sohaib Ahmed 35202-3038237-1 Mr. Awais Ahmed 35202-3038244-3 Mr. Saleh Mehmood N.A. Ms. Kaneiza N.A.		15,364	1,950	15,364	1,950	17,314
8.	Star Label (Private) Limited 16-Montgomery Road Lahore	Mian Shahbaz Moin-ud-Din 35202-2757476-1 Mian Shukat Ali 267-91-481573 Mrs. Kaukab Murtaza 266-59-375705 Mrs. Misbah Shaukat 267-91-481575		554	72	454	72	526
9.	Simsona Knitwear 69/8, GreenVilas, FCC Gulberg, Lahore	Mr. Muhammad Nasir 35202-2759114-9	Mr. Mohammad Irshad	954	-	954	-	954
10.	Scantex (Private) Limited C 1 B-20, 21, Sector 16, Korangi Industrial Area Karachi	Mr. S. Abdul Aziz 42301-0848747-3 Mr. Tahir Aziz 42301-0553545-3 Mr. S. Sohail Aziz 42301-97098327-7	Mr. Haji Allah Ditta Mr. Abdul Aziz Mr. Abdul Aziz	6,423	-	6,423	-	6,423
Total				90,050	2,080	92,130	2,080	92,030

BRANCH NETWORK

REGISTERED OFFICE AND HEAD OFFICE

Ground Floor, Spencer's Building,
G.P.O. Box 1289, I.I. Chundrigar Road,
Karachi-74200, Pakistan
Phones : (021) 263 6740 (20 Lines)
Fax : (021) 263 0405 - 262 0716
U.A.N. : 111-14-14-14 and 111-18-18-18

14th Floor, Saima Trade Towers 'A',
I.I. Chundrigar Road, Karachi-74200,
Pakistan.
Phones : (021) 227 1935 (14 Lines)
Fax : (021) 227 1950

SWIFT : MPBLPKKA
URL : www.hmb.com.pk
E-mail : info@hmb.com.pk

KARACHI

Main Branch:

Ground Floor,
Spencer's Building, I.I. Chundrigar Road,
G.P.O. Box 1289 Karachi.
Phone : (021) 263 6740 (20 Lines)
UAN : (021) 111-18-18-18
Fax : (021) 263 0404-5
SWIFT : MPBLPKKA

Cloth Market:

BR 1/43, Metro Centre,
Bombay Bazar, Kharadar,
P.O. Box 6453, Karachi.
Phones : (021) 231 3712 (3 Lines)
: (021) 231 3763, 231 3927
Fax : (021) 231 3715
SWIFT : MPBLPKKA011

Paper Market:

Plot No. 7,8 R-6, Altaf Hussain Road,
New Chali, Karachi.
Phones : (021) 221 0562 (6 Lines)
Fax : (021) 221 0568
SWIFT : MPBLPKKA013

Gulshan-e-Iqbal:

Plot No. 118/B/A-XV, Block 10-A,
Main Rashid Minhas Road, Near Drive-in Cinema,
Gulshan-e-Iqbal, Karachi.
Phones : (021) 402 1651 (3 Lines)
: (021) 402 1654
Fax : (021) 402 1655

Shahrah-e-Faisal:

Siddique Sons Tower 3, Jinnah Society,
Near Shaheed-e-Millat Flyover,
Shahrah-e-Faisal, Karachi.
Phones : (021) 452 8395 (3 Lines)
: (021) 452 2920
Fax : (021) 438 3498
SWIFT : MPBLPKKA012

Jodia Bazar:

7- Mehboob Chamber,
Adamjee Haji Dawood Road,
Jodia Bazar, Karachi.
Phones : (021) 243 7187, 241 1925,
: (021) 243 7909, 243 8157
Fax : (021) 243 0056
SWIFT : MPBLPKKA015

Karachi Stock Exchange:

Old Stock Exchange Building,
Stock Exchange Road,
Karachi.
Phones : (021) 240 1921 (3 Lines)
Fax : (021) 240 1925

M. A. Jinnah Road:

Corner Abdullah Haroon Road,
Karachi.
Phones : (021) 273 7617 (4 Lines)
Fax : (021) 273 7621
SWIFT : MPBLPKKA020

North Napier Road:

Plot W.O.1/33, North Napier Road,
Near Dandia Bazar, Karachi
Phones : (021) 273 7603 (4 Lines)
Fax : (021) 273 7607
SWIFT : MPBLPKKA021

Karimabad

Sohni Bridal Shopping Centre,
BS-6, Block-4, F.B. Area,
Karachi.
Phones : (021) 634 5236 (2 Lines)
: (021) 634 9446, 680 2262
Fax : (021) 634 9447

SITE:

3/9-B-2, Metro Chowrangi,
S. 1. T. E., Karachi.
Phones : (021) 256 4101 (3 Lines)
: (021) 256 4104, 2564793
Fax : (021) 256 4100
SWIFT : MPBLPKKA023

DHA:

1-C, Khayaban-e-Shamsheer,
Phase V, Karachi.
Phones : (021) 585 7404 (3 Lines)
: (021) 585 7407
Fax : (021) 585 7403

Timber Market:

5, Siddiq Wahab Road, Timber Market,
Karachi.
Phones : (021) 276 8411 (3 Lines)
: (021) 276 8415
Fax : (021) 276 8414

Korangi:

Aiwan-e-Sanat Building, Sector 23,
Korangi Industrial Area, Karachi.
Phones : (021) 506 9162, 506 9175
: (021) 506 9130, 506 9180
Fax : (021) 506 9171

Saddar:

SB-4/4, Zaibunisa Street, Saddar,
Karachi.
Phones : (021) 521 6308 (2 Lines)
: (021) 521 6433
Fax : (021) 521 6434

Alamgir Road:

25, Central Commercial Area,
Main Alamgir Road, Bahadurabad,
Karachi.
Phones : (021) 494 8805 (3 Lines)
: (021) 494 8810
Fax : (021) 494 8803

Ittehad:

86-C, 11th Commercial Street,
D.H.A. Phase 11 Ext., Karachi.
Phones : (021) 589 7623 (2 Lines)
: (021) 538 2109
: (021) 538 2110
Fax : (021) 588 6872

North Karachi Industrial Area:

ST-5, Gabol Town,
Federal 'B' Area, Karachi.
Phones : (021) 695 7569, 693 3461 (3 Lines)
: (021) 693 3234, 693 3235
Fax : (021) 695 7570

Hyderi:

7-A, Mustafa Market,
Block G, Barkat-e-Hyderi, Karachi,
Phones : (021) 664 0774 (3 Lines)
Fax : (021) 664 0777

Dhoraji Colony:

Madni Pride, Block 7 & 8,
C.P. Berar, C.H.S.,
Dhoraji Colony, Karachi.
Phones : (021) 494 9535 - 44 - 64
: (021) 494 9556
Fax : (021) 494 9592

Gulshan Chowrangi:

FL 4/S, Hamid Square,
Block 3, Gulshan-e-Iqbal, Karachi.
Phones : (021) 480 0790 (3 Lines)
Fax : (021) 480 0789

Khalid Bin Walid Road:

Khalid Bin Walid Road,
F/168/A, Madina Mall, Block-3,
PECHS, Karachi.
Phones : (021) 439 0191 (3 Lines)
Fax : (021) 439 0190

Ceramic Market:

485/486, Rizvia Society,
Nazimabad, Karachi.
Phones : (021) 660 0546 (3 Lines)
: (021) 670 1001
Fax : (021) 660 7462

Landhi:

15 Milestone, National Highway,
Landhi-4, Karachi.
Phones : (021) 502 4901 (4 Lines)
: (021) 769 0866
Fax : (021) 502 5200

Paposh Nagar:

6-A, Block V-A Nazimabad No. 5,
Karachi.
Phones : (021) 670 0001 (4 Lines)
Fax : (021) 670 0005

Textile Plaza:

Nadeem Cloth Market,
M.A. Jinnah Road, Karachi.
Phones : (021) 242 2476 (2 Lines)
: (021) 242 2415 (2 Lines)
: (021) 241 3964
Fax : (021) 241 6148

Water Pump:

57, Nawaz Court, Block-16,
FedeTal "B" Area, Karachi
Phones : (021) 681 2577 (2 Lines)
: (021) 632 3028
Fax : (021) 633 4557

Shershah:

D-283/1, S.I.T.E. Area,
Trans Lyari Quarter, Karachi.
Phones : (021) 258 6301 (3 Lines)
Fax : (021) 258 6305

University Road:

Opp. NED University, No. 101.
Zenith Heights BI-1,
Gulistan-e-Johar, Karachi.
Phones : (021) 402 9701 (3 Lines)
 : (021) 402 9704
Fax : (021) 402 9705

Boat Basin:

GPC-2, BI-5 KDA Scheme No. 5,
Clifton, Karachi.
Phones : (021) 587 9734 (3 Lines)
 : (021) 587 9737
Fax : (021) 587 9738

HBZ Plaza:

HBZ Plaza, I.I. Chundrigar Road,
P.O. Box 1424, Karachi-74200.
Phones : (021) 263 3311-30
 : (021) 263 1418-19
SWIFT : MPBLPKKA 052

Mereweather Tower:

GK-7/99, Tower Mention,
M.A Jinnah Road , Opp. M.W. Tower,
Karachi
Phones : (021) 240 1981-5
 : (021) 243 8295
SWIFT : MPBLPKKA 056

Clifton:

S-2, Uzma Arcade, Block-7,
Khayaban-e-Iqbal, KDA Scheme 5,
Clifton Karachi
Phones : (021) 587 7831-5
 : (021) 583 2019
SWIFT : MPBLPKKA 057

City Court:

Premises No, 5 & 7, Court Chamber,
Syedna Tahir Saifuddin Road,
Opp. City Court, Karachi.
Phones : (021) 272 9991-4
 : (021) 272 0106-8
Fax : (021) 272 9805
SWIFT : MPBLPKKA 058

Plaza Square:

Shopp # 1 & 1B, Ground Floor,
Naseeb Building No. 37/1, Plaza Square,
M.A. Jinnah Road, Karachi
Phones : (021) 273 7183-5
 : (021) 275 0623
Fax : (021) 273 7187
SWIFT : MPBLPKKA 059

Avenue Branch Site:

B-12-D, S.I.T.E., Karachi.
Phones : (021) 255 0314-18
 : (021) 255 0312
SWIFT : MPBLPKKA 060

Marriot Road:

MR - 1/37-G-5, Jelani Manzil,
Marriot Road Karachi.
Phone : (021) 247 3509
 : (021) 247 3359
 : (021) 247 3586
Fax : (021) 247 3550
SWIFT : MPBLPKKA 063

Industrial Area Korangi:

Plot No. SC-8 (ST-17) Sector - 15,
Korangi Township, Karachi.
Phone : (021) 511 4055-60
 : (021) 832 0007-8
Fax : (021) 511 4053

Business Avenue:

Business Avenue, 26/A, Block - 6,
Shahrah-e-Faisal Karachi.
Phone : (021) 439 1420-25
 : (021) 439 1428
SWIFT : MPBLPKKA 065

Preedy Street:

Shop # 12, 15, 16 & 17, Plot # 273/1,
Coronation Building, Artillery Maidan,
Preedy Street, Saddar Karachi.
Phone : (021) 272 6391
 : (021) 274 3394-6
 : (021) 274 3406
Fax : (021) 274 3408
SWIFT : MPBLPKKA 066

Bahadurabad:

Prime Arcade,
Bahadur Shah Zafar Road,
Bahadurabad, Karachi.
Phone : (021) 494 9316, 493 3677
 : (021) 413 0936, 413 0937
Fax : (021) 493 3729
SWIFT : MPBLPKKA 0687

Khayaban-e-Shahbaz:

Plot No. 6/2, Survey, No. 26,
Khayaban-e-Shahbaz Lane 2,
Phase VI D.H.A. Karachi.
Phone : (021) 534 2036, 584 7314
 : (021) 425 4774
Fax : (021) 584 7126
SWIFT : MPBLPKKA 070

North Nazimabad:

Shop No. 6/7 & 8, Kaneez Market,
North Nazimabad Karachi.
Phone : (021) 663 9404
 : (021) 663 9262
 : (021) 663 9816
 : (021) 663 6291
Fax : (021) 663 6427
SWIFT : MPBLPKKA 071

Mission Road:

Plot Survey No. 1, Shop No. 2,
Popular Tiles Building,
Mission Road Karachi.
Phone : (021) 273 6656
 : (021) 276 2291
Fax : (021) 276 6293
SWIFT : MPBLPKKA 073

Mangopir Road:

D-22, Mangopir Road,
S.I.T.E. Karachi.
Phone : (021) 259 4025-27
 : (021) 259 4028
Fax : (021) 259 4029
SWIFT : MPBLPKKA 076

Phase II D.H.A. :

Plot Bearing No. 12-C Korangi Road,
Phase II, D.H.A. Karachi.
Phone : (021) 539 6989-91
Fax : (021) 539 6996

Gulistan - e - Johar:

Shop No. B-5/1, 1 Plot No. FI-22,
Block-15 Gulistan-e-Johar, Karachi.
Phone: (021) 403 0271-13
Fax: (021) 403 0274

Soldier Bazar:

Rodrigues Street,
Soldier Bazar, Karachi.
Phone : (021) 224 1545-7
 : (021) 2241549
Fax : (021) 2241548

U.P. More:

Block 11-B, U.P. More, Karachi.
Phone : (021) 696 4692-3
 : (021) 696 4694
Fax : (021) 696 4695

Allama Iqbal Road:

Plot No. 946, 947 - C,
P.E.C.H.S, Allama Iqbal Road,
Karachi.
Phone : (021) 430 1061-4
Fax : (021) 430 1065

Lines Area:

Mubarak Shaheed Road, Opp 602
Workshop Store No. 3, Lines Area Karachi.
Phones : (021) 279 3282-84 (3Lines)
 : (021) 279 3285
Fax : (021) 279 3286

Gulshan-e-Maymar:

Plot No. SB-001, Sector - X,
Sub Sector - II, Gulshan-e-Maymar,
Karachi.
Phones : (021) 683 3453-4
Fax : (021) 683 3455

PIB Colony:

Plot, No. 389, PIB Colony
Karachi.
Phones : (021) 486 0561-3
Fax : (021) 486 0565

Nishtar Road:

Plot No. LR-10, Shop No. 1,
Nishtar Road Karachi.
Phones : (021) 273 0693-97
Fax : (021) 273 0686

Malir City:

Plot No. Ls-33, Street No.32,
Sector 4, Liaquat Market,
Malir Town Ship, Karachi.
Phones : (021) 411 4087-89
Fax : (021) 411 4152

West Wharf:

Show Room No. 7 & 8,
Pak Chamber, West Wharf Road,
Karachi.
Phones : (021) 231 4752-54
Fax : (021) 231 4253

Civil Lines:

Mehran Estate, Plot No. 18/15,
Survey Sheet No. C.L.17,
Civil Lines Quarters, Karachi.
Phones : (021) 562 2590-2
Fax : (021) 562 2594

Gizri Road:

Plot No. K7-35 & 37,
Choudhary Khaliq-uz-Zaman Road,
Karachi.
Phones : (021) 582 2871-2

