



## Directors' Report on Consolidated Financial Statements For the year ended December 31, 2008

The Board of Directors present the report on consolidated financial statements of MCB Bank Ltd and its subsidiaries namely MCB Asset Management Company Limited, Muslim Commercial Financial Services (Pvt.) Limited, MCB Trade Services Limited and MNET Services (Pvt.) Limited for the year ended December 31, 2008.

The following appropriation of profit has been recommended by the Board of Directors:

|   | (Rupees in '000)   |
|---|--------------------|
| Profit before taxation  | 21,886,740         |
| Taxation  | <u>(6,663,513)</u> |
|   | 15,323,227         |
| Profit attributable to minority interest                          | <u>(12)</u>        |
| Profit attributable to ordinary shareholders                      | 15,323,215         |
| <br>  |                    |
| Un-appropriated profit brought forward                            | <u>7,054,472</u>   |
| Transfer from surplus on revaluation of fixed assets (net of tax) | <u>21,373</u>      |
|   | 7,075,845          |
| Profit available for appropriation                                | <u>22,399,060</u>  |
| <br>  |                    |
| Appropriation   |                    |
| Statutory reserve   | <u>1,537,460</u>   |
| General reserve   | <u>1,000,000</u>   |
| Final cash dividend- December 2007                                | <u>3,141,384</u>   |
| Interim dividend- March 2008                                      | <u>1,884,831</u>   |
| Interim dividend- June 2008                                       | <u>1,884,831</u>   |
| Interim dividend- September 2008                                  | <u>1,884,831</u>   |
| Total appropriations  | <u>11,333,337</u>  |
|   | <u>11,085,723</u>  |

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2008 is annexed with the financial statements of MCB Bank Ltd.

### Earnings per Share

The Consolidated financial statements reflect Rs.24.39 earning per share after tax for the year under review.

On behalf of Directors

Mian Mohammad Mansha  
Chairman

Dated: February 16, 2009

## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of MCB Bank Limited ("the Bank") and its subsidiary companies as at December 31, 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. These consolidated financial statements include unaudited certified returns from the branches, except for 60 branches, which have been audited by us and 5 branches audited by auditors abroad. We have also expressed separate opinion on the financial statements of MCB Bank Limited. The financial statements of subsidiary company MNET Services (Private) Limited was audited by KPMG Taseer Hadi & Co., the financial statements of subsidiary companies Muslim Commercial Financial Services (Private) Limited and MCB Asset Management Company Limited were audited by Riaz Ahmad & Co., while the financial statements of subsidiary company MCB Trade Services Limited was audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. The consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

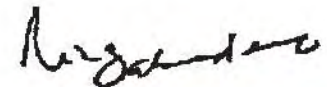
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis,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

In our opinion, the consolidated financial statements present fairly the financial position of MCB Bank Limited and its subsidiary companies as at December 31, 2008 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.



**KPMG TASEER HADI & CO.**  
Chartered Accountants  
Lahore

February 18, 2009



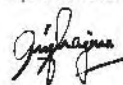
**RIAZ AHMAD & CO.**  
Chartered Accountants  
Lahore

## Consolidated Profit and Loss Account

### For the year ended December 31, 2008

|  | Note   | 2008             | 2007        |
|--|--------|------------------|-------------|
|  |        | (Rupees in '000) |             |
| Mark-up / return / interest earned   | 25     | 40,049,505       | 31,791,754  |
| Mark-up / return / interest expensed   | 26     | 11,592,922       | 7,858,819   |
| Net mark-up / interest income  |        | 28,456,583       | 23,932,935  |
| Provision for diminution in the value of investments - net                   | 9.3    | 2,683,994        | 105,269     |
| Provision against loans and advances - net                                   | 10.4.2 | 1,335,127        | 2,959,583   |
| Bad debts written off directly   | 10.5.1 | -                | 199         |
|  |        | 4,019,121        | 3,065,051   |
| Net mark-up / Interest Income after provisions                               |        | 24,437,462       | 20,867,884  |
| <b>Non-mark-up / Interest Income</b>   |        |                  |             |
| Fee, commission and brokerage income   |        | 2,878,663        | 2,772,615   |
| Income earned as trustee to various funds                                    |        | 21,867           | 5,859       |
| Dividend income  |        | 451,312          | 535,813     |
| Income from dealing in foreign currencies                                    |        | 727,564          | 693,408     |
| Gain on sale of securities - net   | 27     | 748,139          | 1,507,610   |
| Unrealized loss on revaluation of investments classified as held for trading | 9.5    | (99,531)         | (3,329)     |
| Other income - net   | 28     | 1,201,834        | 1,002,160   |
| Total non-mark-up / interest income  |        | 5,929,848        | 6,514,136   |
|  |        | 30,367,310       | 27,382,020  |
| <b>Non-mark-up / interest expenses</b>                                       |        |                  |             |
| Administrative expenses  | 29     | 7,580,302        | 5,440,305   |
| Other provision / (reversal) - net   | 13.2   | 10,120           | (3,743)     |
| Other charges  | 30     | 920,991          | 642,780     |
| Total non-mark-up / Interest expenses  |        | 8,511,413        | 6,079,342   |
| Share of profit of associated undertaking                                    | 9.7    | 30,843           | 1,223,633   |
| Extra ordinary / unusual item  |        | -                | -           |
| Profit before taxation   |        | 21,886,740       | 22,526,311  |
| Taxation - Current year  |        | 7,387,345        | 6,463,560   |
| - Prior years  |        | (865,344)        | (1,294,586) |
| - Deferred   |        | 16,348           | 899,898     |
| Share of tax of associated undertaking                                       | 9.7    | 25,164           | 15,769      |
|  | 31     | 6,563,513        | 6,084,641   |
| Profit after taxation  |        | 15,323,227       | 16,441,670  |
| Profit attributable to minority interest                                     |        | (12)             | (11)        |
| Profit attributable to ordinary share holders                                |        | 15,323,215       | 16,441,659  |
| Unappropriated profit brought forward  |        | 7,054,472        | 6,278,593   |
| Transfer from surplus on revaluation of fixed assets - net of tax            |        | 21,373           | 11,860      |
|  |        | 7,075,845        | 6,290,453   |
| Profit available for appropriation   |        | 22,399,060       | 22,732,112  |
| Basic and diluted earnings per share - after tax                             | 34     | 24.39            | 26.17       |

The annexed notes 1 to 47 and Annexures I to V form an integral part of these financial statements. The details of valuation of investments, impairment and impact on profit and loss account are given in note 9.8.



Atif Bajwa  
President and Chief Executive



Tariq Rafi  
Director



Sarmad Amin  
Director



Mian Raza Mansha  
Director



## Consolidated Cash Flow Statement

For the year ended December 31, 2008

|  | Note   | 2008                | 2007                |
|--|--------|---------------------|---------------------|
|  |        | (Rupees in '000)    |                     |
| <b>Cash flows from operating activities</b>                        |        |                     |                     |
| Profit before taxation   |        | 21,886,740          | 22,526,311          |
| Less: Dividend Income  |        | (482,155)           | (1,759,446)         |
|  |        | <u>21,404,585</u>   | <u>20,766,865</u>   |
| Adjustments for non-cash charges                                   |        |                     |                     |
| Depreciation   | 11.2   | 822,710             | 604,127             |
| Amortization   | 11.3   | 143,465             | 191,988             |
| Provision against loans and advances - net                         | 10.4.2 | 1,335,127           | 2,959,583           |
| Provision for diminution in the value of investments - net         | 9.3    | 2,683,994           | 105,269             |
| Provision / (reversal) for diminution in the value of other assets | 13.2   | 10,120              | (3,743)             |
| Bad debts written off directly                                     | 10.5.1 | -                   | 199                 |
| Operating fixed assets written off                                 | 30     | -                   | 12,102              |
| Gain on disposal of fixed assets - net                             | 28     | (36,855)            | (13,136)            |
| Deficit on revaluation of 'held for trading' securities            | 9.5    | 99,531              | 3,329               |
|  |        | <u>5,058,092</u>    | <u>3,859,718</u>    |
|  |        | <u>26,462,677</u>   | <u>24,626,583</u>   |
| (Increase) / decrease in operating assets                          |        |                     |                     |
| Lendings to financial institutions                                 |        | (3,048,707)         | 20,030,428          |
| Net investments in 'held for trading' securities                   |        | (7,445)             | (519,089)           |
| Advances - net   |        | (44,884,171)        | (23,682,886)        |
| Other assets - net   |        | (1,893,900)         | (6,834,006)         |
|  |        | <u>(49,834,223)</u> | <u>(11,005,553)</u> |
| Increase / (decrease) in operating liabilities                     |        |                     |                     |
| Bills payable  |        | 72,410              | 3,389,379           |
| Borrowings   |        | (16,742,991)        | 15,463,355          |
| Deposits   |        | 38,156,733          | 34,903,237          |
| Other liabilities  |        | 11,923,618          | 755,878             |
|  |        | <u>33,409,770</u>   | <u>54,511,849</u>   |
|  |        | <u>10,038,224</u>   | <u>68,132,879</u>   |
| Income tax paid  |        | (7,922,663)         | (6,188,617)         |
| <b>Net cash flows from operating activities</b>                    |        | <u>2,115,561</u>    | <u>61,944,262</u>   |

## Consolidated Cash Flow Statement

For the year ended December 31, 2008

|   | Note | 2008<br>(Rupees in '000) | 2007                |
|---|------|--------------------------|---------------------|
| <b>Cash flows from investing activities</b>                                   |      |                          |                     |
| Net Investments In 'available for sale' securities                            |      | 15,058,126               | (52,959,630)        |
| Net investments in 'held to maturity' securities                              |      | (5,550,843)              | 3,564,123           |
| Dividends received  |      | 544,861                  | 619,907             |
| Investments In operating fixed assets   |      | (2,160,582)              | (2,960,463)         |
| Sale proceeds of property and equipment disposed off                          |      | 258,627                  | 62,419              |
| <b>Net cash flows from investing activities</b>                               |      | <b>8,150,189</b>         | <b>(51,673,644)</b> |
| <b>Cash flows from financing activities</b>                                   |      |                          |                     |
| Redemption of subordinated loan   |      | (479,232)                | (1,118,208)         |
| Dividend paid   |      | (9,834,181)              | (4,728,496)         |
| <b>Net cash flows from financing activities</b>                               |      | <b>(10,313,413)</b>      | <b>(5,846,704)</b>  |
| Exchange differences on translation of the net investment in foreign branches |      | 233,934                  | 11,925              |
| <b>Increase in cash and cash equivalents</b>                                  |      | <b>186,271</b>           | <b>4,435,839</b>    |
| Cash and cash equivalents at beginning of the year                            |      | 45,467,614               | 39,420,289          |
| Effects of exchange rate changes on cash and cash equivalents                 |      | (1,916,140)              | (304,654)           |
|   |      | 43,551,474               | 39,115,635          |
| Cash and cash equivalents at end of the year                                  | 35   | <u>43,737,745</u>        | <u>43,551,474</u>   |

The annexed notes 1 to 47 and Annexures I to V form an integral part of these financial statements.



Atif Bajwa  
President and Chief Executive



Tariq Rafi  
Director



Sarmad Amin  
Director



Mian Raza Mansha  
Director



## Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

|   | Attributable to shareholders of the bank |                  |                              |                   |                  |                       |             | Minority interest | Total       |
|---|--|------------------|------------------------------|-------------------|------------------|-----------------------|-------------|-------------------|-------------|
|   | Share capital                            | Capital reserves |                              | Statutory reserve | Revenue reserves |                       | Subtotal    |                   |             |
|   |  | Share premium    | Exchange translation reserve |                   | General reserve  | Unappropriated profit |             |                   |             |
|   | (Rupees in '000)                         |                  |                              |                   |                  |                       |             |                   |             |
| <b>Balance as at December 31, 2006</b>  | 5,483,276                                | 9,702,528        | (53,617)                     | 5,213,535         | 9,800,000        | 6,278,593             | 36,404,315  | 52                | 36,404,367  |
| <b>Changes in equity for 2007</b>   |  |                  |                              |                   |                  |                       |             |                   |             |
| Profit after taxation for the year ended December 31, 2007  | -  | -                | -                            | -                 | -                | 16,441,670            | 16,441,670  | -                 | 16,441,670  |
| Profit attributable to minority interest  |  |                  |                              |                   |                  | (11)                  | (11)        | 11                |             |
| Profit after taxation for the year ended December 31, 2007 attributable to ordinary shareholders of the group | -  | -                | -                            | -                 | -                | 16,441,659            | 16,441,659  | 11                | 16,441,670  |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax                 | -  | -                | -                            | -                 | -                | 11,860                | 11,860      | -                 | 11,860      |
| Exchange differences on translation of net investment in foreign branches                                     | -  | -                | 11,925                       | -                 | -                | -                     | 11,925      | -                 | 11,925      |
| Net income recognized directly in equity  | -  | -                | 11,925                       | -                 | -                | 11,860                | 23,785      | -                 | 23,785      |
| Total recognized income and expense for the year ended December 31, 2007                                      | -  | -                | 11,925                       | -                 | -                | 16,453,519            | 16,465,444  | 11                | 16,465,455  |
| Transferred to general reserve  | -  | -                | -                            | -                 | 7,800,000        | (7,800,000)           | -           | -                 | -           |
| Transferred to statutory reserve  | -  | -                | -                            | 1,526,556         | -                | (1,526,556)           | -           | -                 | -           |
| Issue of bonus shares - December 2006   | 819,492                                  | -                | -                            | -                 | -                | (819,492)             | -           | -                 | -           |
| Final cash dividend - December 2006   | -  | -                | -                            | -                 | -                | (819,492)             | (819,492)   | -                 | (819,492)   |
| Interim cash dividend - March 2007  | -  | -                | -                            | -                 | -                | (1,570,692)           | (1,570,692) | -                 | (1,570,692) |
| Interim cash dividend - June 2007   | -  | -                | -                            | -                 | -                | (1,570,704)           | (1,570,704) | -                 | (1,570,704) |
| Interim cash dividend - September 2007  | -  | -                | -                            | -                 | -                | (1,570,704)           | (1,570,704) | -                 | (1,570,704) |
| <b>Balance as at December 31, 2007</b>  | 6,282,768                                | 9,702,528        | (41,692)                     | 6,740,091         | 17,600,000       | 7,064,472             | 47,338,167  | 63                | 47,338,230  |

## Consolidated Statement of Changes in Equity

For the year ended December 31, 2008


|   | Attributable to shareholders of the bank |                  |                              |                   |                   |                       | Subtotal          | *Minority Interest | Total             |
|---|--|------------------|------------------------------|-------------------|-------------------|-----------------------|-------------------|--------------------|-------------------|
|   | Share capital                            | Capital reserves |                              | Statutory reserve | Revenue reserves  |                       |                   |                    |                   |
|   |  | Share premium    | Exchange translation reserve |                   | General reserve   | Unappropriated profit |                   |                    |                   |
|   | (Rupees in '000)                         |                  |                              |                   |                   |                       |                   |                    |                   |
| <b>Changes in equity for 2008</b>   |  |                  |                              |                   |                   |                       |                   |                    |                   |
| Profit after taxation for the year ended December 31, 2007  | -  | -                | -                            | -                 | -                 | 15,323,227            | 15,323,227        | -                  | 15,323,227        |
| Profit attributable to minority interest:   |  |                  |                              |                   |                   | (12)                  | (12)              | 12                 |                   |
| Profit after taxation for the year ended December 31, 2008 attributable to ordinary shareholders of the group | -  | -                | -                            | -                 | -                 | 15,323,215            | 15,323,215        | 12                 | 15,323,227        |
| Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax                 | -  | -                | -                            | -                 | -                 | 21,373                | 21,373            | -                  | 21,373            |
| Exchange differences on translation of net investment in foreign branches                                     | -  | -                | 233,934                      | -                 | -                 | -                     | 233,934           | -                  | 233,934           |
| Net income recognized directly in equity  | -  | -                | 233,934                      | -                 | -                 | 21,373                | 255,307           | -                  | 255,307           |
| Total recognized Income and expense for the year ended December 31, 2008                                      | -  | -                | 233,934                      | -                 | -                 | 15,344,588            | 15,578,522        | 12                 | 15,578,534        |
| Transferred to statutory reserve  | -  | -                | -                            | 1,537,460         | -                 | (1,537,460)           | -                 | -                  | -                 |
| Transferred to general reserve  | -  | -                | -                            | 1,000,000         | (1,000,000)       | -                     | -                 | -                  | -                 |
| Dividend attributable to minority shareholders  | -  | -                | -                            | -                 | -                 | -                     | -                 | (6)                | (6)               |
| Final cash dividend - December 2007   | -  | -                | -                            | -                 | -                 | (3,141,384)           | (3,141,384)       | -                  | (3,141,384)       |
| Interim cash dividend - March 2008  | -  | -                | -                            | -                 | -                 | (1,884,831)           | (1,884,831)       | -                  | (1,884,831)       |
| Interim cash dividend - June 2008   | -  | -                | -                            | -                 | -                 | (1,884,831)           | (1,884,831)       | -                  | (1,884,831)       |
| Interim cash dividend - September 2008  | -  | -                | -                            | -                 | -                 | (1,884,831)           | (1,884,831)       | -                  | (1,884,831)       |
| <b>Balance as at December 31, 2008</b>  | <b>6,282,768</b>                         | <b>9,702,528</b> | <b>192,242</b>               | <b>8,277,551</b>  | <b>18,600,000</b> | <b>11,065,723</b>     | <b>54,120,812</b> | <b>69</b>          | <b>54,120,881</b> |

For details of dividend declaration and appropriations, refer note 46 to these financial statements.

The annexed notes 1 to 47 and Annexures I to V form an integral part of these financial statements.



Atif Bajwa  
President and Chief Executive



Tariq Rafi  
Director



Samad Amin  
Director



Mian Raza Mansha  
Director



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Holding company

- MCB Bank Limited

Percentage holding  
of MCB Bank  
Limited %

#### Subsidiary companies

- Muslim Commercial Financial Services (Private) Limited
- MNET Services (Private) Limited
- MCB Trade Services Limited
- MCB Asset Management Company Limited

99.999  
99.950  
100.000  
99.990

#### MCB Bank Limited (holding company)

MCB Bank Limited (the 'Bank') is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's ordinary shares are listed on all the stock exchanges in Pakistan whereas its Global Depository Receipts (GDRs) representing two ordinary shares (2007: four ordinary shares) are traded on the International Order Book (IOB) system of the London Stock Exchange. The Bank's registered office and principal office are situated at MCB Building, Jinnah Avenue, Islamabad and MCB -15 Main Gulberg, Lahore respectively. The Bank operates 1040 branches including 11 Islamic banking branches (2007: 1020 branches including 8 Islamic banking branches) within Pakistan and 7 branches (2007: 6 branches) outside the country (including the Karachi Export Processing Zone branch). During the year, Malayan Banking Berhad (Maybank) of Malaysia acquired 125,655,369 shares representing 20% stake in the Bank through Mayban International Trust (Labuan) Berhad.

#### Muslim Commercial Financial Services (Private) Limited (subsidiary company)

The company was incorporated on February 12, 1992 under the Companies Ordinance, 1984 as a private limited company. The principal object of the company is to float, administer and manage modaraba funds and modarabas under Modaraba Companies & Modaraba (Floatation and Control) Ordinance 1980. The company's registered office is situated at 16th Floor, MCB Tower, I.I. Chundrigar Road, Karachi. The company also acts as a trustee of certain mutual funds.

#### MNET Services (Private) Limited (subsidiary company)

MNET Services (Private) Limited is a private limited company incorporated in Pakistan under the Companies Ordinance, 1984 on September 7, 2001. The company's registered office and principal place of business are situated at MCB Building, F-6 / G-6, Jinnah Avenue, Islamabad and Shelkh Sultan Trust Building, Beaumont Road, Karachi respectively. The core objective of the company is to provide services in Information Technology and to develop computer software and other data processing equipment for planning, designing, management and execution of all types of financial, personal, organizational and institutional activities.





## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### MCB Trade Services Limited (subsidiary company)

The company was incorporated under the laws of Hong Kong on February 25, 2005. The registered office of the company is located at 28 / F, BEA Harbour View Centre 56 Gloucester Road, Wan Chai, Hong Kong.

The principal activity of the company is to provide agency services.

### MCB Asset Management Company Limited (subsidiary company)

The company was incorporated in Pakistan under the Companies Ordinance 1984 on September 14, 2005 as a public limited company. The registered office and principal place of business of the company is located at 8th Floor, Technocity, Corporate Tower, Hasrat Mohani Road, Karachi.

The company is registered as an asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 to carry on the business of an asset management company under the said rules.

The principal activity of the company includes asset management, investment advisory, portfolio management, equity research and underwriting.

## 2. BASIS OF PRESENTATION

- 2.1 The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and associates.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in Annexure II to these financial statements.
- 2.4 For the purpose of translation to US Dollar, the rates of Rs. 79.0985 and Rs. 62.000 per US Dollar and Rs. 0.700 and Rs.0.5708 per SLR have been used for December 31, 2008 and December 31, 2007 respectively.

## 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and Banking Companies Ordinance, 1962. In case requirements differ, the provisions of directives given in Companies Ordinance, 1984 and Banking Companies Ordinance, 1962 shall prevail.

The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

During 2005, Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard - 1 issued by Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transactions undertaken by a bank, effective for financial periods beginning on or after January 01, 2007. The standard has not been adopted by stand-alone Islamic branches of conventional banks pending resolution of certain issues, e.g., invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc. Pakistan Bank's Association has taken up the matter with the State Bank of Pakistan.

### 3.2 Standards, amendments and interpretations to published approved accounting standards effective in current year

During the year ended December 31, 2008, IFRIC 14 "IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction" is effective from Group's annual periods beginning on or after January 01, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Group has considered the implication of interpretation on the surplus that can be recognized as an asset.

There are other new standards and interpretations to published approved accounting standards that are mandatory for accounting periods beginning on or after January 01, 2008 but are considered not to be relevant or do not have any significant impact on the Group's financial statements.

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

The following standards, amendments and interpretations to published approved accounting standards are mandatory for the Group's accounting periods beginning on or after January 01, 2009:

IFRS 3 (Revised), 'Business combinations' (effective from July 01, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from January 01, 2010.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

IFRS 7 "Financial Instruments: Disclosures" (effective for annual periods beginning on or after April 28, 2008) supersedes IAS 30 "Disclosures in the Financial Statements of Groups and Similar Financial Institutions" and the disclosure requirements of IAS 32 "Financial Instruments: Presentation". The application of the standard is not expected to have significant impact on the Group's financial statements other than increase in disclosures.

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after January 01, 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business and geographical segments. This standard will have no effect on the Group's reported total profit or loss or equity.

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

IAS 27 (Revised), "Consolidated and Separate Financial Statements", (effective from July 01, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from January 01, 2010.

IFAS 2 "Ijarah" effective for annual periods beginning on or after January 01, 2009 will result in following changes:

Assets underlying Ijarah financing will be recorded as operating fixed assets separately from the assets in Group's own use. These assets will be carried at cost less accumulated depreciation and impairment, if any.

Rentals receivable from Ijarah financing during the year will be taken to profit and loss account.

There are other amendments resulting from annual improvement project initiated by International Accounting Standards Board in May 2008, specifically in IAS 1 "Presentation of Financial Statements", IAS 19 "Employee Benefits", IAS 28 "Investment in Associates", IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets" that are considered relevant to the Group's financial statements. The management is in the process of evaluating the impact of these changes on the Group's financial statements.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

#### 3.4 Standards, amendments and Interpretations to published approved accounting standards that are not relevant and not yet effective

| Standard or Interpretation  | Effective date<br>(accounting periods<br>beginning on or after)* |
|---|--|
| IFRS 2 "Share-based Payments"   | January 01, 2009   |
| IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"             | July 01, 2009  |
| IAS 16 "Property, Plant and Equipment"  | January 01, 2009   |
| IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" | January 01, 2009   |
| IAS 23 "Borrowing Costs"  | January 01, 2009   |
| IAS 29 "Financial Reporting in Hyperinflationary Economies"                       | January 01, 2009   |
| IAS 31 "Interests in Joint Ventures"  | January 01, 2009   |
| IAS 32 "Financial Instruments: Presentation"                                      | January 01, 2009   |
| IAS 41 "Agriculture"  | January 01, 2009   |
| IFRIC 13 "Customer Loyalty Programmes"  | July 01, 2008  |
| IFRIC 15 "Agreements for the Construction of Real Estate"                         | January 01, 2009   |
| IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"                      | October 01, 2008   |
| IFRIC 17 "Distributions of Non-cash Assets to Owners"                             | July 01, 2009  |

#### 4. BASIS OF MEASUREMENT

4.1 These financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments, commitments in respect of certain forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

4.2 The financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. The amounts are rounded to nearest thousand.

#### 4.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experiences, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's financial statements or where judgment was exercised in the application of accounting policies are as follows:



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### a) Classification of Investments

- In classifying investments as 'held for trading', the Group has determined securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as 'held to maturity', the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

### b) Provision against advances

The Group reviews its loan portfolio to assess amount of non-performing advances and provision required there against on regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers and the requirements of the Prudential Regulations are considered.

The amount of general provision is determined in accordance with the relevant regulations and management's judgment as explained in notes 10.4.3 and 10.4.4.

### c) Impairment of 'available for sale' equity investments

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

### d) Taxation

In making the estimates for income taxes currently payable by the Group, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past.

### e) Fair value of derivatives

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

### f) Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Further, the Group estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the market conditions.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 37) for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post employment benefits. Changes in these assumptions in future years may affect the liability / asset under these plans in those years.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Basis of consolidation

- The consolidated financial statements include the financial statements of MCB Bank Limited and its subsidiary companies and share of the profit / reserves of an associate accounted for under the equity basis of accounting.
- Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date when control ceases / the subsidiaries disposed off. The assets and liabilities of subsidiary companies have been consolidated on a line by line basis based on the financial statements as at December 31, 2008 and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in these consolidated financial statements. Material intra-Group balances and transactions have been eliminated.
- Associates are all entities over which the Group has significant influence but not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, thereafter for the post-acquisition change in the Group's share of net assets of the associate, the cumulative post-acquisition movements are adjusted in the carrying amount of the investment. Accounting policies of the associate have been changed where necessary to ensure consistency with the policies adopted by the Group. The Group's share in an associate has been accounted for on the basis of the financial statements for the year ended December 31, 2008.
- Minority interest is that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Group.

### 5.2 Investments

The Group classifies its investments as follows:

#### a) Held for trading

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

#### b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### c) Available for sale

These are Investments, other than those in associates, that do not fall under the 'held for trading' or 'held to maturity' categories.

Investments are initially recognized at cost which in case of Investments other than 'held for trading' include transaction costs associated with the investment.

All purchases and sales of Investments that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than those classified as 'held to maturity' and investments in associates are subsequently re-measured to market value. 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. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account currently.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for impairment in the values of securities (except debentures, participation term certificates and term finance certificates) is made currently. Provisions for impairment in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an associate include the carrying amount of goodwill relating to the associate sold.

### 5.3 Sale and repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as Investments and the counter party liability is included in borrowings. Securities purchased under an agreement to resell (reverse repo) are not recognized in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase / sale and re-sale / re-purchase price is recognized as mark-up income / expense on a time proportion basis, as the case may be.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 5.4 Advances

Advances are stated net of specific and general provisions. Specific provision is determined on the basis of the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions comprise of provisions against identified losses and provisions against unidentified losses. Provisions against unidentified losses include general provision against consumer loans made in accordance with the requirements of the Prudential Regulations issued by SBP and provision based on historical loss experience on advances. Advances are written off when there is no realistic prospect of recovery.

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as financial leases. A receivable is recognized at an amount equal to the present value of the lease payments including any guaranteed residual value. Finance lease receivables are included in advances to the customers.

### 5.5 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign operations includes exchange differences arising on currency translation at year-end rates.

Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles, computers, carpets and buildings which are depreciated using the straight line method in accordance with the rates specified in note 11.2 to these financial statements and after taking into account residual value, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged in the month in which the assets are disposed off.

Surplus on revaluation of land and buildings is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Gains / losses on sale of property and equipment are credited / charged to the profit and loss account currently, except that the related surplus on revaluation of land and buildings (net of deferred taxation) is transferred directly to unappropriated profit.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

### 5.6 Intangible assets

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



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 5.7 Impairment

The carrying amount of assets are 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 such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amounts. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

### 5.8 Staff retirement benefits

MCB Bank Limited (holding company)

The Bank operates the following staff retirement benefits for its employees:

- a) For clerical / non-clerical staff who did not opt for the new scheme, the Bank operates the following:
    - an approved contributory provident fund;
    - an approved gratuity scheme; and
    - a contributory benevolent scheme
  - b) For clerical / non-clerical staff who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1975, the Bank operates the following:
    - an approved non-contributory provident fund introduced in lieu of the contributory provident fund;
    - an approved pension fund; and
    - contributory benevolent scheme
  - c) For officers who joined the Bank after the introduction of the new scheme and for others who opted for the new scheme introduced in 1977, the Bank operates the following:
    - an approved non-contributory provident fund introduced in lieu of the contributory provident fund; and
    - an approved pension fund.

However, the management has replaced the pension benefits for employees in the officer category with a contributory provident fund for services rendered after December 31, 2003.
  - d) For executives and officers who joined the Bank on or after January 01, 2000 the Bank operates an approved contributory provident fund.
  - e) Post retirement medical benefits to entitled employees.
- Annual contributions towards the defined benefit plans and schemes are made on the basis of actuarial advice using the projected unit credit method. The above benefits are payable to staff at the time of separation from the Bank's services subject to the completion of qualifying period of service. The net cumulative actuarial gains / losses at each balance sheet date are recognized equally over a period of three years or the expected remaining average working lives of employees, whichever is lower.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Past service cost resulting from changes to defined benefit plans to the extent the benefits are already vested is recognized immediately and the remaining unrecognized past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested.

### MNET Services (Private) Limited (subsidiary company)

The company operates an unfunded gratuity scheme for its eligible employees. Provision is made annually on the basis of the last drawn basic salaries of eligible employees and the number of completed years of service.

### 5.9 Employees' compensated absences

MCB Bank Limited (holding company)

Liability in respect of employees' compensated absences is accounted for in the year in which these are earned on the basis of actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains or losses if any, are recognized immediately.

### 5.10 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credits and rebates. The charge for 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 all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Group records deferred tax assets / liabilities using the tax rates, enacted or substantively enacted by the balance sheet date expected to be applicable at the time of its reversal. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset 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 securities and deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related deficit / surplus in accordance with the requirements of International Accounting Standard (IAS) 12, 'Income Taxes'.

Deferred tax liability is not recognized in respect of taxable temporary differences associated with exchange translation reserves of foreign operations, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### 5.11 Provisions

Provisions are recognized 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 estimates.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 5.12 Foreign currencies

#### 5.12.1 Foreign currency transactions

Transactions in foreign currencies (other than the results of foreign operations discussed in note 5.12.2) are translated to Rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts other than those relating to foreign currency deposits are valued at the rates applicable to their respective maturities.

#### 5.12.2 Foreign operations

The assets and liabilities of foreign branches and subsidiary are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

#### 5.12.3 Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of the Group's net investment in foreign branches and subsidiary, which are taken to the capital reserve (exchange translation reserve).

#### 5.12.4 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange ruling on the balance sheet date.

### 5.13 Revenue recognition

- Mark-up / interest on advances and returns on investments are recognized on a time proportion basis using the effective interest method except that mark-up / interest on non-performing advances and investments is recognized on a receipt basis, in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan (SBP) or as permitted by the regulations of the overseas regulatory authorities of the countries where the branches and subsidiaries operate.
- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. Gains / losses on termination of lease contracts are recognized as income when these are realized.
- Unrealized lease income is held in suspense account, where necessary, in accordance with the requirements of SBP or overseas regulatory authorities of the country where the foreign branches and subsidiaries of the Group operate.
- Premium on foreign currency options and commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Group's right to receive dividend is established.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

- Gain / loss on sale of investments is credited / charged to profit and loss account currently.
- Outsourcing and networking service revenue is recognized on an accrual basis.
- Revenue for acting as trustee is recognized on net asset value (NAV) of respective funds.
- Commission income is recognized at the time of sale of units by the Asset Management Company.

### 5.14 Operating leases

Operating lease rentals are recorded in profit and loss account on a time proportion basis over the term of the lease arrangements.

### 5.15 Cash and cash equivalents

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

### 5.16 Financial instruments

#### 5.16.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, balances with other banks, lendings to financial institutions, investments (excluding investment in associates), advances, other assets, bills payable, borrowings, deposits and other liabilities. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

#### 5.16.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value using valuation techniques. All derivative financial instruments are carried as assets when the fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

#### 5.16.3 Off setting

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

### 5.17 Share issuance cost

Share issuance cost directly attributable to issuance of shares, is recognized as deduction from the share premium account.

### 5.18 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format of reporting is based on business segments.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 5.18.1 Business segment

#### Corporate Finance

Corporate Finance includes underwriting, securitization, investment banking, syndications, IPO related activities (excluding investments) and secondary private placements.

#### Trading and Sales

It includes fixed income, equity, foreign exchange commodities, lendings to financial institutions and brokerage debt.

#### Retail and Consumer Banking

It includes retail lending and deposits, banking services, private lending and deposits, banking services and retail offered to its retail customers and small and medium enterprises.

#### Commercial Banking

It includes project finance, export finance, trade finance, leasing, lending, guarantees and bills of exchange relating to its corporate customers.

#### Asset Management

It includes asset management, investment advisory, portfolio management and equity research.

### 5.18.2 Geographical segments

The Group operates in three geographic regions being:

- Pakistan
- Asia Pacific (including South Asia)
- Middle East

### 5.19 Dividend distribution and appropriation

Dividends (including bonus dividend) and other appropriations (except appropriations which are required by law) are recognized in the period in which these are approved.

|  | Note | 2008              | 2007              |
|--|------|-------------------|-------------------|
| (Rupees in '000)   |      |                   |                   |
| <b>6. CASH AND BALANCES WITH TREASURY BANKS</b>                  |      |                   |                   |
| In hand - local currency   | 6.1  | 10,066,021        | 9,351,207         |
| In hand - foreign currencies                                     |      | 142,188           | 962,498           |
| In transit - local currency                                      |      | 1,173,383         | 1,148,109         |
| With State Bank of Pakistan (SBP) In:                            | 6.2  |                   |                   |
| Local currency current account                                   |      | 19,038,530        | 23,204,296        |
| Foreign currency deposit account                                 | 6.3  | 2,862,881         | 1,088,318         |
| With other central banks in foreign currency current account     | 6.2  | 214,910           | 244,441           |
| With National Bank of Pakistan In local currency current account |      | 6,133,308         | 3,705,014         |
|  |      | <u>39,631,219</u> | <u>39,683,883</u> |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

6.1 This includes national prize bonds amounting to Rs. 59.382 million (2007: Rs. 91.885 million).

6.2 Deposits with SBP are maintained to comply with their requirements issued from time to time. Deposits with other central banks are maintained to meet their minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

6.3 These include balance of Rs.1,950.742 million (2007: Rs. 534.159 million) which carry interest rate of 0.90 % per annum (2007: 4.24% per annum).

|                                     | Note | 2008             | 2007             |
|-------------------------------------|------|------------------|------------------|
| (Rupees in '000)                    |      |                  |                  |
| <b>7. BALANCES WITH OTHER BANKS</b> |      |                  |                  |
| Inside Pakistan                     |      |                  |                  |
| - current account                   |      | -                | 1,263            |
| - deposit account                   |      | 63,426           | 60,072           |
| Outside Pakistan                    |      |                  |                  |
| - current account                   |      | 3,347,089        | 3,234,443        |
| - deposit account                   | 7.1  | 696,011          | 571,813          |
|                                     |      | <u>4,106,526</u> | <u>3,867,591</u> |

7.1 Balances with other banks outside Pakistan in deposit account carry interest at the rate of 1.20% per annum (2007: 4.24% to 6.67% per annum).

|  | Note | 2008             | 2007             |
|--|------|------------------|------------------|
| (Rupees in '000)                             |      |                  |                  |
| <b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b> |      |                  |                  |
| Call money lendings                          | 8.2  | 1,700,000        | 1,051,372        |
| Repurchase agreement lendings                | 8.3  | 2,400,079        | -                |
|  |      | <u>4,100,079</u> | <u>1,051,372</u> |
| <b>8.1 Particulars of lendings</b>           |      |                  |                  |
| In local currency                            |      | 4,093,079        | 1,000,000        |
| In foreign currencies                        |      | 7,000            | 51,372           |
|  |      | <u>4,100,079</u> | <u>1,051,372</u> |

8.2 These carry mark-up rates ranging from 15.75% to 21% per annum (2007: 9.65% to 12.19% per annum) and are due to mature latest by January 2009.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 8.3 Securities held as collateral against lendings to financial institutions

|                           | 2008             |                             |                  | 2007          |                             |       |
|---------------------------|------------------|-----------------------------|------------------|---------------|-----------------------------|-------|
|                           | Held by group    | Further given as collateral | Total            | Held by group | Further given as collateral | Total |
|                           | (Rupees in '000) |                             |                  |               |                             |       |
| Market Treasury Bills     | 2,024,801        | 99,532                      | 2,124,133        | -             | -                           | -     |
| Pakistan Investment Bonds | 275,946          | -                           | 275,946          | -             | -                           | -     |
|                           | <b>2,300,547</b> | <b>99,532</b>               | <b>2,400,079</b> | -             | -                           | -     |

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2008 amounted to Rs. 2,408,810 million (2007: Rs. Nil). These carry markup ranging from 9.50% to 14.90% per annum (2007: Nil) and are due to mature latest by January 2009.

## 9. INVESTMENTS - NET

### 9.1 Investments by types

|   | Note / Annexure           | 2008             |                     |            | 2007          |                     |            |
|---|---------------------------|------------------|---------------------|------------|---------------|---------------------|------------|
|   |                           | Held by group    | Given as collateral | Total      | Held by group | Given as collateral | Total      |
|   |                           | (Rupees in '000) |                     |            |               |                     |            |
| <b>Held for trading securities</b>  |                           |                  |                     |            |               |                     |            |
| - Shares in listed companies  | 9.5 & Annexure I (note 2) | 177,786          | -                   | 177,786    | 230,752       | -                   | 230,752    |
| - Market Treasury Bills   | 9.5                       | 19,588           | -                   | 19,588     | -             | -                   | -          |
| - Units in open ended mutual funds  | 9.5 & Annexure I (note 2) | 325,831          | -                   | 325,831    | 288,337       | -                   | 288,337    |
|   |                           | 523,205          | -                   | 523,205    | 519,089       | -                   | 519,089    |
| <b>Available-for-sale securities</b>  |                           |                  |                     |            |               |                     |            |
| - Market Treasury Bills   | 9.6                       | 64,205,902       | 6,287,636           | 70,493,538 | 68,268,118    | 26,996,870          | 95,264,988 |
| - Pakistan Investment Bonds   | 9.6                       | 2,370,664        | -                   | 2,370,664  | 2,726,418     | -                   | 2,726,418  |
| - Shares in listed companies  | 9.4 & Annexure I (note 1) | 8,189,828        | -                   | 8,189,828  | 7,388,550     | -                   | 7,388,550  |
| - Units in open ended mutual fund   | 9.4 & Annexure I (note 1) | 676,909          | -                   | 676,909    | 1,677,063     | -                   | 1,677,063  |
| - Shares in unlisted companies  | 9.4 & Annexure I (note 3) | 615,724          | -                   | 615,724    | 515,333       | -                   | 515,333    |
| - NIT units   |                           | 5,253            | -                   | 5,253      | 5,253         | -                   | 5,253      |
| - Sukuk Bonds   | 9.4 & Annexure I (note 4) | 400,000          | -                   | 400,000    | 400,000       | -                   | 400,000    |
| - Listed Term Finance Certificates (TFCs)   | 9.4 & Annexure I (note 4) | 1,404,384        | -                   | 1,404,384  | 1,136,821     | -                   | 1,136,821  |
|   |                           | 77,788,664       | 6,287,636           | 84,056,300 | 72,117,556    | 26,996,870          | 99,114,426 |
| <b>Held-to-maturity securities</b>  |                           |                  |                     |            |               |                     |            |
| - Market Treasury Bills   | 9.6                       | 1,321,816        | -                   | 1,321,816  | 216,881       | -                   | 216,881    |
| - Pakistan Investment Bonds   | 9.6                       | 2,312,812        | -                   | 2,312,812  | 2,377,654     | -                   | 2,377,654  |
| - Federal Government Securities   | Annexure I (note 5)       | 392,216          | -                   | 392,216    | 704,928       | -                   | 704,928    |
| - Provincial Government Securities  |                           | 118              | -                   | 118        | 118           | -                   | 118        |
| - Government Compensation Bonds   | Annexure I (note 5)       | 870,771          | -                   | 870,771    | 870,771       | -                   | 870,771    |
| - Sukuk Bonds   | Annexure I (note 5)       | 2,401,260        | -                   | 2,401,260  | 1,785,475     | -                   | 1,785,475  |
| - Euro Bonds  | Annexure I (note 5)       | 4,969,516        | -                   | 4,969,516  | 3,299,630     | -                   | 3,299,630  |
| - Unlisted Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs) | Annexure I (note 4)       | 4,027,037        | -                   | 4,027,037  | 1,346,566     | -                   | 1,346,566  |
| - Certificates of Investment  | Annexure I (note 6)       | 250,000          | -                   | 250,000    | 500,000       | -                   | 500,000    |
|   |                           | 16,545,546       | -                   | 16,545,546 | 11,102,023    | -                   | 11,102,023 |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### Associates

Adamjee Insurance Company Limited  
First Women Bank Limited

Provision for diminution in value of investments

Investments (net of provisions)

(Deficit) / Surplus on revaluation of available for sale securities - net

Deficit on revaluation of 'held for trading' securities - net

Investments at revalued amounts - net of provisions

### 9.2 Investments by segments

Federal Government Securities:

- Market Treasury Bills
- Pakistan Investment Bonds
- Federal Government Securities
- Government Compensation Bonds
- Euro Bonds
- Sukuk Bonds
- Unlisted Term Finance Certificate

Overseas Government Securities

- Government of Sri Lanka Treasury Bonds
- Sri Lanka Development Bonds
- Market Treasury Bills

Provincial Government Securities

Associated Undertakings

Fully Paid-up Ordinary Shares / Certificates / Units

- Listed companies / mutual funds / modarabas
- Unlisted companies / funds

|   | 2008             |                     |             | 2007          |                     |             |
|---|------------------|---------------------|-------------|---------------|---------------------|-------------|
|   | Held by group    | Given as collateral | Total       | Held by group | Given as collateral | Total       |
|   | (Rupees in '000) |                     |             |               |                     |             |
| Adamjee Insurance Company Limited   | 2,511,489        | -                   | 2,511,489   | 3,277,157     | -                   | 3,277,157   |
| First Women Bank Limited  | 63,300           | -                   | 63,300      | 63,300        | -                   | 63,300      |
|   | 2,574,789        | -                   | 2,574,789   | 3,340,457     | -                   | 3,340,457   |
|   | 97,412,204       | 6,287,636           | 103,699,840 | 87,079,125    | 26,996,870          | 114,075,995 |
| Provision for diminution in value of investments                          | (3,044,962)      | -                   | (3,044,962) | (468,288)     | -                   | (468,288)   |
| Investments (net of provisions)   | 94,367,242       | 6,287,636           | 100,654,878 | 86,610,837    | 26,996,870          | 113,607,707 |
| (Deficit) / Surplus on revaluation of available for sale securities - net | (2,763,336)      | (1,820)             | (2,764,956) | 1,790,202     | (35,990)            | 1,754,212   |
| Deficit on revaluation of 'held for trading' securities - net             | (99,531)         | -                   | (99,531)    | (3,329)       | -                   | (3,329)     |
| Investments at revalued amounts - net of provisions                       | 91,504,375       | 6,286,016           | 97,790,391  | 88,397,710    | 26,960,880          | 115,358,590 |

Note / Annexure

2008  
2007  
(Rupees in '000)

|  |                           |            |            |
|--|---------------------------|------------|------------|
|  |                           | 70,513,128 | 85,264,988 |
|  | 9.6                       | 4,683,476  | 5,104,072  |
|  | 9.6                       | 322,216    | 378,845    |
|  | Annexure I (note 5)       | 870,771    | 870,771    |
|  | Annexure I (note 5)       | 4,969,516  | 3,299,630  |
|  | Annexure I (note 4 & 5)   | 1,838,533  | 1,585,475  |
|  | Annexure I (note 4)       | 3,000,000  | -          |
|  | Annexure I (note 5)       | 70,000     | 201,763    |
|  |                           | -          | 124,320    |
|  |                           | 1,321,816  | 216,881    |
|  |                           | 118        | 118        |
|  | 9.7 & Annexure I (note 7) | 2,574,789  | 3,340,457  |
|  | Annexure I (note 1 & 2)   | 8,306,012  | 7,557,700  |
|  | Annexure I (note 3)       | 415,724    | 415,333    |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

|  | Note /<br>Annexure  | 2008<br>(Rupees in '000) | 2007               |
|--|---------------------|--------------------------|--------------------|
| Units of Open Ended Mutual Funds   | Annexure I (note 1) | 1,002,740                | 1,965,400          |
| Fully Paid-up Preference Shares:   |                     |                          |                    |
| - Listed Companies   | Annexure I (note 1) | 61,602                   | 61,602             |
| - Unlisted Companies   | Annexure I (note 3) | 100,000                  | 100,000            |
| Term Finance Certificates, Debentures, Bonds<br>and Participation Term Certificates: |                     |                          |                    |
| - Listed Term Finance Certificates   | Annexure I (note 4) | 1,404,384                | 1,138,821          |
| - Unlisted Term Finance Certificates   | Annexure I (note 4) | 897,448                  | 1,223,068          |
| - Debentures, Bonds and Participation Term Certificates (PTCs)                       | Annexure I (note 4) | 129,589                  | 123,498            |
| - Certificates of Investment   | Annexure I (note 6) | 250,000                  | 500,000            |
| Other Investments:   |                     |                          |                    |
| - Sukuk Bonds  | Annexure I (note 5) | 962,727                  | 600,000            |
| - NIT Units  |                     | 5,253                    | 5,253              |
| <b>Total investments</b>   |                     | <b>103,699,840</b>       | <b>114,075,995</b> |
| Less: Provision for diminution in the value of investments                           | 9.3                 | (3,044,962)              | (468,288)          |
| <b>Investments (net of provisions)</b>   |                     | <b>100,654,878</b>       | <b>113,607,707</b> |
| (Deficit) / surplus on revaluation of available for sale securities - net            | 22.2                | (2,764,956)              | 1,754,212          |
| Deficit on revaluation of held for trading securities - net                          | 9.5                 | (98,531)                 | (3,329)            |
| <b>Investments at revalued amounts - net of provisions</b>                           |                     | <b>97,790,391</b>        | <b>115,358,590</b> |
| <b>9.3 Particulars of provision</b>  |                     |                          |                    |
| Opening balance  |                     | 468,288                  | 363,019            |
| Charge during the year   | 9.8                 | 2,685,215                | 138,046            |
| Reversal made during the year  |                     | (1,221)                  | (32,777)           |
|  |                     | 2,683,994                | 105,269            |
| Investment written off against provision   |                     | (107,320)                | -                  |
| <b>Closing balance</b>   |                     | <b>3,044,962</b>         | <b>468,288</b>     |
| <b>9.3.1 Particulars of provision in respect of Type and Segment</b>                 |                     |                          |                    |
| <b>Available-for-sale securities</b>   |                     |                          |                    |
| Listed shares / Certificates / Units   | 9.8                 | 2,787,910                | 197,496            |
| Unlisted shares  |                     | 70,477                   | 70,477             |
|  |                     | 2,858,387                | 267,973            |
| Held-to-maturity securities  |                     | 186,575                  | 200,315            |
| Unlisted TFCs, Debentures, Bonds and Participation Term Certificates                 |                     | 3,044,962                | 468,288            |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 9.4 QUALITY OF "AVAILABLE FOR SALE" SECURITIES

|  | 2008   |                                  |               | Placed by | 2007   |                               |                                  |       |
|--|--|----------------------------------|---------------|-----------|--|-------------------------------|----------------------------------|-------|
|  | Market value/<br>carrying value<br>for unlisted<br>investments<br>(Rupees in '000) | Credit rating<br>Long<br>term    | Short<br>term |           | Market value/<br>carrying value<br>for unlisted<br>investments<br>(Rupees in '000) | Credit rating<br>Long<br>term | Short<br>term                    |       |
| Market Treasury Bills  | 70,402,111   | (Unrated- Government Securities) |               |           |  |                               | (Unrated- Government Securities) |       |
| Pakistan Investment Bonds                                      | 1,902,599  | (Unrated- Government Securities) |               |           |  |                               | (Unrated- Government Securities) |       |
| <b>Listed Term Finance Certificates</b>                        |  |                                  |               |           |  |                               |                                  |       |
| Askari Bank Limited  | 201,836  | AA- (Unrated)                    | PACRA         | 208,717   | AA- (Unrated)  | PACRA                         |                                  |       |
| Bank Al-Habib Limited  | 99,840   | AA- (Unrated)                    | PACRA         | 99,880    | AA- (Unrated)  | PACRA                         |                                  |       |
| Bank Alfalah Limited   | 248,293  | AA- (Unrated)                    | PACRA         | 248,390   | AA- (Unrated)  | PACRA                         |                                  |       |
| United Bank Limited  | 307,572  | AA (Unrated)                     | JCRWS         | 307,704   | AA (Unrated)   | JCRWS                         |                                  |       |
| Allied Bank Limited  | 322,420  | AA (Unrated)                     | JCRWS         | -         | -  | -                             |                                  |       |
| Jahangir Siddiqui & Company Limited                            | -  | -                                | -             | 48,940    | AA+ (Unrated)  | PACRA                         |                                  |       |
| Pakistan Services Limited                                      | -  | -                                | -             | 4,520     | A (Unrated)  | JCRWS                         |                                  |       |
| Soneri Bank Limited  | 149,790  | A+ (Unrated)                     | PACRA         | 149,850   | A+ (Unrated)   | PACRA                         |                                  |       |
| Pak Arab Fertilizers Limited                                   | 99,980   | AA (Unrated)                     | JCRWS         | 100,000   | AA (Unrated)   | JCRWS                         |                                  |       |
|  | 1,429,531  |                                  |               | 1,164,001 |  |                               |                                  |       |
| <b>Shares in Listed Companies</b>                              |  |                                  |               |           |  |                               |                                  |       |
| Abbott Laboratories Pakistan Limited                           | 12,151   |                                  | Not available | 26,291    |  | Not available                 |                                  |       |
| Allied Bank Limited  | 80,985   | AA                               | A1+           | PACRA     | 94,137   | A                             | A1-                              | JCRWS |
| Arif Habib Bank Limited  | -  | -                                | -             | 190       | A-   | A2                            | PACRA                            |       |
| Arif Habib Limited   | 7,475  | A-                               | A2            | PACRA     | -  |                               | Not available                    |       |
| Arif Habib Securities Limited                                  | 64,347   |                                  | Not available | 41,568    |  | Not available                 |                                  |       |
| Askari Bank Limited  | 62,455   | AA                               | A1+           | PACRA     | 323,753  | AA                            | A1+                              | PACRA |
| Atlas Bank Limited   | 20,386   | A-                               | A2            | PACRA     | 30,107   | A-                            | A2                               | PACRA |
| Attock Petroleum Limited                                       | 15,607   |                                  | Not available | -         |  | -                             |                                  |       |
| Azgard Nine Limited - preference shares                        | 10,288   | A+                               | A1            | PACRA     | 9,572  | A+                            | A1                               | PACRA |
| Azgard Nine Limited - ordinary shares                          | -  | -                                | -             | 5,858     | A+   | A1                            | PACRA                            |       |
| Bank Alfalah Limited   | 50,400   | AA                               | A1+           | PACRA     | 153,265  | AA                            | A1+                              | PACRA |
| Bank Al-Habib Limited  | 106,366  | AA                               | A1+           | PACRA     | 206,743  | AA                            | A1+                              | PACRA |
| Bank Islami Pakistan Limited                                   | -  | -                                | -             | 2,430     | A-   | A2                            | PACRA                            |       |
| Century Papers and Board Mills Limited                         | 12,650   | A-                               | A2            | JCRWS     | 33,369   |                               | Not available                    |       |
| Cherat Cement Company Limited                                  | 329  |                                  | Not available | 1,143     |  | Not available                 |                                  |       |
| Samba Bank Limited (Formerly Crescent Commercial Bank Limited) | -  | -                                | -             | 2,095     | A  | A-                            | JCRWS                            |       |
| EFU General Insurance Company Limited                          | 1,601  | AA                               | (Unrated)     | JCRWS     | 328,596  | AA                            | (Unrated)                        | JCRWS |
| EFU Life Assurance Company Limited                             | 2,700  | AA-                              | (Unrated)     | JCRWS     | 3,123  | A+                            | (Unrated)                        | JCRWS |
| Engro Chemical Pakistan Limited                                | 82,759   | AA                               | A1+           | PACRA     | 242,631  | AA                            | A1+                              | PACRA |
| Fauji Fertilizer Bin Qasim Company Limited                     | 52,795   |                                  | Not available | 150,948   |  | Not available                 |                                  |       |
| Fauji Fertilizer Company Limited                               | 400,440  |                                  | Not available | 809,675   |  | Not available                 |                                  |       |
| Frest Al - Noor Moderaba                                       | 20,668   | BBB                              | A3            | JCRWS     | 24,157   | BBB                           | A3                               | JCRWS |
| Glaxo Smithkline Pakistan Limited                              | 36,806   |                                  | Not available | 83,631    |  | Not available                 |                                  |       |
| Habib Bank Limited   | 92,010   | AA+                              | A1+           | JCRWS     | 127,315  | AA+                           | A1+                              | JCRWS |
| Habib Metropolitan Bank Limited                                | 14,545   | AA+                              | A1+           | PACRA     | 29,078   | AA+                           | A1+                              | JCRWS |
| Hub Power Company Limited                                      | 13,244   |                                  | Not available | 831,260   |  | Not available                 |                                  |       |
| IGI Insurance Limited  | 50,775   | AA                               | (Unrated)     | PACRA     | 59,643   | AA                            | (Unrated)                        | PACRA |
| Indus Motors Company Limited                                   | 5,184  |                                  | Not available | 20,748    |  | Not available                 |                                  |       |
| International Industries Limited                               | 17,695   |                                  | Not available | 35,694    |  | Not available                 |                                  |       |
| JIS Bank Limited   | 7,571  | A-                               | A2            | PACRA     | 24,035   |                               | Not available                    |       |
| Jehangir Siddiqui & Company Limited                            | 60,480   | AA+                              | A1+           | PACRA     | -  |                               | -                                |       |
| Kohinoor Energy Limited  | 1,059  |                                  | Not available | 1,749     |  | Not available                 |                                  |       |
| Kot Addu Power Company Limited                                 | 26,690   |                                  | Not available | 211,261   |  | Not available                 |                                  |       |
| Lucky Cement Limited   | 5,472  |                                  | Not available | 12,233    |  | Not available                 |                                  |       |
| Maple Leaf Cement Company Limited                              | 50,867   | BBB+                             | A2            | PACRA     | -  |                               | -                                |       |
| Masood Textile Mills Limited - preference shares               | 50,000   |                                  | Not available | 60,000    |  | Not available                 |                                  |       |
| Mehr Dastagir Textile Mills Limited                            | 13,963   |                                  | Not available | 9,701     |  | Not available                 |                                  |       |
| Millet Tractors Limited  | 12,216   |                                  | Not available | 84,283    |  | Not available                 |                                  |       |
| National Bank of Pakistan                                      | 86,237   | AAA                              | A-1+          | JCRWS     | 237,572  | AAA                           | A1+                              | JCRWS |
| Balance carried forward  | 1,649,966  |                                  |               | 4,308,669 |  |                               |                                  |       |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

|  | 2008   |               |                                   |          | 2007   |               |                                   |          |
|--|--|---------------|-----------------------------------|----------|--|---------------|-----------------------------------|----------|
|  | Market value/<br>carrying value<br>for unlisted<br>investments<br>(Rupees in '000) | Credit rating |                                   | Rated by | Market value/<br>carrying value<br>for unlisted<br>investments<br>(Rupees in '000) | Credit rating |                                   | Rated by |
|  |  | Long<br>term  | Short<br>term                     |          |  | Long<br>term  | Short<br>term                     |          |
| Balance brought forward  | 1,549,868  |               |                                   |          | 4,308,669  |               |                                   |          |
| National Refinery Limited  | 2,866  | AAA           | A1+                               | PACRA    | -  |               |                                   |          |
| NIB Bank Limited   | -  |               |                                   |          | 7,101  | A+            | A1                                | PACRA    |
| Oil & Gas Development Company Limited                                | 107,487  | AAA           | A1+                               | JCRVIS   | 269,782  | AAA           | A1+                               | JCRVIS   |
| Orbx Leasing Pakistan Limited  | 3,847  | AA+           | A1+                               | PACRA    | 5,995  | AA+           | A1+                               | PACRA    |
| Pace Pakistan Limited  | 372  | A+            | A1                                | PACRA    | 10,051   |               | Not available                     |          |
| Packages Limited   | 1,779  | AA            | A1+                               | PACRA    | 9,383  | AA            | A1+                               | PACRA    |
| Pak Suzuki Motor Company Limited                                     | 3,949  |               | Not available                     |          | 8,109  |               | Not available                     |          |
| Pakistan Cables Limited  | 5,210  |               | Not available                     |          | 13,709   |               | Not available                     |          |
| Pakistan Cement Company Limited                                      | 147  |               | Not available                     |          | 1,140  |               | Not available                     |          |
| Pakistan Oilfields Limited   | 81,653   |               | Not available                     |          | 101,982  |               | Not available                     |          |
| Pakistan Petroleum Limited   | 71,852   |               | Not available                     |          | 280,602  |               | Not available                     |          |
| Pakistan State Oil Company Limited                                   | 67,481   | AAA           | A1+                               | PACRA    | 29,275   | AAA           | A1+                               | PACRA    |
| Pakistan Telecommunication Company Limited                           | 82,665   |               | Not available                     |          | 253,258  |               | Not available                     |          |
| Pakistan Tobacco Company Limited                                     | 14,744   |               | Not available                     |          | 21,569   |               | Not available                     |          |
| PICIC Commercial Bank Limited  | -  |               |                                   |          | 11,825   | A+            | A1                                | JCRVIS   |
| Rupali Polyester Limited   | 25,883   |               | Not available                     |          | 26,671   |               | Not available                     |          |
| Shell Pakistan Limited   | -  |               |                                   |          | 26,531   |               | Not available                     |          |
| Soneri Bank Limited  | 30,829   | AA-           | A1+                               | PACRA    | 96,292   | AA-           | A1+                               | PACRA    |
| Sul Northern Gas Pipelines Limited                                   | 1,024,261  | AA            | A1+                               | PACRA    | 3,128,824  | AA            | A1+                               | PACRA    |
| Taj Textile Mills Limited  | 1  |               | Not available                     |          | 1  |               | Not available                     |          |
| Thal Limited   | 3,058  |               | Not available                     |          | 3,327  |               | Not available                     |          |
| The Bank of Punjab   | 84,785   | AA-           | A1+                               | PACRA    | -  |               |                                   |          |
| Trust Securities & Brokerage Limited                                 | 2,541  |               | Not available                     |          | 2,560  |               | Not available                     |          |
| TRG Pakistan Limited   | 890  | BBB+          | A2                                | PACRA    | -  |               |                                   |          |
| Unilever Pakistan Limited  | 80,181   |               | Not available                     |          | 75,880   |               | Not available                     |          |
| United Bank Limited  | 81,719   | AA+           | A-1+                              | JCRVIS   | 304,339  | AA            | A1+                               | JCRVIS   |
| Zulfikar Industries Limited  | 3,844  |               | Not available                     |          | 3,533  |               | Not available                     |          |
| <b>Open Ended Mutual Fund</b>  | <b>3,311,649</b>   |               |                                   |          | <b>8,996,206</b>   |               |                                   |          |
| Atise Islamic Fund   | 7,794  |               | Not available                     |          | 10,613   |               | Not available                     |          |
| HBL Income Fund  | -  |               |                                   |          | 30,000   |               | Not available                     |          |
| IGI Income Fund  | -  |               |                                   |          | 30,009   |               | Not available                     |          |
| KASB Liquid Fund   | 13,862   |               | Not available                     |          | -  |               |                                   |          |
| MCB Dynamic Allocation Fund  | 55,048   |               | Not available                     |          | -  |               |                                   |          |
| MCB Dynamic Cash Fund  | 288,365  |               | Not available                     |          | 1,287,628  |               | Not available                     |          |
| MCB Dynamic Stock Fund   | 154,376  |               | Not available                     |          | 323,386  |               | Not available                     |          |
| NAFA Cash Fund   | -  |               |                                   |          | 10,003   | MFR 5 STAR    | (Unrated)                         | JCRVIS   |
| Unit Trust of Pakistan   | -  |               |                                   |          | 92,054   | 5 Star        | (Unrated)                         | PACRA    |
| Shares in Un-listed Companies  | 519,233  |               |                                   |          | 1,783,671  |               |                                   |          |
| * Khushhal Bank Limited  | 300,000  | A-            | A-1                               | JCRVIS   | 300,000  | A-            | A-1                               |          |
| * Equity Participation Fund  | 1,500  |               | Not available                     |          | 1,500  |               | Not available                     |          |
| * National Investment Trust Limited                                  | 100  |               | Not available                     |          | 100  |               | Not available                     |          |
| * SME Bank Limited   | 10,108   | BBB           | A3                                | JCRVIS   | 10,106   | BBB           | A2                                |          |
| First Capital Investment (Private) Limited                           | 2,500  | AMH+          | (Unrated)                         | PACRA    | 2,500  | AMH+          | (Unrated)                         |          |
| Pak Asian Fund   | 11,500   |               | Not available                     |          | 11,500   |               | Not available                     |          |
| Arabian Sea Country Club   | 2,900  |               | Not available                     |          | 2,900  |               | Not available                     |          |
| * Central Depository Company of Pakistan Limited                     | 10,000   |               | Not available                     |          | 10,000   |               | Not available                     |          |
| * National Institutional Facilitation Technologies (Private) Limited | 1,527  |               | Not available                     |          | 1,527  |               | Not available                     |          |
| Society for Worldwide Inter Fund Transfer (SWIFT)                    | 2,993  |               | Not available                     |          | 2,993  |               | Not available                     |          |
| Fazal Cloth Mills Limited - preference share                         | 100,000  |               | Not available                     |          | 100,000  |               | Not available                     |          |
| Lanka Clearing (Private) Limited                                     | 700  |               | Not available                     |          | 670  |               | Not available                     |          |
| Lanka Financial Services Bureau Limited                              | 1,400  |               | Not available                     |          | 1,142  |               | Not available                     |          |
| Credit Information Bureau of Sri Lanka                               | 21   |               | Not available                     |          | 17   |               | Not available                     |          |
| <b>Other Investment</b>  | <b>445,247</b>   |               |                                   |          | <b>444,855</b>   |               |                                   |          |
| Sukuk Bonds  | 419,000  |               | (Unrated - Government Securities) |          | 419,000  |               | (Unrated - Government Securities) |          |
| N.I.T. Units   | 3,889  | 5 Star        | (Unrated)                         | PACRA    | 6,620  | 4 Star        | (Unrated)                         |          |
|  | <b>76,432,859</b>  |               |                                   |          | <b>100,600,864</b>   |               |                                   |          |

\* These are the strategic investments of the Group.

\*\* This includes 32.287 million shares valuing Rs. 692.879 million (2007: 32.287 million shares valuing Rs. 2,116.414 million) which are held as strategic investment by the Group.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 9.5 Unrealized gain / (loss) on revaluation of Investments classified as 'held for trading'

| Investee Company                      | Unrealized gain / (loss) as on December 31 |                | Cost as at December 31 |                |
|---------------------------------------|--|----------------|------------------------|----------------|
|                                       | 2008                                       | 2007           | 2008                   | 2007           |
|                                       | (Rupees in '000)                           |                |                        |                |
| Allied Bank Limited                   | (12,085)                                   | -              | 21,665                 | -              |
| Arif Habib Securities Limited         | -  | (1,453)        | -                      | 32,421         |
| Attock Refinery Limited               | -  | (3,421)        | -                      | 51,972         |
| Attock Petroleum Limited              | (16,696)                                   | -              | 31,159                 | -              |
| Bank Al-Habib Limited                 | -  | (48)           | -                      | 1,978          |
| Bank Alfalah Limited                  | (6,080)                                    | -              | 10,551                 | -              |
| Boscar Pakistan Limited               | -  | (305)          | -                      | 6,710          |
| Engro Chemical Pakistan Limited       | -  | (1,122)        | -                      | 24,482         |
| Fauji Cement Company Limited          | -  | (145)          | -                      | 1,635          |
| Glaxo Smithkline Pakistan Limited     | -  | (168)          | -                      | 2,631          |
| ICI Pakistan Limited                  | (3,512)                                    | -              | 6,425                  | -              |
| J.O.V & Company Limited               | -  | (413)          | -                      | 8,583          |
| Jahangir Siddique and Company Limited | (12,821)                                   | -              | 20,709                 | -              |
| KASB Bank Limited                     | -  | (25)           | -                      | 1,035          |
| Lucky Cement Limited                  | (27,448)                                   | (142)          | 42,711                 | 3,054          |
| Maple Leaf Cement Company Limited     | (501)                                      | -              | 1,116                  | -              |
| National Bank of Pakistan             | -  | (331)          | -                      | 6,065          |
| National Refinery Limited             | -  | (525)          | -                      | 9,369          |
| PACE Pakistan Limited                 | -  | (223)          | -                      | 8,099          |
| Packages Limited                      | (3,003)                                    | -              | 4,506                  | -              |
| Pakistan Cement Company Limited       | -  | (195)          | -                      | 1,335          |
| Pakistan Oilfields Limited            | (11,220)                                   | (2,418)        | 19,829                 | 30,842         |
| Pakistan Petroleum Limited            | (5,310)                                    | (983)          | 10,844                 | 19,362         |
| Pakistan State Oil Company Limited    | -  | (216)          | -                      | 4,282          |
| Thal Limited                          | (706)                                      | (59)           | 1,851                  | 1,624          |
| TRG Pakistan Limited                  | -  | (31)           | -                      | 1,424          |
| United Bank Limited                   | (4,021)                                    | (882)          | 6,420                  | 13,849         |
| MCB Dynamic Cash Fund                 | 3,667                                      | 9,776          | 325,831                | 288,337        |
| Market Treasury Bills                 | 6  | -              | 19,588                 | -              |
|                                       | <b>(99,531)</b>                            | <b>(3,329)</b> | <b>523,205</b>         | <b>519,089</b> |

9.6 "Available for sale" Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with the State Bank of Pakistan (SBP). The market value of Pakistan Investment Bonds and Market Treasury Bills classified as 'held to maturity' as at December 31, 2008 amounted to Rs. 1,659.166 million and Rs. 1,436.673 million (2007: Pakistan Investment Bonds Rs. 1,990.67 million and Market Treasury Bills Rs. 237.70) respectively.

9.7 Investment of the Group in Adamjee Insurance Company Limited has been accounted for under the equity method of accounting based on its financial statements as at December 31, 2008 in accordance with the treatment specified in International Accounting Standard 28, (IAS 28) 'Accounting for Investments in Associates'. The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2008 amounted to Rs. 3,032.786 million (2007: Rs. 10,671.631 million).

Investment in Adamjee Insurance Company Limited under equity method - holding 29.13%

|  | 2008             | 2007             |
|--|------------------|------------------|
|  | (Rupees in '000) |                  |
| Opening Balance                                    | 3,277,157        | 2,259,550        |
| Share of profit for the year before tax            | 30,843           | 1,223,633        |
| Dividend from associate                            | (89,340)         | (98,274)         |
| Share of tax                                       | (25,164)         | (15,769)         |
|  | (83,661)         | 1,109,590        |
| Share of unrealized deficit on assets - net of tax | (682,007)        | (91,983)         |
| Closing Balance                                    | <b>2,511,489</b> | <b>3,277,157</b> |

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

- 9.8** The Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of "Floor Mechanism" by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009. The amount taken to equity at December 31, 2008 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The Impairment loss based on market values as at December 31, 2008 has been determined at Rs 4,893.731 million. In view of the "Floor Mechanism" as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Accordingly, the management on the basis of their estimates and prudence has made a provision of Rs 2,591.635 million against the above amount. Therefore, full recognition of impairment for 'Available for Sale' equity securities through Profit and Loss account will not reflect the correct financial performance of the Group.

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

|   |  |
|---|--|
|   | <b>2008</b><br><b>(Rupees in '000)</b> |
| Increase in 'Impairment Loss' in Profit and Loss Account            | 2,302,096                              |
| Decrease in tax charge for the year                                 | <u>805,734</u>                         |
| Decrease in profit for the year - after tax                         | <u>1,496,362</u>                       |
|   | <b>Rupees</b>                          |
| Decrease in earnings per share - after tax                          | 2.38                                   |
|   | <b>(Rupees in '000)</b>                |
| Decrease in deficit on revaluation of available for sale securities | 2,302,096                              |
| Decrease in unappropriated profit                                   | 1,496,362                              |

- 9.9** At December 31, 2008 market value of quoted Investments was Rs. 84,191.078 million (2007: Rs. 113,354.432 million) while the book value of unquoted Investments was Rs. 13,959.421 million (2007: Rs. 9,391.098 million).
- 9.10** Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2007: Rs. 232.60 million) earmarked by the SBP and National Bank of Pakistan against TT / DD discounting facilities and demand note facilities sanctioned to the Group. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2007: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.
- 9.11** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.
- 9.12** The Group's investment in First Women Bank Limited is being carried at cost and have not been accounted for under equity method as the group does not have significant influence over the entity.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

| 10.  | ADVANCES - NET   | Note   | 2008                    | 2007                                    |                 |                  |                         |   |                 |                  |
|------|--|--------|-------------------------|---|-----------------|------------------|-------------------------|---|-----------------|------------------|
|      |  |        | (Rupees in '000)        |   |                 |                  |                         |   |                 |                  |
|      | <b>Loans, cash credits, running finances, etc.</b>                     |        |                         |   |                 |                  |                         |   |                 |                  |
|      | In Pakistan  |        | 252,387,594             | 208,588,318                             |                 |                  |                         |   |                 |                  |
|      | Outside Pakistan   |        | 8,910,253               | 6,989,947                               |                 |                  |                         |   |                 |                  |
|      |  |        | <u>261,297,847</u>      | <u>215,578,265</u>                      |                 |                  |                         |   |                 |                  |
|      | <b>Net investment in finance lease</b>                                 | 10.2   |                         |   |                 |                  |                         |   |                 |                  |
|      | In Pakistan  |        | 5,356,835               | 6,902,283                               |                 |                  |                         |   |                 |                  |
|      | Outside Pakistan   |        | 90,733                  | 67,710                                  |                 |                  |                         |   |                 |                  |
|      |  |        | <u>5,447,568</u>        | <u>6,969,993</u>                        |                 |                  |                         |   |                 |                  |
|      | <b>Bills discounted and purchased (excluding treasury bills)</b>       |        |                         |   |                 |                  |                         |   |                 |                  |
|      | Payable in Pakistan  |        | 2,364,211               | 2,949,228                               |                 |                  |                         |   |                 |                  |
|      | Payable outside Pakistan   |        | 4,111,059               | 4,234,574                               |                 |                  |                         |   |                 |                  |
|      |  |        | <u>6,475,270</u>        | <u>7,183,802</u>                        |                 |                  |                         |   |                 |                  |
|      | <b>Advances - gross</b>  |        | <u>273,220,685</u>      | <u>229,732,060</u>                      |                 |                  |                         |   |                 |                  |
|      | <b>Provision against advances</b>                                      | 10.4   |                         |   |                 |                  |                         |   |                 |                  |
|      | Specific provision   |        | (9,895,889)             | (7,326,953)                             |                 |                  |                         |   |                 |                  |
|      | General provision  | 10.4.3 | (273,222)               | (2,749,815)                             |                 |                  |                         |   |                 |                  |
|      | General provision against consumer loans                               | 10.4.4 | (533,693)               | (688,665)                               |                 |                  |                         |   |                 |                  |
|      | General provision for potential lease losses (In Sri Lanka operations) |        | (9,051)                 | (6,841)                                 |                 |                  |                         |   |                 |                  |
|      |  |        | <u>(10,711,855)</u>     | <u>(10,772,274)</u>                     |                 |                  |                         |   |                 |                  |
|      | <b>Advances - net of provision</b>                                     |        | <u>262,508,830</u>      | <u>218,959,786</u>                      |                 |                  |                         |   |                 |                  |
| 10.1 | <b>Particulars of advances (gross)</b>                                 |        |                         |   |                 |                  |                         |   |                 |                  |
|      | 10.1.1 In local currency   |        | 282,519,312             | 212,238,196                             |                 |                  |                         |   |                 |                  |
|      | In foreign currencies  |        | 10,701,373              | 17,493,864                              |                 |                  |                         |   |                 |                  |
|      |  |        | <u>273,220,685</u>      | <u>229,732,060</u>                      |                 |                  |                         |   |                 |                  |
|      | 10.1.2 Short-term  |        | 157,398,922             | 153,980,413                             |                 |                  |                         |   |                 |                  |
|      | Long-term  |        | 115,821,763             | 75,751,647                              |                 |                  |                         |   |                 |                  |
|      |  |        | <u>273,220,685</u>      | <u>229,732,060</u>                      |                 |                  |                         |   |                 |                  |
| 10.2 | <b>Net investment in finance lease</b>                                 |        |                         |   |                 |                  |                         |   |                 |                  |
|      |  |        | 2008                    |   | 2007            |                  |                         |   |                 |                  |
|      |  |        | Not later than one year | Later than one and less than five years | Over five years | Total            | Not later than one year | Later than one and less than five years | Over five years | Total            |
|      |  |        | (Rupees in '000)        |   |                 |                  |                         |   |                 |                  |
|      | Lease rentals receivable   |        | 942,728                 | 4,055,066                               | 981             | 4,998,775        | 2,244,569               | 4,515,068                               | 7,229           | 6,766,866        |
|      | Guaranteed residual value  |        | 94,512                  | 1,229,233                               | 2,937           | 1,326,682        | 300,233                 | 1,160,176                               | 648             | 1,461,057        |
|      | Minimum lease payments   |        | 1,037,240               | 5,284,299                               | 3,918           | 6,325,457        | 2,544,802               | 5,675,244                               | 7,877           | 8,227,923        |
|      | Finance charge for future periods                                      |        | (225,636)               | (652,250)                               | (3)             | (877,889)        | (521,511)               | (735,651)                               | (768)           | (1,257,930)      |
|      | Present value of minimum lease payments                                |        | <u>811,604</u>          | <u>4,632,049</u>                        | <u>3,915</u>    | <u>5,447,568</u> | <u>2,023,291</u>        | <u>4,939,593</u>                        | <u>7,109</u>    | <u>6,969,993</u> |

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

10.3 Advances include Rs. 18,268.877 million (2007: Rs. 10,725.308 million) which have been placed under the non-performing status as detailed below:

| Category of Classification               | Note   | 2008                |                  |                   |                             |                  |                  |                         |                  |                  |
|--|--------|---------------------|------------------|-------------------|-----------------------------|------------------|------------------|-------------------------|------------------|------------------|
|  |        | Classified Advances |                  |                   | Specific Provision Required |                  |                  | Specific Provision Held |                  |                  |
|  |        | Domestic            | Overseas         | Total             | Domestic                    | Overseas         | Total            | Domestic                | Overseas         | Total            |
| (Rupees in '000)                         |        |                     |                  |                   |                             |                  |                  |                         |                  |                  |
| Other Assets Especially Mentioned (OAEM) | 10.3.1 | 100,447             | -                | 100,447           | -                           | -                | -                | -                       | -                | -                |
| Substandard                              |        | 5,440,860           | -                | 5,440,860         | 897,768                     | -                | 897,768          | 897,768                 | -                | 897,768          |
| Doubtful                                 |        | 2,595,782           | 501              | 2,596,283         | 1,186,305                   | 251              | 1,186,556        | 1,186,305               | 251              | 1,186,556        |
| Loss                                     |        | 6,457,011           | 3,674,276        | 10,131,287        | 6,329,025                   | 1,482,540        | 7,811,565        | 6,329,025               | 1,482,540        | 7,811,565        |
|  |        | <u>14,594,100</u>   | <u>3,674,777</u> | <u>18,268,877</u> | <u>8,413,098</u>            | <u>1,482,791</u> | <u>9,895,889</u> | <u>8,413,098</u>        | <u>1,482,791</u> | <u>9,895,889</u> |

| Category of Classification               | Note   | 2007                |                  |                   |                             |                |                  |                         |                |                  |
|--|--------|---------------------|------------------|-------------------|-----------------------------|----------------|------------------|-------------------------|----------------|------------------|
|  |        | Classified Advances |                  |                   | Specific Provision Required |                |                  | Specific Provision Held |                |                  |
|  |        | Domestic            | Overseas         | Total             | Domestic                    | Overseas       | Total            | Domestic                | Overseas       | Total            |
| (Rupees in '000)                         |        |                     |                  |                   |                             |                |                  |                         |                |                  |
| Other Assets Especially Mentioned (OAEM) | 10.3.1 | 101,910             | -                | 101,910           | -                           | -              | -                | -                       | -              | -                |
| Substandard                              |        | 842,804             | 11,438           | 854,242           | 202,432                     | 2,859          | 205,291          | 202,432                 | 2,859          | 205,291          |
| Doubtful                                 |        | 1,691,207           | 8,373            | 1,699,580         | 832,623                     | 4,186          | 836,809          | 832,623                 | 4,186          | 836,809          |
| Loss                                     |        | 5,374,166           | 2,695,410        | 8,069,576         | 5,319,633                   | 965,220        | 6,284,853        | 5,319,633               | 965,220        | 6,284,853        |
|  |        | <u>8,010,087</u>    | <u>2,715,221</u> | <u>10,725,308</u> | <u>6,354,688</u>            | <u>972,265</u> | <u>7,326,953</u> | <u>6,354,688</u>        | <u>972,265</u> | <u>7,326,953</u> |

10.3.1 This represents non-performing portfolio of agricultural financing classified as OAEM as per the requirements of the Prudential Regulation for Agricultural Financing issued by the State Bank of Pakistan.