Stadium Road:

Shop No. A, Plot No. SB-11,
KDA Scheme No. 1-A (Extension),
Stadium Road, Karachi
Phone : (021)
Fax : (021)

Stargate:

Near Stargate, Shahrah-e-Faisal
Karachi.
Phone : (021) 587 8475-9
Fax : (021) 587 8473

Khayaban-e-Bokhari:

Plot # 24-C, Khayaban-e-Bokhari,
Phase-VI, D.H.A., Karachi.
Phone : (021) 524 2701-3
 : (021) 524 2704
Fax : (021) 524 2705

Safoora Goth:

Plot # 777, Block 4, Scheme - 36
University Road, Near Safoora Goth, Karachi.
Phone : (021) 466 0236-8
: (021) 466 0240
Fax : (021) 466 0239

Liaquatabad:

G-5, G-8 & G-9, Commercial SITE #11,
Industrial Area Liaquatabad, Karachi.
Phone : (021) 491 4121-3
Fax : (021) 491 4128

Shahrah-e-Quaideen:

103-K, Block-2, P.E.C.H.S.,
Shahrah-e-Quaideen, Karachi.
Phone : (021) 452 9531
Fax : (021) 452 3079

Port Qasim:

Plot # W-21/2 & 3, North Western Zone,
Port Qasim, Karachi.
Phone : (021) 475 0232
Fax : (021) 475 0231

HUB**Hub:**

Shops # 1,2,3, & 4, Survey # 97/111,
Mouza Bairut, Main RCD Road,
Tehsil Hub, Distt. Lasbella, Baluchistan.
Phone : (0853) 363 701-2
Fax : (0853) 363 705

LAHORE**Main Branch:**

Associated House,
7-Egerton Road, Lahore.
Phones : (042) 627 9062 (4 Lines)
: (042) 627 8812, 630 6902
: (042) 630 7715-16, 630 4383
: (042) 630 8301
UAN : (042) 111-18-18-18
Fax : (042) 6279061
SWIFT : MPBLPKKA002

Gulberg:

85, D-1, Main Boulevard, Gulberg-III,
G.P.O Box No. 54660, Lahore.
Phones : (042) 587 2091 (4 Lines)
: (042) 575 5151, 575 5252
Fax : (042) 575 4480

Circular Road:

83-Circular Road, Lahore.
Phones (042) 767 2634 (5 Lines)
Fax (042) 767 2631

Defence:

9-Z, Defence Housing Authority, Lahore,
Phones : (042) 589 4162 (3 Lines)
Fax : (042) 589 3878

Badami Bagh:

38-R-359, Circular Road, Lahore.
Phones : (042) 772 3471
: (042) 773 1413 (3 Lines)

Model Town Link Road:

207-B, BI-A, Model Town Link Road,
Lahore.
Phones : (042) 520 1635 (3 Lines)
(042) 520 3657
Fax : (042) 520 3658

Davis Road:

14-B, Davis Road, (Sir Aga Khan Road)
P.O.Box 2276, Lahore.
Phone : (042) 627 9020 (5 Lines)
(042) 630 7613
Fax : (042) 636 8392
SWIFT : MPBLPKKA053

Main Boulevard:

19-B, Main Boulevard, Gulberg
Lahore.
Phone : (042) 587 8475-9
Fax : (042) 587 8473

Peco Road:

110 PECO Road,
Badami Bagh Lahore.
Phone : (042) 770 1172-4
: (042) 770 1170
: (042) 770 1171
SWIFT : MPBLPKKA067

Raiwind Road:

9 KM Raiwind Road, Bhothian Chowk,
Khewat No. 840, Khatoni No. 1251,
Khasra No. 1907-10, Lahore.
Phone : (042) 532 3151-5
Fax : (042) 532 3152
SWIFT : MPBLPAAK069

Garden Town:

Ibrahim Trade Center,
1-A1, Aibak Block,
New Garden Town Lahore.
Phone : (042) 594 1636-8
(042) 594 1631
Fax : (042) 594 1632
SWIFT : MPBLPKKA074

Ravi Road:

75-76, Ravi Road,
Datagunj Buksh Town,
Lahore.
Phone : (042) 770 3106-7
(042) 770 5201
Fax : (042) 770 5202
SWIFT : MPBLPKKA075

Shahrah-e-Quaid-e-Azam:

Bank Square, Lahore.
Phone : (042) 723 5725 (4 Lines)
: (042) 723 5703
Fax : (042) 723 5704

Urdu Bazar:

Outside Lohari Gate, 213
Circular Road, Lahore.
Phone : (042) 736 1274-7
Fax : (042) 736 1273

Ferozpur Road:

19 K.M. Ferozpur Road,
Mouza Attari, Lahore.
Phone : (042) 580 9344-50
Fax : (042) 580 8570

Johar Town:

Plot No. 654, Block G/1,
Johar Town Scheme, Lahore.
Phone : (042) 529 0902
Fax : (042) 529 0903

Walton Road:

E-65, Zaman Colony,
Walton Road, Lahore.
Phone : (042) 660 1325-26
Fax : (042) 660 1324

Lahore Cantt:

1186 - Tufail Road, Saddar,
Lahore Cantt, Lahore.
Phone : (042) 660 4801-3
Fax : (042) 660 4804

Iqbal Town:

19 - Hunza Block, Main Boulevard,
Iqbal Town, Lahore.
Phone : (042) 529 6719
Fax : (042) 529 6819

Brandreth Road:

39 Brandreth Road, Lahore.
Phone : (042) 738 1107
Fax : (042) 738 1106

PESHAWAR**Main Branch:**

95-A, Saddar Road, Peshawar.
Phone : (091) 527 0904 (3 Lines)
: (091) 527 5784, 275709
UAN : (091) 111-18-18-18
Fax : (091) 5275624

Khyber Bazar:

Haroon Mansion, Khyber Bazar,
Old City, Peshawar.
Phone : (091) 256 6682-84
Fax : (091) 256 6685

QUETTA:

Shahrah-e-Iqbal,
G.P.O. Box 185, Quetta.
Phones : (081) 283 5302,
(081) 283 5308
UAN : (081) 111-18-18-18
Fax : (081) 282 4209
Cable : BANKMETRO

MIRPUR A K:

Ejaz Plaza, Allama Iqbal Road,
Mirpur, Azad Kashmir.
Phones : (058610) 43435, 48039-40
(058610) 45719
Fax : (058610) 43677

SIALKOT:**Main Branch:**

Allama Iqbal Chowk, Railway Road,
G.P.O. Box 2626, Sialkot.
Phones : (052) 458 002, 458 0037
: (052) 460 4905, 460 2451
: (052) 459 3572
UAN : (052) 111-18-18-18
Fax : (052) 458 8024
SWIFT : MPBLPKKA006

Small Industrial Estate:

27-28-A, Small Industrial Estate,
Sialkot.
Phones : (052) 325 4720, 325 4799
Fax : (052) 325 4738

HYDERABAD:

F-66, Risala Road,
P.O. Box No. 182, Hyderabad.
Phones : (022) 278 3893, 784087
UAN : (022) 111-18-18-18
Fax : (022) 278 3894

SUKKUR:

B-2558 Shaheed Gunj, Sukkur
Phones : (071) 562 0432-35
Fax : (071) 562 0484

MULTAN:

85-A, Qasim Road,
P.O. Box No- 108, Multan Cantt.
Phones : (061) 458 3515 (3 Lines)
 : (061) 478 5719 - 20
LAN : (061) 111-18-18-18
Fax : (061) 4583518

FAISALABAD

Main Branch:

P/64, Taj Plaza, Kotwali Road, Faisalabad.
Phones : (041) 264 9902 (5 Lines)
UAN : (041) 111-18-18-18
Fax : (041) 264 9901
SWIFT : MPBLPKKA009