10.4 Particulars of provision against advances

|                                | Note   | 2008             |                |  |                   |                   |
|--------------------------------|--------|------------------|----------------|--|-------------------|-------------------|
|                                |        | Specific         | General        | General provision against consumer loans | Leasing (general) | Total             |
|                                |        | (Rupees in '000) |                |  |                   |                   |
| Opening balance                |        | 7,326,953        | 2,749,815      | 688,665                                  | 6,841             | 10,772,274        |
| Exchange adjustments           |        | 204,103          | -              | -  | -                 | 204,103           |
| Provision made during the year |        | 3,584,819        | -              | -  | 2,210             | 3,412,057         |
| Reversals                      |        | (2,076,930)      | -              | (154,972)                                | -                 | (2,076,930)       |
|                                |        | <u>1,487,889</u> | -              | <u>(154,972)</u>                         | <u>2,210</u>      | <u>1,335,127</u>  |
| Transfer                       |        | 2,476,593        | (2,476,593)    | -  | -                 | -                 |
| Amounts written off            | 10.5.1 | (1,599,649)      | -              | -  | -                 | (1,599,649)       |
| Closing balance                |        | <u>9,895,889</u> | <u>273,222</u> | <u>533,693</u>                           | <u>9,051</u>      | <u>10,711,855</u> |



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

| Note                           | Specific         | General          | 2007                                     |                   | Total             |
|--------------------------------|------------------|------------------|--|-------------------|-------------------|
|                                |                  |                  | General provision against consumer loans | Leasing (general) |                   |
| (Rupees in '000)               |                  |                  |  |                   |                   |
| Opening balance                | 5,953,234        | 2,277,467        | 373,823                                  | 3,820             | 8,608,344         |
| Exchange adjustments           | (17,680)         | -                | -  | (53)              | (17,733)          |
| Provision made during the year | 3,612,580        | 472,348          | 314,842                                  | 3,074             | 4,402,844         |
| Reversals                      | (1,443,261)      | -                | -  | -                 | (1,443,261)       |
|                                | <u>2,169,319</u> | <u>472,348</u>   | <u>314,842</u>                           | <u>3,074</u>      | <u>2,959,583</u>  |
| Amounts written off            | 10.5.1           | (777,920)        | -  | -                 | (777,920)         |
| Closing balance                | <u>7,326,953</u> | <u>2,749,815</u> | <u>688,665</u>                           | <u>6,841</u>      | <u>10,772,274</u> |

10.4.1 Particulars of provisions against advances

|                       | Specific         | 2008            |                   | Specific         | 2007             |                   |
|-----------------------|------------------|-----------------|-------------------|------------------|------------------|-------------------|
|                       |                  | General (total) | Total             |                  | General (total)  | Total             |
| (Rupees in '000)      |                  |                 |                   |                  |                  |                   |
| In local currency     | 8,329,948        | 806,915         | 9,136,863         | 6,274,466        | 3,438,480        | 9,712,946         |
| In foreign currencies | 1,565,941        | 9,051           | 1,574,992         | 1,052,487        | 6,841            | 1,059,328         |
|                       | <u>9,895,889</u> | <u>815,966</u>  | <u>10,711,855</u> | <u>7,326,953</u> | <u>3,445,321</u> | <u>10,772,274</u> |

10.4.2 The following amounts have been charged to the profit and loss account:

|  | Note   | 2008             | 2007             |
|--|--------|------------------|------------------|
| (Rupees in '000)   |        |                  |                  |
| Specific provision   |        | 1,487,889        | 2,169,319        |
| General provision  | 10.4.3 | -                | 472,348          |
| General provision against consumer loans                               | 10.4.4 | (154,972)        | 314,842          |
| General provision for potential lease losses (in Sri Lanka operations) |        | 2,210            | 3,074            |
|  |        | <u>1,335,127</u> | <u>2,959,583</u> |

10.4.3 During the current year, the management has revised the estimate relating to general provision against unidentified losses and accordingly the general provision against loans and advances has been reduced from around 1% to around 0.1% of gross advances. The estimate of providing 1% provision was made when FSV benefit was in place and unidentified losses were not properly covered through provisions. Since over the period provisions have adequately been made after withdrawal of FSV benefit, management thinks it appropriate to reverse the significant portion of already created provision. The said change in accounting estimate has been recognized in the current year in accordance with the requirements of International Accounting Standard (IAS) 8 "Accounting Policies, Change in Accounting Estimates and Errors". Had there been no change in accounting estimate, the profit before taxation for the year would have been lower by Rs. 2,459.001 million and the general provision against advances would have been higher by the same amount.

State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009 has allowed the banks to take benefit of FSV for loans classified after December 31, 2005. However, management has not taken the benefit offered by the said circular.

10.4.4 General provision against consumer loans represents provision maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP.

**Notes to the Consolidated Financial Statements**  
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|   | Note   | 2008<br>(Rupees in '000) | 2007           |
|---|--------|--------------------------|----------------|
| <b>10.5 Particulars of write offs:</b>  |        |                          |                |
| 10.5.1 Against provisions<br>Directly charged to the profit and loss account  | 10.4   | 1,599,649                | 777,920        |
|   |        | -                        | 199            |
|   |        | <u>1,599,649</u>         | <u>778,119</u> |
| 10.5.2 Write offs of Rs. 500,000 and above<br>Write offs of below Rs. 500,000 | 10.5.3 | 749,712                  | 750,520        |
|   |        | 849,937                  | 27,599         |
|   |        | <u>1,599,649</u>         | <u>778,119</u> |

**10.5.3 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 five hundred thousand Rupees or above allowed to a person(s) during the year ended December 31, 2008 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

|  | Note | 2008<br>(Rupees in '000) | 2007             |
|--|------|--------------------------|------------------|
| <b>10.6 Particulars of advances to directors, executives, associated companies, etc.</b>                           |      |                          |                  |
| Debts due by executives or officers of the Group or any of them either severally or jointly with any other persons |      |                          |                  |
| Balance at beginning of the year   |      | 3,228,484                | 3,149,550        |
| Loans granted during the year  |      | 1,732,218                | 976,231          |
| Repayments   |      | (1,116,217)              | (897,297)        |
| Balance at end of the year   |      | <u>3,844,485</u>         | <u>3,228,484</u> |
| Debts due by controlled firms, managed modarabas and other related parties   |      |                          |                  |
| Balance at beginning of the year   |      | 1,661,869                | 2,240,038        |
| Loans granted during the year  |      | 524,153                  | 1,442,020        |
| Repayments   |      | (2,186,022)              | (2,020,189)      |
| Balance at end of the year   |      | <u>1,661,869</u>         | <u>4,890,353</u> |

**11. OPERATING FIXED ASSETS**

|                          | Note | 2008              | 2007              |
|--------------------------|------|-------------------|-------------------|
| Capital work-in-progress | 11.1 | 510,226           | 233,390           |
| Property and equipment   | 11.2 | 16,615,028        | 15,862,544        |
| Intangible asset         | 11.3 | 195,231           | 186,847           |
|                          |      | <u>17,320,485</u> | <u>16,082,781</u> |

**11.1 Capital work-in-progress**

|                                       | 2008           | 2007           |
|---------------------------------------|----------------|----------------|
| Civil works                           | 210,051        | 92,308         |
| Advances against purchase of property | -              | 5,900          |
| Advances to suppliers and contractors | 101,709        | 71,094         |
| Others                                | 198,466        | 64,088         |
|                                       | <u>510,226</u> | <u>233,390</u> |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

| Description                                | 2008                  |                                    |                          |                     |                                     |   |                |  |
|--|-----------------------|------------------------------------|--------------------------|---------------------|-------------------------------------|---|----------------|--|
|  | Cost/ Revalued amount |                                    | Accumulated depreciation |                     | Net book value at December 31, 2008 | Annual rate of depreciation / estimated useful life |                |  |
|  | At January 01, 2008   | Additions/ (disposals)/ adjustment | At December 31, 2008     | At January 01, 2008 |                                     |   |                |  |
|  | (Rupees in '000)      |                                    |                          |                     |                                     |   |                |  |
| Land - Freehold                            | 9,408,417             | 213,440                            | 9,718,045                | -                   | -                                   | 9,718,045   | -              |  |
|  |                       | 96,188                             |                          |                     |                                     |   |                |  |
| Land - Leasehold                           | 57,430                | -                                  | 57,430                   | -                   | -                                   | 57,430  | -              |  |
| Buildings on freehold land                 | 3,960,149             | 118,674                            | 4,247,704                | 879                 | 81,202                              | 4,155,523   | 50 years       |  |
|  |                       | 168,881                            |                          |                     |                                     |   |                |  |
| Buildings on leasehold land                | 65,567                | -                                  | 65,567                   | 20,082              | 4,980                               | 40,505  | 10 to 50 years |  |
| Furniture and fixture                      | 636,720               | 70,487                             | 678,710                  | 289,047             | 34,877                              | 365,013   | 10% to 33%     |  |
|  |                       | (28,487)                           |                          |                     | (10,327)                            |   |                |  |
| Electrical, Computers and office Equipment | 3,726,602             | 1,196,424                          | 4,697,998                | 2,348,746           | 608,322                             | 1,966,391   | 20% to 33%     |  |
|  |                       | (227,028)                          |                          |                     | (216,451)                           |   |                |  |
| Vehicles                                   | 730,691               | 130,872                            | 540,931                  | 264,178             | 82,229                              | 322,121   | 20%            |  |
|  |                       | (320,832)                          |                          |                     | (127,597)                           |   |                |  |
|  | <u>16,585,576</u>     | <u>1,731,897</u>                   | <u>20,006,385</u>        | <u>2,823,032</u>    | <u>822,710</u>                      | <u>16,815,028</u>                                   |                |  |
|  |                       | (576,157)                          |                          |                     | (364,386)                           |   |                |  |
|  |                       | <u>265,069</u>                     |                          |                     |                                     |   |                |  |

| Description                                | 2007                  |                        |   |                     |                           |                          |                     |   |   |                     |                                     |   |                             |
|--|-----------------------|------------------------|---|---------------------|---------------------------|--------------------------|---------------------|---|---|---------------------|-------------------------------------|---|-----------------------------|
|  | Cost/ Revalued amount |                        |   |                     |                           | Accumulated depreciation |                     |   |   |                     | Net book value at December 31, 2007 | Annual rate of depreciation / estimated useful life |                             |
|  | At January 01, 2007   | Additions/ (disposals) | Write-off / Reversal due to revaluation | Revaluation surplus | Adjustment / transfer out | At December 31, 2007     | At January 01, 2007 | Charge for the year / (depreciation on disposals) | Write-off / Reversal due to revaluation | Revaluation surplus |                                     |   | transfer in/ (transfer out) |
|  | (Rupees in '000)      |                        |   |                     |                           |                          |                     |   |   |                     |                                     |   |                             |
| Land - Freehold                            | 3,968,428             | 1,428,790              | -                                       | 4,065,198           | -                         | 9,408,417                | -                   | -   | -                                       | -                   | -                                   | 9,408,417   | -                           |
| Land - Leasehold                           | 57,430                | -                      | -                                       | -                   | -                         | 57,430                   | -                   | -   | -                                       | -                   | -                                   | 57,430  | -                           |
| Buildings on freehold land                 | 2,200,700             | 1,068,704              | (224,098)                               | 821,340             | 43,423                    | 3,960,149                | 136,813             | 86,294  | (224,098)                               | -                   | -                                   | 3,960,149   | 60 years                    |
| Buildings on leasehold land                | 57,636                | 8,001                  | -                                       | -                   | -                         | 65,567                   | 17,395              | 2,267   | -                                       | -                   | -                                   | 46,466  | 10 to 50 years              |
| Furniture and fixture                      | 555,761               | 102,824                | (12,738)                                | -                   | -                         | 636,720                  | 270,783             | 33,255  | (3,772)                                 | -                   | -                                   | 347,673   | 10% to 33%                  |
|  |                       | (13,138)               |   |                     |                           |                          |                     |   |   |                     |                                     |   |                             |
| Electrical, Computers and office Equipment | 3,057,297             | 84,230                 | (13,229)                                | (43,423)            | 3,726,602                 | 2,038,792                | 418,537             | (10,194)  | -                                       | -                   | -                                   | 1,577,658   | 20% to 33%                  |
|  |                       | (18,233)               |   |                     |                           |                          |                     |   |   |                     |                                     |   |                             |
| Vehicles                                   | 595,767               | 216,071                | -                                       | -                   | -                         | 730,691                  | 267,883             | 85,891  | -                                       | -                   | (8,084)                             | 466,113   | 20%                         |
|  |                       | (84,167)               |   |                     |                           |                          |                     |   |   |                     |                                     |   |                             |
|  | <u>10,480,889</u>     | <u>3,683,720</u>       | <u>(250,138)</u>                        | <u>4,908,539</u>    | <u>-</u>                  | <u>18,565,576</u>        | <u>2,732,216</u>    | <u>804,127</u>                                    | <u>(228,094)</u>                        | <u>-</u>            | <u>(8,084)</u>                      | <u>2,823,032</u>                                    | <u>15,862,544</u>           |
|  |                       | <u>(216,039)</u>       |   |                     |                           |                          |                     | <u>(196,233)</u>                                  |   |                     |                                     |   |                             |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

11.2.1 The land and buildings of the Group were last revalued in December 2007 by Independent valuers (Pee Dee Associates & Arch-e-Decon), valuation and engineering consultants, on the basis of market value. This valuation was incorporated at December 31, 2007. The information relating to location of revalued assets is given in Annexure V. The details of revalued amounts are as follows:

(Rupees in '000)

|                                    |           |
|------------------------------------|-----------|
| Total revalued amount of land      | 9,562,035 |
| Total revalued amount of buildings | 4,137,739 |

Had the land and buildings not been revalued, the total carrying amounts as at December 31, 2008 would have been as follows:

(Rupees in '000)

|           |           |
|-----------|-----------|
| Land      | 2,228,488 |
| Buildings | 2,636,859 |

11.2.2 The gross carrying amount of fully depreciated assets that are still in use are as follows:

|  |           |
|--|-----------|
| Furniture and fixture                      | 9,075     |
| Electrical, computers and office equipment | 1,374,754 |
| Vehicles                                   | 57,016    |

11.2.3 Details of disposal of operating fixed assets

The information relating to disposal of operating fixed assets required to be disclosed as part of the financial statements by the State Bank of Pakistan is given in Annexure IV and is an integral part of these financial statements.

**11.3 Intangible asset**

2008

| Description      | Cost                |           |                      | Accumulated amortization |                           |                      | Net book value at December 31, 2008 | Annual rate of amortization |
|------------------|---------------------|-----------|----------------------|--------------------------|---------------------------|----------------------|-------------------------------------|-----------------------------|
|                  | At January 01, 2008 | Additions | At December 31, 2008 | At January 01, 2008      | Amortization for the year | At December 31, 2008 |                                     |                             |
| (Rupees in '000) |                     |           |                      |                          |                           |                      |                                     |                             |
| <b>Computer</b>  |                     |           |                      |                          |                           |                      |                                     |                             |
| software         | 560,233             | 151,849   | 712,082              | 373,386                  | 143,465                   | 516,851              | 195,231                             | 33.33                       |
|                  | 560,233             | 151,849   | 712,082              | 373,386                  | 143,465                   | 516,851              | 195,231                             |                             |

2007

| Description      | Cost                |           |                      | Accumulated amortization |                           |                      | Net book value at December 31, 2007 | Annual rate of amortization |
|------------------|---------------------|-----------|----------------------|--------------------------|---------------------------|----------------------|-------------------------------------|-----------------------------|
|                  | At January 01, 2007 | Additions | At December 31, 2007 | At January 01, 2007      | Amortization for the year | At December 31, 2007 |                                     |                             |
| (Rupees in '000) |                     |           |                      |                          |                           |                      |                                     |                             |
| <b>Computer</b>  |                     |           |                      |                          |                           |                      |                                     |                             |
| software         | 553,396             | 6,837     | 560,233              | 181,398                  | 191,988                   | 373,386              | 186,847                             | 33.33                       |
|                  | 553,396             | 6,837     | 560,233              | 181,398                  | 191,988                   | 373,386              | 186,847                             |                             |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**12. DEFERRED TAX LIABILITY / (ASSET) - NET**

The details of the tax effect of taxable and deductible temporary differences are as follows:

**Taxable temporary differences on:**

Surplus on revaluation of operating fixed assets  
Accelerated tax depreciation  
Net investment in finance lease receivable  
Surplus on revaluation of securities

**Deductible temporary differences on:**

Deficit on revaluation of securities  
Provision for contributory benevolent scheme  
Provision for gratuity  
Provision for post retirement medical benefits  
Others

**13. OTHER ASSETS - NET**

Income / mark-up accrued on advances and investments - local currency  
Income / mark-up accrued on advances and investments - foreign currencies  
Advances, deposits, advance rent and other prepayments  
Advance taxation (payments less provisions)  
Compensation for delayed income tax refunds  
Branch Adjustment Account  
Unrealised gain on derivative financial instruments  
Non-banking assets acquired in satisfaction of claims  
Stationery and stamps on hand  
Prepaid exchange risk fee  
Receivable from the pension fund  
Others

Less: Provision held against other assets

13.1 The market value of non-banking assets with carrying value of Rs. 1,033.222 million (2007: Rs. 363.862 million) net of provision as per the valuation report dated December 31, 2008 amounted to Rs. 996.245 million (2007: Based on valuation as of December 31, 2007 Rs. 442.271 million).

Note 2008 2007  
(Rupees in '000)

|      |             |           |
|------|-------------|-----------|
| 22.1 | 517,120     | 469,482   |
|      | 685,838     | 568,718   |
|      | 436,823     | 599,218   |
| 22.2 | -           | 156,767   |
|      | 1,639,781   | 1,794,183 |
| 22.2 | (661,966)   | -         |
|      | (79,121)    | (98,706)  |
|      | (2,260)     | (1,197)   |
|      | (455,587)   | (509,298) |
|      | (552)       | (1,396)   |
|      | (1,199,486) | (610,597) |
|      | 440,295     | 1,183,586 |

|      |            |            |
|------|------------|------------|
|      | 7,901,740  | 4,752,151  |
|      | 184,677    | 233,133    |
|      | 2,612,432  | 1,003,018  |
|      | 51,819     | -          |
|      | 44,802     | 44,802     |
|      | -          | 208,737    |
| 13.3 | 1,507,969  | 453,802    |
| 13.1 | 1,155,832  | 486,471    |
|      | 83,077     | 48,676     |
|      | -          | 139        |
| 37.3 | 5,399,019  | 10,651,047 |
|      | 1,328,846  | 520,848    |
|      | 20,270,213 | 18,402,824 |

|      |            |            |
|------|------------|------------|
| 13.2 | 441,985    | 505,986    |
|      | 19,828,228 | 17,896,838 |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

|   | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|---|--------------------------|--------------------------|
| <b>13.2 Provision held against other assets</b> |                          |                          |
| Opening balance                                 | 505,986                  | 515,890                  |
| Charge for the year                             | 10,120                   | 17,257                   |
| Reversal during the year                        | -                        | (21,000)                 |
|   | 10,120                   | (3,743)                  |
| Write off during the year                       | (59,364)                 | (5,961)                  |
| Transfer  | (14,757)                 | -                        |
| Closing balance                                 | 441,985                  | 505,986                  |

|  | Contract / notional amount   |                   | Unrealised gain  |                |
|--|------------------------------|-------------------|------------------|----------------|
|  | 2008                         | 2007              | 2008             | 2007           |
| <b>13.3 Derivative financial Instruments</b> | ----- (Rupees in '000) ----- |                   |                  |                |
| Unrealised gain on:                          |                              |                   |                  |                |
| Interest rate swaps                          | 166,667                      | 250,000           | 6,222            | 11,297         |
| Cross currency swaps                         | 173,127                      | -                 | 1,625            | -              |
| Forward exchange contracts                   | 35,252,291                   | 67,789,886        | 1,500,122        | 442,505        |
|  | <u>35,592,085</u>            | <u>68,039,886</u> | <u>1,507,969</u> | <u>453,802</u> |

**14. CONTINGENT ASSETS**

There were no contingent assets of the Group as at December 31, 2008 and December 31, 2007.

|  | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|--|--------------------------|--------------------------|
| <b>15. BILLS PAYABLE</b>   |                          |                          |
| In Pakistan  | 10,522,565               | 10,447,928               |
| Outside Pakistan   | 28,903                   | 31,130                   |
|  | <u>10,551,468</u>        | <u>10,479,058</u>        |
| <b>16. BORROWINGS</b>  |                          |                          |
| In Pakistan  | 17,742,776               | 35,497,881               |
| Outside Pakistan   | 4,921,064                | 3,908,950                |
|  | <u>22,663,840</u>        | <u>39,406,831</u>        |
| <b>16.1 Particulars of borrowings with respect to currencies</b> |                          |                          |
| In local currency  | 17,742,776               | 35,497,881               |
| In foreign currencies  | 4,921,064                | 3,908,950                |
|  | <u>22,663,840</u>        | <u>39,406,831</u>        |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

|   | Note        | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|---|-------------|--------------------------|--------------------------|
| <b>16.2 Details of borrowings (secured / unsecured)</b> |             |                          |                          |
| <b>Secured</b>  |             |                          |                          |
| Borrowings from State Bank of Pakistan                  |             |                          |                          |
| Export refinance scheme                                 | 16.3 & 16.5 | 9,217,004                | 5,593,462                |
| Long term financing - export oriented projects scheme   | 16.4 & 16.5 | 2,100,751                | 2,473,077                |
|   |             | <u>11,317,755</u>        | <u>8,066,539</u>         |
| Borrowings from other financial Institution             | 16.6        | -                        | 2,932,600                |
| Repurchase agreement borrowings                         | 16.7        | 6,325,021                | 26,931,342               |
|   |             | <u>17,642,776</u>        | <u>37,930,481</u>        |
| <b>Unsecured</b>  |             |                          |                          |
| Call borrowings   | 16.8        | 4,418,990                | 500,000                  |
| Overdrawn nostro accounts                               |             | 602,074                  | 976,350                  |
|   |             | <u>5,021,064</u>         | <u>1,476,350</u>         |
|   |             | <u>22,663,840</u>        | <u>39,406,831</u>        |

**16.3** The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the agreements, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

**16.4** The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per the agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with SBP.

**16.5** Borrowings from SBP under the export refinance and long term financing for export oriented projects schemes are secured against the Bank's cash and security balances held by the SBP.

**16.6** These carry mark-up at the rate Nil (2007: 5.88% to 5.95% per annum).

**16.7** These carry mark-up rates ranging between 7.50% to 14.90% per annum (2007: 9.2 % to 10 % per annum) and are secured against Government securities of carrying value of Rs. 6,287.636 million (2007: Rs. 26,996.870 million). These are repayable latest by January, 2009.

**16.8** These carry mark-up at the rate of 15.50% (2007: 9.75%). These are repayable by February, 2009.

**17. DEPOSITS AND OTHER ACCOUNTS**

|                                     | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|-------------------------------------|--------------------------|--------------------------|
| <b>Customers</b>                    |                          |                          |
| Fixed deposits                      | 61,680,332               | 32,202,230               |
| Saving deposits                     | 150,925,503              | 151,554,958              |
| Current accounts - non remunerative | 105,376,753              | 95,957,918               |
| Margin accounts                     | 3,137,434                | 2,589,309                |
| Others                              | 563                      | 4,288                    |
|                                     | <u>321,120,585</u>       | <u>282,308,703</u>       |
| <b>Financial institutions</b>       |                          |                          |
| Remunerative deposits               | 5,197,969                | 9,233,602                |
| Non-remunerative deposits           | 3,926,526                | 546,042                  |
|                                     | <u>9,124,495</u>         | <u>9,779,644</u>         |
|                                     | <u>330,245,080</u>       | <u>292,088,347</u>       |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

| 17.1 Particulars of deposits | 2008               |  | 2007               |  |
|------------------------------|--------------------|--|--------------------|--|
|                              | (Rupees in '000)   |  |                    |  |
| In local currency            | 312,892,689        |  | 278,059,003        |  |
| In foreign currencies        | 17,352,391         |  | 14,029,344         |  |
|                              | <u>330,245,080</u> |  | <u>292,088,347</u> |  |

17.2 Deposits include deposits from related parties amounting to Rs. 7,788.459 million (2007: Rs. 503.522 million).

### 18. SUB-ORDINATED LOAN -UNSECURED (NON-PARTICIPATORY)

|                                  | Mark-up payable | Mark-up payment | 2008             |  | 2007    |  |
|----------------------------------|-----------------|-----------------|------------------|--|---------|--|
|                                  |                 |                 | (Rupees in '000) |  |         |  |
| Listed Term Finance Certificates | Semi-annually   | 2003-2008       | -                |  | 479,232 |  |

### 19. OTHER LIABILITIES

|   | Note | 2008              |  | 2007              |  |
|---|------|-------------------|--|-------------------|--|
|   |      | (Rupees in '000)  |  |                   |  |
| Mark-up / return / interest payable in local currency     |      | 4,229,668         |  | 1,550,398         |  |
| Mark-up / return / interest payable in foreign currencies |      | 114,034           |  | 76,656            |  |
| Accrued expenses  |      | 1,792,281         |  | 787,185           |  |
| Unclaimed dividend  |      | 275,073           |  | 1,313,371         |  |
| Staff welfare fund  |      | 65,531            |  | 76,876            |  |
| Unrealised loss on derivative financial instruments       | 19.1 | 8,470,041         |  | 541,962           |  |
| Provision for employees' compensated absences             | 37.3 | 752,947           |  | 974,464           |  |
| Provision for post retirement medical benefits            | 37.3 | 1,400,413         |  | 1,455,135         |  |
| Provision for employees' contributory benevolent scheme   | 37.3 | 274,448           |  | 282,019           |  |
| Provision for gratuity                                    |      | 6,457             |  | 3,421             |  |
| Security deposits received in respect of finance lease    |      | 1,320,327         |  | 1,468,077         |  |
| Taxation (provision less payments)                        |      | -                 |  | 1,348,843         |  |
| Retention money   |      | 22,403            |  | 40,999            |  |
| Insurance payable against consumer assets                 |      | 398,369           |  | 391,729           |  |
| Branch adjustment account                                 |      | 151,990           |  | -                 |  |
| Others  |      | 1,978,962         |  | 1,405,330         |  |
|   |      | <u>21,252,942</u> |  | <u>11,716,465</u> |  |

| Contract / Notional amount   |      | Unrealised loss |      |
|------------------------------|------|-----------------|------|
| 2008                         | 2007 | 2008            | 2007 |
| ----- (Rupees in '000) ----- |      |                 |      |

#### 19.1 Derivative financial instruments

| Unrealised loss on:        | 2008                       |                  | 2007                       |                 |
|----------------------------|----------------------------|------------------|----------------------------|-----------------|
|                            | Contract / Notional amount | Unrealised loss  | Contract / Notional amount | Unrealised loss |
| Interest rate swaps        | 2,244,130                  | 17,591           | 2,471,698                  | 14,635          |
| Cross currency swaps       | 173,127                    | 1,625            | -                          | -               |
| Forward exchange contracts | 101,932,869                | 8,450,825        | 63,649,869                 | 527,327         |
|                            | <u>104,350,126</u>         | <u>8,470,041</u> | <u>66,121,567</u>          | <u>541,962</u>  |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 20. SHARE CAPITAL

#### 20.1 Authorised Capital

| 2008               |  | 2007          |  | 2008                          |  | 2007       |  |
|--------------------|--|---------------|--|-------------------------------|--|------------|--|
| (Number of shares) |  |               |  | (Rupees in '000)              |  |            |  |
| 1,000,000,000      |  | 1,000,000,000 |  | 10,000,000                    |  | 10,000,000 |  |
|                    |  |               |  | Ordinary shares of Rs 10 each |  |            |  |

#### 20.2 Issued, subscribed and paid-up capital

| 2008                           |                        |                    | 2007               |                        |                    | 2008                          |                  | 2007             |  |
|--------------------------------|------------------------|--------------------|--------------------|------------------------|--------------------|-------------------------------|------------------|------------------|--|
| Issued for cash                | Issued as bonus shares | Total              | Issued for cash    | Issued as bonus shares | Total              | (Rupees in '000)              |                  |                  |  |
| ----- (Number of shares) ----- |                        |                    |                    |                        |                    |                               |                  |                  |  |
| 197,253,795                    | 431,023,048            | 628,276,843        | 197,253,795        | 349,073,895            | 546,327,690        | Opening balance               | 6,282,768        | 5,463,276        |  |
| -                              | -                      | -                  | -                  | 81,949,153             | 81,949,153         | Shares issued during the year | -                | 819,492          |  |
| <u>197,253,795</u>             | <u>431,023,048</u>     | <u>628,276,843</u> | <u>197,253,795</u> | <u>431,023,048</u>     | <u>628,276,843</u> | Closing balance               | <u>6,282,768</u> | <u>6,282,768</u> |  |

20.3 During the year 2006, the Bank was admitted to the Official List of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depositary Receipts (GDRs) issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. The Bank had issued 8,622,100 GDRs each representing four ordinary equity shares at an offer price of US\$ 17.3970 per GDR (total receipt being US\$ 149.999 million). Accordingly, based on an exchange rate of Rs. 60.70 = US\$ 1.00 (which was the exchange rate on the date of the final offering circular relating to the GDR Issue made by the Bank), 34,488,400 ordinary equity shares of nominal value of Rs. 10 each of the Bank were issued at a premium of Rs. 254 per ordinary equity share (total premium amount being Rs. 8,760.054 million).

Holders of GDRs are entitled, subject to the provisions of the Deposit Agreement, to receive dividend, if any and rank pari passu with other equity shareholders in respect of dividend. However, the holder of GDR have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated October 11, 2006, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of dividend, voting and other direct rights of shareholders. The GDRs are now fully fungible. The bank has obtained all required regulatory approvals for "Two Way Fungibility". Two way convertibility of GDRs would be limited to number of GDRs issued at the time of issuance i.e. 8.622 million, subject to availability of headroom and adjusted for subsequent corporate actions i.e. bonus shares, right issue and stock splits.

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

|   | Note  | 2008<br>(Number of shares) | 2007<br>(Number of shares) |
|---|---|----------------------------|----------------------------|
| <b>20.4</b>   | Number of shares held by the related parties as at December 31, are as follows:   |                            |                            |
|   | Siddiqsons Denim Mills Limited  | 28,685,082                 | 28,675,082                 |
|   | Din Leather (Private) Limited   | 3,915,381                  | 3,915,381                  |
|   | Adamjee Insurance Company Limited   | 19,225,933                 | 17,011,379                 |
|   | MCB Bank Limited Pension Fund   | 9,646,370                  | 50,588,856                 |
|   | MCB Bank Limited Provident Fund (Pakistan staff)  | 19,413,198                 | 26,602,295                 |
|   | Mayban International Trust (Labuan) Berhad  | 125,655,969                | -                          |
|   |   | <u>206,541,333</u>         | <u>126,792,993</u>         |
| <b>21. Reserves</b>   |   | <b>2008</b>                | <b>2007</b>                |
|   |   | <b>(Rupees in '000)</b>    |                            |
|   | Share premium   | 9,702,528                  | 9,702,528                  |
|   | Exchange translation reserve  | 192,242                    | (41,692)                   |
|   | Statutory reserve   | 8,277,551                  | 6,740,091                  |
|   | General reserve   | 18,600,000                 | 17,600,000                 |
|   |   | <u>36,772,321</u>          | <u>34,000,927</u>          |
| <b>21.1</b>   | Statutory reserve represents amount set aside as per the requirements of section 21 of the Banking Companies Ordinance, 1962. |                            |                            |
| <b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>      |   | <b>2008</b>                | <b>2007</b>                |
|   |   | <b>(Rupees in '000)</b>    |                            |
|   | Surplus / (deficit) arising on revaluation (net of tax) of:   |                            |                            |
|   | - fixed assets  | 8,293,851                  | 8,109,249                  |
|   | - available-for-sale securities   | (2,102,990)                | 1,597,445                  |
|   | (Deficit) / Surplus arising on revaluation of assets of associated undertaking (net of tax)                                   | (179,609)                  | 502,398                    |
|   |   | <u>6,011,252</u>           | <u>10,209,092</u>          |
| <b>22.1 Surplus on revaluation of fixed assets-net of tax</b> |   |                            |                            |
|   | Surplus on revaluation of fixed assets as at January 01   | 8,578,731                  | 3,690,437                  |
|   | Adjustment / surplus during the year  | 265,119                    | 4,906,539                  |
|   | Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax     | (21,373)                   | (11,860)                   |
|   | Related deferred tax liability  | (11,506)                   | (6,385)                    |
|   |   | <u>(32,879)</u>            | <u>(18,245)</u>            |
|   | Surplus on revaluation of fixed assets as at December 31  | <u>8,810,971</u>           | <u>8,578,731</u>           |
|   | Less: Related deferred tax liability on:  |                            |                            |
|   | Revaluation as at January 01  | 469,482                    | 188,398                    |
|   | Adjustment / surplus during the year  | 59,144                     | 287,469                    |
|   | Incremental depreciation charged during the year transferred to profit and loss account                                       | (11,506)                   | (6,385)                    |
|   |   | <u>517,120</u>             | <u>469,482</u>             |
|   |   | <u>8,293,851</u>           | <u>8,109,249</u>           |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

|  | Note  | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|--|---|--------------------------|--------------------------|
| <b>22.2</b>  | Surplus / (deficit) on revaluation of available-for-sale securities - net of tax  |                          |                          |
|  | Federal Government Securities   |                          |                          |
|  | - Market Treasury Bills   | (91,427)                 | (193,077)                |
|  | - Pakistan Investment Bonds   | (468,065)                | (14,919)                 |
|  | Listed Securities   |                          |                          |
|  | - Shares / Certificates / Units   | (2,286,629)              | 1,809,520                |
|  | - Open Ended Mutual Funds   | 37,018                   | 106,508                  |
|  | - Term Finance Certificates   | 25,147                   | 27,180                   |
|  |   | <u>(2,224,464)</u>       | <u>1,943,208</u>         |
|  | Sukuk Bonds   | 19,000                   | 19,000                   |
|  |   | <u>(2,764,956)</u>       | <u>1,754,212</u>         |
|  | Add: Related deferred tax asset / (liability)   | 661,966                  | (156,767)                |
|  |   | <u>(2,102,990)</u>       | <u>1,597,445</u>         |
| <b>23. CONTINGENCIES AND COMMITMENTS</b>                                 |   |                          |                          |
| <b>23.1 Transaction-related contingent liabilities</b>                   |   |                          |                          |
|  | Guarantees in favour of:  |                          |                          |
|  | Government  | 5,743,838                | 5,283,799                |
|  | Banks and financial institutions  | 36,030                   | 376,773                  |
|  | Others  | 15,148,692               | 7,247,043                |
|  | Suppliers' credit / payee guarantee   | 2,255,011                | 1,809,117                |
|  |   | <u>23,183,571</u>        | <u>14,716,732</u>        |
| <b>23.2 Trade-related contingent liabilities</b>                         |   | 54,869,480               | 61,677,285               |
| <b>23.3 Other contingencies</b>  |   |                          |                          |
|  | Claims against the Bank not acknowledged as debts   | 226,246                  | 134,079                  |
| <b>23.4 Commitments to extend credit</b>                                 |   |                          |                          |
|  | The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn. |                          |                          |
| <b>23.5 Commitments in respect of forward foreign exchange contracts</b> |   | <b>2008</b>              | <b>2007</b>              |
|  |   | <b>(Rupees in '000)</b>  |                          |
|  | Purchase  | 69,708,932               | 62,077,338               |
|  | Sale  | 67,476,228               | 69,362,417               |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

|      | Note  | 2008             | 2007      |
|------|---|------------------|-----------|
|      |   | (Rupees in '000) |           |
| 23.6 | Commitments for the acquisition of fixed assets     | 557,810          | 78,670    |
| 23.7 | Other commitments                                   |                  |           |
|      | Cross currency swaps (notional amount)              | 24.1 & 24.2      | 346,254   |
|      | Fx Options (notional amount)                        | 24.1             | 1,845,484 |
|      | - Purchase  | -                | 351,702   |
|      | - Sale  | -                | 351,702   |
|      | Interest rate swaps - (notional amount)             | 24.1 & 24.2      | 2,410,797 |
|      | Forward outright sale of Government Securities      | 20,827,530       | -         |
|      | Outright purchase of Government Securities from SBP | 26,644,450       | -         |

### 23.8 Taxation

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2008. For the Tax Years 2003 to 2007, the department has amended the assessments on certain issues against which the Bank has filed appeal before the Commissioner of Income Tax (Appeals). In respect of the Tax Year 2003 to 2006, the Commissioner of Income Tax (Appeals) vide his orders has decided the matter in favour of the Bank against which the department has filed appeal before the Income Tax Appellate Tribunal (ITAT). The management and Bank's legal counsel are of the view that the issues will be decided in the Bank's favour as and when these are taken up by the appellate authorities. For Tax Year 2007, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 716.713 million against which the legal/appellate course from the Bank has reached ITAT level.

Total disallowances for the assessment years 1994-95 to 1997-98 on account of interest in suspense amounted to Rs. 722.682 million out of which an amount of Rs. 317.289 million has been allowed in the assessment years 1998-1999 to 2000-2001. It is expected that the pending appeals in this regard in the Honourable Sindh High Court shall be decided in favour of the Bank as allowed in assessment years 1992-1993 and 1993-1994. Subsequent to the favourable order of the Honourable Sindh High Court, the management considers that provision is not necessary for the remaining tax liability for interest in suspense of Rs. 244.781 million as the Bank has been subjected to tax far exceeding its normal tax liability and is hopeful of favourable decisions in appeals. Accordingly, no provision has been made in these financial statements for the above amount.

## 24. DERIVATIVE INSTRUMENTS

Most corporates (counter parties) have either Interest rate exposures arising from debt financing or excess liquidity or currency exposures arising out of commercial and business transactions. In the event of a shift in Interest or foreign exchange (FX) rates, these corporates may incur higher borrowing costs or higher cash outflows that will adversely affect profitability.

The Bank is providing solutions to this conundrum through derivatives. Through this, counterparties will be hedging exposure to adverse price movements in a security, typically when the counterparty has a concentrated position in the security and is acutely exposed to movements in the underlying risk factors. The Bank is in a better position to hedge that risk, and is thus able to provide cost efficient hedging solutions to the counterparties enabling them to concentrate on their business risk.

### Other Objectives include:

- contribution to the development of Pakistani financial markets.
- provision of financial solutions to the counterparties.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

In light of the above the Bank is actively marketing interest rate risk and FX risk management tools, including:

- Interest Rate Swaps
- Third Currency FX options
- Currency Swaps.

### Risk management is performed at:

- Strategic level: By senior management Assets and Liabilities Management Committee (ALCO), Risk Management Committee (RMC) and the Board of Directors to institute a risk management framework and to ensure provision of all resources and support required for effective risk management on Bank-wide basis.
- Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & Implementation, monitoring and reporting.
- Micro Level: Treasury Derivatives & Structured Product Desk and Treasury Operations, where risks are actually created.

FIPS & MRM Division is responsible for coordinating for risk management of derivatives.

The risk management system generates marked to market risk numbers (i.e. VaR PVBP, duration, etc.) of interest rate derivative portfolio. These numbers are reported to senior management on a daily basis.

As per the State Bank of Pakistan's (SBP) regulations, currency options are hedged back to back and thus the risk associated with such transactions are minimal. However, the risk management system is capable of generating risk numbers for options (i.e. Delta, Gamma, Vega, Theta and Rho).

### Risk Limits

Before initiating any new derivative transaction, Treasury Division requests the FIPS & MRM Division for risk limits. Limit requests are approved by the appropriate level of authority. Presently the Bank has notional limits (both for the portfolio and the counterparty).

### 24.1 Product analysis

#### Counter parties

|                                | 2008                 |                                     |                     |                                     |                  |                                       |
|--------------------------------|----------------------|-------------------------------------|---------------------|-------------------------------------|------------------|---------------------------------------|
|                                | Cross Currency Swaps |                                     | Interest Rate Swaps |                                     | FX Options       |                                       |
|                                | No. of Contracts     | Notional Principal (Rupees in '000) | No. of Contracts    | Notional Principal (Rupees in '000) | No. of Contracts | Notional Principal * (Rupees in '000) |
| <b>With Banks for</b>          |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 2                    | 173,127                             | 2                   | 2,144,130                           | -                | -                                     |
| Market Making                  | -                    | -                                   | -                   | -                                   | -                | -                                     |
| <b>With other entities for</b> |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 2                    | 173,127                             | 2                   | 266,667                             | -                | -                                     |
| Market Making                  | -                    | -                                   | -                   | -                                   | -                | -                                     |
| <b>Total</b>                   |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 2                    | 173,127                             | 2                   | 2,144,130                           | -                | -                                     |
| Market Making                  | 2                    | 173,127                             | 2                   | 266,667                             | -                | -                                     |

#### Counter parties

|                                | 2007                 |                                     |                     |                                     |                  |                                       |
|--------------------------------|----------------------|-------------------------------------|---------------------|-------------------------------------|------------------|---------------------------------------|
|                                | Cross Currency Swaps |                                     | Interest Rate Swaps |                                     | FX Options       |                                       |
|                                | No. of Contracts     | Notional Principal (Rupees in '000) | No. of Contracts    | Notional Principal (Rupees in '000) | No. of Contracts | Notional Principal * (Rupees in '000) |
| <b>With Banks for</b>          |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 6                    | 922,742                             | 2                   | 1,800,000                           | 13               | 351,702                               |
| Market Making                  | -                    | -                                   | -                   | -                                   | -                | -                                     |
| <b>With other entities for</b> |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 6                    | 922,742                             | 5                   | 921,698                             | 13               | 351,702                               |
| Market Making                  | -                    | -                                   | -                   | -                                   | -                | -                                     |
| <b>Total</b>                   |                      |                                     |                     |                                     |                  |                                       |
| Hedging                        | 6                    | 922,742                             | 2                   | 1,800,000                           | 13               | 351,702                               |
| Market Making                  | 6                    | 922,742                             | 5                   | 921,698                             | 13               | 351,702                               |

\* At the exchange rate prevailing at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 24.2 Maturity analysis

#### Remaining maturity

#### Interest rate swaps

1 to 3 month

1 to 2 Year

#### Remaining maturity

#### Interest rate swaps

Upto 1 month

3 to 6 month

6 month to 1 year

1 to 2 Year

2 to 3 Years

3 to 5 Years

#### Remaining maturity

#### Cross currency swaps

2 to 3 Years

#### Remaining maturity

#### Cross currency swaps

1 to 2 Years

2 to 3 Years

3 to 5 Years

#### Remaining maturity

#### FX-options

Upto 1 month

1 to 3 month

3 to 6 month

|                              |                    | 2008           |          |          |  |
|------------------------------|--------------------|----------------|----------|----------|--|
| No. of Contracts             | Notional Principal | Mark to Market |          | Net      |  |
|                              |                    | Negative       | Positive |          |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              | 2,077,463          | (13,380)       | -        | (13,380) |  |
|                              | 333,334            | (4,210)        | 6,222    | 2,012    |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              |                    | 2007           |          |          |  |
| No. of Contracts             | Notional Principal | Mark to Market |          | Net      |  |
|                              |                    | Negative       | Positive |          |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              | 18,182             | -              | -        | -        |  |
|                              | 53,516             | (286)          | -        | (286)    |  |
|                              | 300,000            | (2,129)        | -        | (2,129)  |  |
|                              | 1,850,000          | (5,206)        | -        | (5,206)  |  |
|                              | 500,000            | (7,014)        | 11,297   | 4,283    |  |
|                              | -                  | -              | -        | -        |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              |                    | 2008           |          |          |  |
| No. of Contracts             | Notional Principal | Mark to Market |          | Net      |  |
|                              |                    | Negative       | Positive |          |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              | 346,254            | (1,625)        | 1,625    | -        |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              |                    | 2007           |          |          |  |
| No. of Contracts             | Notional Principal | Mark to Market |          | Net      |  |
|                              |                    | Negative       | Positive |          |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              | 588,680            | -              | -        | -        |  |
|                              | 240,000            | -              | -        | -        |  |
|                              | 1,016,824          | -              | -        | -        |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              |                    | 2007           |          |          |  |
| No. of Contracts             | Notional Principal | Mark to Market |          | Net      |  |
|                              |                    | Negative       | Positive |          |  |
| ----- (Rupees in '000) ----- |                    |                |          |          |  |
|                              | 206,007            | -              | -        | -        |  |
|                              | 456,321            | -              | -        | -        |  |
|                              | 41,076             | -              | -        | -        |  |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 25. MARK-UP / RETURN / INTEREST EARNED

#### On loans and advances to:

Customers

Financial institutions

#### On investments in:

Held for trading securities

Available for sale securities

Held to maturity securities

On deposits with financial institutions

On securities purchased under resale agreements

On money at call

Others

### 26. MARK-UP / RETURN / INTEREST EXPENSED

Deposits

Securities sold under repurchase agreements

Other short-term borrowings

Sub-ordinated loan

Discount, commission and brokerage

Others

### 27. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities

-Market Treasury Bills

-Pakistan Investment Bonds

Overseas Government Securities

Listed Shares / Units

### 28. OTHER INCOME - NET

Rent on property / lockers

Net profit on sale of property and equipment

Exchange income on import / export bills purchased / negotiated

Bad debts recovered

Others

2008  
(Rupees in '000)

2007

|            |            |
|------------|------------|
| 29,926,944 | 21,952,387 |
| 1,805      | 141,359    |
| 29,928,749 | 22,093,746 |
| 11,929     | -          |
| 7,718,124  | 7,519,820  |
| 960,418    | 856,023    |
| 8,690,471  | 8,375,843  |
| 109,525    | 139,385    |
| 582,280    | 548,202    |
| 401,819    | 291,940    |
| 336,661    | 342,638    |
| 40,049,505 | 31,791,754 |
| 9,426,724  | 5,903,356  |
| 944,891    | 641,080    |
| 519,139    | 812,410    |
| 5,785      | 98,135     |
| 475,382    | 319,427    |
| 221,001    | 84,411     |
| 11,592,922 | 7,858,819  |
| 2,703      | 1,228      |
| (16,610)   | 2,709      |
| 20,108     | -          |
| 741,938    | 1,503,873  |
| 748,139    | 1,507,610  |
| 71,718     | 51,999     |
| 36,855     | 13,136     |
| 86,665     | 64,161     |
| 26,477     | 28,135     |
| 980,119    | 844,729    |
| 1,201,834  | 1,002,160  |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

|  | Note | 2008<br>(Rupees In '000) | 2007<br>(Rupees In '000) |
|--|------|--------------------------|--------------------------|
| <b>33. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX</b>              |      |                          |                          |
| Profit before taxation   |      | 21,886,740               | 22,526,311               |
|  |      | (Number of shares)       |                          |
| Weighted average number of shares outstanding during the year          |      | 628,276,843              | 628,276,843              |
|  |      | (Rupees)                 |                          |
| Basic and diluted earnings per share - pre tax                         |      | 34.84                    | 35.85                    |
|  |      | (Rupees In '000)         |                          |
| <b>34. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX</b>            |      |                          |                          |
| Profit after taxation  |      | 15,323,227               | 16,441,670               |
|  |      | (Number of shares)       |                          |
| Weighted average number of shares outstanding during the year          |      | 628,276,843              | 628,276,843              |
|  |      | (Rupees)                 |                          |
| Basic and diluted earnings per share - after tax                       |      | 24.39                    | 26.17                    |
|  |      | (Rupees In '000)         |                          |
| <b>35. CASH AND CASH EQUIVALENTS</b>                                   |      |                          |                          |
| Cash and balances with treasury banks                                  | 6    | 39,631,219               | 39,683,883               |
| Balances with other banks  | 7    | 4,106,528                | 3,867,591                |
|  |      | 43,737,745               | 43,551,474               |
|  |      | (Number)                 |                          |
| <b>36. STAFF STRENGTH</b>  |      |                          |                          |
| Permanent  |      | 10,488                   | 9,985                    |
| Temporary/on contractual basis   |      | 107                      | 95                       |
| Bank's own staff strength at the end of the year                       |      | 10,595                   | 10,080                   |
| Outsourced   |      | 3,482                    | 3,600                    |
| Total staff strength   |      | 14,077                   | 13,680                   |
| <b>37. DEFINED BENEFIT PLANS AND OTHER BENEFITS</b>                    |      |                          |                          |
| <b>37.1 General description</b>  |      |                          |                          |
| The Bank operates the following retirement benefits for its employees: |      |                          |                          |
| - Pension fund (final salary plan) - funded                            |      |                          |                          |
| - Benevolent scheme - unfunded   |      |                          |                          |
| - Post retirement medical benefits - unfunded                          |      |                          |                          |
| - Employees compensated absence - unfunded                             |      |                          |                          |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**37.2 Principal actuarial assumptions**

The latest actuarial valuations of the approved pension fund, employees' contributory benevolent scheme, post retirement medical benefits and employee's compensated absences were carried out at December 31, 2008. The principal actuarial assumptions used are as follows:

|  | Approved pension fund |          | Employees' contributory benevolent scheme |          | Post retirement medical benefits |          | Employees' compensated absences |          |
|--|-----------------------|----------|---|----------|----------------------------------|----------|---------------------------------|----------|
|  | 2008 (%)              | 2007 (%) | 2008 (%)                                  | 2007 (%) | 2008 (%)                         | 2007 (%) | 2008 (%)                        | 2007 (%) |
| Valuation discount rate                | 13                    | 10       | 13  | 10       | 13                               | 10       | 13                              | -        |
| Expected rate of return on plan assets | 13                    | 10       | -   | -        | -                                | -        | -                               | -        |
| Salary increase rate                   | 10                    | 7        | 10  | 7        | 10                               | 7        | 10                              | -        |
| Indexation in pension                  | -                     | -        | -   | -        | -                                | -        | -                               | -        |
| Medical cost inflation rate            | -                     | -        | -   | -        | 8                                | 5        | -                               | -        |
| Exposure inflation rate                | -                     | -        | -   | -        | 5                                | 3        | -                               | -        |

The expected return on plan assets is based on the market expectations and depends on the asset portfolio of the Bank, at the beginning of the period, for returns over the entire life of the related obligation.

**37.3 (Receivable from) / payable to defined benefit plans and other benefits**

|  | Note | Approved pension fund |              | Employees' contributory benevolent scheme |          | Post retirement medical benefits |           | Employees' compensated absences |         |
|--|------|-----------------------|--------------|---|----------|----------------------------------|-----------|---------------------------------|---------|
|  |      | 2008                  | 2007         | 2008                                      | 2007     | 2008                             | 2007      | 2008                            | 2007    |
|  |      | (Rupees In '000)      |              |   |          |                                  |           |                                 |         |
| Present value of defined benefit obligations             | 37.5 | 4,295,986             | 4,747,389    | 300,182                                   | 355,340  | 1,269,622                        | 1,422,918 | 752,947                         | 974,464 |
| Fair value of plan assets                                | 37.6 | (15,953,712)          | (25,095,113) | -   | -        | -                                | -         | -                               | -       |
| Net actuarial gains / (losses) not recognised            |      | 6,268,707             | 9,696,677    | (26,716)                                  | (73,321) | 71,952                           | (51,753)  | -                               | -       |
| Unrecognised negative past service cost                  |      | -                     | -            | -   | -        | 67,416                           | 101,123   | -                               | -       |
| Unrecognised transitional liability                      |      | -                     | -            | -   | -        | -                                | -         | -                               | -       |
| Unrecognised past service cost                           |      | -                     | -            | -   | -        | (8,578)                          | (17,163)  | -                               | -       |
| Net (receivable) / payable recognised as at the year-end |      | (5,399,019)           | (10,651,047) | 274,446                                   | 282,019  | 1,400,413                        | 1,455,135 | 752,947                         | 974,464 |

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the present value of medical obligation at December 31, 2008 would be Rs. 61.665 million (2007: Rs. 67.680 million) and Rs. 51.799 million (2007: Rs. 56.567 million) respectively.

**37.4 Movement in balance (receivable) / payable**

|   | Note | 2008             | 2007         | 2008     | 2007     | 2008      | 2007      | 2008      | 2007      |
|---|------|------------------|--------------|----------|----------|-----------|-----------|-----------|-----------|
|   |      | (Rupees In '000) |              |          |          |           |           |           |           |
| Opening balance of (receivable) / payable |      | (10,651,047)     | (4,861,463)  | 282,019  | 284,542  | 1,455,135 | 1,443,450 | 974,464   | 1,023,683 |
| Expense recognised                        | 37.8 | (6,399,319)      | (6,769,664)  | 48,384   | 60,094   | 98,739    | 146,388   | (76,892)  | 100,729   |
| Refunds / (contributions) during the year |      | 10,661,347       | -            | -        | -        | -         | -         | -         | -         |
| - Employees' contribution                 |      | -                | -            | -        | -        | -         | -         | -         | -         |
| - Bank's contribution / benefits paid     |      | -                | -            | (65,967) | (42,617) | (163,461) | (133,703) | (145,826) | (149,948) |
| Closing balance of (receivable) / payable |      | (5,399,019)      | (10,651,047) | 274,446  | 282,019  | 1,400,413 | 1,455,135 | 752,947   | 974,464   |

**37.5 Reconciliation of the present value of the defined benefit obligations**

|  | 2008      | 2007      | 2008     | 2007     | 2008      | 2007      | 2008      | 2007      |
|--|-----------|-----------|----------|----------|-----------|-----------|-----------|-----------|
| Present value of obligation as at January 01,  | 4,747,389 | 4,762,893 | 355,340  | 332,677  | 1,422,918 | 1,345,367 | 974,464   | 1,023,683 |
| Current services cost                          | 34,639    | 45,288    | 13,789   | 9,698    | 17,555    | 20,680    | -         | -         |
| Interest cost                                  | 371,093   | 348,610   | 35,533   | 29,941   | 142,292   | 121,082   | -         | -         |
| Benefits paid                                  | (689,440) | (725,229) | (69,735) | (77,944) | (163,461) | (133,703) | (145,826) | (149,948) |
| Past service cost - vested                     | -         | -         | -        | -        | -         | 11,556    | -         | -         |
| Past service cost - non-vested                 | -         | -         | -        | -        | -         | 17,153    | -         | -         |
| Retirement loss                                | -         | -         | -        | -        | -         | -         | -         | -         |
| Curtailment gain                               | -         | -         | -        | -        | -         | -         | -         | -         |
| Actuarial gains / losses                       | (187,665) | 325,849   | (34,745) | 60,666   | (168,882) | 40,883    | (75,882)  | 100,729   |
| Present value of obligation as at December 31, | 4,295,986 | 4,747,389 | 300,182  | 355,340  | 1,269,622 | 1,422,918 | 752,947   | 974,464   |

**Notes to the Consolidated Financial Statements**  
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| Note  | Approved pension fund |            | Employee's contributory benevolent scheme |          | Post retirement medical benefits |      | Employee's compensated absences |      |
|---|-----------------------|------------|---|----------|----------------------------------|------|---------------------------------|------|
|   | 2008                  | 2007       | 2008                                      | 2007     | 2008                             | 2007 | 2008                            | 2007 |
| <b>37.6</b>   | (Rupees in '000)      |            |   |          |                                  |      |                                 |      |
| Net assets as at January 01                               | 25,095,113            | 14,810,687 | -   | -        | 20,650                           | -    | -                               | -    |
| Expected return on plan assets                            | 2,675,699             | 1,508,469  | -   | -        | 1,659                            | -    | -                               | -    |
| Interest on borrowing from MCB Bank Limited - Main Branch | -                     | (193,167)  | -   | -        | -                                | -    | -                               | -    |
| Contributions - Bank                                      | (10,651,347)          | -          | 55,957                                    | 42,617   | -                                | -    | -                               | -    |
| Contributions - Employees                                 | -                     | -          | 13,778                                    | 14,347   | -                                | -    | -                               | -    |
| Benefits paid   | (889,440)             | (725,229)  | (89,735)                                  | (77,944) | -                                | -    | -                               | -    |
| Actuarial gain / (loss)                                   | (476,313)             | 9,694,483  | -   | (1,629)  | -                                | -    | -                               | -    |
| Net assets as at December 31,                             | 15,953,712            | 25,095,113 | -   | -        | -                                | -    | -                               | -    |

37.7 Fair value of the Bank's shares held by the Pension Fund as at December 31, 2008 amounted to Rs. 1,213.610 million (2007: Rs. 20,233.013 million).

**37.8 Charge for defined benefit plans and other benefits**

The following amounts have been charged to the profit and loss account in respect of defined benefit plans and other benefits:

|   |             |             |          |          |          |          |          |         |
|---|-------------|-------------|----------|----------|----------|----------|----------|---------|
| Current service cost                                      | 34,639      | 45,268      | 13,789   | 9,698    | 17,555   | 20,580   | -        | -       |
| Interest cost   | 371,093     | 348,810     | 36,533   | 29,941   | 142,292  | 121,082  | -        | -       |
| Expected return on plan assets                            | (2,675,697) | (1,508,469) | -        | (1,659)  | -        | -        | -        | -       |
| Interest on borrowing from MCB Bank Limited - Main Branch | -           | 193,167     | -        | -        | -        | -        | -        | -       |
| Net actuarial (gain) / loss recognised                    | (3,129,354) | (4,848,336) | 12,859   | 36,661   | (35,977) | 25,877   | (75,692) | 100,729 |
| Contributions employees                                   | -           | -           | (13,777) | (14,347) | -        | -        | -        | -       |
| Retrenchment loss recognised                              | -           | -           | -        | -        | -        | -        | -        | -       |
| Amortisation of transitional liability                    | -           | -           | -        | -        | -        | -        | -        | -       |
| Recognised past service cost                              | -           | -           | -        | -        | 8,577    | 11,558   | -        | -       |
| Recognised negative past service cost -                   | -           | -           | -        | -        | (33,708) | (33,707) | -        | -       |
| Recognised transitional liability                         | -           | -           | -        | -        | -        | -        | -        | -       |
| Curialment gain   | -           | -           | -        | -        | -        | -        | -        | -       |
|   | (6,399,319) | (6,769,564) | 48,384   | 60,034   | 98,739   | 145,388  | (75,692) | 100,729 |

The effect of increase of one percent and the effect of a decrease of one percent in the medical trend rates on the aggregate of the current service cost and interest cost components of net period cost - employment medical costs would be Rs. 7.516 million (2007: Rs. 7.578 million) and Rs. 6.056 million (2007: Rs. 6.278 million) respectively.

**37.9 Actual return on plan assets**

|                              | Approved pension fund |            | Employee's contributory benevolent scheme |      | Post retirement medical benefits |      | Employee's compensated absences |      |
|------------------------------|-----------------------|------------|---|------|----------------------------------|------|---------------------------------|------|
|                              | 2008                  | 2007       | 2008                                      | 2007 | 2008                             | 2007 | 2008                            | 2007 |
| Actual return on plan assets | 2,199,388             | 11,202,952 | -   | 330  | -                                | -    | -                               | -    |

**37.10 Composition of fair value of plan assets**

|                                 | Approved Pension Fund       |                |                             |                |
|---------------------------------|-----------------------------|----------------|-----------------------------|----------------|
|                                 | 2008                        |                | 2007                        |                |
|                                 | Fair value (Rupees in '000) | Percentage (%) | Fair value (Rupees in '000) | Percentage (%) |
| Debt and equity certificates    | 4,580,864                   | 28.71          | 4,810,576                   | 17.85          |
| Term deposit receipts           | 8,308,121                   | 52.08          | -                           | -              |
| Listed equity shares            | 1,877,187                   | 11.77          | 21,778,377                  | 81.39          |
| Open ended mutual funds units   | 89,072                      | 0.56           | 119,872                     | 0.45           |
| Cash and bank balances          | 1,100,388                   | 8.90           | 48,157                      | 0.18           |
| Fair value of plan total assets | 15,953,712                  | 100            | 26,756,982                  | 100            |
| Borrowing                       | -                           | -              | (1,651,869)                 | -              |
| Fair value of plan net assets   | 15,953,712                  | -              | 25,095,113                  | -              |



**Notes to the Consolidated Financial Statements**  
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**37.11 Other relevant details of above funds are as follows:**

**37.11.1 Pension Fund**

|   | 2008             | 2007         | 2006         | 2005         | 2004        |
|---|------------------|--------------|--------------|--------------|-------------|
|   | (Rupees in '000) |              |              |              |             |
| Present value of defined benefit obligation | 4,295,986        | 4,747,389    | 4,752,698    | 5,503,819    | 6,542,824   |
| Fair value of plan assets                   | (15,953,712)     | (25,095,113) | (14,810,557) | (10,554,024) | (7,034,175) |
| (Surplus) / deficit                         | (11,657,726)     | (20,347,724) | (10,057,859) | (6,050,205)  | (491,351)   |
| Actuarial gain / (loss) on obligation       | 167,695          | (325,849)    | 54,320       | (304,748)    | (141,338)   |
| Experience adjustment                       | -                | -            | -            | 172,866      | -           |
| Assumptions gain / (loss)                   | 167,695          | (325,849)    | 54,320       | (131,882)    | (141,338)   |
| Actuarial gain / (loss) on assets           | (476,313)        | 9,694,483    | 4,634,045    | 5,288,989    | (254,840)   |
| Experience adjustment                       | -                | -            | -            | (138,502)    | -           |
| Assumptions gain / (loss)                   | (476,313)        | 9,694,483    | 4,634,045    | 5,150,487    | (254,840)   |

**37.11.2 Employee's Contributory Benevolent Scheme**

|   |         |          |          |           |          |
|---|---------|----------|----------|-----------|----------|
| Present value of defined benefit obligation | 300,162 | 355,340  | 332,677  | 407,669   | 362,104  |
| Fair value of plan assets                   | -       | -        | (20,650) | (18,976)  | (18,126) |
| (Surplus) / deficit                         | 300,162 | 355,340  | 312,027  | 388,693   | 343,978  |
| Actuarial gain / (loss) on obligation       | 34,745  | (60,968) | 10,182   | (228,823) | (22,609) |
| Experience adjustment                       | -       | -        | -        | 107,003   | -        |
| Assumptions gain / (loss)                   | 34,745  | (60,968) | 10,182   | (121,820) | (22,609) |
| Actuarial gain / (loss) on assets           | -       | (1,629)  | (34)     | (1)       | 2        |
| Experience adjustment                       | -       | -        | -        | (418)     | -        |
| Assumptions gain / (loss)                   | -       | (1,629)  | (34)     | (419)     | 2        |

**37.11.3 Post Retirement Medical Benefits**

|   |           |           |           |           |           |
|---|-----------|-----------|-----------|-----------|-----------|
| Present value of defined benefit obligation | 1,289,622 | 1,422,918 | 1,346,357 | 1,466,392 | 1,121,548 |
| Fair value of plan assets                   | -         | -         | -         | -         | -         |
| (Surplus) / deficit                         | 1,289,622 | 1,422,918 | 1,346,357 | 1,466,392 | 1,121,548 |
| Actuarial gain / (loss) on obligation       | 159,682   | (40,893)  | 36,153    | 8,743     | -         |
| Experience adjustment                       | -         | -         | -         | (21,846)  | -         |
| Assumptions gain / (loss)                   | 159,682   | (40,893)  | 36,153    | (13,103)  | -         |

**37.11.4 Compensated absences**

|   |         |           |           |         |         |
|---|---------|-----------|-----------|---------|---------|
| Present value of defined benefit obligation | 752,947 | 974,484   | 1,023,683 | 866,213 | 603,624 |
| Fair value of plan assets                   | -       | -         | -         | -       | -       |
| (Surplus) / deficit                         | 752,947 | 974,484   | 1,023,683 | 866,213 | 603,624 |
| Actuarial gain / (loss) on obligation       | 75,692  | (100,729) | -         | -       | -       |

37.12 No contribution to the pension fund is expected in the next future year.

**38. DEFINED CONTRIBUTION PLAN**

**38.1 MCB Bank Limited (holding company)**

The Bank operates an approved contributory provident fund for 8,955 (2007: 6,201) employees where contributions are made by the Bank and employees at 8.33% per annum (2007: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs. 135.164 million (2007: Rs. 109.778 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 2,284 (2007: 2,875) employees who have opted for the new scheme, where contributions are made by the employees at 12% per annum (2007: 12% per annum) of the basic salary.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

#### 38.2 MCB Asset Management Company Limited (subsidiary company)

MCB Asset Management Company operates a recognized contribution fund for the permanent employees of the company. Contribution at the rate of 8.66% of the basic salary per annum are made both by the Company and employees to the fund.

#### 38.3 Muslim Commercial Financial Services (Private) Limited (subsidiary company)

The company operates the provident fund scheme covering all permanent employees. Contribution at the rate of 8.33% per annum are made both by the Company and employees to the fund.

#### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for compensation, including all benefits, to the Chief Executive, Directors and Executives of the Group was as follows:

|                            | President / Chief Executive |               | Directors    |              | Executives       |                  |
|----------------------------|-----------------------------|---------------|--------------|--------------|------------------|------------------|
|                            | 2008                        | 2007          | 2008         | 2007         | 2008             | 2007             |
|                            | ------(Rupees in '000)----- |               |              |              |                  |                  |
| Fees                       | -                           | -             | 3,630        | 720          | -                | -                |
| Managerial remuneration    | 27,016                      | 15,117        | 1,524        | 1,524        | 606,993          | 409,807          |
| Bonus and others           | 12,800                      | 63,212        | -            | -            | 269,399          | 331,016          |
| Retirement benefits        | 2,161                       | 1,259         | -            | -            | 111,983          | 33,015           |
| Rent and house maintenance | 11,669                      | 6,803         | -            | -            | 220,802          | 184,415          |
| Utilities                  | 2,593                       | 1,512         | -            | -            | 48,582           | 42,044           |
| Medical                    | 82                          | 260           | -            | -            | 16,909           | 19,696           |
| Conveyance                 | -                           | 413           | -            | -            | 184,936          | 65,099           |
|                            | <u>56,321</u>               | <u>88,576</u> | <u>5,154</u> | <u>2,244</u> | <u>1,459,604</u> | <u>1,085,092</u> |
| Number of persons          | <u>1</u>                    | <u>2</u>      | <u>10</u>    | <u>10</u>    | <u>532</u>       | <u>505</u>       |

The Chief Executive and certain executives are provided with free use of the Group maintained cars and household equipments in accordance with the terms of their employment.

#### 40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices, except for tradable securities classified by the Bank as 'held to maturity'. Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3 to these financial statements.

The maturity and repricing profile and effective rates are stated in notes 44.3, 44.4.1 and 44.4.2 respectively.

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





## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

#### 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

|  | Corporate<br>Finance | Trading and<br>Sales | Retail &<br>Consumer<br>Banking | Commercial<br>Banking | Asset<br>Management | Eliminations     | Total              |
|--|----------------------|----------------------|---------------------------------|-----------------------|---------------------|------------------|--------------------|
| (Rupees in '000)                               |                      |                      |                                 |                       |                     |                  |                    |
| <b>2008</b>                                    |                      |                      |                                 |                       |                     |                  |                    |
| Total income                                   | 83,793               | 10,524,180           | 19,654,410                      | 15,905,084            | 210,289             | (367,560)        | 46,010,198         |
| Total expenses                                 | (33,109)             | (3,673,800)          | (19,307,052)                    | (1,333,657)           | (143,398)           | 367,560          | (24,123,456)       |
| Income tax expense                             | -                    | -                    | -                               | -                     | -                   | -                | (6,563,513)        |
| Net Income                                     | <u>50,684</u>        | <u>6,850,380</u>     | <u>347,358</u>                  | <u>14,571,427</u>     | <u>66,891</u>       | <u>-</u>         | <u>15,323,227</u>  |
| Segment assets - (Gross of<br>NPL's provision) | -                    | 114,648,895          | 152,526,314                     | 188,080,852           | 397,706             | (523,939)        | 455,129,828        |
| Provision for taxation                         | -                    | -                    | -                               | -                     | -                   | -                | 51,819             |
| Total assets                                   | <u>-</u>             | <u>114,648,895</u>   | <u>152,526,314</u>              | <u>188,080,852</u>    | <u>397,706</u>      | <u>(523,939)</u> | <u>455,181,647</u> |
| Segment non performing<br>loans                | -                    | -                    | 7,529,468                       | 10,739,409            | -                   | -                | 18,268,877         |
| Segment specific provision<br>required         | -                    | -                    | 4,078,564                       | 5,817,325             | -                   | -                | 9,895,889          |
| Segment liabilities                            | -                    | 107,373,831          | 117,913,020                     | 159,937,095           | 13,323              | (523,939)        | 384,713,330        |
| Deferred tax liability                         | -                    | -                    | -                               | -                     | -                   | -                | 440,295            |
| Total liabilities - net                        | <u>-</u>             | <u>107,373,831</u>   | <u>117,913,020</u>              | <u>159,937,095</u>    | <u>13,323</u>       | <u>(523,939)</u> | <u>385,153,625</u> |
| Segment return on net<br>assets (ROA) (%)      | -                    | 5.98%                | 0.23%                           | 7.89%                 | 16.82%              | -                | 3.44%              |
| Segment cost of fund (%)                       | -                    | 4.16%                | 2.97%                           | 3.72%                 | -                   | -                | 3.01%              |
| <b>2007</b>                                    |                      |                      |                                 |                       |                     |                  |                    |
| Total income                                   | 217,784              | 11,824,946           | 17,124,838                      | 10,219,336            | 153,014             | (10,395)         | 39,529,523         |
| Total expenses                                 | (23,535)             | (1,576,724)          | (14,282,167)                    | (1,054,429)           | (76,752)            | 10,395           | (17,003,212)       |
| Income tax expense                             | -                    | -                    | -                               | -                     | -                   | -                | (8,084,641)        |
| Net income                                     | <u>194,249</u>       | <u>10,248,222</u>    | <u>2,842,671</u>                | <u>9,164,907</u>      | <u>76,262</u>       | <u>-</u>         | <u>16,441,670</u>  |
| Segment assets - (Gross of<br>NPL's provision) | 24,007               | 124,876,452          | 160,964,085                     | 134,507,060           | 377,603             | (521,413)        | 420,227,794        |
| Total assets                                   | <u>24,007</u>        | <u>124,876,452</u>   | <u>160,964,085</u>              | <u>134,507,060</u>    | <u>377,603</u>      | <u>(521,413)</u> | <u>420,227,794</u> |
| Segment non performing<br>loans                | -                    | -                    | 5,567,247                       | 5,158,061             | -                   | -                | 10,725,308         |
| Segment specific provision<br>required         | -                    | -                    | 3,803,244                       | 3,523,709             | -                   | -                | 7,326,953          |
| Segment liabilities                            | -                    | 109,653,757          | 127,275,792                     | 116,391,633           | 21,321              | (521,413)        | 352,821,090        |
| Provision for taxation                         | -                    | -                    | -                               | -                     | -                   | -                | 1,348,843          |
| Deferred tax liability                         | -                    | -                    | -                               | -                     | -                   | -                | 1,183,586          |
| Total liabilities - net                        | <u>-</u>             | <u>109,653,757</u>   | <u>127,275,792</u>              | <u>116,391,633</u>    | <u>21,321</u>       | <u>(521,413)</u> | <u>355,353,519</u> |
| Segment return on net<br>assets (ROA) (%)      | -                    | 8.21%                | 1.81%                           | 7.00%                 | 20.20%              | -                | 3.98%              |
| Segment cost of fund (%)                       | -                    | 5.38%                | 2.11%                           | 2.77%                 | -                   | -                | 2.24%              |

#### 42. RELATED PARTY TRANSACTIONS AND BALANCES

The Group has related party relationship with its associated undertakings, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in associated undertakings are stated in Annexure I (note 7) to these financial statements.

Transactions between the Group and its related parties are carried at arm's length basis under the comparable uncontrolled price method. Details of loans and advances to the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members, are given in note 10.6 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuation / terms of the contribution plan as disclosed in notes 37 and 38. Remuneration to the executives and disposals of vehicles are disclosed in note 39 and Annexure IV to these financial statements respectively.

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|   | Directors    |           | Associated companies |               | Other related parties |              |
|---|--------------|-----------|----------------------|---------------|-----------------------|--------------|
|   | 2008         | 2007      | 2008                 | 2007          | 2008                  | 2007         |
| (Rupees in '000)  |              |           |                      |               |                       |              |
| <b>A. Balances</b>  |              |           |                      |               |                       |              |
| <b>Deposits</b>   |              |           |                      |               |                       |              |
| Deposits at beginning of the year   | 17,990       | 19,099    | 275,828              | 522,641       | 209,716               | 314,045      |
| Deposits received during the year   | 10,910,613   | 447,772   | 302,979,123          | 124,757,792   | 50,640,762            | 14,776,866   |
| Deposits repaid during the year   | (10,502,695) | (448,891) | (302,953,020)        | (125,004,607) | (43,789,846)          | (14,881,195) |
| Deposits at end of the year   | 425,898      | 17,980    | 301,929              | 275,826       | 7,060,632             | 209,716      |
| Mark-up expense on deposits   | 4,908        | 1         | 81,271               | 42,703        | 442,175               | -            |
| Mark-up rates on deposits range from 5.0% to 12% (2007: 0.1% to 6.75%) per annum. |              |           |                      |               |                       |              |
| <b>Advances (secured)</b>   |              |           |                      |               |                       |              |
| Balance at beginning of the year  | -            | -         | -                    | -             | 1,881,889             | 2,240,038    |
| Loans granted during the year   | -            | -         | -                    | -             | 524,153               | 1,442,020    |
| Repayments received during the year   | -            | -         | -                    | -             | (2,186,022)           | (2,020,189)  |
| Balance at end of the year  | -            | -         | -                    | -             | -                     | 1,661,869    |
| Income on advances  |              |           |                      |               | -                     | 193,167      |
| <b>B. Other transactions (Including profit and loss related transactions)</b>     |              |           |                      |               |                       |              |
| <b>Associates</b>   |              |           |                      |               |                       |              |
| <b>Adamjee Insurance Company Limited</b>  |              |           |                      |               |                       |              |
| - Insurance premium paid - net of refund  | -            | -         | 85,524               | 87,866        | -                     | -            |
| - Insurance claim settled   | -            | -         | 84,613               | 65,260        | -                     | -            |
| - Rent income received  | -            | -         | 7,424                | 2,147         | -                     | -            |
| - Dividend received   | -            | -         | 89,340               | 98,274        | -                     | -            |
| - Share of profit - net of tax under equity basis of accounting                   | -            | -         | 5,679                | 1,207,864     | -                     | -            |
| - Share of deficit on revaluation of assets - net of tax                          | -            | -         | 682,007              | 91,983        | -                     | -            |
| <b>Other related parties</b>  |              |           |                      |               |                       |              |
| <b>MCB Employees Security System and Services (Private) Limited</b>               |              |           |                      |               |                       |              |
| - Security guard expenses   | -            | -         | -                    | -             | 126,237               | 115,718      |
| <b>MCB Employees Foundation</b>   |              |           |                      |               |                       |              |
| - Stationery expenses   | -            | -         | -                    | -             | 118,212               | 140,009      |
| - Service expenses  | -            | -         | -                    | -             | 17,461                | 19,641       |
| - Cash sorting expenses   | -            | -         | -                    | -             | 17,169                | 16,603       |
| - Cash In transit expenses  | -            | -         | -                    | -             | 4,475                 | 3,474        |
| - Proceeds from sale of car   | -            | -         | -                    | -             | -                     | 611          |
| - Gain on sale of car   | -            | -         | -                    | -             | -                     | 4            |
| <b>Others</b>   |              |           |                      |               |                       |              |
| Dividend income   | -            | -         | -                    | -             | 196,105               | 182,664      |
| Proceeds from sale of vehicles to key management personnel                        | -            | -         | -                    | -             | 11,537                | 5,987        |
| Gain on sale of vehicles to key management personnel                              | -            | -         | -                    | -             | 267                   | 583          |
| Remuneration of key management personnel (other than directors)                   | -            | -         | -                    | -             | 162,482               | 148,850      |
| Contribution / (expense) to provident fund  | -            | -         | -                    | -             | 135,164               | 109,778      |
| Other miscellaneous expenses  | -            | -         | -                    | -             | 76,725                | 69,263       |

The details of director's compensations are given in note 39 to these financial statements.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

#### 43. CAPITAL ADEQUACY

##### 43.1 Capital Management

Objectives and goals of managing capital

The objectives and goals of managing capital of the Bank are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- maintain strong ratings and to protect the Bank against unexpected events;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and
- achieve low overall cost of capital with appropriate mix of capital elements.

##### Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 23 billion by the year ending on December 31, 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 for the year ended December 31, 2008 stands at Rs. 6.2 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum capital adequacy ratio (CAR) of 9 % of the risk weighted exposure. The Bank's CAR as at December 31, 2008 was 16.50 % of its risk weighted exposure.

Bank's regulatory capital is analysed into two tiers.

- Tier 1 capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net unappropriated profits, etc after deductions for deficit on revaluation of available for sale investments and 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.
- Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25 % of risk weighted assets), reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % the balance, foreign exchange translation reserves, etc after 50% deduction for investments in the equity of subsidiary companies and significant minority investments in entities engaged in banking and financial activities.

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However the Bank is not eligible for the Tier 3 capital.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (9% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk, market risk and operational risk.

The calculation of capital adequacy enables the Bank to assess the long-term soundness. As the bank carry on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across entire organisation and aggregate the risks so as to take an integrated approach/view. Maximization of the return on risk-adjusted capital is the principal basis to be used in determining how capital is allocated within the Bank to particular operations or activities.

The Bank has complied with all externally imposed capital requirements through out the year. Further, there has been no material change in the Bank's management of capital during the year.

**Notes to the Consolidated Financial Statements**  
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**43.2 Capital Adequacy Ratio**

Capital adequacy ratio (including corresponding figures) calculated in accordance with the BSD Circular No. 08 of 2006 dated June 27, 2006 by SBP is as follows:

|   | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|---|--------------------------|--------------------------|
| <b>CAP 1</b>  |                          |                          |
| <b>Tier 1 Capital</b>   |                          |                          |
| Fully Paid-up capital   | 6,282,768                | 6,282,768                |
| Balance in Share Premium Account  | 9,702,628                | 9,702,628                |
| Reserve for Issue of Bonus Shares   | -                        | -                        |
| General Reserves as disclosed on the Balance Sheet  | 26,877,551               | 24,340,091               |
| Unappropriated profits  | 11,065,723               | 7,054,472                |
| Minority interest   | 69                       | 63                       |
| Sub-Total   | 53,928,639               | 47,379,922               |
| <b>Deductions:</b>  |                          |                          |
| Book value of Goodwill and intangibles  | 256,183                  | 247,799                  |
| Shortfall in provisions required against classified assets irrespective of any relaxation allowed.    | -                        | -                        |
| Deficit on account of revaluation of investments held in AFS category                                 | -                        | -                        |
| Any increase in equity capital resulting from a securitization transaction                            | -                        | -                        |
| Investments in TFCs of other banks exceeding the prescribed limit                                     | -                        | -                        |
| Other deductions (50% of the amount as calculated on CAP 2)   | 1,374,912                | 1,843,990                |
| Sub-Total   | 1,631,095                | 2,091,789                |
| <b>Total eligible Tier 1 capital</b>  | 52,297,544               | 45,288,133               |
| <b>Tier 2 Capital</b>   |                          |                          |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Risk Weighted Assets | 815,966                  | 3,445,321                |
| Revaluation Reserves up to 45%  | 2,596,362                | 4,997,638                |
| Foreign Exchange Translation Reserves   | 192,242                  | (41,692)                 |
| Undisclosed reserves  | -                        | -                        |
| Subordinated debt -upto maximum of 50% of Total eligible Tier 1 capital                               | -                        | -                        |
| Sub-Total   | 3,604,570                | 8,401,267                |
| <b>Deductions:</b>  |                          |                          |
| Other deductions (50% of the amount as calculated on CAP 2)   | 1,374,912                | 1,843,990                |
| <b>Total eligible Tier 2 Capital</b>  | 2,229,658                | 6,557,277                |
| <b>Tier 3 Capital (eligible for market risk only)</b>   |                          |                          |
| Eligible Tier 3 Capital   | -                        | -                        |
| Total Supplementary Capital eligible for capital adequacy ratio                                       | 2,229,658                | 6,557,277                |
| <b>Total Eligible Capital</b>   | 54,527,202               | 51,845,410               |
| <b>Risk Weighted Amounts</b>  |                          |                          |
| Total Credit Risk Weighted Amount   | 253,707,454              | 238,475,368              |
| Total Market Risk Weighted Amount   | 21,886,080               | 25,622,096               |
| Total Operational Risk Weighted Amount  | 54,778,112               | 46,174,508               |
| <b>Total Risk Weighted Amount</b>   | 330,371,646              | 308,169,932              |
| <b>Capital Adequacy Ratios</b>  |                          |                          |
| Credit Risk Capital Adequacy Ratio  | 21.49%                   | 21.92%                   |
| Tier 1 Capital to Total Risk Weighted Amount  | 15.83%                   | 14.70%                   |
| Total Capital Adequacy Ratio  | 16.50%                   | 16.82%                   |



**Notes to the Consolidated Financial Statements**  
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**CAP 2**

**Other Deductions from Tier 1 and Tier 2 Capital**  
Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet  
Significant minority investments in banking, securities and other financial entities  
Equity holdings (majority or significant minority) in an insurance subsidiary  
Significant minority and majority investments in commercial entities exceeding 15% of bank's capital  
Securitization exposure subject to deduction  
Others

Total Deductible Items to be deducted 50% from Tier 1 capital and 50% from Tier 2 capital

| 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|--------------------------|--------------------------|
| -                        | -                        |
| 2,749,824                | 3,687,980                |
| -                        | -                        |
| -                        | -                        |
| -                        | -                        |
| <b>2,749,824</b>         | <b>3,687,980</b>         |

**44. RISK MANAGEMENT**

Identifying and managing exposure to risk is an integral part of our strategic and operational activities. Our risk management policy is aimed at setting the best course of action under uncertainty by identifying, measuring, prioritizing, monitoring and managing risks. With the goal of enhancing shareholders' value, major objectives of our robust risk management structure are as follows:

- In line with the corporate goal, mission and strategy, bank's risk exposure is maintained within the risk appetite of the stakeholders as defined by the Board of Directors;
- Business decisions optimize the risk-return trade-off;
- Sufficient capital is always available as a buffer to absorb risk and our risk management approach remains aligned with the regulatory requirements, international best practices and our policy / framework.