Kotwali Road:

P-71, Kotwali Road, P.O. Box 569,
Faisalabad.
Phones : (041) 263 4891-4
Fax : (041) 263 3822
SWIFT : MPBLPKKA054

Susan Road:

7- Main Susan Road,
Madina Town, Faisalabad.
Phones : (041) 850 2153-6
Fax : (041) 850 2159
SWIFT : MPBLPKKA054

ISLAMABAD

Islamabad:

24-D, Rashid Plaza,
Jinnah Avenue, Islamabad.
Phones : (051) 227 4088 (3 Lines)
 : (051) 227 7438
UAN : (051) 111-18-18-18
Fax : (051) 227 4082
SWIFT : MPBLPK010

F-10 Markaz:

F-10, Markaz Branch,
1-k, 10th Avenue, F-10, Islamabad
Phones : (051) 210 2515-16
Fax : (051) 210 2514

RAWALPINDI

Main Branch:

9-Haider Road, Rawalpindi Cantt,
P.O. Box 1682, Rawalpindi.
Phone : (051) 552 2022
 (051) 552 2033
 (051) 552 2044
Fax : (051) 552 2055
SWIFT : MPBLPKKA055

Bank Road:

186/2, Bank Road, Rawalpindi Cantt.
Phones : (051) 511 0178 - 81 - 82
 : (051) 551 7013, 511 0177
Fax : (051) 579 4376

RAHIM YAR KHAN:

24, Shahi Road, Rahim Yar Khan.
Phone (068) 587 9522
Fax (068) 587 4193

KASUR:

Railway Road, Kasur.
Phones : (0492) 925 0053, 276 4606
 : (0492) 276 5331
Fax : (0492) 925 0090

GUJRANWALA:

Main G.T. Road, Opposite
City Top Hotel, Gujranwala.
Phones : (055) 384 5467 (3 Lines)
 : (055) 325 1997
Fax : (055) 384 5466

KAMOKE:

Al-Madni Plaza, G.T. Road,
Kamoke, Lahore.
Phone : (055) 681 4185

Islamic Banking Branches:

KARACHI

Al Falah Court:

Al-Falah Court, I.I. Chundrigar Road,
Karachi.
Phone : (021) 221 5360-3
Fax : (021) 221 5358
SWIFT : MPBLPKKA 71

Zaibunisa Street:

SB-4f4, 2nd Floor, Zaibunnisa Street,
Saddar, Karachi
Phones (021) 565 0711 (4 Lines)
Fax (021) 565 0650

Rashid Minhas Road:

Plot No. FL-3/15, KDA Scheme No. 24
Rashid Minhas Road,
Gulshan-e-Iqbal, Karachi.
Phone : (021) 481 9985-8
 (021) 481 9990-4
 (021) 497 9264
Fax : (021) 481 9989
SWIFT : MPBLPKKA 72

LAHORE

Gulberg:

House No. 85- D-1,
Gulberg-III, Lahore.
Phone : (042) 578 9942-4
 (042) 578 9940
Fax : (042) 578 9941

PROXY FORM



I/We _____

of _____

being member (s) of Habib Metropolitan Bank Limited and holding _____

ordinary shares, as per Register folio _____

hereby appoint _____ Folio No. _____

of _____

or failing him _____ Folio No. _____

of _____

another member of the Bank to vote for me/us and on my/our behalf at the 17th Annual General Meeting

of the Bank to be held on March 30, 2009 and at any adjournment thereof.

As Witness my/our hand this _____ day of March 2009

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER(S)

A member entitled to attend General Meeting is entitled to appoint proxy to attend and vote instead of him. A proxy should be a member of the Bank. No person shall act as proxy (except for a corporation) unless he is entitled to be present and vote in his own right.

The instrument appointing a proxy should be signed by the member or by his attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxies shall be deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.