Keeping in view the dynamics of internal and external environment, we regularly review and update our policy / framework and procedures in accordance with domestic regulatory environment and international standards.

Our risk management structure is established in line with international best practices. The risk management framework is based on prudent risk identification, measurement, monitoring and management processes which are closely aligned with all activities of the bank so as to ensure that risks are kept within an acceptable level. Independent of the business groups, the Chief Risk Officer (CRO) has direct functional reporting line to the Risk Management and Portfolio Review Committee (RM&PRC) of the Board of Directors, with administrative reporting to the President / CEO. The Risk Management and Portfolio Review Committee is convened regularly to evaluate bank's risk exposure in relation to the risk appetite / benchmarks, portfolio concentrations, etc.

The Risk Management Group is structured as follows, with the respective Heads of these departments having direct reporting lines to the CRO.

- Credit Review
  - o Commercial
  - o Corporate
- Credit Risk Management
- Market Risk Management
- Operational Risk Management
- Basel-II Project
- Credit Risk Control (Credit Administration)
  - o North
  - o South

## Notes to the Consolidated Financial Statements

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### 44.1 Credit Risk

Credit risk makes up the largest part of the Bank's exposure. The purpose of credit risk function is to identify, measure, manage, monitor and mitigate credit risk. Organizational structure for this function ensures pre and post-fact management of credit risk. While Credit Review function provides pre-fact evaluation at counterparty level; Credit Risk Control (Credit Administration) function performs the role of custodian of collateral and provides expertise for completion of legal documentation, etc.

The Bank has adopted the Standardized approach to Credit Risk for regulatory capital calculation in compliance with Basel-II requirements. As a medium-term goal, we intend to graduate to the Foundation Internal Ratings Based approach and have made significant progress in this direction.

The basic guiding principles for management of credit risk at MCB are as follows:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- All approvals of credit facilities to counterparties are subject to pre-fact independent review;
- All enhancements and material changes in credit facilities are subject to independent pre-fact review;
- Approval and review process is independently reviewed by the Risk Management and Portfolio Review Committee (RM&PRC) of the Board of Directors and Internal Audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities;
- Credit approval and review decisions of authorized personnel are independently reviewed by one level higher authority on sample basis as part of a process of hindsight review.

New initiatives

- Portfolio management function has been strengthened in order to identify portfolio concentrations and eventual application of credit portfolio model.
- Probability of Default estimation exercise has been initiated which will take the bank towards adopting Foundation Internal Ratings Based approach as defined under Basel-II.
- A regular portfolio review process of corporate clients has also been initiated to evaluate the performance of major industry sectors in the wake of latest macroeconomic changes.

#### Concentration of credit and deposits

Out of the total financial assets of Rs. 414,632.155 million (2007: Rs. 381,037 million) the financial assets which are subject to credit risk amounting to Rs. 403,250.563 million (2007: Rs. 369,575 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 86,198 million (2007: Rs. 97,047 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 21,854 million (2007: Rs. 24,517 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.



## Notes to the Consolidated Financial Statements

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### 44.1.1 Segmental information

Segmental Information is presented in respect of the class of business and geographical distribution of advances (gross), deposits, contingencies and commitments.

| 44.1.1.1 Segments by class of business     | 2008             |             |                  |             |                               |             |
|--|------------------|-------------|------------------|-------------|-------------------------------|-------------|
|  | Advances (Gross) |             | Deposits         |             | Contingencies and commitments |             |
|  | (Rupees in '000) | Percent (%) | (Rupees in '000) | Percent (%) | (Rupees in '000)              | Percent (%) |
| Agriculture, forestry, hunting and fishing | 10,414,918       | 3.81        | 34,481,318       | 10.44       | 679,404                       | 0.28        |
| Mining and quarrying                       | 1,670,510        | 0.81        | 254,075          | 0.08        | -                             | -           |
| Textile                                    | 35,240,763       | 12.90       | 1,381,008        | 0.42        | 8,899,509                     | 3.34        |
| Chemical and pharmaceuticals               | 13,931,176       | 5.10        | 1,160,792        | 0.35        | 7,126,382                     | 2.68        |
| Cement                                     | 4,986,099        | 1.82        | 17,464           | 0.01        | 5,203,675                     | 1.96        |
| Sugar                                      | 6,490,201        | 2.38        | 663,341          | 0.20        | 2,500,375                     | 0.94        |
| Footwear and leather garments              | 2,023,653        | 0.74        | 142,938          | 0.04        | 491,410                       | 0.18        |
| Automobile and transportation equipment    | 2,422,517        | 0.89        | 292,281          | 0.09        | 2,407,819                     | 0.90        |
| Electronics and electrical appliances      | 2,788,742        | 1.01        | 319,654          | 0.10        | -                             | -           |
| Construction                               | -                | -           | -                | -           | 2,494,184                     | 0.94        |
| Power (electricity), gas, water, sanitary  | 48,480,574       | 17.74       | 532,842          | 0.18        | 3,132,122                     | 1.18        |
| Wholesale and Retail Trade                 | 24,867,705       | 9.10        | 47,715,623       | 14.45       | 6,842,007                     | 2.57        |
| Transport, storage and communication       | 33,182,312       | 12.14       | 368,139          | 0.11        | 8,818,663                     | 3.31        |
| Financial                                  | 10,490,556       | 3.84        | 6,531,092        | 1.98        | 167,324,013                   | 62.84       |
| Insurance                                  | 200,000          | 0.07        | 2,583,403        | 0.79        | -                             | -           |
| Services                                   | 4,121,252        | 1.51        | 48,387,748       | 14.96       | 2,147,720                     | 0.81        |
| Individuals                                | 32,721,115       | 11.98       | 153,817,203      | 46.56       | -                             | -           |
| Others                                     | 39,208,592       | 14.38       | 30,608,169       | 9.28        | 48,184,105                    | 18.10       |
|  | 273,220,665      | 100         | 330,245,080      | 100         | 286,251,288                   | 100         |

|  | 2007             |             |                  |             |                               |             |
|--|------------------|-------------|------------------|-------------|-------------------------------|-------------|
|  | Advances (Gross) |             | Deposits         |             | Contingencies and commitments |             |
|  | (Rupees in '000) | Percent (%) | (Rupees in '000) | Percent (%) | (Rupees in '000)              | Percent (%) |
| Agriculture, forestry, hunting and fishing | 2,023,407        | 0.88        | 33,955,983       | 11.63       | 1,785,793                     | 0.84        |
| Mining and quarrying                       | 268,233          | 0.11        | 232,217          | 0.08        | 66,491                        | 0.03        |
| Textile                                    | 35,741,728       | 15.59       | 1,331,384        | 0.46        | 7,250,420                     | 3.40        |
| Chemical and pharmaceuticals               | 8,061,429        | 3.51        | 787,594          | 0.27        | 3,448,972                     | 1.62        |
| Cement                                     | 5,810,127        | 2.31        | 152,889          | 0.05        | 1,090,783                     | 0.51        |
| Sugar                                      | 5,936,493        | 2.58        | 439,663          | 0.15        | 23,717                        | 0.01        |
| Footwear and leather garments              | 2,083,300        | 0.90        | 324,337          | 0.11        | 974,005                       | 0.46        |
| Automobile and transportation equipment    | 480,156          | 0.21        | 130,494          | 0.04        | 583,285                       | 0.27        |
| Electronics and electrical appliances      | 1,681,402        | 0.73        | 78,700           | 0.03        | -                             | -           |
| Construction                               | -                | -           | -                | -           | 1,219,191                     | 0.57        |
| Power (electricity), gas, water, sanitary  | 14,637,745       | 6.48        | 1,992,295        | 0.68        | 1,672,359                     | 0.78        |
| Wholesale and Retail Trade                 | 22,836,333       | 9.94        | 37,318,876       | 12.78       | 7,015,754                     | 3.29        |
| Exports / Imports                          | 188,913          | 0.08        | -                | -           | -                             | -           |
| Transport, storage and communication       | 11,870,208       | 4.95        | 2,420,980        | 0.83        | 1,168,025                     | 0.54        |
| Financial                                  | 15,389,157       | 6.69        | 8,691,403        | 2.98        | 154,620,283                   | 72.48       |
| Insurance                                  | 200,000          | 0.09        | 1,847,680        | 0.63        | -                             | -           |
| Services                                   | 3,796,219        | 1.65        | 4,136,923        | 1.42        | -                             | -           |
| Individuals                                | 31,855,010       | 13.87       | 136,928,922      | 46.88       | -                             | -           |
| Others                                     | 67,727,200       | 29.48       | 61,317,967       | 20.99       | 32,408,049                    | 15.19       |
|  | 229,732,060      | 100         | 282,088,347      | 100         | 213,317,107                   | 100         |

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|          |                     | 2008               |             |                    |             |                               |             |
|----------|---------------------|--------------------|-------------|--------------------|-------------|-------------------------------|-------------|
|          |                     | Advances           |             | Deposits           |             | Contingencies and commitments |             |
|          |                     | (Rupees In '000)   | Percent (%) | (Rupees In '000)   | Percent (%) | (Rupees In '000)              | Percent (%) |
| 44.1.1.2 | Segment by sector   |                    |             |                    |             |                               |             |
|          | Public / Government | 80,292,476         | 22.07       | 18,144,540         | 4.89        | 61,587,937                    | 23.13       |
|          | Private             | 212,928,209        | 77.93       | 314,100,540        | 85.11       | 204,683,361                   | 76.87       |
|          |                     | <u>273,220,685</u> | <u>100</u>  | <u>330,245,080</u> | <u>100</u>  | <u>266,261,298</u>            | <u>100</u>  |
|          |                     | 2007               |             |                    |             |                               |             |
|          |                     | Advances           |             | Deposits           |             | Contingencies and commitments |             |
|          |                     | (Rupees In '000)   | Percent (%) | (Rupees In '000)   | Percent (%) | (Rupees In '000)              | Percent (%) |
|          | Public / Government | 27,212,441         | 11.85       | 14,793,604         | 5.08        | 35,552,582                    | 16.67       |
|          | Private             | 202,519,819        | 88.15       | 277,294,743        | 84.94       | 177,704,525                   | 83.33       |
|          |                     | <u>229,732,060</u> | <u>100</u>  | <u>292,088,347</u> | <u>100</u>  | <u>213,317,107</u>            | <u>100</u>  |

### 44.1.1.3 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)----- |                         |                     |                         |
| Agriculture, forestry, hunting and fishing | 912,008                     | 446,712                 | 267,996             | 58,282                  |
| Mining and quarrying                       | 40,584                      | 25,889                  | 17,741              | 15,988                  |
| Textile                                    | 2,921,409                   | 2,311,466               | 1,279,026           | 970,589                 |
| Chemical and pharmaceuticals               | 117,807                     | 59,967                  | 21,800              | 21,676                  |
| Cement                                     | 304                         | 304                     | 750                 | 750                     |
| Sugar                                      | 387,854                     | 135,490                 | 20,572              | 20,572                  |
| Footwear and leather garments              | 107,162                     | 91,361                  | 71,301              | 61,381                  |
| Automobile and transportation equipment    | 116,026                     | 42,522                  | 3,461               | 1,881                   |
| Electronics and electrical appliances      | 557,891                     | 518,587                 | 132,910             | 132,910                 |
| Construction                               | 79,781                      | 56,999                  | 85,057              | 74,338                  |
| Power (electricity), gas, water, sanitary  | 4,324                       | 3,727                   | 1,884               | 1,884                   |
| Wholesale and retail trade                 | 3,147,146                   | 2,165,778               | 4,823,241           | 2,712,213               |
| Exports / imports                          | 318,339                     | 288,582                 | 354,637             | 341,318                 |
| Transport, storage and communication       | 72,875                      | 59,512                  | 34,967              | 21,862                  |
| Financial                                  | 2,094,479                   | 118,729                 | 53,159              | 53,159                  |
| Services                                   | 295,928                     | 180,836                 | 288,365             | 214,851                 |
| Individuals                                | 1,444,105                   | 732,184                 | 783,526             | 479,321                 |
| Others                                     | 5,650,875                   | 2,858,434               | 2,484,915           | 2,144,178               |
|  | <u>18,268,877</u>           | <u>9,895,889</u>        | <u>10,725,308</u>   | <u>7,326,953</u>        |

### 44.1.1.4 Details of non-performing advances and specific provisions by sector

|                     |                   |                  |                   |                  |
|---------------------|-------------------|------------------|-------------------|------------------|
| Public / Government | -                 | -                | -                 | -                |
| Private             | <u>18,268,877</u> | <u>9,895,889</u> | <u>10,725,308</u> | <u>7,326,953</u> |



## Notes to the Consolidated Financial Statements

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### 44.1.1.5 Geographical segment analysis

|                                     | 2008                        |                       |                     |                               |
|-------------------------------------|-----------------------------|-----------------------|---------------------|-------------------------------|
|                                     | Profit before taxation      | Total assets employed | Net assets employed | Contingencies and Commitments |
|                                     | ------(Rupees in '000)----- |                       |                     |                               |
| Pakistan                            | 21,487,087                  | 430,301,251           | 59,735,146          | 259,953,518                   |
| Asia Pacific (including South Asia) | 249,355                     | 4,988,327             | 248,259             | 3,066,685                     |
| Middle East                         | 150,298                     | 9,996,180             | 150,728             | 3,231,095                     |
|                                     | <u>21,886,740</u>           | <u>445,285,758</u>    | <u>60,132,133</u>   | <u>266,261,298</u>            |
|                                     | 2007                        |                       |                     |                               |
|                                     | Profit before taxation      | Total assets employed | Net assets employed | Contingencies and Commitments |
|                                     | ------(Rupees in '000)----- |                       |                     |                               |
| Pakistan                            | 22,346,198                  | 402,341,635           | 57,377,243          | 209,721,347                   |
| Asia Pacific (including South Asia) | 123,733                     | 3,415,330             | 113,178             | 2,045,760                     |
| Middle East                         | 56,380                      | 7,143,876             | 56,903              | 1,550,000                     |
|                                     | <u>22,526,311</u>           | <u>412,900,841</u>    | <u>57,547,322</u>   | <u>213,317,107</u>            |

Total assets employed include Intra group Items of Rs. NIL (2007: Rs. NIL).

### 44.2 Market Risk Management

The Bank is exposed to Interest rate risk, foreign exchange risk and equity price risk. The Bank is using In-house and vendor based solutions for calculating mark to market value of its positions and generating VaR (value at risk) and sensitivity numbers. Besides conventional methods, the Bank is using VaR for market risk assessment of assets booked by treasury and capital market groups. The Bank is using variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products.

Further stress testing of both banking and trading books are performed in line with SBP guidelines.

The Bank is exposed to interest rate risk both in trading and banking books. Presently the market risk reporting system is generating risk numbers of government securities held by the Bank's treasury. The risk management system generates daily reports based upon the marked to market of these assets. These reports provide risk numbers i.e. duration, PVBP, and VaR on individual security basis. The system also generates summarized reports on portfolio basis. These reports are presented to the senior management for review on a daily basis.

### 44.2.1 Foreign Exchange Risk Management

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remain within defined risk appetite (15% of paid up capital). Further, gap limits have been introduced for USD exposures. We are in the process of introducing gap limits for other major currencies depending on the significance of exposures in the respective currencies. Daily reports are generated to evaluate the exposure in different currencies. Further risk management system generates VaR and PVBP numbers for foreign exchange portfolio to estimate the potential loss under normal conditions. Stress testing of foreign exchange portfolio is also performed and reported to senior management. All these activities are performed on a daily basis.

|                      | 2008                        |                    |                         |                               |
|----------------------|-----------------------------|--------------------|-------------------------|-------------------------------|
|                      | Assets                      | Liabilities        | Off-balance sheet items | Net foreign currency exposure |
|                      | ------(Rupees in '000)----- |                    |                         |                               |
| Pakistan Rupee       | 428,252,703                 | 372,010,334        | 3,852,581               | 60,094,950                    |
| United States Dollar | 15,326,446                  | 9,314,526          | (6,146,330)             | (134,410)                     |
| Pound Sterling       | 396,816                     | 1,260,620          | 876,926                 | 13,122                        |
| Japanese Yen         | 118,908                     | 282                | (83,472)                | 35,152                        |
| Euro                 | 1,079,049                   | 2,566,438          | 1,500,295               | 12,906                        |
| Other currencies     | 111,838                     | 1,425              | -                       | 110,413                       |
|                      | <u>445,285,758</u>          | <u>385,153,625</u> | <u>-</u>                | <u>60,132,133</u>             |

**Notes to the Consolidated Financial Statements**  
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|                      | 2007                        |                    |                         |                               |
|----------------------|-----------------------------|--------------------|-------------------------|-------------------------------|
|                      | Assets                      | Liabilities        | Off-balance sheet items | Net foreign currency exposure |
|                      | ------(Rupees in '000)----- |                    |                         |                               |
| Pakistan Rupee       | 394,396,172                 | 344,604,249        | 7,291,655               | 57,083,578                    |
| United States Dollar | 16,509,102                  | 8,051,477          | (8,154,730)             | 302,895                       |
| Pound Sterling       | 228,698                     | 1,073,197          | 901,837                 | 57,338                        |
| Japanese Yen         | 129,669                     | 173                | (130,985)               | (1,489)                       |
| Euro                 | 1,540,000                   | 1,624,423          | 100,924                 | 16,501                        |
| Other currencies     | 97,200                      | -                  | (8,701)                 | 88,499                        |
|                      | <u>412,900,841</u>          | <u>355,353,519</u> | <u>-</u>                | <u>57,547,322</u>             |

**44.2.2 Equity Price Risk**

Equity price risk is managed by applying trading limit, scrip-wise and portfolio wise nominal limits. VaR numbers generation and stress testing of the equity portfolio are also performed and reported to senior management on daily basis.

**44.3 Mismatch of Interest Rate Sensitive Assets and Liabilities**

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date

|   | Effective Yield/ Interest rate | Total       | 2008 Exposed to Yield/ Interest risk |                    |                    |                         |                   |                   |                   |                    |                |           | Not exposed to Yield/ Interest Risk |
|---|--------------------------------|-------------|--------------------------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|-----------|-------------------------------------|
|   |                                |             | Up to 1 month                        | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |           |                                     |
|   |                                |             | ------(Rupees in '000)-----          |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
| <b>On-balance sheet financial instruments</b>           |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
| <b>Assets</b>   |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
| Cash and balances with treasury banks                   | 0.90%                          | 39,831,219  | 1,850,742                            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | 37,980,477                          |
| Balances with other banks                               | 1.20%                          | 4,106,528   | 759,437                              | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | 3,347,091                           |
| Landings to financial institutions                      | 15.75% to 21%                  | 4,100,079   | 4,100,079                            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Investments - net                                       | 6% to 17.65%                   | 96,215,002  | 35,024,737                           | 45,481,121         | 4,960,612          | 708,396                 | 286,567           | 674,063           | 2,469,769         | 980,996            | 95,823         | 4,523,528 | -                                   |
| Advances - net  | 18.00%                         | 262,506,830 | 157,504,842                          | 52,502,094         | 38,376,570         | 13,125,524              | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Other assets - net                                      |                                | 9,098,899   | -                                    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | 9,098,899                           |
| <b>Liabilities</b>                                      |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
| Bills payable   |                                | 10,551,468  | -                                    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | 10,551,468                          |
| Borrowings  | 15.50%                         | 22,863,840  | 8,085,591                            | 7,819,373          | 5,858,878          | -                       | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Deposits and other accounts                             | 5 % to 9.5 %                   | 330,245,080 | 160,598,414                          | 17,007,819         | 11,858,112         | 21,055,371              | 1,325,882         | 2,083,437         | 4,050,130         | -                  | -              | -         | 112,487,918                         |
| Other liabilities                                       |                                | 8,676,321   | -                                    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | 8,676,321                           |
| <b>On-balance sheet gap</b>                             |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
|   |                                | 372,338,739 | 169,685,005                          | 24,829,191         | 17,314,989         | 21,055,371              | 1,325,882         | 2,083,437         | 4,050,130         | -                  | -              | -         | 131,665,705                         |
|   |                                | 42,256,449  | 29,554,832                           | 73,057,024         | 27,042,194         | (7,221,451)             | (1,039,329)       | (1,409,374)       | (1,590,361)       | 930,999            | 95,823         | -         | (77,274,712)                        |
| <b>Off-balance sheet financial instruments</b>          |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
| Forward Outright purchases - Govt. securities           |                                | 28,844,450  | 26,844,450                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Foreign exchange contracts Purchase                     |                                | 69,709,932  | 21,819,965                           | 35,282,619         | 12,794,158         | 13,291                  | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Interest rate swaps - long position                     |                                | 2,144,130   | -                                    | 1,977,483          | -                  | -                       | 166,667           | -                 | -                 | -                  | -              | -         | -                                   |
| Cross currency swaps - long position                    |                                | 173,127     | -                                    | -                  | -                  | -                       | -                 | 173,127           | -                 | -                  | -              | -         | -                                   |
|   |                                | 98,870,639  | 48,664,415                           | 37,260,081         | 12,794,158         | 13,291                  | 166,667           | 173,127           | -                 | -                  | -              | -         | -                                   |
| Foreign exchange contracts Sale                         |                                | 67,476,228  | 21,427,005                           | 19,037,067         | 19,365,275         | 7,829,100               | 17,751            | -                 | -                 | -                  | -              | -         | -                                   |
| Interest rate swaps - short position                    |                                | 266,667     | 100,000                              | -                  | -                  | 166,667                 | -                 | -                 | -                 | -                  | -              | -         | -                                   |
| Cross currency swaps - short position                   |                                | 173,127     | -                                    | -                  | -                  | -                       | -                 | 173,127           | -                 | -                  | -              | -         | -                                   |
| Forward Outright sale - Govt securities                 |                                | 20,827,530  | 20,827,530                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -         | -                                   |
|   |                                | 88,743,652  | 42,254,535                           | 19,137,067         | 19,365,275         | 7,829,100               | 184,418           | 173,127           | -                 | -                  | -              | -         | -                                   |
| <b>Off-balance sheet gap</b>                            |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
|   |                                | 9,827,037   | 6,008,780                            | 18,122,984         | 16,571,117         | (7,615,829)             | (17,761)          | -                 | -                 | -                  | -              | -         | -                                   |
| <b>Total yield / Interest risk sensitivity gap</b>      |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
|   |                                | 35,683,412  | 91,180,008                           | 20,471,077         | (14,837,280)       | (1,057,078)             | (1,409,374)       | (1,590,361)       | 930,999           | 95,823             | -              | -         | -                                   |
| <b>Cumulative yield / Interest risk sensitivity gap</b> |                                |             |                                      |                    |                    |                         |                   |                   |                   |                    |                |           |                                     |
|   |                                | 35,683,412  | 128,849,420                          | 147,314,497        | 132,477,237        | 131,420,161             | 130,019,787       | 128,420,426       | 129,401,422       | 129,497,245        | -              | -         | -                                   |

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|   | Effective Yield/ Interest rate | Total         | 2007                        |                    |                    |                         |                   |                   |                   |                    |                |            | Not exposed to Yield/ Interest Risk |  |
|---|--------------------------------|---------------|-----------------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|------------|-------------------------------------|--|
|   |                                |               | Up to 1 month               | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |            |                                     |  |
|   |                                |               | ------(Rupees in '000)----- |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| <b>On-balance sheet financial instruments</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| <b>Assets</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Cash and balances with treasury banks   | 4.24%                          | 39,883,883    | 634,103                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | 39,149,724                          |  |
| Balances with other banks   | 6.18%                          | 3,897,691     | 831,884                     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | 3,236,727                           |  |
| Landings to financial institutions  | 11.20%                         | 1,051,872     | 61,372                      | 1,000,000          | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Investments - net   | 9.78%                          | 112,016,133   | 21,214,364                  | 13,486,301         | 19,136,787         | 33,051,182              | 4,033,023         | 1,287,859         | 2,245,401         | 4,179,487          | 1,099,961      | 11,349,619 | -                                   |  |
| Advances - net  | 10.89%                         | 218,969,786   | 5,964,299                   | 27,227,275         | 48,538,582         | 61,024,382              | 17,861,332        | 17,861,332        | 35,782,665        | 1,455,964          | 2,183,946      | -          | -                                   |  |
| Other assets - net  |                                | 5,456,732     | 3,528                       | 667                | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | 6,452,640                           |  |
|   |                                | 381,037,487   | 28,890,583                  | 41,726,143         | 68,677,299         | 94,075,554              | 21,924,355        | 19,158,191        | 38,129,069        | 5,835,461          | 4,123,906      | -          | 69,187,908                          |  |
| <b>Liabilities</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Bills payable   |                                | 10,479,058    | -                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | 10,479,058                          |  |
| Borrowings  | 6.56%                          | 38,406,891    | 38,027,113                  | 9,300,306          | 908,396            | -                       | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Deposits and other accounts   | 2.02%                          | 292,089,347   | 181,710,432                 | 4,565,231          | 3,418,892          | 12,850,478              | 2,283,975         | 1,974,694         | 2,473,077         | 4,354,242          | 1,842,888      | -          | 90,067,267                          |  |
| Sub-ordinated loan  | 11.75% to 15.75%               | 479,232       | -                           | 479,232            | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Other liabilities   |                                | 7,686,729     | -                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | 7,686,729                           |  |
| <b>On-balance sheet gap</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
|   |                                | 350,152,197   | 194,737,245                 | 8,334,828          | 4,023,223          | 12,850,478              | 2,283,975         | 1,974,694         | 8,827,319         | 1,842,888          | -              | -          | 117,276,344                         |  |
|   |                                | 30,866,300    | (186,337,982)               | 33,391,316         | 84,652,111         | 81,256,078              | 19,640,380        | 17,184,697        | 31,300,747        | 3,789,583          | 4,123,906      | -          | (68,087,436)                        |  |
| <b>Off-balance sheet financial instruments</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Forward landings  |                                | -             | -                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Outright purchase - Govt. securities  |                                | -             | -                           | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Foreign exchange contracts:   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| - Purchase  |                                | 82,077,938    | 19,648,098                  | 18,096,361         | 17,000,385         | 9,895,504               | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| Interest rate swaps   |                                | 2,721,898     | 18,182                      | -                  | 53,615             | 300,000                 | 1,850,000         | 500,000           | -                 | -                  | -              | -          | -                                   |  |
| Cross currency swaps  |                                | 1,845,484     | -                           | -                  | -                  | 588,860                 | 240,000           | -                 | 1,016,824         | -                  | -              | -          | -                                   |  |
|   |                                | 86,644,820    | 19,666,280                  | 18,096,361         | 17,053,901         | 10,136,504              | 2,438,860         | 740,000           | 1,016,824         | -                  | -              | -          | -                                   |  |
| Foreign exchange contracts:   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| - Sale  |                                | 69,382,417    | 23,885,234                  | 18,208,528         | 8,833,379          | 18,655,278              | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
|   |                                | 69,882,417    | 23,885,234                  | 18,208,528         | 8,833,379          | 18,655,278              | -                 | -                 | -                 | -                  | -              | -          | -                                   |  |
| <b>Off-balance sheet gap</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
|   |                                | (2,717,897)   | (7,200,954)                 | 388,828            | 8,420,622          | (8,619,774)             | 2,438,860         | 740,000           | 1,016,824         | -                  | -              | -          | -                                   |  |
| <b>Total yield / Interest risk sensitivity gap</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
|   |                                | (173,539,818) | 33,778,140                  | 73,072,633         | 72,705,304         | 22,079,040              | 17,624,587        | 32,817,571        | 3,792,583         | 4,123,906          | -              | -          | -                                   |  |
| <b>Cumulative yield / Interest risk sensitivity gap</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
|   |                                | (173,539,818) | (139,760,778)               | (66,688,143)       | 6,017,161          | 28,098,201              | 46,020,786        | 78,838,359        | 82,190,942        | 86,254,838         | -              | -          | -                                   |  |
| Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| <b>Reconciliation to total assets</b>   |                                |               | 2008 2007 (Rupees in '000)  |                    |                    |                         |                   |                   |                   |                    |                |            | 2008 2007 (Rupees in '000)          |  |
| <b>Balance as per balance sheet</b>   |                                | 445,285,758   | 412,900,841                 |                    |                    |                         |                   |                   |                   |                    |                |            | 385,153,625 355,353,519             |  |
| <b>Less: Non financial assets</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Investments   |                                | 2,874,789     | 3,240,487                   |                    |                    |                         |                   |                   |                   |                    |                |            | 12,378,621 4,017,738                |  |
| Operating fixed assets  |                                | 17,390,485    | 18,062,781                  |                    |                    |                         |                   |                   |                   |                    |                |            | 440,295 1,169,588                   |  |
| Other assets  |                                | 10,768,329    | 12,440,105                  |                    |                    |                         |                   |                   |                   |                    |                |            | 12,816,916 6,291,322                |  |
|   |                                | 30,633,603    | 31,883,344                  |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| <b>Total financial assets</b>   |                                | 414,652,155   | 381,037,487                 |                    |                    |                         |                   |                   |                   |                    |                |            | 372,338,739 360,152,167             |  |
| <b>Reconciliation to total liabilities</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| <b>Balance as per balance sheet</b>   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            | 355,353,519                         |  |
| <b>Less: Non financial liabilities</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            |                                     |  |
| Other liabilities   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            | 12,378,621 4,017,738                |  |
| Deferred tax liability  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            | 440,295 1,169,588                   |  |
|   |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            | 12,816,916 6,291,322                |  |
| <b>Total financial liabilities</b>  |                                |               |                             |                    |                    |                         |                   |                   |                   |                    |                |            | 372,338,739 360,152,167             |  |

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### 44.4 Liquidity Risk

It is the policy of the Bank to maintain adequate liquidity at all times, in all geographical locations and for all currencies and hence to be in a position, in the normal course of business, to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitments made. The Bank manages liquidity risk in three stages.

- Balance sheet management;
- Liquidity management; and
- Intraday liquidity management.

Balance sheet management

Balance-sheet management is the practice of reviewing the actual and planned strategic growth of business and its impact from a balance sheet integrity and sustainability perspective. As such the goal is to identify any risks arising from structural imbalances and concentrations, and seek to alter plans in order to avoid these developing into a liquidity problem.

Liquidity management

Liquidity management is the day to day practice of ensuring that the Bank is able to meet all its payment obligations as they fall due without having to sell assets or borrow funds at short notice at adverse market prices. While primarily focused on the management of cash-flows, MCB maintains a portfolio of marketable securities that can either be sold outright or sold through a repurchase agreement to generate cash-flow for meeting liquidity requirements. Another precautionary measure is the active maintenance of borrowing relationships to ensure the continued access to diverse market of funding sources.

Intraday liquidity management

Intraday liquidity management is the practice of ensuring that the Bank has sufficient cash during the day to make payments through the local payment system. In this respect, MCB maintains cash balances from which payments are made or generate a cash balances through the receipt of payments due or from borrowing or the outright sale or pledging of qualifying securities with the State Bank of Pakistan.

### 44.4.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Bank

|   | 2008               |                    |                    |                    |                         |                   |                   |                   |                    |                |
|---|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|   | Total              | Up to 1 month      | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| (Rupees in '000)                              |                    |                    |                    |                    |                         |                   |                   |                   |                    |                |
| <b>Assets</b>                                 |                    |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks         | 39,631,219         | 39,631,219         | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks                     | 4,106,526          | 4,106,526          | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Lendings to financial institutions            | 4,100,079          | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Investments - net                             | 97,790,391         | 26,313,460         | 46,011,877         | 5,013,425          | 4,760,623               | 3,477,594         | 1,925,341         | 4,766,241         | 2,861,218          | 2,670,612      |
| Advances - net                                | 262,506,830        | 12,828,821         | 1,388,235          | 101,048,429        | 71,271,406              | 39,938,731        | 12,667,283        | 19,214,140        | 3,064,364          | 1,058,421      |
| Operating fixed assets                        | 17,320,485         | 76,729             | 169,469            | 230,188            | 480,377                 | 920,753           | 920,753           | 1,841,506         | 4,670,877          | 8,146,843      |
| Deferred tax assets                           | 1,190,486          | 10,883             | 40,162             | 31,615             | 356,692                 | 79,400            | 77,018            | 95,038            | 494,231            | 12,677         |
| Other assets - net                            | 19,829,228         | 6,364,554          | 5,823,749          | 448,374            | 647,038                 | 6,642,898         | 1,625             | -                 | -                  | -              |
| <b>Liabilities</b>                            |                    |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                                 | 10,551,468         | 10,551,468         | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Borrowings                                    | 22,663,840         | 9,066,580          | 6,667,997          | 4,606,502          | 1,050,378               | 1,050,375         | -                 | -                 | -                  | -              |
| Deposits and other accounts                   | 330,245,090        | 273,066,330        | 17,007,818         | 11,656,112         | 21,055,371              | 1,325,882         | 2,089,437         | 4,050,130         | -                  | -              |
| Sub-ordinated loan                            | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Deferred tax liabilities                      | 1,839,781          | 37,650             | 62,137             | 91,373             | 162,749                 | 365,402           | 147,090           | 294,160           | 57,400             | 401,743        |
| Other liabilities                             | 21,252,942         | 6,365,440          | 4,380,893          | 5,177,673          | 1,343,618               | 1,420,263         | 502,860           | 984,145           | 1,087,890          | -              |
| <b>Net assets</b>                             | <b>366,353,111</b> | <b>299,097,478</b> | <b>28,318,615</b>  | <b>21,533,660</b>  | <b>23,632,311</b>       | <b>4,182,002</b>  | <b>2,733,377</b>  | <b>5,328,435</b>  | <b>1,145,290</b>   | <b>401,743</b> |
|   | 60,132,133         | (205,665,427)      | 25,066,657         | 85,236,371         | 53,765,625              | 48,696,384        | 12,659,843        | 20,577,460        | 9,875,400          | 11,485,610     |
| Share capital                                 | 8,282,768          |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Reserves                                      | 36,772,321         |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Unappropriated profit                         | 11,065,723         |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Minority Interest                             | 69                 |                    |                    |                    |                         |                   |                   |                   |                    |                |
| Surplus on revaluation of assets - net of tax | 8,011,252          |                    |                    |                    |                         |                   |                   |                   |                    |                |
|   | 60,132,133         |                    |                    |                    |                         |                   |                   |                   |                    |                |

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

|   | 2007               |                    |                    |                    |                         |                   |                   |                   |                    |                  |
|---|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|------------------|
|   | Total              | Up to 1 month      | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years   |
| (Rupees in '000)                              |                    |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| <b>Assets</b>                                 |                    |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Cash and balances with treasury banks         | 39,683,883         | 39,683,883         | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -                |
| Balances with other banks                     | 3,867,591          | 3,867,591          | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -                |
| Lendings to financial institutions            | 1,051,372          | 51,372             | 1,000,000          | -                  | -                       | -                 | -                 | -                 | -                  | -                |
| Investments - net                             | 115,358,590        | 24,588,034         | 14,317,952         | 20,917,643         | 37,450,361              | 4,820,702         | 1,287,859         | 2,756,134         | 5,583,918          | 3,885,988        |
| Advances - net                                | 218,858,788        | 5,064,299          | 27,227,275         | 49,538,582         | 81,024,392              | 17,891,332        | 17,891,332        | 35,782,865        | 1,455,964          | 2,183,845        |
| Operating fixed assets                        | 16,082,781         | 66,681             | 9,224              | 167,037            | 334,076                 | 859,565           | 968,149           | 636,304           | 420,690            | 12,732,065       |
| Deferred tax assets                           | 610,697            | -                  | -                  | -                  | 918                     | 124,148           | 178,517           | 297,646           | 1,773              | 7,599            |
| Other assets - net                            | 17,896,838         | 2,414,006          | 1,269,203          | 967,612            | 2,100,422               | 2,169,264         | 3,881,795         | 5,324,646         | -                  | -                |
|   | 413,511,438        | 76,804,868         | 43,813,854         | 71,580,874         | 100,910,164             | 25,855,012        | 23,687,642        | 44,967,385        | 7,442,246          | 18,819,595       |
| <b>Liabilities</b>                            |                    |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Bills payable                                 | 10,479,058         | 10,479,058         | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -                |
| Borrowings                                    | 39,406,831         | 33,027,113         | 3,300,305          | 606,336            | -                       | -                 | -                 | 2,473,077         | -                  | -                |
| Deposits and other accounts                   | 282,088,347        | 280,807,889        | 4,655,281          | 3,418,582          | 12,850,476              | 2,283,975         | 1,974,694         | 4,364,242         | 1,842,688          | -                |
| Sub-ordinated loan                            | 479,232            | -                  | 479,232            | -                  | -                       | -                 | -                 | -                 | -                  | -                |
| Deferred tax liabilities                      | 1,794,183          | 4,185              | 8,333              | 20,043             | 82,665                  | 51,454            | 49,098            | 99,901            | 182,325            | 1,285,211        |
| Other liabilities                             | 11,716,465         | 2,223,568          | 2,084,462          | 2,031,494          | 2,217,241               | 865,317           | 868,314           | 867,271           | 558,808            | -                |
| <b>Net assets</b>                             | <b>355,964,118</b> | <b>309,641,899</b> | <b>10,427,613</b>  | <b>8,076,785</b>   | <b>15,150,382</b>       | <b>3,200,748</b>  | <b>2,892,904</b>  | <b>7,794,681</b>  | <b>2,684,021</b>   | <b>1,285,211</b> |
|   | 57,647,322         | (229,637,027)      | 33,388,041         | 66,604,109         | 86,759,782              | 22,454,269        | 20,784,738        | 37,202,804        | 4,646,226          | 17,634,384       |
| Share capital                                 | 8,282,768          |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Reserves                                      | 34,000,627         |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Unappropriated profit                         | 7,054,472          |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Minority Interest                             | 69                 |                    |                    |                    |                         |                   |                   |                   |                    |                  |
| Surplus on revaluation of assets - net of tax | 10,299,092         |                    |                    |                    |                         |                   |                   |                   |                    |                  |
|   | 57,647,322         |                    |                    |                    |                         |                   |                   |                   |                    |                  |

The above maturity profile has been prepared in accordance with International Accounting Standard (IAS) 30: Disclosure in the financial statements of banks and similar financial institutions based on contractual maturities. The maturity profile disclosed in note 44.4.2 includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view the historical withdrawal pattern of these deposits.

## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

#### 44.4.2 Maturities of Assets and Liabilities - Based on the working prepared by the Asset and Liabilities Management Committee (ALCO) of the Bank

|                                       | Total       | p          | 2008               |                    |                         |                   |                   |                   |                    | Above 10 years |
|---------------------------------------|-------------|------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|                                       |             |            | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 6 years | Over 5 to 10 years |                |
| (Rupees in '000)                      |             |            |                    |                    |                         |                   |                   |                   |                    |                |
| <b>Assets</b>                         |             |            |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks | 39,631,219  | 39,631,219 | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks             | 4,106,626   | 4,106,626  | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Lendings to financial institutions    | 4,100,079   | 4,100,079  | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Investments - net                     | 97,790,391  | 26,313,460 | 46,011,877         | 5,013,425          | 4,760,623               | 3,477,594         | 1,926,341         | 4,755,241         | 2,861,218          | 2,670,612      |
| Advances - net                        | 262,508,830 | 12,828,821 | 1,386,235          | 101,048,429        | 71,271,406              | 39,939,731        | 12,667,283        | 19,214,140        | 3,094,364          | 1,068,421      |
| Operating fixed assets                | 17,320,466  | 76,729     | 153,459            | 230,188            | 480,377                 | 920,753           | 920,753           | 1,841,506         | 4,570,877          | 8,145,843      |
| Deferred tax assets                   | 1,199,466   | 10,663     | 40,152             | 31,615             | 368,692                 | 79,400            | 77,018            | 85,038            | 494,231            | 12,677         |
| Other assets - net                    | 19,828,228  | 6,384,554  | 5,823,749          | 448,374            | 547,038                 | 6,642,888         | 1,625             | -                 | -                  | -              |
|                                       | 446,486,244 | 93,432,051 | 53,415,472         | 106,772,031        | 77,399,136              | 61,060,366        | 15,593,020        | 25,905,925        | 11,020,890         | 11,887,553     |
| <b>Liabilities</b>                    |             |            |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                         | 10,551,488  | 10,551,488 | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Borrowings                            | 22,683,840  | 9,086,590  | 6,867,997          | 4,608,502          | 1,050,376               | 1,050,375         | -                 | -                 | -                  | -              |
| Deposits and other accounts           | 330,245,080 | 35,454,051 | 45,707,877         | 85,926,417         | 95,325,677              | 22,811,402        | 17,788,682        | 15,827,302        | 5,780,296          | 5,823,396      |
| Sub-ordinated loan                    | -           | -          | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Deferred tax liabilities              | 1,638,781   | 37,850     | 82,137             | 91,373             | 182,746                 | 385,492           | 147,080           | 294,160           | 57,400             | 401,743        |
| Other liabilities                     | 21,252,942  | 6,355,440  | 4,380,863          | 5,177,673          | 1,343,818               | 1,420,253         | 502,660           | 984,145           | 1,087,890          | -              |
|                                       | 386,353,111 | 61,485,199 | 57,018,874         | 95,803,965         | 97,902,617              | 25,647,522        | 18,438,602        | 17,105,607        | 6,925,586          | 6,025,139      |
| <b>Net assets</b>                     | 60,132,133  | 31,946,852 | (3,603,402)        | 10,968,066         | (20,504,481)            | 25,412,844        | (2,845,582)       | 8,800,318         | 4,095,104          | 5,862,414      |
| Share capital                         | 6,282,768   |            |                    |                    |                         |                   |                   |                   |                    |                |
| Reserves                              | 36,772,321  |            |                    |                    |                         |                   |                   |                   |                    |                |
| Unappropriated profit                 | 11,065,723  |            |                    |                    |                         |                   |                   |                   |                    |                |
| Minority interest                     | 69          |            |                    |                    |                         |                   |                   |                   |                    |                |
| Surplus on revaluation of assets      |             |            |                    |                    |                         |                   |                   |                   |                    |                |
| - net of tax                          | 6,011,252   |            |                    |                    |                         |                   |                   |                   |                    |                |
|                                       | 60,132,133  |            |                    |                    |                         |                   |                   |                   |                    |                |

Refer the sub-note to note 44.4.1 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.



## Notes to the Consolidated Financial Statements

### For the year ended December 31, 2008

|                                       | Total       | Up to 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
|---------------------------------------|-------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|                                       |             |               |                    |                    |                         |                   |                   |                   |                    |                |
| (Rupees in '000)                      |             |               |                    |                    |                         |                   |                   |                   |                    |                |
| <b>Assets</b>                         |             |               |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks | 39,683,883  | 39,683,883    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks             | 3,867,591   | 3,867,591     | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Lendings to financial institutions    | 1,051,372   | 61,372        | 1,000,000          | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Investments - net                     | 115,358,590 | 24,588,034    | 14,317,952         | 20,917,843         | 37,450,361              | 4,820,702         | 1,267,859         | 2,756,134         | 5,563,919          | 3,895,986      |
| Advances - net                        | 218,959,786 | 5,964,239     | 27,227,275         | 49,538,582         | 61,024,392              | 17,891,332        | 17,891,332        | 35,782,665        | 1,455,964          | 2,183,945      |
| Operating fixed assets                | 16,082,781  | 55,681        | 9,224              | 167,037            | 334,076                 | 859,565           | 668,149           | 836,394           | 420,590            | 12,732,065     |
| Deferred tax assets                   | 610,597     | -             | -                  | -                  | 913                     | 124,149           | 178,517           | 297,646           | 1,773              | 7,599          |
| Other assets - net                    | 17,896,838  | 2,414,006     | 1,259,203          | 957,612            | 2,100,422               | 2,159,264         | 3,681,785         | 5,324,546         | -                  | -              |
|                                       | 413,511,438 | 76,604,886    | 43,813,654         | 71,580,874         | 100,910,164             | 25,655,012        | 23,887,642        | 44,997,385        | 7,442,246          | 18,819,595     |
| <b>Liabilities</b>                    |             |               |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                         | 10,479,058  | 10,479,058    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Borrowings                            | 39,406,831  | 33,027,113    | 3,300,305          | 806,336            | -                       | -                 | -                 | 2,473,077         | -                  | -              |
| Deposits and other accounts           | 292,088,347 | 29,986,533    | 33,626,921         | 76,432,222         | 85,863,528              | 21,973,538        | 16,579,245        | 15,741,140        | 6,927,894          | 4,955,326      |
| Sub-ordinated loan                    | 479,232     | -             | 479,232            | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Deferred tax liabilities              | 1,794,183   | 4,165         | 8,333              | 20,043             | 82,665                  | 51,454            | 49,996            | 99,991            | 192,325            | 1,285,211      |
| Other liabilities                     | 11,716,465  | 2,223,568     | 2,084,452          | 2,031,494          | 2,217,241               | 865,317           | 868,314           | 867,271           | 558,808            | -              |
|                                       | 355,964,116 | 75,720,437    | 39,501,243         | 79,090,095         | 88,163,434              | 22,890,309        | 17,497,555        | 19,181,479        | 7,679,027          | 6,240,537      |
| <b>Net assets</b>                     | 57,547,322  | 884,428       | 4,312,411          | (7,509,221)        | 12,746,730              | 2,764,703         | 6,190,087         | 25,815,906        | (236,781)          | 12,579,058     |
| Share capital                         | 6,282,768   |               |                    |                    |                         |                   |                   |                   |                    |                |
| Reserves                              | 34,000,827  |               |                    |                    |                         |                   |                   |                   |                    |                |
| Unappropriated profit                 | 7,054,472   |               |                    |                    |                         |                   |                   |                   |                    |                |
| Minority interest                     | 83          |               |                    |                    |                         |                   |                   |                   |                    |                |
| Surplus on revaluation of assets      |             |               |                    |                    |                         |                   |                   |                   |                    |                |
| - net of tax                          | 10,209,092  |               |                    |                    |                         |                   |                   |                   |                    |                |
|                                       | 57,547,322  |               |                    |                    |                         |                   |                   |                   |                    |                |

Refer the sub-note to note 44.4.1 also. Current and saving deposits do not have any contractual maturity. Therefore, current deposits and saving accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### 44.5 Operational Risk

In line with the BIS Basel-II framework, we define Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition includes legal risk, but excludes strategic and reputational risks.

Operational Risk Management Division (ORMD) is primarily responsible for bank-wide operational risk management. Although the respective business and support functions are the risk takers / owners, ORMD provides assistance and guidance to these areas for proactive operational risk management. Our Risk Management Policy and bank-wide Operational Risk Management Framework (ORMF) have been developed in line with international best practices.

ORMD initiated the process of collecting and analyzing operational risk data (both loss and control breach / near misses) on key risks in 2007. Based on the analysis of this data, ORMD prepares periodic reports for the senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board of Directors on significant risk events, Impact analysis and recommendations for Improvement In controls / risk mitigation.

Major processes for operational risk management include, but are not limited to, a Risk & Control Self Assessment exercise, regular reporting of operational losses and control breaches through ORMD to senior management, setting and monitoring of tolerance limits, and improving awareness of, and adherence to, operational risk aspects across the Bank.

We are currently using the Basic Indicator approach to Operational Risk for regulatory capital calculation. However, in line with our policy to adopt the Standardized / Alternate Standardized Approach a number of initiatives have been undertaken which include Business Line Mapping, Risk and Control Self Assessment (RCSA), development of a methodology for setting Value at Risk (VaR) based tolerance limits for Basel risk event types, for business and support Groups and on bank-wide basis as well as setting threshold levels for Key Risk Indicators (KRIs).

### 45. GENERAL

Comparative information has been reclassified and rearranged in these financial statements for the purpose of comparison. No significant reclassification has been made except for as follows:

- An amount of Rs. 436,936 million on account of postal, SWIFT and other charges recovered has been reclassified as other income. Previously, these were netted off with administrative expenses.
- An amount of Rs. 33,236 million on account of VAT Sri Lanka have been reclassified from administrative expenses to other charges.

### 46. NON-ADJUSTING EVENT

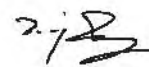
The Board of Directors in its meeting held on February 16, 2009 has announced a final cash dividend in respect of the year ended December 31, 2008 of Rs.2.5 per share (2007: Rs. 5 per share) and bonus issue of 10% (2007: NIL). These consolidated financial statements for the year ended December 31, 2008 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

### 47. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 16, 2009.



Atif Bajwa  
President and Chief Executive



Tariq Rafi  
Director



Samad Amin  
Director



Mian Reza Mansha  
Director



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - I

#### 1 Particulars of Investments in listed companies, mutual funds and modarabas-available for sale

| Investee Entities                          | Note | Number of Ordinary and preference shares/certificates/units held | Paid-up value per share/certificate/units | Total paid-up/nominal value | Cost as at December, 31/2008 |
|--|------|--|---|-----------------------------|------------------------------|
|  |      |  | Rupees                                    |                             | (Rupees in '000)             |
| <b>Fully Paid-up Preference Shares</b>     |      |  |   |                             |                              |
| Azzard Nine Limited                        |      | 1,160,241  | 10  | 11,602                      | 11,602                       |
| Masood Textile Mills Limited               | 1.1  | 5,000,000  | 10  | 50,000                      | 50,000                       |
|  |      |  |   |                             | 61,602                       |
| <b>Fully Paid-up Ordinary Shares</b>       |      |  |   |                             |                              |
| Abbott Laboratories Pakistan Limited       |      | 135,600  | 10  | 1,356                       | 25,200                       |
| Allied Bank Limited                        |      | 2,585,720  | 10  | 25,857                      | 284,251                      |
| Arif Habib Limited                         |      | 87,500   | 10  | 875                         | 23,302                       |
| Arif Habib Securities Limited              |      | 1,529,875  | 10  | 15,299                      | 214,004                      |
| Askari Bank Limited                        |      | 4,286,576  | 10  | 42,866                      | 301,018                      |
| Atlas Bank Limited                         |      | 6,140,500  | 10  | 61,405                      | 94,825                       |
| Attock Petroleum Limited                   |      | 108,120  | 10  | 1,081                       | 45,644                       |
| Bank Alfalah Limited                       |      | 3,012,543  | 10  | 30,125                      | 162,531                      |
| Bank Al-Habib Limited                      |      | 4,276,872  | 10  | 42,769                      | 217,490                      |
| Century Papers & Board Mills Limited       |      | 438,460  | 10  | 4,385                       | 17,657                       |
| Cherat Cement Company Limited              |      | 28,800   | 10  | 288                         | 1,669                        |
| EFU General Insurance Limited              |      | 12,040   | 10  | 120                         | 822                          |
| EFU Life Insurance Company Limited         |      | 7,569  | 10  | 76                          | 369                          |
| Engro Chemical Pakistan Limited            |      | 857,964  | 10  | 8,580                       | 298,876                      |
| Fauji Fertilizer Bin Qasim Company Limited |      | 4,092,674  | 10  | 40,927                      | 166,023                      |
| Fauji Fertilizer Company Limited           |      | 6,818,318  | 10  | 68,183                      | 601,703                      |
| Glaxosmithkline Pakistan Limited           |      | 484,672  | 10  | 4,847                       | 64,437                       |
| Habib Bank Limited                         |      | 1,229,100  | 10  | 12,291                      | 295,499                      |
| Habib Metropolitan Bank Limited            |      | 552,410  | 10  | 5,524                       | 30,024                       |
| Hub Power Company Limited                  |      | 939,925  | 10  | 9,399                       | 24,113                       |
| IGI Insurance Company of Pakistan Limited  |      | 440,490  | 10  | 4,405                       | 83,412                       |
| Indus Motor Company Limited                |      | 42,027   | 10  | 420                         | 8,655                        |
| International Industries Limited           |      | 382,754  | 10  | 3,828                       | 35,188                       |
| JS Bank Limited                            |      | 1,319,000  | 10  | 13,190                      | 27,808                       |
| Jahangir Siddiqui and Company Limited      |      | 1,166,469  | 10  | 11,665                      | 222,654                      |
| Kohinoor Energy Limited                    |      | 55,000   | 10  | 550                         | 1,566                        |
| Kot Addu Power Company Limited             |      | 915,400  | 10  | 9,154                       | 46,540                       |
| Lucky Cement Limited                       |      | 175,000  | 10  | 1,750                       | 24,098                       |
| Mehr Dastagir Textile Mills Limited        |      | 1,616,912  | 10  | 16,169                      | 16,169                       |
| Maple Leaf Cement Company Limited          |      | 12,411,500   | 10  | 124,115                     | 221,022                      |
| Millat Tractors Limited                    |      | 91,228   | 10  | 912                         | 12,371                       |
| National Bank Of Pakistan                  |      | 1,693,892  | 10  | 16,939                      | 298,131                      |
| National Refinery Limited                  |      | 30,000   | 10  | 300                         | 10,774                       |
| Oil & Gas Development Company Limited      |      | 2,150,165  | 10  | 21,502                      | 282,517                      |
| Orx Leasing Pakistan Limited               |      | 253,920  | 10  | 2,539                       | 5,025                        |
| Pace Pakistan Limited                      |      | 43,000   | 10  | 430                         | 1,456                        |
| Packages Limited                           |      | 21,911   | 10  | 219                         | 5,941                        |
| Pak Suzuki Motor Company Limited           |      | 49,600   | 10  | 496                         | 18,028                       |
| Pakistan Cables Limited                    |      | 86,716   | 10  | 867                         | 14,410                       |
| Pakistan Cement Company Limited            |      | 46,000   | 10  | 460                         | 641                          |
| Pakistan Oilfields Limited                 |      | 795,720  | 10  | 7,957                       | 273,012                      |
| Pakistan Petroleum Limited                 |      | 715,088  | 10  | 7,151                       | 174,015                      |
| Pakistan State Oil Company Limited         |      | 466,600  | 10  | 4,666                       | 237,216                      |
| Pakistan Telecommunication Company Limited |      | 4,893,731  | 10  | 48,937                      | 244,216                      |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - I

| Investee Entities                    | Note | Number of Ordinary and preference shares/certificates/units held | Paid-up value per share/certificate/unit | Total paid-up/nominal value | Cost as at December 31, 2008 |
|--------------------------------------|------|--|--|-----------------------------|------------------------------|
|                                      |      |  | Rupees                                   | (Rupees in '000)            |                              |
| Pakistan Tobacco Company Limited     |      | 138,700  | 10                                       | 1,387                       | 22,538                       |
| Rupali Polyester Limited             |      | 658,545  | 10                                       | 6,585                       | 46,475                       |
| Soneri Bank Limited                  |      | 2,802,600  | 10                                       | 28,026                      | 119,546                      |
| Sui Northern Gas Pipelines Limited   |      | 47,728,822   | 10                                       | 477,288                     | 2,205,253                    |
| Taj Textile Mills Limited            |      | 400  | 10                                       | 4                           | 1                            |
| Thal Limited                         |      | 37,380   | 5  | 187                         | 4,256                        |
| The Bank of Punjab                   |      | 6,423,100  | 10                                       | 64,231                      | 170,996                      |
| TRG Pakistan Limited                 |      | 500,000  | 10                                       | 5,000                       | 7,124                        |
| Trust Securities & Brokerage Limited |      | 300,000  | 10                                       | 3,000                       | 3,000                        |
| Unilever Pakistan Limited            |      | 33,280   | 50                                       | 1,664                       | 47,892                       |
| United Bank Limited                  |      | 2,214,000  | 10                                       | 22,140                      | 302,672                      |
| Zulfqar Industries Limited           |      | 27,761   | 10                                       | 278                         | 3,557                        |
| <b>Total</b>                         |      |  |  |                             | <b>8,067,620</b>             |

#### Fully Paid-up Moderaba Certificates Name of the Management Company

| First Al-Noor Moderaba | Al-Noor Moderaba Management (Private) Limited | 5,553,270 | 10 | 55,532.70 | 60,606 |
|------------------------|---|-----------|----|-----------|--------|
|------------------------|---|-----------|----|-----------|--------|

Total 60,606

Carrying value (before revaluation and provision) Listed Shares 'available for sale' 8,189,828

Provision for diminution in value of investments (2,591,650)

Deficit on revaluation of securities (2,288,629)

Carrying value as at December 31, 2008 3,311,549

| Fully Paid-up Ordinary Certificates/ Units of Mutual Funds | Name of Management Company             | Number of units held | Paid-up value per unit | Total paid-up/nominal value | Cost as at December 31, 2008 |
|--|--|----------------------|------------------------|-----------------------------|------------------------------|
|  |  |                      | Rupees                 | (Rupees in '000)            |                              |
| MCB Dynamic Cash Fund                                      | MCB Asset Management Company Limited   | 2,922,443            | 100                    | 292,244                     | 250,000                      |
| KASB Liquid Fund   | KASB Asset Management Company Limited  | 153,813              | 100                    | 15,381                      | 15,000                       |
| Atlas Islamic Fund   | Atlas Asset Management Company Limited | 20,967               | 500                    | 10,484                      | 10,000                       |
| MCB Dynamic Stock Fund (IPO)                               | MCB Asset Management Company Limited   | 3,033,874            | 100                    | 303,387                     | 301,909                      |
| MCB Dynamic Allocation Fund (IPO)                          | MCB Asset Management Company Limited   | 1,000,000            | 100                    | 100,000                     | 100,000                      |

Carrying value before revaluation & provision 676,909

Provision for diminution in value of investments (194,894)

Surplus on revaluation of securities 37,018

Carrying value as at December 31, 2008 519,233

1.1 These are redeemable after the end of the fourth year from June 2005 at the option of the issuer either in whole or multiples of 10% of outstanding issue at a price of Rs. 10 per share plus any accumulated preference dividend. Dividend rate is 6 months KIBOR + 200 bps per annum.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - I

#### 2 Particulars of investments in listed companies / mutual funds - held for trading

|  | Number of Ordinary share held | Paid-up value per share Rupees | Total paid-up/nominal value (Rupees in '000) | Cost as at December 31, 2008 |
|--|-------------------------------|--------------------------------|--|------------------------------|
| Allied Bank Limited                    | 305,880                       | 10                             | 3,059  | 21,665                       |
| Pakistan Petroleum Limited             | 55,000                        | 10                             | 550  | 10,844                       |
| Attock Petroleum Limited               | 100,200                       | 10                             | 1,002  | 31,159                       |
| Bank Afjalah Limited                   | 267,200                       | 10                             | 2,672  | 10,551                       |
| ICI Pakistan Limited                   | 42,400                        | 10                             | 424  | 6,425                        |
| Jahangir Siddique and Company Limited  | 154,700                       | 10                             | 1,547  | 20,709                       |
| Lucky Cement Limited                   | 488,100                       | 10                             | 4,881  | 42,711                       |
| Maple Leaf Cement Company Limited      | 150,000                       | 10                             | 1,500  | 1,116                        |
| Packages Limited                       | 18,500                        | 10                             | 185  | 4,506                        |
| Pakistan Oilfields Limited             | 84,000                        | 10                             | 840  | 19,829                       |
| Thal Limited                           | 14,000                        | 5                              | 70   | 1,851                        |
| United Bank Limited                    | 65,000                        | 10                             | 650  | 6,420                        |
| <b>Units in open ended mutual fund</b> |                               |                                |  |                              |
| MCB Dynamic Cash Fund                  | 3,338,679                     | 100                            | 333,868                                      | 325,831                      |
| <b>Total</b>                           |                               |                                |  | <b>503,617</b>               |

#### 3) Particulars of investment held in unlisted companies-available for sale

| Company Name  | Percentage of holding (%) | Number of shares / certificates held | Carrying value as at December 31, 2008 | Net Asset Value of total investment | Based on audited financial statements as at | Name of Chief Executive    |
|---|---------------------------|--------------------------------------|--|-------------------------------------|---|----------------------------|
| (Rs in '000)  |                           |                                      |  |                                     |   |                            |
| <b>Shareholding more than 10%</b>                             |                           |                                      |  |                                     |   |                            |
| Fully paid up preference shares                               |                           |                                      |  |                                     |   |                            |
| Fazal Cloth Mills Limited (3.2)                               | 40.00%                    | 10,000,000                           | 100,000                                | -                                   | -   | Mr. Sheikh Naseem Ahmed    |
| Fully paid up Ordinary Shares/ Certificates/ Units            |                           |                                      |  |                                     |   |                            |
| Pak Asian Fund Limited  | 10.22%                    | 1,150,000                            | 11,500                                 | 19,462                              | June 30, 2008                               | Mr. Ashfaq A. Berdi        |
| Khushihall Bank Limited                                       | 17.60%                    | 30,000,000                           | 300,000                                | 323,680                             | December 31, 2007                           | Mr. Ghali Nishtar          |
| Central Depository Company of Pakistan Limited                | 10.00%                    | 5,000,000                            | 10,000                                 | 138,840                             | June 30, 2008                               | Mr. Mohammad Hanif Jhokura |
|   |                           |                                      | 321,500                                |                                     |   |                            |
| <b>Shareholding upto 10%</b>                                  |                           |                                      |  |                                     |   |                            |
| Fully paid up Ordinary Shares/ Certificates/ Units            |                           |                                      |  |                                     |   |                            |
| First Capital Investment Limited                              |                           | 250,000                              | 2,500                                  | 2,828                               | June 30, 2008                               | Mr. Kamran Hafeez          |
| Equity Participation Fund                                     |                           | 15,000                               | 1,500                                  | 9,751                               | June 30, 2008                               | Mr. Jamil Nasim            |
| National Institute of Facilitation Technology Private Limited |                           | 985,485                              | 1,527                                  | 46,050                              | June 30, 2008                               | Mr. Muzaffar Mahmood Khan  |
| National Investment Trust Limited                             |                           | 52,800                               | 100                                    | 261,630                             | June 30, 2008                               | Mr. Tariq Iqbal Khan       |
| SME Bank Limited  |                           | 1,490,619                            | 10,106                                 | 18,001                              | December 31, 2007                           | Mr. R. A. Chughtai         |
| Society for Worldwide Inter Fund Transfer (SWIFT)             |                           | 31                                   | 2,993                                  | 7,867                               | December 31, 2007                           | Mr. Lazara Campos          |
| Lanka Clear (Private) Limited                                 |                           | 100,000                              | 700                                    | 1,426                               | March 31, 2008                              | Mr. Sunimal Weerasoriya    |
| Credit Information Bureau of Sri Lanka                        |                           | 300                                  | 21                                     | 34                                  | December 31, 2007                           | Mr. N.P.H.Amarasena        |
| Arabian Sea Country Club                                      |                           | 500,000                              | 2,900                                  | 1,549                               | June 30, 2008                               | Mr. Asif Ali Khan Abbasi   |
| Lanka Financial Services Bureau Limited                       |                           | 200                                  | 1,400                                  | 1,099                               | March 31, 2008                              | Mr. Anil Amarasoriya       |
|   |                           |                                      | 23,747                                 |                                     |   |                            |
| Carrying value of unlisted shares/ certificates/ units        |                           |                                      | 445,247                                |                                     |   |                            |
| Provision against unlisted shares                             |                           |                                      | 70,477                                 |                                     |   |                            |
|   |                           |                                      | 515,724                                |                                     |   |                            |

3.1 The above excludes shares of companies which are fully provided for in these financial statements. All the above companies are incorporated in Pakistan, except for Lanka Clearing (Private) Limited, Credit Information Bureau of Sri Lanka, Lanka Financial Services Bureau Limited and SWIFT.

3.2 These carry dividend rate of 6 months KIBOR + 2.5% per annum. The percentage of holding disclosed is in proportion to the preference share paid up capital.

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - I**

4. Particulars of Investments in Term Finance Certificates and Sukuk Bonds- (refer note 9)

| Investee   | Number of certificates held | Paid up value per certificate | Total Paid up Value (before redemption) (Rupees) | Profit  | Principal Redemption  | Balance as at December 31, 2008 (Rupees in '000) | Name of Chief Executive          |
|--|-----------------------------|-------------------------------|--|---|---|--|----------------------------------|
| <b>LISTED TERM FINANCE CERTIFICATES - available for sale</b> |                             |                               |  |   |   |  |                                  |
| Asari Bank Limited - issue no. I                             | 20,000                      | 5,000                         | 100,000,000                                      | 6 months KIBOR + 1.5% p.a.  | 0.3% of principal amount in the first 90 months and the remaining principal in the 90th month from February 2005.   | 99,860   | Mr. Shahenyar Ahmad              |
| - issue no. II   | 18,980                      | 5,000                         | 99,900,000                                       | 6 months KIBOR + 1.5% p.a.  | 0.3% of principal amount in the first 90 months and the remaining principal in the 90th month from October 2005.  | 99,780   | -do-                             |
|  | <b>38,980</b>               |                               | <b>199,900,000</b>                               |   |   |  |                                  |
| Bank Al Habib Limited  | 20,000                      | 5,000                         | 100,000,000                                      | 6 months KIBOR + 1.5% p.a. with a floor and cap of 3.5% and 10% per annum respectively. | 0.02% of total issue in equal installments in first 78 months and the remaining principal in 3 semi-annual installments from the 84th month from July 2004.                         | 89,840   | Mr. Abbas D. Habib               |
| Bank Alfalah Limited - issue no. II                          | 10,000                      | 5,000                         | 50,000,000                                       | 6 months KIBOR + 1.5% p.a.  | 0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 33.25% each of the issue amount starting from the 84th month from November 2004. | 198,371  | Mr. Muhammad Saleem Akhtar       |
| - issue no. III  | 38,720                      | 5,000                         | 198,600,000                                      | 6 months KIBOR + 1.5% p.a.  | 0.25% of the principal in the first 78 months and remaining in 3 semi-annual installments of 33.25% each starting from the 84th month from November 2005.                           | 49,923   | -do-                             |
|  | <b>48,720</b>               |                               | <b>248,600,000</b>                               |   |   |  |                                  |
| Allied Bank Limited - issue no. I                            | 20,000                      | 5,000                         | 100,000,000                                      | 6 months KIBOR + 1.8% p.a.  | 0.24% of principal in the first 72 months and remaining principal in 4 equal semi-annual installments of 24.94% each of the issue amount starting from the 78th month from Pre-PO   | 80,178   | Mr. Atab Manzoor                 |
| - issue no. II   | 46,400                      | 5,000                         | 232,000,000                                      | 6 months KIBOR + 0.85% p.a.   |   | 232,000  | -do-                             |
|  | <b>66,400</b>               |                               | <b>332,000,000</b>                               |   |   |  |                                  |
| Sonari Bank Limited  | 30,000                      | 5,000                         | 150,000,000                                      | 6 months KIBOR + 1.6% p.a.  | In 4 semi-annual equal installments starting from the 78th month from May 2005.   | 149,790  | Mr. Satar Ali K. Lakhani         |
| United Bank Limited - issue no. II                           | 56,578                      | 5,000                         | 284,890,000                                      | 6 months KIBOR + 1.7% p.a.  | 0.2% of the principal in the first 60 months and remaining principal in 6 equal semi-annual installments from September 2006.   | 284,682  | Mr. Ajib R. Bakheri              |
| Pak Arab Fertilizers Limited                                 | 20,000                      | 5,000                         | 100,000,000                                      | 6 months KIBOR + 1.5% p.a.  | In six stepped-up semi-annual installments starting from the 30th month from July 2007.   | 99,980   | Mr. Khalid-ur-Rehman Terh (M.D.) |
| <b>Carrying value before revaluation</b>                     |                             |                               |  |   |   | <b>1,404,364</b>                                 |                                  |
| <b>Add: Revaluation surplus</b>                              |                             |                               |  |   |   | <b>25,147</b>                                    |                                  |
| <b>Carrying value of listed TFCs (revalued amount)</b>       |                             |                               |  |   |   | <b>1,429,511</b>                                 |                                  |
| <b>SUKUK BONDS - available for sale</b>                      |                             |                               |  |   |   |  |                                  |
|  |                             |                               |  | <b>Terms of Redemption</b>  | <b>Rate of interest</b>   |  | <b>Currency</b>                  |
|  |                             |                               |  | <b>Principal</b>  | <b>Interest</b>   |  |                                  |
| WAPDA Sukuk Bonds  | At maturity                 | Half-yearly                   | 6 Month KIBOR+0.35%                              |   |   | 400,000  | Mr. Muhammad Shaid Durrani       |
| <b>Add: Revaluation surplus</b>                              |                             |                               |  |   |   | <b>18,000</b>                                    |                                  |
| <b>Carrying value of sukuk bonds (revalued amount)</b>       |                             |                               |  |   |   | <b>418,000</b>                                   |                                  |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - I**

UN-LISTED TERM FINANCE CERTIFICATES - held to maturity

| Investee  | Number of certificates held | Paid up value per certificate | Total Paid up Value (before redemption) | Profit   | Principal Redemption   | Balance as at December 31, 2008 (Rupees in '000) | Name of Chief Executive   |
|---|-----------------------------|-------------------------------|---|--|--|--|---------------------------|
| Jehangir Siddiqui and Company Limited           | 66                          | 5,000,000                     | 280,000,000                             | 6 months KIBOR + 1.5% to 2.2% p.a. over 10 years | In 4 equal semi-annual installments, starting from 8-12 years from December 2004.  | 279,468  | Mr. Muneef Ibrahim        |
| Pak Kuwait Investment Company (Private) Limited | 100,000                     | 5,000                         | 500,000,000                             | 3 months KIBOR + 1.25% p.a.                      | In 5 equal semi-annual installments commencing from the 36th month from June 2005. | 400,000  | Mr. Ishtiaq Mehdi (M.D.)  |
| Pakistan Mobile Corporation Limited             | 100,000                     | 5,000                         | 500,000,000                             | 6 months KIBOR + 1.6% p.a.                       | In 5 equal semi-annual installments starting from the 36th month from March 2004.  | 100,000  | Mr. Zuhair A. Khalid      |
| Islamabad Electric Supply Company Limited       | 100,000                     | 5,000                         | 1,000,000,000                           | 6 Month KIBOR + 0.23% p.a.                       | In 4 equal semi-annual installments starting from November 2009.                   | 1,000,000  | Brig. Waseem Zafar Iqbal  |
| Gujranwala Electric Supply Company Limited      | 200,000                     | 5,000                         | 1,000,000,000                           | 6 Month KIBOR + 0.23% p.a.                       | In 4 equal semi-annual installments starting from November 2009.                   | 1,000,000  | Faris Muhammad Asim Zahid |
| Faisalabad Electric Supply Company Limited      | 200,000                     | 5,000                         | 1,000,000,000                           | 6 Month KIBOR + 0.23% p.a.                       | In 4 equal semi-annual installments starting from November 2009.                   | 1,000,000  | Ahmed Saad Akhtar         |
| Carrying value of unlisted TFCs                 |                             |                               |   |  |  | <b>3,779,468</b>                                 |                           |

The above sukuk unlisted term finance certificates, debentures, bonds and participation term certificates of companies which are fully provided for in these financial statements.

5. Details of Bonds, Debentures and Federal Government Securities (refer note 9) - held to maturity

| Description  | Terms of Redemption                  |             | Rate of interest    | Currency                                | Foreign Currency Amount (in '000) | Carrying value as at December 31, 2008 (Rupees in '000) |
|--|--------------------------------------|-------------|---------------------|---|-----------------------------------|---|
|  | Principal                            | Interest    |                     |   |                                   |   |
| Debentures   |                                      |             |                     |   |                                   |   |
| Singer (Sri Lanka) Plc.                              | At maturity                          | Half-yearly | 21.85%              | SLR                                     | 150,000                           | 105,000   |
| Federal Government Securities Government of Pakistan |                                      | Yearly      | Yearly              | Barclays Bank's 3 months USD LIBOR + 1% | 4,074                             | 322,218   |
| Government of Sri Lanka Treasury Bonds               | At maturity                          | Half-yearly | 11.75%              | SLR                                     | 100,000                           | 70,000  |
| Government Compensation Bonds                        |                                      |             |                     |   | 104,074                           | 392,218   |
| Heavy Mechanical Complex                             | At maturity                          | Yearly      | 6.00%               | PKR                                     | -                                 | 27,224  |
| Public Sector Enterprises Bonds (PSE-89)             | At maturity                          | Yearly      | 6.00%               | PKR                                     | -                                 | 558,990   |
| Public Sector Enterprises Bonds (PSE-90)             | At maturity                          | Yearly      | 9.00%               | PKR                                     | -                                 | 288,657   |
|  |                                      |             |                     |   | -                                 | 870,771   |
| Sukuk Bonds  |                                      |             |                     |   |                                   |   |
| Government Sukuk Bonds                               | At maturity                          | Half-yearly | 6 Month LIBOR+2.2%  | US\$                                    | 13,130                            | 1,038,533   |
| WAPDA Sukuk Bonds                                    | At maturity                          | Half-yearly | 6 Month KIBOR+0.35% | PKR                                     | -                                 | 400,000   |
| Sul Southern Gas Company Limited Sukuk Bonds         | At maturity                          | Quarterly   | 3 Month KIBOR+1.4%  | PKR                                     | -                                 | 360,000   |
| Quetta Textile Mills Limited Sukuk Bonds             | In 12 equal semi-annual installment  | Half-yearly | 6 Month KIBOR+1.5%  | PKR                                     | -                                 | 75,000  |
| J.D.W Sugar Mills Limited Sukuk Bonds                | In 18 unequal quarterly installments | Quarterly   | 3 Month KIBOR+1.25% | PKR                                     | -                                 | 175,000   |
| Sitara Energy Limited Sukuk Bonds                    | In 8 equal semi-annual installments  | Half-yearly | 6 Month KIBOR+1.15% | PKR                                     | -                                 | 112,727   |
| Century Paper and Boards Mills Limited Sukuk Bonds   | At maturity                          | Half-yearly | 6 Month KIBOR+1.35% | PKR                                     | -                                 | 250,000   |
|  |                                      |             |                     |   | 13,130                            | 2,401,260   |
| Euro Bonds   |                                      |             |                     |   |                                   |   |
| Euro Bonds - OBU Bahrain                             | At maturity                          | Half-yearly | 6.75%               | US\$                                    | 57,409                            | 4,540,986   |
| Euro Bonds - OBU Bahrain Treasury                    | At maturity                          | Half-yearly | 6.88%               | US\$                                    | 3,915                             | 309,663   |
| Euro Bonds - Sri Lanka                               | At maturity                          | Half-yearly | 6.75%               | US\$                                    | 1,503                             | 118,887   |
|  |                                      |             |                     |   | 62,827                            | 4,969,516   |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - I**

6. Detail of Certificates of investments (refer note 9) - held to maturity in local currency

| Company Name                      | Carrying value at December 31, 2008<br>(Rupees in '000) | Profit rate (%) | Maturity date     |
|-----------------------------------|---|-----------------|-------------------|
| Pak Libya Holding Company Limited | 250,000   | 25              | February 13, 2009 |

7. Summarized financial information of associated undertakings (refer note 9)

The gross amount of assets, liabilities, revenue, profit and net assets of associated undertakings are as follows:

| Name of associated undertaking  | Country of incorporation | Assets            | Liabilities       | Net assets        | Revenue          | Profit           | % of Interest held |
|---|--------------------------|-------------------|-------------------|-------------------|------------------|------------------|--------------------|
| ----- (Rupees in '000) -----  |                          |                   |                   |                   |                  |                  |                    |
| <b>2008</b>   |                          |                   |                   |                   |                  |                  |                    |
| First Women Bank Limited (unaudited based on September 30, 2008)          | Pakistan                 | 8,625,499         | 7,561,236         | 1,064,263         | 369,150 *        | 94,561           | 26.78%             |
| Adamjee Insurance Company Limited (unaudited based on September 30, 2008) | Pakistan                 | 21,268,292        | 10,860,064        | 10,408,228        | 5,463,868 **     | 3,063,187        | 29.13%             |
|   |                          | <u>29,893,791</u> | <u>18,421,300</u> | <u>11,472,491</u> | <u>5,833,018</u> | <u>3,157,748</u> |                    |
| <b>2007</b>   |                          |                   |                   |                   |                  |                  |                    |
| First Women Bank Limited (unaudited based on September 30, 2007)          | Pakistan                 | 8,148,575         | 7,102,478         | 1,046,097         | 375,134 *        | 111,845          | 26.78%             |
| Adamjee Insurance Company Limited (unaudited based on September 30, 2007) | Pakistan                 | 14,362,406        | 9,368,665         | 4,993,741         | 4,100,951 **     | 1,543,244        | 29.13%             |
|   |                          | <u>22,510,981</u> | <u>16,471,143</u> | <u>6,039,838</u>  | <u>4,478,085</u> | <u>1,655,089</u> |                    |

\* Represents net mark-up / interest income

\*\* Represents net premium revenue



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - II

## ISLAMIC BANKING BUSINESS

### Report of Shariah Advisor

Based on review conducted in terms of Para B (2) of Annexure-I of SBP-IBD Circular No. 02 of 2008, it is reported that;

- i) I have examined, on test check basis, each class of transaction, the relevant documentation and procedures adopted by MCB Islamic Banking Division;
- ii) Affairs of MCB-Islamic Banking Division have been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance and other rules as well as with specific fatawa and rulings issued by me from time to time;
- iii) Allocation of funds, weight-ages, profit sharing ratios, profits and charging of losses (if any) relating to PLS accounts conform to the basis vetted by me in accordance with Shariah rules and principles;
- iv) Earnings realized from sources or by means prohibited by Shariah rules and principles have been credited to charity account.

**Muhammad Zubair Usmani**  
Sharia Advisor  
MCB- Islamic Banking Division

Dated: February 16, 2009

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - II

#### ISLAMIC BANKING BUSINESS

The Bank is operating 11 Islamic banking branches at the end of December 31, 2008 as compared to 8 Islamic banking branches at the end of December 31, 2007.

#### Balance Sheet

As at December 31, 2008

|  | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|--|--------------------------|--------------------------|
| <b>Assets</b>                                  |                          |                          |
| Cash and balances with treasury banks          | 185,177                  | 801,665                  |
| Investments                                    | 1,781,727                | 1,419,000                |
| Financing and receivables                      |                          |                          |
| -Murabaha                                      | 2,573,116                | 2,406,402                |
| -Ijara   | 1,197,762                | 1,585,202                |
| -Islamic export refinance                      | 978,303                  | 738,178                  |
| Other assets                                   | 2,561,843                | 764,036                  |
| <b>Total Assets</b>                            | <b>9,277,928</b>         | <b>7,514,483</b>         |
| <b>Liabilities</b>                             |                          |                          |
| Bills payable                                  | 73,540                   | 47,115                   |
| Deposits and other accounts                    |                          |                          |
| -Current accounts                              | 175,350                  | 440,567                  |
| -Saving accounts                               | 1,110,499                | 907,283                  |
| -Term deposits                                 | 75,740                   | 76,382                   |
| -Others  | 2,681                    | 30,256                   |
| Borrowings from SBP                            | 986,500                  | 593,000                  |
| Due to head office                             | 5,750,000                | 4,750,000                |
| Deferred Tax Liability                         | 6,650                    | 4,988                    |
| Other liabilities                              | 244,697                  | 113,598                  |
| <b>Total Liabilities</b>                       | <b>8,405,657</b>         | <b>6,963,189</b>         |
| <b>Net Assets</b>                              | <b>872,271</b>           | <b>551,294</b>           |
| <b>REPRESENTED BY</b>                          |                          |                          |
| Islamic banking fund                           | 650,000                  | 400,000                  |
| Unappropriated profit                          | 209,921                  | 137,282                  |
|  | 859,921                  | 537,282                  |
| Surplus on revaluation of assets - net of tax  | 12,350                   | 14,012                   |
|  | 872,271                  | 551,294                  |
| <b>Remuneration to Shariah Advisor / Board</b> |                          |                          |
|  | 1,200                    | 1,179                    |
| <b>CHARITY FUND</b>                            |                          |                          |
| Opening Balance                                | 4,227                    | 3,244                    |
| Additions during the year                      | 1,566                    | 983                      |
| Payments / utilization during the year         | (3,700)                  | -                        |
| Closing Balance                                | 2,093                    | 4,227                    |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - II

#### ISLAMIC BANKING BUSINESS

#### Profit and Loss Account

for the year ended December 31, 2008

|  | 2008<br>(Rupees in '000) | 2007<br>(Rupees in '000) |
|--|--------------------------|--------------------------|
| Income/Return/Profit Earned                          | 838,551                  | 525,445                  |
| Less: Income/Return/Profit Expensed                  | 548,868                  | 350,622                  |
| Net Income/Profit                                    | 289,683                  | 174,823                  |
| Provision against Non-Performing loans & advances    | 10,430                   | -                        |
| Provision for diminution in the value of investments | -                        | -                        |
| Bad Debts written off directly                       | -                        | -                        |
|  | 10,430                   | -                        |
| <b>Net Profit/Income after provisions</b>            | <b>279,253</b>           | <b>174,823</b>           |
| <b>Other Income</b>                                  |                          |                          |
| Fees, Commission and Brokerage Income                | 6,299                    | 3,359                    |
| Dividend Income                                      | -                        | -                        |
| Income from dealing in foreign currencies            | 1,526                    | -                        |
| Other Income   | 13,770                   | 19,899                   |
| <b>Total Other Income</b>                            | <b>21,595</b>            | <b>23,258</b>            |
|  | 300,848                  | 198,081                  |
| <b>Other Expenses</b>                                |                          |                          |
| Administrative Expenses                              | 90,061                   | 60,482                   |
| Other provisions/write offs                          | -                        | -                        |
| Other charges (Penalty paid to SBP)                  | 888                      | 317                      |
| <b>Total Non-Mark-up Expenses</b>                    | <b>90,927</b>            | <b>60,799</b>            |
|  | 209,921                  | 137,282                  |
| Extra ordinary / unusual Items                       | -                        | -                        |
| <b>Profit / (Loss) Before Taxation</b>               | <b>209,921</b>           | <b>137,282</b>           |
| Taxation - Current                                   | -                        | -                        |
| - Prior years  | -                        | -                        |
| - Deferred   | -                        | -                        |
|  | -                        | -                        |
| <b>Profit / (Loss) After Taxation</b>                | <b>209,921</b>           | <b>137,282</b>           |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - III**

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sr. No | Name & Address of the Borrower  | Name of Individuals/Partners/ Directors   |  | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|---|--|--|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name  |  |  | Principal                                    | Int/Acc/Mup | Others | Total  |                       |                               |                             |        |
|        |   | Name  | NIC No.  |  |  |             |        |        |                       |                               |                             |        |
| 1      | M/S. NEW SINDH X-RAYS<br>5/1, Office Tower, Ringra Plaza,<br>M.A. Jinnah Road, Karachi.                       | Abdul Qadir   | 511-59-015478  | Hassan   | 3,872  | 8,597       | 123    | 12,592 | 3,872                 | -                             | 8,720                       | 12,592 |
| 2      | M/S. PRECISION TOOLS<br>MANUFACTURING COMPANY<br>307, Dada Chambers,<br>M.A. Jinnah Road, Karachi.            | 1. Alish Raikha<br>2. Afjez Habib<br>3. Fatima Abdul Qadir<br>4. Abdul Rasool Shah  | 42301-1074046-5<br>-<br>-<br>-                           | Haji Umar<br>A. Habib<br>W/o Abdul Qadir<br>Ibrahim Shah                   | 3,830  | 12,107      | 107    | 16,044 | 3,830                 | -                             | 12,214                      | 16,044 |
| 3      | M/S. NOORABAD DEVELOPERS<br>6-G/1, Hamilton court,<br>Clifton, Karachi.                                       | 1. Alish Raikha<br>2. Muhammad Naeem Billoo<br>3. Hajj Habib Billoo<br>4. M. Asrar Billoo   | 42301-1074046-5<br>42201-2331038-9<br>511-22-005421<br>- | Haji Umar<br>Habib Billoo<br>Muhammad Ibrahim<br>-                         | 150  | 1,279       | 61     | 1,490  | 150                   | -                             | 1,330                       | 1,490  |
| 4      | M/S. PROFESSIONAL ENGINEERING<br>WORKS<br>G-K-6/5, G. Allana Road,<br>Kharadar, Karachi.                      | 1. Alish Raikha<br>2. Muhammad Naeem Billoo<br>3. Abdul Qadir<br>4. Mst. Zubaida  | 42301-1074046-5<br>42201-2331038-9<br>511-59-015478<br>- | Haji Umar<br>Habib Billoo<br>Hassan<br>D/o Usman                           | 1,852  | 16,070      | 113    | 17,835 | 1,852                 | -                             | 16,183                      | 17,835 |
| 5      | M/S. NAEEM BILLOO & COMPANY<br>307, Hussaini Market,<br>M.A. Jinnah Road, Karachi.                            | 1. Alish Raikha<br>2. Muhammad Naeem Billoo   | 42301-1074046-5<br>42201-2331038-9                       | Haji Umar<br>Habib Billoo  | 1,783  | 5,817       | 145    | 7,545  | 1,783                 | -                             | 5,762                       | 7,545  |
| 6      | M/S. WORLD TRADE ENTERPRISES<br>307, Hussaini Market (Dada Chambers)<br>M.A. Jinnah Road, Karachi.            | 1. Alish Raikha<br>2. Muhammad Naeem Billoo<br>3. Abdul Qadir<br>4. Mst. Zubaida  | 42301-1074046-5<br>42201-2331038-9<br>511-59-015478<br>- | Haji Umar<br>Habib Billoo<br>Hassan<br>D/o Usman                           | -  | 5,815       | 75     | 5,890  | -                     | -                             | 5,890                       | 5,890  |
| 7      | M/S. MANZOOR TEXTILE MILLS LTD<br>Manzoor Hytes, 6 St, Mary Park,<br>Gulberg II, Lahore.                      | 1. M. Younus Sheikh<br>2. M. Yousof Sheikh<br>3. Meqbool Hussain Sheikh   | 502-62-176776<br>502-65-176777<br>-                      | Manzoor Hussain Sheikh<br>Manzoor Hussain Sheikh<br>Manzoor Hussain Sheikh | 250  | 690         | -      | 940    | -                     | -                             | 690                         | 690    |
| 8      | M/S. TAMEER ASSOCIATES<br>(PVT) LTD.<br>88-37, Block-18-B, Main University<br>Road, Gulshan-e-Iqbal, Karachi. | 1. Paveezul Haque Siddiqui<br>2. Javedul Haque Siddiqui<br>3. Naveedul Haque Siddiqui<br>4. Surja Jehan   | -<br>517-57-175463<br>-<br>517-35-069735                 | Mubinnul Haq<br>Mubinnul Haq<br>Mubinnul Haq<br>W/o Mubinnul Haq           | 437  | 2,197       | -      | 2,634  | 437                   | -                             | 2,197                       | 2,634  |
| 9      | M/S. PAK NIPPON INDUSTRIES LTD.<br>2nd Floor, Adamiye House,<br>I.I.Chundrigar Road, Karachi.                 | 1. Iqbal Adamiye<br>2. Ashraf Adamiye<br>3. Atab Adamiye<br>4. Mrs. Fatima Iqbal Adamiye<br>5. Mr. T. Marumo<br>6. Mr. Funakawa<br>7. Mr. D. Yabuchi<br>8. Mr. K. Onisu | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-                     | -<br>-<br>-<br>W/o Iqbal Adamiye<br>-<br>-<br>-<br>-                       | 11,134                                       | 24,375      | 181    | 35,670 | 11,134                | -                             | 24,538                      | 35,670 |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - III**

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sr. No | Name & Address of the Borrower  | Name of Individuals/Partners/ Directors  |  | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|--|--|---|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name   |  |   | Principal                                    | Int/Acc/Mup | Others | Total  |                       |                               |                             |        |
|        |   | Name   | NIC No.  |   |  |             |        |        |                       |                               |                             |        |
| 10     | M/S. ASSETS INVESTMENT<br>BANK LIMITED<br>301, 302, 3rd Floor,<br>Muhammad Gulistan Khan house,<br>82-Sect, Fazaal-Haq Road, Islamabad. | 1. S.M.Abdulrah<br>2. Syed Naveed H. Zaidi<br>3. Dr. Khalid Iqbal<br>4. Muhammad Ashiq Rehmani<br>5. Rana M. Abu Chaido<br>6. Ashraf Tariq Khan<br>7. Sahal Ali<br>8. Shamim Ahmed Junjo | 514-43-073482<br>61101-1610561-3<br>61101-1681308-3<br>101-87-128544<br>42301-1210279-9<br>61101-632271-9<br>517-68-037843<br>42000-053819-7 | Haiz Sher Muhammad<br>Syed Sarfar Ali Shah<br>Aziz Ahmed<br>Dr. Muhammad Abdulah<br>M. Abdul Aze<br>Aziz Ahmed Khan<br>Arjad Ali<br>Imdad Hussain Junjo | 9,800  | 9,292       | -      | 19,092 | 9,800                 | 9,292                         | -                           | 19,092 |
| 11     | M/S. FIRST CUSTODIAN<br>MODARABA<br>408, 4th Floor, Trade Centre,<br>I.I.Chundrigar Road, Karachi.                                      | 1. Zafar Alam<br>2. Rehmat Aziz<br>3. Humayun Zia<br>4. Tahseen Ahmed<br>5. Mumtaz Soomro<br>6. Qamar-ur-Hussain<br>7. Abdul Razaq   | -<br>-<br>267-50-015328<br>-<br>514-62-036159<br>-   | -<br>Abdul Aziz<br>Yousuf Ali Zia<br>Muhammad Yousof<br>Noor Muhammad<br>Meqbool Hussain<br>-   | 5,069  | 3,357       | -      | 8,426  | 5,069                 | 3,357                         | -                           | 8,426  |
| 12     | M/S. SHABIB TEXTILE<br>INDUSTRIES (PVT) LTD.<br>108, Commerce Centre,<br>Hasrat Michani Road, Karachi.                                  | 1. Ghulam Abbas<br>2. Marium Abbas<br>3. Noor Akhter   | -<br>502-55-294948<br>-  | Ghulam Ali<br>W/o Ghulam Abbas<br>-   | 1,374  | 16,878      | 194    | 18,246 | 1,374                 | -                             | 16,872                      | 18,212 |
| 13     | M/S. MARIS ENTERPRISES<br>109, Commerce Centre,<br>Hasrat Michani Road, Karachi.  | Ghulam Abbas   | -  | Ghulam Ali  | 4,354  | 14,014      | 116    | 18,484 | 4,316                 | -                             | 14,130                      | 16,446 |
| 14     | M/S. MARUM FABRICS<br>109, Commerce Centre,<br>Hasrat Michani Road, Karachi.  | Marium Abbas   | 502-55-294948  | W/o Ghulam Abbas  | 878  | 4,887       | 107    | 5,872  | 861                   | -                             | 4,984                       | 5,855  |
| 15     | M/S. MALIK FOOD INDUSTRIES<br>LIMITED.<br>89-Main Boulevard,<br>Road, Gulshan-e-Iqbal, Karachi.   | 1. Arjad Vaid Malik<br>2. Anwar Aziz Malik<br>3. Hassan Khalid Malik<br>4. Khalid Aziz Malik   | -<br>-<br>-<br>-   | -<br>-<br>-<br>-  | 988  | 1,804       | -      | 2,892  | 988                   | -                             | 1,804                       | 2,892  |
| 16     | M/S. BLUE STAR SPINNING<br>MILLS LIMITED.<br>30-KA, Hasilpur Road, Bahawalpur.  | 1. Ch. Sakbar Muhammad<br>2. Ch. Ghulam Fareed<br>3. Ch. Muhammad Zafar<br>4. Ch. Muhammad Siddique<br>5. Mst. Yasmeen Siddique<br>6. Mst. Naseem Fareed<br>7. Ch. Manzoor Ahmed         | -<br>-<br>-<br>-<br>-<br>-<br>-  | -<br>-<br>-<br>-<br>-<br>-<br>-   | 2,588  | 1,683       | -      | 4,251  | 2,588                 | -                             | 1,683                       | 4,251  |
| 17     | M/S. NOVELTY FABRICS<br>PROCESSING MILLS LIMITED.<br>48-L, Model Town extension, Lahore.  | 1. Zubair Mohsin<br>2. Syed Waqar Hassan Kimani<br>3. Arif Salman<br>4. Amee Aslam Malik<br>5. Mrs. Iram Malik<br>6. Inam Arjad Khan<br>7. Muhammad Usman                                | -<br>-<br>-<br>-<br>-<br>-<br>-  | -<br>-<br>-<br>-<br>-<br>-<br>-   | 7,951  | 4,888       | -      | 12,819 | 7,951                 | -                             | 4,888                       | 12,819 |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors  |   | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|---|---|--|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name  | NIC No.   |  | Principal                                    | Int/Acc/Map | Others | Total  |                       |                               |                             |        |
| 18     | M/S. RAJA WEAVING MILLS LIMITED<br>F-632, S.I.T.E., Karachi                         | 1. Munaf Rizvi<br>2. Humayun Rizvi<br>3. Rizvi Yousof<br>4. Mrs. Salma Rizvi<br>5. Mrs. Ambreen Humayun<br>6. Mrs. Ahsan Rizvi<br>7. Mrs. Nusrat Hussain Siddiqui | -<br>514-59-12261<br>-<br>-<br>-<br>-<br>-  | Rizvi Yousof<br>Rizvi Yousof<br>Haji Muhammad Yousof<br>W/o Rizvi Yousof<br>Humayun Rizvi<br>Munaf Rizvi<br>-  | 76,064                                       | 738         | -      | 76,802 | 76,064                | -                             | 738                         | 76,802 |
| 19     | M/S. RAMINA FITTING AND PIPE INDUSTRIES (PVT) LTD.<br>10-Abbot Road, Lahore.        | 1. Mian Shaukat Ali<br>2. Mian Shaukat Ali<br>3. Mian Shaukat Ali<br>4. Mian Shafiqat Ali   | 272-99-1157960<br>272-50-0263450<br>-<br>271-59-146256                            | Haji Imran-ud-Din<br>Mian Shaukat Ali<br>-<br>Mian Shaukat Ali   | 1,706  | -           | -      | 1,706  | 1,706                 | -                             | -                           | 1,706  |
| 20     | M/S. WINNIPEG ENTERPRISES<br>694-A, Feroz Nagar, Sukkot.                            | Sh. Khalid Mahmood  | 300-64-2543162  | Sh. Masood Ahmed   | -  | 2,080       | 91     | 2,171  | -                     | -                             | -                           | 2,171  |
| 21     | SH. KHALID MEHMOOD<br>Ghalia Mandi, Sukkot.   | Sh. Khalid Mahmood  | 300-64-2543162  | Sh. Masood Ahmed   | 1,971  | 2,044       | -      | 4,015  | 1,971                 | -                             | 2,044                       | 4,015  |
| 22     | M/S. MB SS SONS COMPANY<br>Dafnosa Road Near Suklime Chowk, Sukkot                  | 1. Muhammad Siddique Sadiq<br>2. Arjum Siddique Sadiq<br>3. Suhail Siddique Sadiq<br>4. Fahad Siddique Sadiq  | 300-37-038259<br>300-37-038260<br>-<br>-  | Ch. Fazal Hussain Sadiq<br>Muhammad Siddique Sadiq<br>-<br>-   | 1,840  | 4,303       | 45     | 6,188  | 1,840                 | 191                           | 4,157                       | 6,188  |
| 23     | M/S. RAUF RICE MILLS (PVT) LTD<br>Rauf Plaza, 79-Ferozpur Road, Lahore.             | 1. M. Iqbal Rauf<br>2. M. Masood Rauf<br>3. M. Masood Rauf<br>4. M. Shahzad Rauf<br>5. M. Ijaz Rauf   | 272-95-435671<br>272-95-435672<br>272-95-435673<br>272-95-435675<br>272-95-435676 | Abdul Rauf<br>Abdul Rauf<br>Abdul Rauf<br>Abdul Rauf<br>Abdul Rauf   | 14,044                                       | 13,166      | 20     | 27,230 | 14,044                | -                             | 13,166                      | 27,230 |
| 24     | MUHAMMAD SHERAZ<br>Mandar Gali No.3, Karkhana Bazar, Faisalabad.                    | Muhammad Shanz  | -   | Haji Masood Ahmed  | -  | 2,343       | -      | 2,343  | -                     | -                             | 2,343                       | 2,343  |
| 25     | M/S. MUTABBARIK TEXTILES (PVT) LTD.<br>574-Ahrafabad, Sheikhupura Road, Faisalabad. | 1. Ali Muhammad (Late)<br>2. Arif Pervaiz<br>3. Shafiqat Pervaiz<br>4. Tahir Pervaiz  | -<br>-<br>-<br>-  | Ghulam Muhammad<br>Ali Muhammad (Late)<br>Ali Muhammad (Late)<br>Ali Muhammad (Late)                           | -  | 5,509       | -      | 5,509  | -                     | -                             | 5,509                       | 5,509  |
| 26     | M/S. G. F. RUBBER INDUSTRIES<br>697, Ayub Colony, Jhang Road, Faisalabad.           | 1. Muhammad Anwar<br>2. Muhammad Iqbal  | -<br>-  | Ghulam Muhammad<br>Ghulam Muhammad   | -  | 9,448       | -      | 9,448  | -                     | -                             | 9,448                       | 9,448  |
| 27     | M/S. TOP COTTON GINNING (PVT) LTD.<br>Chak No. 251/AG, Cgoal, Dist: Toba Tek Singh. | 1. Faqir Muhammad<br>2. Iqbal Khalid<br>3. Khalid Rasool Mehsin<br>4. Mrs. Naveed Akhter<br>5. Shafiqat Rasool<br>6. Mrs. Sunayee Shafiqat                        | -<br>-<br>-<br>-<br>-<br>-  | Rahmat Ali<br>Shah Muhammad<br>Ch. Muhammad Sharif<br>Khushi Muhammad<br>Hafiz Muhammad Ali<br>Shafiqat Rasool | 7,320  | 10,246      | -      | 17,566 | 7,320                 | 110                           | 10,136                      | 17,566 |
| 28     | M/S. XEBEC TEXTILES<br>P-2/B, Peoples Colony, Faisalabad.                           | 1. Shoab Ahmed Faridi<br>2. Yahya Ahsan Baig  | -<br>-  | Shah A. Faridi<br>Mirza Ahsan Baig   | 884  | 18,856      | -      | 19,740 | 884                   | 154                           | 18,702                      | 19,740 |



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors   |   | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |             |        |         | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total   |
|--------|---|--|---|---|--|-------------|--------|---------|-----------------------|-------------------------------|-----------------------------|---------|
|        |   | Name   | NIC No.   |   | Principal                                    | Int/Acc/Map | Others | Total   |                       |                               |                             |         |
| 29     | M/S. KOHNOOR INDUSTRIES LIMITED<br>Kohnoor Nagar, Jinnahwala Road, Faisalabad.                    | 1. Muhammad Nasseem Saigol<br>2. Muhammad Azam Saigol<br>3. Shahid Soofi<br>4. Mrs. Razia Begum<br>5. Mrs. Saheer Saigol<br>6. Muhammad Imran Iqbal<br>7. Syed Haroon Rashid (JCP Nominee) | -<br>-<br>-<br>-<br>-<br>-<br>-                                       | M. Yousof Saigol<br>M. Yousof Saigol<br>Abdul Latif Soofi<br>M. Yousof Saigol<br>Muhammad Nasseem Saigol<br>Iqbal Ahmed<br>Syed M. Rashid | -  | 195,072     | -      | 195,072 | -                     | -                             | 195,072                     | 195,072 |
| 30     | M/S. AWAN NATIONAL CEMENT LTD.<br>S-A, Constitution Ave, F-5/1, Islamabad.                        | 1. Mian Rashid Anshad<br>2. Mian Tahir Soofi   | 267-61-078295<br>267-66-061657  | Mian Anshad Latif<br>Mian Fazal-Ul-Rehman   | 750  | 4,799       | 193    | 6,742   | 750                   | 605                           | 4,387                       | 6,742   |
| 31     | M/S. FAZAL CONSTRUCTION (PVT) LTD.<br>Flat No.2, Shehrazad Building, Rehmat Lane, Peshawar Cantt. | 1. Asghar Ali Ch.<br>2. Tahir Mahmood  | 304-51-895005<br>210-62-001506  | Farooz Din<br>Asghar Ali  | 38,532                                       | 46,691      | 359    | 87,582  | 38,532                | 1,913                         | 47,137                      | 87,582  |
| 32     | M/S. AL-MUZZAMIL INDUSTRIES (PVT) LTD.<br>Plot No. 232/5-A, Phase II, Gaddan Amrozi, Sewak.       | 1. Anwar M. Qazi<br>2. Rizvi Ahmed<br>3. Mrs. Firdaus Rizvi  | 235-62-000302<br>232-68-413127<br>232-48-712554                       | Muhsin Ahmed Qazi<br>Mahmood Khan<br>W/o Rizvi Ahmed  | 6,857  | 6,882       | 96     | 13,835  | 6,857                 | -                             | 6,960                       | 13,827  |
| 33     | M/S. JUSWAN ENTERPRISES<br>Chowk 903 Millay, Nandipur Road, Multan.                               | Malik Hassan Bux   | 36302-7280868-8   | Ghulam Muhammad   | -  | 1,505       | 48     | 1,551   | -                     | -                             | 1,551                       | 1,551   |
| 34     | M/S. ISHAQ & SONS<br>16/2, Runo Centre, Montgomery Bazar, Yam Market, Faisalabad.                 | Eqaz Ahmed   | -   | Muhammad Ishaq  | -  | 1,117       | -      | 1,117   | -                     | -                             | 1,117                       | 1,117   |
| 35     | M/S. ASFI ENTERPRISES<br>2nd Floor, MCB Building, Hajwari Town, Sargodha Road, Faisalabad.        | Muhammad Anif  | 244-91-082070   | Niaz Muhammad Shaikh  | -  | 810         | 20     | 830     | -                     | -                             | 830                         | 830     |
| 36     | M/S. KOSHAPMAN LATEX (PVT) LTD.<br>Bong Kanal road, Merga.  | 1. Zulqar Abbas<br>2. Shehvez Khan<br>3. Dr. Tajmeel Hussain Rehore<br>4. Muhammad Aslam Butt<br>5. Ghulam Mustafa   | 701-65-072106<br>701-99-074982<br>701-81-480309<br>300-34-023073<br>- | M. Siddique Khan<br>Muhammad Yunus<br>Ghulam Hussain<br>Sarwath Butt<br>-   | -  | 1,977       | -      | 1,977   | -                     | -                             | 1,977                       | 1,977   |
| 37     | QAMAR-UL-BARI FAROOQI<br>Room No.209, Islamabad Stock Exchange Building, Islamabad.               | Qamar-ul-Bari Farooqi  | 212-44-087584   | Abdul Hai   | 219  | 614         | -      | 833     | 219                   | -                             | 614                         | 833     |
| 38     | M/S. ALJ INTERNATIONAL<br>E-37-1, Quahana-e-Iqbal, Karachi.                                       | 1. Syed Shahid Ali (Late)<br>2. Syed Zaid Ali  | 518-60-054078<br>518-60-054079  | Syed Shafiqat Ali<br>Syed Shafiqat Ali  | 286  | 1,148       | -      | 1,434   | 286                   | -                             | 1,148                       | 1,434   |
| 39     | M/S. ARJAN CORPORATION<br>250-Jinnah Avenue, Near Amin Mosque, Model Colony, Karachi.             | Wahed Ali  | 518-64-259665   | Ch. Muhammad Ali  | -  | 1,580       | 55     | 1,635   | -                     | 443                           | 1,222                       | 1,645   |
| 40     | M/S. H. A. REHMAN & SONS<br>9-A-Hameed Market, Maslon Road, Karachi.                              | Abdul Hamid Gung   | -   | Abdul Rehman  | 585  | -           | -      | 585     | 585                   | -                             | -                           | 585     |



Notes to the Consolidated Financial Statements  
For the year ended December 31, 2008

ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sr. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors  |                                 | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|---|---------------------------------|---|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name  | NIC No.                         |   | Principal                                    | Int/Acc/Map | Others | Total  |                       |                               |                             |        |
| 41     | M/S. MINACC FABRICS LIMITED.<br>Shehna Building, Block-6,<br>Shahmeh Quid-e-Azam, Lahore. | 1. Ahmad Nadeem Jamel<br>2. Akhtar Nazir Khan<br>3. Humaira Akhtar  | -<br>-<br>-                     | -<br>-<br>-   | 268  | 690         | -      | 978    | 268                   | -                             | 690                         | 978    |
| 42     | M/S. NEW GENERAL IRON<br>MERCHANTS<br>117-PECO Road, Badami Bagh,<br>Lahore.              | 1. Khalid Mehmood Ch.<br>2. Shehid Mansoor Ch.  | -<br>-                          | Ch. Ghulam Hussain<br>Ch. Ghulam Hussain  | -  | 1,277       | 17     | 1,294  | -                     | -                             | 1,294                       | 1,294  |
| 43     | M/S. KHABER TRADING<br>CORPORATION<br>7/8, Bahawalpur Block,<br>Fortress Stadium, Lahore. | 1. Mrs. Zahida Imtiaz<br>2. Haroon Imtiaz   | -<br>-                          | Imtiaz Majeed<br>Imtiaz Majeed  | 750  | 2,078       | -      | 2,828  | 750                   | 661                           | 1,368                       | 2,828  |
| 44     | M/S. SADOON TEXTILE INDUSTRIES<br>(PVT) LIMITED<br>57-Main Road, Samanabad, Lahore.       | 1. Sh. Fazal Hussain<br>2. Sh. Ahsan Fazal<br>3. Mrs. Sabrine Sheikh<br>4. Sh. Sadoon Fazal<br>5. Mrs. Sarder Akhtar                                    | -<br>-<br>-<br>-<br>-           | Sh. Zahoor-ud Din<br>Sh. Fazal Hussain<br>W/o Sh. Sadoon<br>Sh. Fazal Hussain<br>W/o Sh. Fazal Hussain                      | 9,284  | 11,311      | -      | 20,595 | 276                   | 1,822                         | 9,478                       | 11,587 |
| 45     | M/S. PAK GHEE INDUSTRIES<br>(PVT) LIMITED.<br>57-Main Road, Samanabad, Lahore.            | 1. Sh. Fazal Hussain<br>2. Sh. Ahsan Fazal<br>3. Mrs. Sabrine Sheikh<br>4. Mrs. Sarder Akhtar<br>5. Atia Ullah<br>6. Murtaza<br>5. Sh. Sadoon Fazal     | -<br>-<br>-<br>-<br>-<br>-<br>- | Sh. Zahoor-ud Din<br>Sh. Fazal Hussain<br>W/o Sh. Sadoon<br>W/o Sh. Fazal Hussain<br>-<br>-<br>Sh. Fazal Hussain            | 11,995                                       | 25,008      | -      | 37,003 | -                     | 3,298                         | 21,715                      | 25,008 |
| 46     | M/S. A. S. CORPORATION<br>Peshki Miriara Road,<br>Small Industrial estate, Shalwat.       | 1. Ms. Sumaira Aftab  | 300-50-329860                   | Aftab Ahmed   | 817  | 3,271       | -      | 4,088  | 817                   | 482                           | 2,788                       | 4,088  |
| 47     | M/S. GADDOON SYNTHETIC<br>MILLS LTD.<br>Bhimbar Dist. Mirpur A.K.                         | 1. Anshad Ali Ch.<br>2. Ms. Rozwana Anshad<br>3. Ms. Farzana Khanum<br>4. Javed Ilyas Butt<br>5. Ms. Farzana Butt<br>6. Syed Waqar Ali<br>7. Ahsan Butt | -<br>-<br>-<br>-<br>-<br>-<br>- | Sh. M. Sheriff<br>Anshad Ali Ch.<br>Anshad Ali Ch.<br>Fazal Ehsan Butt<br>Javed Ilyas Butt<br>Syed Ali<br>Abdul Rashid Butt | 10,302                                       | 24,970      | -      | 35,272 | 10,302                | 1,955                         | 23,015                      | 35,272 |
| 48     | M/S. KHICHAR STRAW BOARD<br>(PVT) LTD.<br>59/II, Industrial estate, Hattar.               | 1. Muhammad Asad Khokhar<br>2. Muhammad Raza Khokhar<br>3. Zahir Mahmood Khokhar  | -<br>-<br>210-97-616917         | Hajj Allah ditta<br>Hajj Allah ditta<br>Hajj Allah ditta  | 716  | 1,787       | 38     | 2,542  | 716                   | 244                           | 1,582                       | 2,542  |
| 49     | MEHBOOB RABBANI<br>Stock Exchange, Islamabad.   | Mehboob Rabbani   | 124-49-002096                   | Pir Ghulam Rabbani  | 259  | 497         | 22     | 778    | 259                   | 103                           | 416                         | 778    |
| 50     | MUHAMMAD WASEEM<br>Shop No. 2, Street No.7, Hamam<br>Market, Yam Market, Faisalabad.      | Muhammad Waseem   | 248-91-072204                   | Hafiz Ghulam Rasool   | -  | 1,083       | 32     | 1,115  | -                     | 97                            | 1,018                       | 1,115  |
| 51     | M/S. PASHA FARMS<br>Chak No. 219/A/B, District Tehsil Jhang.                              | 1. Imran Ali Pasha<br>2. Fiaz Ali Pasha   | -<br>-                          | Abdul Latif Khan<br>Abdul Latif Khan  | -  | 1,828       | 68     | 1,896  | -                     | -                             | 1,896                       | 1,896  |



Notes to the Consolidated Financial Statements  
For the year ended December 31, 2008

ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sr. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors   |   | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|--|---|--|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name   | NIC No.   |  | Principal                                    | Int/Acc/Map | Others | Total  |                       |                               |                             |        |
| 62     | M/S. HAROON CORPORATION<br>Street # 02, Montgomery Bazar,<br>Faisalabad.  | Abdul Rashid   | -   | Mubank Ali   | 78   | 1,310       | 86     | 1,468  | 78                    | 221                           | 1,154                       | 1,468  |
| 63     | M/S. N. H. SHAHANI & COMPANY<br>308, Model Town, Faisalabad.  | 1. Javed Nisar<br>2. Syeda Shabana Jabeen<br>3. Zahid Nisar<br>4. Ms. Zehra Bibi   | -<br>-<br>-<br>-  | Syed Nisar Hussain Shah<br>Syed Nisar Hussain Shah<br>Syed Nisar Hussain Shah<br>Syed Nisar Hussain Shah | -  | 936         | -      | 936    | -                     | -                             | 936                         | 936    |
| 64     | M/S. MUHAMMAD NAZIR &<br>JAMILA KANWAL<br>Photo Post Colour Laboratory,<br>College Road, Sargodha.                | 1. Chaudhry Muhammad Nazir<br>2. Ms. Jamila Kanwal   | -<br>-  | Chaudhry Wali Muhammad<br>Chaudhry Muhammad Nazir  | -  | 667         | -      | 667    | -                     | -                             | 667                         | 667    |
| 65     | MUHAMMAD NADEEM<br>Muhammad Din Colony, Canal Bank,<br>Harbanspura, Lahore.                                       | Muhammad Nadeem  | 38201-1647228-1   | Chigh Din  | -  | 995         | -      | 995    | -                     | -                             | 995                         | 995    |
| 66     | M/s. Farooq Traders<br>P-72, Gola Cloth, Faisalabad   | Muhammad Farooq  | 88100-0786824-3   | Ahmed Din  | 11,995                                       | 2,292       | -      | 14,287 | -                     | -                             | 603                         | 603    |
| 67     | USMAN GHANI PATEL (EX STAFF)<br>B-3, Norman Garden, Abdul Haseem<br>Ishakani Road, Gulshan-e-Iqbal,<br>Karachi    | Usman Ghani Patel (Ex Staff)   | -   | Imtiaz Patel   | 539  | 88          | -      | 627    | 539                   | -                             | 88                          | 627    |
| 68     | M/s. Shabbir Associates<br>P-294, Times Gall,<br>Montgomery Bazar, Faisalabad                                     | Zain-Ul-Abidin   | 322-61-443335   | Muhammad Saeed   | 16,405                                       | 16,623      | 87     | 33,115 | -                     | -                             | 14,961                      | 14,961 |
| 69     | M/s. Papa Sweets Dairy Products<br>Chak No. 31/GUR, Toba Tik Singh Road,<br>Gojra                                 | Saeed Ahmed Aleem  | 246-91-072204   | Hafiz Ghulam Rasool  | 1,995  | 2,888       | 150    | 5,013  | 1,995                 | 240                           | 2,778                       | 5,013  |
| 60     | M/s. Delta Tyres & Rubber Co Ltd<br>Central Chambers, Mand, Karachi   | 1. Bilq. Aziz-ur-Rahman<br>2. Imtiaz Ahmed Khan<br>3. Mrs. Imtiaz Tariq<br>4. Imtiaz Ahmed Ch<br>5. Mrs. Nabeed iqbal<br>6. Rao Saleem Khan<br>7. S. Faiz Hussain<br>8. S. I. Chooma<br>9. Tariq Ahmed Luchi | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-   | -<br>-<br>-<br>-<br>-<br>-<br>-<br>-<br>-  | 16,082                                       | 38,204      | 200    | 54,486 | 16,082                | -                             | 38,404                      | 54,486 |
| 61     | M/s. Progressive Watch Mfg<br>(Pvt) Ltd<br>Plot No. 181, Phase IV, Industrial estate,<br>Gadson Amnazi, Dist Suet | 1. Mubin Ahmed<br>2. Zahir Iqbal<br>3. Azeel Ahmed<br>4. Kaleed Ahmed<br>5. Shaukat Iqbal  | 501-57-156722<br>511-49-086707<br>516-68-157273<br>516-68-256735<br>203-64-070804 | -<br>-<br>-<br>-<br>-  | 5,809  | 11,386      | 42     | 17,237 | 5,809                 | 1,024                         | 10,404                      | 17,237 |
| 62     | M/s. Modern Industries<br>Modern House, 63-64 Abaseen Market,<br>Mingora Suet                                     | Fazal-e-Khalq  | Abdul Qadir   | -  | 1,077  | 10,618      | -      | 11,695 | 1,077                 | 717                           | 9,896                       | 11,695 |
| 63     | M/s. Mian Traders<br>Fiaz Chowk, Multan   | 1. Mumtaz Ahmed<br>2. Riaz Ahmed   | 325-74-200989<br>325-57-007781  | Pir Bukhsh<br>Hajj Abdul Sattar  | 1,198  | 1,045       | 39     | 2,282  | 1,198                 | 11                            | 1,073                       | 2,282  |

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For the year ended December 31, 2008

ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008  
(Rupees in '000)

| Sr. No | Name & Address of the Borrower   | Name of Individual/Partners/ Directors  |  | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|--|---|--|---|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |  | Name  | NIC No.  |   | Principal                                    | Int/Acc/Map | Others | Total  |                       |                               |                             |        |
| 64     | M/s. Jubilee Paper Board & Mills Ltd   | 1. Arjad Rasool<br>2. Ghulam Rasool<br>3. Khalid Rasool<br>4. Ms. Zohra Khatoon<br>5. Ghulam Haidar<br>6. Javed Ahmed<br>7. Ashraf Ali  | 45645-2314855-6<br>54564-1355589-6<br>45648-744442-3<br>-<br>41564-1321315-4<br>-<br>-                             | Ghulam Rasool<br>Muhammad Rasool<br>Ghulam Rasool<br>-<br>Sherqat Rasool<br>-<br>-                            | 6,563  | 9,726       | -      | 16,289 | 6,563                 | 68                            | 9,658                       | 18,286 |
| 65     | M/s. Greentech Pakistan Ltd.<br>S/O, I-Ghalla Road, Gulberg-II,<br>Lahore  | 1. Jehangir Eahi<br>2. M. Ahsan Nadeem<br>3. Alamgir Eahi<br>4. Amir Jehangir<br>5. Tariq Latif<br>6. Tanveer Eahi<br>7. Ahmad Jehangir<br>8. Shahnukh Eahi<br>9. Sh. Muhammad Ashraf | 35202-1548476-5<br>-<br>26204-1151561-3<br>35005-6862448-6<br>-<br>35020-24566442-2<br>272-92-503872<br>-<br>-     | Ehsan Eahi<br>-<br>Ehsan Eahi<br>Jehangir Eahi<br>-<br>Ehsan Eahi<br>Jehangir Eahi<br>-<br>-                  | 58,227                                       | 7,732       | -      | 66,959 | 58,227                | -                             | 7,732                       | 66,959 |
| 66     | M/s. Montgomery Flour &<br>General Mills Ltd.  | 1. Mian Bisharat Shafi<br>2. Mian Sadiqat Shafi<br>3. Mrs. Farhat Bisharat<br>4. Mrs. Ahsan Sadiqat<br>5. Sh. Karim Shafi<br>6. Sh. Faisal Shafi<br>7. Mrs. Tahmina Khalid Qutub      | 59446-4646465-6<br>33338-5912127-0<br>33646-6446465-4<br>35408-5946465-6<br>34454-465464-5<br>59846-4654554-0<br>- | Muhammad Shafi Shafiq<br>Mian Muhammad Shafi<br>Mian Meeharat<br>S. M. Shafi<br>-<br>Mian Bisharat Shafi<br>- | 19,396                                       | 27,537      | -      | 46,933 | 19,396                | -                             | 27,537                      | 46,933 |
| 67     | M/s. Fair Tech Electronics (Pvt) Ltd<br>Industrial Estate, Kot Lakhpat, Lahore.  | 1. Rashid Sadiq<br>2. Zafar Alam Ahsan<br>3. Ghulam Sadiq<br>4. Mujeeb Sadiq  | 274-93-144318<br>274-93-439574<br>274-20-144315<br>274-89-363598   | Ghulam Sadiq<br>-<br>Kh. Ghulam Nabi<br>Sadiq Mehmood   | 3,545  | 7,930       | -      | 11,475 | 3,545                 | 1,212                         | 9,718                       | 11,475 |
| 68     | M/s. National Assets Leasing<br>Corporation Limited<br>9th Floor, Lakson Square Building No.1,<br>265-R. A. Lines, Karachi | 1. Zaigham-ul-Naeem<br>2. M.A. Rehman<br>3. Mustafa Ehsan<br>4. Ahsan Amin<br>5. Mrs. Sabia Wassam<br>6. Ms. Shama Ehsan  | -<br>-<br>-<br>-<br>-<br>-   | -<br>-<br>-<br>-<br>-<br>-  | 1,103  | 6,572       | -      | 7,675  | 1,103                 | 2,860                         | 3,892                       | 7,675  |
| 69     | M/s. Apex Fabrics<br>Nadko Square, G-5, Central<br>Commercial Area, Shahhead-e-Millat<br>Road, Karachi                     | 1. Naeem-ul-Rahman<br>2. Mirza Mubeen Baig Baris<br>3. Raheem Ahmed<br>4. Naeem Ahmed<br>5. Wassam Ahmed<br>6. Mirza Muzaffar Baig Baris<br>7. Najab-ul-Rahman                        | -<br>-<br>-<br>-<br>-<br>-<br>-  | -<br>-<br>-<br>-<br>-<br>-<br>-   | 11,160                                       | 1,319       | -      | 12,479 | 11,160                | -                             | 1,319                       | 12,479 |
| 70     | M/s. Fatah Sports Wear Ltd<br>Mipur Khas Road, Hyderabad   | 1. Rauf Alam<br>2. Atab Alam<br>3. Saad Alam<br>4. Muhammad Mohsin<br>5. Faraz Alam<br>6. Muhammad Naeem<br>7. Mrs. Najma Roshan  | 415-85-148857<br>517-91-367052<br>451-91-250894<br>451-92-296018<br>-<br>451-979-237932<br>-                       | Jen Alam<br>Jen Alam<br>Jen Alam<br>Roshan Ali<br>-<br>Roshan Ali<br>-  | 63,247                                       | 4,823       | -      | 68,070 | 63,247                | 212                           | 4,811                       | 68,070 |



Notes to the Consolidated Financial Statements  
For the year ended December 31, 2008

ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008  
(Rupees in '000)

| Sr. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors  |   | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |         | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total   |
|--------|---|---|---|--|--|-------------|--------|---------|-----------------------|-------------------------------|-----------------------------|---------|
|        |   | Name  | NIC No.   |  | Principal                                    | Int/Acc/Map | Others | Total   |                       |                               |                             |         |
| 71     | M/s. Duty Free Shops Ltd<br>Suite No. 504, 5th Floor<br>Fayez Centre, SMCBS, Karachi                        | 1. Jan Bajaj<br>2. Farukh R. Shaikh<br>3. Raheed Hassan<br>4. Mahboob Saib<br>5. Habib-ul-Rahman<br>6. Daniel Zueger<br>7. David C. Gore  | P # 201268200<br>270-68-168711<br>517-67-191798<br>272-64-038138<br>101-56-686335<br>P # 8869703<br>P # 702115127 | -<br>Sh. R. Rafiq<br>Ahmed Hassan<br>-<br>Abdul Rahman Khan<br>-<br>Stanly C. Gore | 112,963                                      | 21,349      | -      | 134,302 | 112,353               | -                             | 21,349                      | 133,702 |
| 72     | M/s. Choti Textile Mills<br>24-Main Gulberg, Lahore   | 1. Sardar M. Jaffer Khan Laghari<br>2. Sardar M. Umar Khan Laghari<br>3. Sardar Yousuf Khan Laghari<br>4. Bashir Ahmed<br>5. Hussain Bux<br>6. Muhammad Saleem Akhtar<br>7. Hajj Muhammad | -<br>-<br>-<br>-<br>-<br>-<br>-   | -<br>-<br>-<br>-<br>-<br>-<br>-  | 3,815  | 44,975      | -      | 48,790  | 3,231                 | -                             | 44,975                      | 48,208  |
| 73     | M/s. Hafiz Medical Store<br>Clock Tower Sukkur  | Hafiz Ullah Khan  | 409-86-104652   | Ism Ullah Khan   | 400  | 2,859       | 53     | 3,312   | 250                   | -                             | 2,912                       | 3,162   |
| 74     | Jamshed Chaudhary<br>House # 06 D - 1 Sir Syed Road<br>Gulberg II, Lahore                                   | Jamshed Chaudhary   | -   | -  | 380  | 792         | -      | 1,172   | 380                   | -                             | 792                         | 1,172   |
| 75     | M/s. Sun Flow Citrus Ltd<br>Birkoo Colony, Lahore   | 1. Sander Fida Hussain<br>2. Muir A. Khan<br>3. Mohammad H. Noman<br>Tariq Mehmood  | -<br>-<br>-<br>-  | -<br>-<br>-<br>-   | -  | 1,373       | -      | 1,373   | -                     | -                             | 1,373                       | 1,373   |
| 76     | M/s. Khail Jute Mills Industries Ltd<br>44 Gulberg-V, Lahore  | 1. Muhammad Azal Khan<br>2. Ghulam Dastgir<br>3. Ghulam Subhani Khan<br>4. Ghulam Rasool Khan   | -<br>-<br>-<br>-  | -<br>-<br>-<br>-   | -  | 2,303       | -      | 2,303   | -                     | -                             | 2,303                       | 2,303   |
| 77     | M/s. Saleem Tanneries<br>Jhangira<br>Swabi  | 1. SDA Original Sponsor<br>(Buyer of the unit)<br>2. Saleemur Rahman<br>3. Hajj Masoodur Rahman   | -<br>-<br>-<br>-  | -<br>-<br>-<br>-   | -  | 10,142      | -      | 10,142  | -                     | -                             | 10,142                      | 10,142  |
| 78     | M/s. Shahzad Enterprises<br>B-SQ, S.I.T.E., Sukkur  | Shahzad Ansh  | 409-90-028619   | Ch. Manzoor Ahmed  | 2,852  | 2,270       | -      | 5,122   | -                     | -                             | 1,086                       | 1,086   |
| 79     | M/s. Qureshi & Sons   | Ayaz Ahmed Qureshi  | 322-69-904737   | Muhammad azeem Qureshi   | 725  | 1,704       | 79     | 2,508   | 725                   | 206                           | 1,577                       | 2,508   |
| 80     | M/s. Universal Traders<br>Muhammad Sharif Siddiqui Fumblings<br>House, Chowk Fawara, Abdal Road,<br>Multan. | Muhammad Sharif Siddiqui  | 330-91-008924   | Muhammad Siddique  | 1,961  | 3,715       | 56     | 5,732   | 1,961                 | -                             | 3,771                       | 5,732   |
| 81     | M/s. Yousuf Rice Cotton Factory<br>Mouza Coath Bajan Near Railway<br>Station, Bheawalpur.                   | 1. Muhammad Inam<br>2. Mahmooda Begum   | 344-88-121352<br>344-60-197500  | Ch. Ataulah<br>W/o Ch. Riaz Ull Haq  | 1,472  | 1,504       | 82     | 3,058   | 1,472                 | -                             | 1,586                       | 3,038   |
| 82     | M/s. Usman Traders  | Muhammad Usman  | 322-61-448942   | Muhammad Younis Hussain  | 1,240  | 1,923       | 17     | 3,180   | 1,240                 | -                             | 1,940                       | 3,180   |
| 83     | Khwaja Zahid Mehmood<br>House # 87 Block B Gulberg II, Lahore   | Khwaja Zahid Mehmood  | -   | -  | 198  | 489         | -      | 687     | 198                   | -                             | 489                         | 687     |

Notes to the Consolidated Financial Statements  
For the year ended December 31, 2008

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Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors   |   | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|---|--|---|---|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |   | Name   | NIC No.   |   | Principal                                    | Int/Acc/Mup | Others | Total  |                       |                               |                             |        |
| 84     | Ahmed Kamal<br>House # 652, Block D Faisal Town<br>Lahore                                 | Ahmed Kamal  |   |   | 268  | 585         | -      | 853    | 268                   | -                             | 585                         | 853    |
| 85     | Syed Atzal Hussain<br>House # 82 B DHA Lahore   | Syed Atzal Hussain   |   |   | 242  | 559         | -      | 801    | 242                   | -                             | 559                         | 801    |
| 86     | M/s. Karachi General Electric Store<br>Bhowana Bazar, Faisalabad.                         | Muhammad Azeem   | 33100-3138478-9   | Bashir Ahmed Ch   | -  | 841         | -      | 841    | -                     | -                             | 841                         | 841    |
| 87     | M/s. Prometale Ltd<br>Lahore Shaikhpura Road, Lahore                                      | 1. Gohar Yasir Chaudry<br>2. Khalid nasim Chaudry<br>3. Shaikat Ali Chaudry  | -<br>-<br>-   | -<br>-<br>-   | -  | 883         | -      | 883    | -                     | -                             | 883                         | 883    |
| 88     | Muhammad Jehanzeb<br>Mohallah Atik Khan, Dabgori Gals,<br>Peshawar                        | Muhammad Jehanzeb  | -   | Haji Umar Gul   | 95   | 515         | -      | 610    | 95                    | 55                            | 480                         | 610    |
| 89     | M/s. Aye Marie Traders<br>No 219, Prince Street, Colombo-11                               | Mr. Joshua Carmel Edloor Goonah<br>No 83/4, Brass Founder<br>Street, Colombo-13  | 733370418X  | -   | 1,431  | -           | -      | 1,431  | 1,431                 | -                             | -                           | 1,431  |
| 90     | M/S. VANIKA ENGINEERS<br>29-Satellite Town Rawalpindi                                     | Nasim Ahmed  | 221-75-038650   | Sardar Ahmed  | 2,000  | 3,753       | 30     | 5,783  | 2,000                 | 625                           | 3,158                       | 5,783  |
| 91     | M/S.PIR BLX COMPANY<br>Muza Muhammad Shah, Mohallah<br>Rasoolpura, Malak, Distt Vehari    | Muhammad Anshad  | 325-89-009596   | Pir Bux   | 1,541  | 1,865       | 65     | 3,491  | 1,541                 | 286                           | 1,864                       | 3,491  |
| 92     | M/s. Juralid Flour Mills<br>Korangi Creek, Karachi  | 1. Hajjani Ghulam Farid (Expired)<br>2. Malik Faiz Muhammad (Expired)<br>3. Khalid Abbas<br>4. Shagufta Aasad                          | 414-42-145485<br>519-86-148223<br>414-04-06753<br>414-90-175547 | W/o M. Ramzan<br>Malik Muhammad<br>Malik Muhammad<br>W/o Aasad Abbas  | 2,700  | 1,650       | -      | 4,350  | 2,700                 | -                             | 1,650                       | 4,350  |
| 93     | M/s. Prudential Investment Bank Ltd<br>Meharsons Estate, Block-1,<br>Tapor Road, Karachi. | 1. Rashidullah Yasqob<br>2. Sarobir Akhtar Yasqob<br>3. Muhammad Asif Dar  | -<br>-<br>-   | -<br>-<br>-   | 26,144                                       | 7,342       | -      | 33,486 | 26,144                | 2,017                         | 5,325                       | 33,486 |
| 94     | M/s. Gojra Cotton Ginning Pressing Factory<br>Oil Mills<br>Jhang Road, Gojra.             | 1. Abdul Aziz Rafique<br>2. Abdul Qadir<br>3. Abdul Rashid<br>4. Hajjan Bibi<br>5. Hameeda Begum<br>6. Rafique Bibi<br>7. Rashida Bano | -<br>-<br>-<br>-<br>-<br>-<br>-                                 | Naimat Ullah<br>Naimat Ullah<br>Naimat Ullah<br>Shah Muhammad<br>Naimat Ullah<br>Ali Muhammad<br>Naimat Ullah | 2,178  | 5,836       | 176    | 7,990  | 2,178                 | -                             | 5,812                       | 7,988  |
| 95     | M/s. Abdul Aziz Rafique<br>Main Road, Hafeez Park, Gojra.                                 | Abdul Aziz Rafique   | -   | Naimat Ullah  | 2,365  | 3,863       | 162    | 6,290  | 2,365                 | -                             | 3,945                       | 6,290  |
| 96     | M/s. Saroya Textile Industries<br>Pul Abdullahi, Samundri Road<br>Faisalabad.             | 1. Muhammad Shahid Ali<br>2. Tariq Ali<br>P-586, St. No. 3, Nisar<br>Colony, Faisalabad  | -<br>-<br>-   | Ch. Muhammad Ali<br>Ch. Muhammad Ali  | 1,497  | 1,800       | 54     | 3,351  | 1,497                 | -                             | 1,854                       | 3,351  |



Notes to the Consolidated Financial Statements  
For the year ended December 31, 2008

ANNEXURE - III

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No | Name & Address of the Borrower   | Name of Individual/Partners/ Directors  |   | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |        | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total  |
|--------|--|---|---|--|--|-------------|--------|--------|-----------------------|-------------------------------|-----------------------------|--------|
|        |  | Name  | NIC No.   |  | Principal                                    | Int/Acc/Mup | Others | Total  |                       |                               |                             |        |
| 97     | M/s. National Sweet & Confectionery Works<br>490, Binnow Street, Rawalpindi Cantt.                 | Nasim Javed   | -   | Abdul Karim  | 998  | 1,081       | 26     | 2,105  | 998                   | -                             | 1,109                       | 2,107  |
| 98     | M/s. Khokar Traders<br>Muza Baital Old Shujabad Road,<br>Multan                                    | Faisal Ahmed Asghar   | 323-90-694026   | Malik Rashid Asghar  | 2,700  | 3,856       | 80     | 6,636  | 2,700                 | -                             | 3,916                       | 6,616  |
| 99     | M/s. Shaikhs Sons Feed Industries (Pvt) Ltd<br>42-Sidgah Railway Road, Bahawalpur                  | 1. Khalid Mahmood<br>2. Usaid-ur-Rahman<br>3. Mst Nasreen Kausar  | 325-68-111401<br>344-60-079073<br>344-62-285035   | Fazal Ahmed<br>Shaik-ur-Rahman<br>W/o Usaid-ur-Rahman  | 4,000  | 4,989       | 481    | 9,470  | 4,000                 | 157                           | 5,618                       | 9,470  |
| 100    | M/s. SS Tangweal Cotton Ginning Pressing &<br>Oil Mills<br>Pr Jagg Road, Kot Sultan                | 1. Qasim Bin Sajid<br>2. Qasim Sajid  | 316-77-518747<br>310-78-288628  | Sardar Sajid Hussain<br>W/o Faisal Raza  | 5,498  | 5,184       | 287    | 10,969 | 5,498                 | -                             | 5,451                       | 10,950 |
| 101    | M/s. Vibration Audio<br>New Garden Town, Lahore  | Schali Ahmed Saleem   | 270-58-590587   | M. Saleem Akbar  | 1,282  | -           | 200    | 1,482  | 1,282                 | -                             | 200                         | 1,482  |
| 102    | M/s. Asif Textile Mills (Pvt) Ltd<br>Lawrence Road, Lahore   | 1. Atiq ur Rahman<br>2. Muhammad Talib<br>3. Rahat M. Manzoor   | 453-21-321321<br>36202-4545841-2<br>454-13-213211   | Muhammad Talib<br>Muhammad Bashir<br>-   | 1,186  | 101         | -      | 1,287  | 1,186                 | -                             | 101                         | 1,287  |
| 103    | M/s. National Frootosa Company Ltd<br>Kashfi Centre, Shahra Faisal, Karachi                        | 1. Shaikullah Durrani<br>2. Ashraf Alam<br>3. Muhammad Yamin<br>4. Mrs. R. Kamal  | -<br>-<br>-<br>-  | -<br>-<br>-<br>-   | 3,306  | -           | -      | 3,306  | 3,306                 | -                             | -                           | 3,306  |
| 104    | M/s. Staple Food<br>F-307, S.I.T.E., Karachi.  | Imran Rasheed   | 42201-31678613  | Rasheed  | 900  | 514         | -      | 1,414  | 900                   | -                             | 514                         | 1,414  |
| 105    | M/s. Modern Soap Ind. (Pvt) Ltd.<br>Small Industrial Estate<br>Gujranwala                          | 1. Sh. Sadiq Ali<br>2. Sh. Muhammad Younas<br>3. Sh. Muhammad Yousof  | 44545-4313133-2<br>36202-6448468-6<br>54544-4123123-1   | Sh. Abdul Ghani<br>Sh. Abdul Ghani<br>Sh. Abdul Ghani  | 1,187  | -           | -      | 1,187  | 1,187                 | -                             | -                           | 1,187  |
| 106    | M/s. Frontpage Leather Co.<br>Model Town, Lahore   | 1. Syed Qaiser Mehdi<br>2. Syed Nadeem Akbar  | 226-64-162426<br>300-69-134534  | Zahir Hussain Bukhari<br>Muhammad Akbar  | 4,172  | -           | -      | 4,172  | 4,172                 | -                             | -                           | 4,172  |
| 107    | M/s. Worldover Enterprises<br>(Pvt) Ltd.<br>Muhallih Golepur, 6th K. M.<br>Jhang Road, Faisalabad. | 1. Abdul Aziz Shaikh<br>2. Abdul Meesud Shaikh<br>3. Abdul Qasim Shaikh<br>4. Abdul Rasheed Shaikh<br>5. Hajj Muhammad Siddique                       | 33100-6338859<br>33100-18969043<br>33100-4387309<br>33100-5025141<br>33100-16328639                                 | Hajj Muhammad Sadiq<br>Hajj Muhammad Sadiq<br>Hajj Muhammad Sadiq<br>Hajj Muhammad Sadiq<br>Sheikh Ghulam Qadir  | 7,888  | 65,406      | 233    | 73,527 | 7,888                 | -                             | 65,639                      | 73,507 |
| 108    | M/s. Ghazi Vegetable Ghee & oil Mills Ltd<br>16 Street, no. 37, F-6/1, Islamabad.                  | 1. Aziz Muhammad Khan<br>2. Bashir Ahmed<br>3. Mrs. Hamida Begum<br>4. Javed Mahmood Khan<br>5. Khalid Abbas<br>6. Meqsood Khan<br>7. M. Sagheer Khan | 101-45-478911<br>701-57-327055<br>701-42-423660<br>701-62-288011<br>703-78-011888<br>703-48-011888<br>701-51-532413 | Ali Muhammad Khan<br>Noor Akbar Khan<br>M. Younas Khan (Late)<br>Khan Muhammad Khan<br>Muhammad Meqsood Khan<br>Izar Khan<br>Sardar Muhammad farooz Khan | 725  | -           | -      | 725    | 725                   | -                             | -                           | 725    |
| 109    | M/S. New Qureshi Agro Traders  | 1. Bhattar ul Haque<br>2. Ijaz ul Haque   | 322-55-531293<br>322-58-531294  | -<br>-   | 5,682  | 6,376       | 227    | 12,285 | 5,682                 | 6,603                         | -                           | 12,285 |

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - III**

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No | Name & Address of the Borrower  | Name of Individual/Partners/ Directors  |   | Father's/Husband's Name  | Outstanding Liabilities at Beginning of Year |             |        |         | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total   |
|--------|---|---|---|--|--|-------------|--------|---------|-----------------------|-------------------------------|-----------------------------|---------|
|        |   | Name  | NIC No.   |  | Principal                                    | Int/Acc/Map | Others | Total   |                       |                               |                             |         |
| 110    | M/s. Hakim Ibrahim Engineering Works<br>Odean, street no.1, Sumandri Road,<br>Faisalabad          | 1. Ahmad Hussain Khan<br>2. Habib ur Rehman   | -<br>-  | Ghulam Hussain<br>Mohammad Ibrahim   | -  | 593         | -      | 593     | -                     | -                             | 593                         | 593     |
| 111    | M/s. Allah Waseya Enterprises<br>Sural Kund Road, Chowk Shah Abbas,<br>Multan                     | 1. Malik Waheed Hussain<br>2. Malik Waseem Sarwar   | 325-74-220990<br>329-61-554955  | -  | 12,915                                       | 15,278      | 84     | 28,257  | 915                   | 900                           | 14,442                      | 18,257  |
| 112    | M/s. Fecto Sugar Mills<br>Darya Khan Dist Brakbar   | 1. Munawer Ali Fecto<br>2. Kalsoor Mahmood Fecto<br>3. Wahyee Ahmad Bewany<br>4. Mohd A. Haroon<br>5. James R. Richards<br>6. Imran Azim<br>7. Faez-ur-Rehman                 | 42201-6493731-7<br>81101-693382-1<br>42201-0511493-3<br>33202-728535793<br>42201-1099935-3<br>37405-0693393-1         | Ghulam Muhammad Fecto<br>Munawer Ali Fecto<br>Ahmed Bewany<br>Ali Muhammad Haroon<br>M.B. Richards<br>Mohammed Abdul Aziz<br>Abdul shahoor | -  | 29,032      | -      | 29,032  | -                     | -                             | 29,032                      | 29,032  |
| 113    | M/s. Regency Textile Mills Ltd.<br>Ari Jan Road, Lahore cantt.                                    | 1. M. Iqbal Poreiz<br>2. Khuram Poreiz<br>3. Nazim Poreiz<br>4. Mian Poreiz Aslam<br>5. Mian Javed Aslam<br>6. Saleh ud din Iqbal<br>7. Mian Ayaz Karim<br>8. Mian Atab Ahmad | 270-95-364953<br>270-61-364958<br>-<br>-<br>1.12145E+12<br>-<br>271-56-329871<br>271-65-289741                        | Khan Aziz<br>Mian Iqbal Poreiz<br>-<br>-<br>Mian M. Aslam<br>-<br>Abdul Karim<br>Muhammad Khan   | 11,283                                       | 51,307      | -      | 62,590  | 11,283                | -                             | 51,307                      | 62,590  |
| 114    | M/s. High Noon Textile<br>25-K Multan Road<br>Lahore.   | 1. Babar Agha<br>2. Sohail Hameed   | 270-054-050987<br>270-55-036993   | Fakher Hussain Col.<br>Hameed Ullah Khan   | 56,951                                       | 33,965      | -      | 90,916  | 56,951                | -                             | 33,965                      | 90,916  |
| 115    | M/s. Rizwan Textile Mills Ltd<br>No. 4, 1st Floor, milk complex,<br>60, West Blue Area, Islamabad | 1. Kamran Sadiq<br>2. Muhammad Muneef<br>3. Mst. Munawer Begum<br>4. Miss Shazia Sadiq<br>5. Muhammad Sadiq<br>6. Mrs. Bushra Kamran<br>7. Rizwan Sadiq                       | 221-92-5884744<br>37405-03114737<br>81101-2967963<br>221-77-693829<br>81101-8963515<br>81101-5483383<br>81101-6788739 | Muhammad Sadiq<br>Muhammad Abeer<br>W/O Muhammad Sadiq<br>Muhammad Sadiq<br>Hajj Malik Abulqah Khan<br>W/O Kamran Sadiq<br>Muhammad Sadiq  | 8,262  | -           | -      | 8,262   | 8,262                 | -                             | -                           | 8,262   |
| 116    | M/s. Abdul Majeed Construction Co.  | 1. Abdul Majeed<br>2. Sohail Majeed   | 0844-43014881<br>344-33-014882  | -<br>-   | 194  | 1,176       | -      | 1,370   | 194                   | -                             | 1,176                       | 1,370   |
| 117    | M/s. Waqid Farooq Traders<br>Sargodha Road Mianwali   | M. Farooq Khan  | -   | -  | -  | 717         | -      | 717     | -                     | -                             | 717                         | 717     |
| 118    | M/s. J. K. Sone (Pvt) Ltd<br>3-1/A, Peoples Colony, Faisalabad                                    | 1. Abid Anwer<br>2. Faiz Javed<br>3. Javed Anwer  | -<br>-<br>-   | -<br>-<br>-  | 40,042                                       | 106,000     | -      | 146,042 | 40,042                | -                             | 106,000                     | 146,042 |
| 119    | M/s. Amrazal Textile Mills Ltd<br>1-B, 2nd Floor, Pak Chambers,<br>7-West Wazir Road, Karachi     | 1. Fahad Kundli<br>2. Syed Muhammad Yousof<br>3. Ahsan Ijaz<br>4. Nazir Ahmad<br>5. Intekhab Khan Kundli<br>6. Farida Shaikh<br>7. Mrs. Saeedza                               | -<br>-<br>-<br>-<br>-<br>-<br>-   | -<br>-<br>-<br>-<br>-<br>-<br>-  | 2,401  | 4,175       | 114    | 6,690   | 2,401                 | 4,175                         | 114                         | 6,690   |
| 120    | M/s. Kiani Poultry Farms<br>Village Koi Rajan, PO Sohawa Via<br>Sogolabad, Chakwal                | Muhammad Taj Kiani  | -   | Karam Khan   | 1,000  | 1,581       | 25     | 2,556   | 1,000                 | 217                           | 1,339                       | 2,556   |



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

**ANNEXURE - III**

Statement Showing Written-off Loans or Any Other Financial Relief  
Of Five Hundred Thousand Rupees or Above Provided During The Year 2008

(Rupees in '000)

| Sl. No       | Name & Address of the Borrower   | Name of Individual/Partners/ Directors   |   | Father's/Husband's Name   | Outstanding Liabilities at Beginning of Year |                  |              |                  | Principal Written off | Interest/ Mark up Written off | Other Fin. Reliefs Provided | Total            |
|--------------|--|--|---|---|--|------------------|--------------|------------------|-----------------------|-------------------------------|-----------------------------|------------------|
|              |  | Name   | NIC No.   |   | Principal                                    | Int/Acc/Map      | Others       | Total            |                       |                               |                             |                  |
| 121          | M/s. Jubilee Paper Board & Mills Ltd   | 1. Arifud Rasool<br>2. Ghulam Rasool<br>3. Khalid Rasool<br>4. Ms. Zahra Khatun<br>5. Ghulam Haider<br>6. Javed Ahmed<br>7. Ahsan Ali                                | 46945-2514855-6<br>54564-1355393-6<br>46549-7444942-3<br>-<br>41564-1821315-4<br>-<br>- | Ghulam Rasool<br>Muhammad Rasool<br>Ghulam Rasool<br>-<br>Shahid Rasool<br>-<br>- | 6,568  | 9,726            | -            | 16,294           | 6,908                 | 86                            | 9,868                       | 16,294           |
| 122          | M/s. Apex Fabrics<br>Nadoka Square, G-5, Central<br>Commercial Area, Sheehar-e-Millat<br>Road, Karachi | 1. Nafees-ur-Rehman<br>2. Mirza Mubashir Baig Barlas<br>3. Ishaq Ahmad<br>4. Naseem Ahmad<br>5. Waseem Ahmad<br>6. Mirza Muzaffar Baig Barlas<br>7. Najeeb-ur-Rehman | -<br>-<br>-<br>-<br>-<br>-<br>-   | -<br>-<br>-<br>-<br>-<br>-<br>-   | 11,190                                       | 1,319            | -            | 12,478           | 9,629                 | -                             | 1,319                       | 10,948           |
| 123          | Sardar Shakeel Mahmood<br>Stock Exchange, Islamabad  | Sardar Shakeel Mahmood   | -   | Sardar Mahmood Ahmed  | 3,024  | 6,498            | 128          | 9,648            | 3,024                 | 557                           | 6,067                       | 9,648            |
| <b>Total</b> |  |  |   |   | <b>819,851</b>                               | <b>1,188,047</b> | <b>5,451</b> | <b>1,993,329</b> | <b>748,712</b>        | <b>47,213</b>                 | <b>1,121,613</b>            | <b>1,816,538</b> |

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description   | Cost          | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | * Mode of disposal/ settlement * | Particulars of buyers                  |
|---|---------------|------------------------------|------------|-------------------------------------|----------------------------------|--|
|   | (Rupees '000) |                              |            |                                     |                                  |  |
| Furniture and fixture, electrical, computers and office equipment                               |               |                              |            |                                     |                                  |  |
| *Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000* | 141,576       | 140,287                      | 1,289      | 260                                 | Auction                          | Adam Traders                           |
|   | 78,915        | 52,676                       | 26,239     | 31,341                              | Insurance Claims                 | M/s Adarnjee Insurance Company Limited |
| *Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000            | 35,034        | 33,825                       | 1,209      | 5,526                               |                                  |  |

### Vehicles

|                |       |     |       |       |                |                            |
|----------------|-------|-----|-------|-------|----------------|----------------------------|
| Suzuki Cultus  | 609   | 390 | 219   | 250   | New car policy | Ms. Maggie Campos VP       |
| Toyota Corolla | 939   | 563 | 376   | 411   | New car policy | Iqbal Ganatra SVP          |
| Toyota Corolla | 939   | 551 | 388   | 460   | New car policy | Syed Iftikhar H. Rizvi EVP |
| Suzuki Cultus  | 609   | 235 | 374   | 388   | New car policy | S.M.Sulfan VP              |
| Honda Accord   | 2,410 | 868 | 1,542 | 1,542 | New car policy | Tahir Hassan Qureshi EVP   |
| Suzuki Cultus  | 612   | 106 | 506   | 515   | New car policy | Harmer Ramzan VP           |
| Suzuki Cultus  | 620   | 149 | 471   | 471   | New car policy | Haider Ali Jafferi VP      |
| Suzuki Cultus  | 609   | 414 | 195   | 218   | New car policy | Rafat Ali Khan VP          |
| Toyota Corolla | 969   | 491 | 478   | 509   | New car policy | Aali Shafi SVP             |
| Suzuki Cultus  | 620   | 190 | 430   | 436   | New car policy | Ms. Sara Ahmed VP          |
| Honda Civic    | 963   | 590 | 373   | 421   | New car policy | Pervez Saeed SVP           |
| Suzuki Cultus  | 620   | 190 | 430   | 462   | New car policy | Muhammad Siddiqul VP       |
| Honda Civic    | 1,043 | 306 | 737   | 771   | New car policy | Abdul Razzak Kapadia SVP   |
| Suzuki Cultus  | 612   | 114 | 498   | 498   | New car policy | Zaheer Maqbool VP          |
| Suzuki Cultus  | 620   | 190 | 430   | 445   | New car policy | Ms. Asma Mazhar VP         |
| Toyota Corolla | 969   | 129 | 840   | 783   | New car policy | Farooq Ahmed Malhi SVP     |
| Suzuki Cultus  | 615   | 66  | 549   | 492   | New car policy | Ms. Naveen Ahmed VP        |
| Honda Accord   | 2,402 | 160 | 2,242 | 1,921 | New car policy | Sheikh Tahir Khaili EVP    |
| Suzuki Cultus  | 612   | 114 | 498   | 506   | New car policy | Umair Ismail VP            |
| Suzuki Cultus  | 604   | 604 | -     | 147   | New car policy | M.Ishfaq Siddiqul VP       |
| Suzuki Cultus  | 609   | 609 | -     | 140   | New car policy | Hanif Iqbal Brohi VP       |
| Suzuki Cultus  | 609   | 609 | -     | 207   | New car policy | Muhammad Ayub VP           |
| Suzuki Cultus  | 609   | 609 | -     | 202   | New car policy | Muhammad Iqbal VP          |
| Toyota Corolla | 939   | 939 | -     | 224   | New car policy | Abdul Rasheed Baloch VP    |
| Suzuki Cultus  | 609   | 609 | -     | 194   | New car policy | Syed Ghulam Haider VP      |
| Honda Civic    | 1,043 | 306 | 737   | 743   | New car policy | Javed Iqbal Bhatti SVP     |
| Suzuki Cultus  | 620   | 174 | 446   | 460   | New car policy | M. Salman Khan VP          |
| Suzuki Cultus  | 609   | 244 | 365   | 383   | New car policy | Muhammad Saleem Balg VP    |
| Honda Civic    | 1,043 | 320 | 723   | 728   | New car policy | Mashkoor Ahmed Baber SVP   |
| Suzuki Cultus  | 620   | 190 | 430   | 452   | New car policy | Mehfuz-ur-Rehman VP        |
| Suzuki Cultus  | 620   | 190 | 430   | 445   | New car policy | Shahid Aziz VP             |
| Honda Civic    | 1,043 | 320 | 723   | 735   | New car policy | Perwez Akhtar SVP          |
| Suzuki Cultus  | 609   | 609 | -     | 170   | New car policy | Rizwan Hussain VP          |
| Suzuki Cultus  | 609   | 609 | -     | 153   | New car policy | Ahmir Mansoor SVP          |

## ANNEXURE - IV

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost          | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | * Mode of disposal/ settlement * | Particulars of buyers      |
|----------------|---------------|------------------------------|------------|-------------------------------------|----------------------------------|----------------------------|
|                | (Rupees '000) |                              |            |                                     |                                  |                            |
| Suzuki Cultus  | 609           | 609                          | -          | 151                                 | New car policy                   | Aurangzab Awan VP          |
| Honda Civic    | 1,043         | 389                          | 654        | 682                                 | New car policy                   | Imran Daudi SVP            |
| Toyota Corolla | 939           | 939                          | -          | 232                                 | New car policy                   | Tariq Qayyum Butt VP       |
| Suzuki Cultus  | 647           | 64                           | 583        | 518                                 | New car policy                   | Ms. Nilufer Pereira VP     |
| Honda Civic    | 1,038         | 304                          | 734        | 750                                 | New car policy                   | Muhammad Zulfiqar SVP      |
| Toyota Corolla | 1,005         | 80                           | 925        | 804                                 | New car policy                   | Zafar Alam Balg SVP        |
| Suzuki Cultus  | 615           | 66                           | 549        | 496                                 | New car policy                   | Muhammad Aamir Ilyas VP    |
| Toyota Corolla | 939           | 501                          | 438        | 483                                 | New car policy                   | Syed Nadeem Hussain SVP    |
| Suzuki Cultus  | 620           | 190                          | 430        | 434                                 | New car policy                   | Kamal Ahmed Khan VP        |
| Suzuki Cultus  | 615           | 66                           | 549        | 494                                 | New car policy                   | Tasneem Ahmed VP           |
| Honda Civic    | 939           | 939                          | -          | 228                                 | New car policy                   | Sheikh Shaukat Hussain SVP |
| Suzuki Cultus  | 609           | 235                          | 374        | 388                                 | New car policy                   | Arif Ali Shah SVP          |
| Honda Civic    | 1,043         | 306                          | 737        | 763                                 | New car policy                   | Asad Rizwan SVP            |
| Toyota Corolla | 939           | 538                          | 401        | 441                                 | New car policy                   | Ahsan Rasheed Abbasi SVP   |
| Suzuki Cultus  | 604           | 266                          | 338        | 372                                 | New car policy                   | Muhammad Aslam VP          |
| Suzuki Cultus  | 609           | 333                          | 276        | 329                                 | New car policy                   | Abdul Aziz Soomro VP       |
| Toyota Corolla | 969           | 155                          | 814        | 778                                 | New car policy                   | Kashif Ahmed SVP           |
| Honda Civic    | 1,002         | 374                          | 628        | 657                                 | New car policy                   | Asif Khan SVP              |
| Honda Civic    | 1,043         | 375                          | 668        | 712                                 | New car policy                   | M. Saeed Khan Tanoli SVP   |
| Suzuki Cultus  | 620           | 190                          | 430        | 445                                 | New car policy                   | Valaed Basit Sailmi SVP    |
| Suzuki Cultus  | 609           | 406                          | 203        | 240                                 | New car policy                   | Nisar Akhtar VP            |
| Toyota Corolla | 954           | 432                          | 522        | 565                                 | New car policy                   | Sohail Ahmed Malik VP      |
| Suzuki Cultus  | 620           | 182                          | 438        | 468                                 | New car policy                   | Rana Anis Aftab VP         |
| Toyota Corolla | 969           | 284                          | 685        | 718                                 | New car policy                   | Muhammad Tariq Mirza VP    |
| Toyota Corolla | 969           | 155                          | 814        | 801                                 | New car policy                   | Mian Asif Iqbal VP         |
| Toyota Corolla | 969           | 90                           | 879        | 775                                 | New car policy                   | Ms. Romana Abdullah EVP    |
| Toyota Corolla | 939           | 513                          | 426        | 461                                 | New car policy                   | Javaid Iqbal SVP           |
| Suzuki Cultus  | 615           | 131                          | 484        | 494                                 | New car policy                   | Naeem Afzal Khan VP        |
| Suzuki Cultus  | 609           | 219                          | 390        | 428                                 | New car policy                   | Maik M. Khan VP            |
| Suzuki Cultus  | 609           | 422                          | 187        | 226                                 | New car policy                   | Javed Iqbal Khan VP        |
| Toyota Corolla | 969           | 284                          | 685        | 724                                 | New car policy                   | Javed Ayaz Khan VP         |
| Honda Civic    | 1,043         | 306                          | 737        | 775                                 | New car policy                   | M. Imran Rao SVP           |
| Suzuki Cultus  | 620           | 190                          | 430        | 454                                 | New car policy                   | Muhammad Abdullah VP       |
| Suzuki Cultus  | 620           | 190                          | 430        | 464                                 | New car policy                   | Lloyd D' Souza VP          |
| Suzuki Cultus  | 620           | 174                          | 446        | 458                                 | New car policy                   | Junaid Jafferi VP          |
| Suzuki Cultus  | 612           | 106                          | 506        | 517                                 | New car policy                   | Farhan Rafiq VP            |
| Suzuki Cultus  | 647           | 52                           | 595        | 521                                 | New car policy                   | Muhammad Suhail VP         |
| Suzuki Cultus  | 620           | 174                          | 446        | 455                                 | New car policy                   | M.Arif Nawaz VP            |
| Suzuki Cultus  | 612           | 106                          | 506        | 517                                 | New car policy                   | Asif Mehmood VP            |
| Honda Civic    | 1,376         | 239                          | 1,137      | 1,156                               | New car policy                   | Salman Yaqub Zaidi EVP     |
| Toyota Corolla | 969           | 207                          | 762        | 772                                 | New car policy                   | Imran Rashid EVP-1         |
| Suzuki Cultus  | 609           | 333                          | 276        | 310                                 | New car policy                   | Siraj Muhammad SVP         |
| Suzuki Cultus  | 604           | 604                          | -          | 184                                 | New car policy                   | M. Israr Khan VP           |
| Toyota Corolla | 1,043         | 306                          | 737        | 741                                 | New car policy                   | Manoj Kumar Ahuja SVP      |
| Suzuki Cultus  | 620           | 132                          | 488        | 495                                 | New car policy                   | M. Javed Anwar VP          |
| Toyota Corolla | 969           | 245                          | 724        | 733                                 | New car policy                   | Saad ullah Khan SVP        |
| Suzuki Cultus  | 609           | 609                          | -          | 199                                 | New car policy                   | Muhammad Saleem VP         |
| Suzuki Cultus  | 612           | 114                          | 498        | 504                                 | New car policy                   | Jalal Ud-Din Patolli VP    |
| Suzuki Cultus  | 609           | 382                          | 227        | 265                                 | New car policy                   | Riaz Alam VP               |
| Toyota Corolla | 939           | 513                          | 426        | 468                                 | New car policy                   | Ghulam Abbas Goraya VP     |
| Suzuki Cultus  | 609           | 609                          | -          | 182                                 | New car policy                   | Shafiq Ur Rehman VP        |
| Toyota Corolla | 969           | 194                          | 775        | 791                                 | New car policy                   | Naseer A. Channa VP        |

## ANNEXURE - IV

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost  | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | * Mode of disposal/ settlement * | Particulars of buyers       |
|----------------|-------|------------------------------|------------|-------------------------------------|----------------------------------|-----------------------------|
| (Rupees '000)  |       |                              |            |                                     |                                  |                             |
| Toyota Corolla | 969   | 284                          | 685        | 719                                 | New car policy                   | Tariq Faiz Qureshi VP       |
| Suzuki Cultus  | 609   | 382                          | 227        | 266                                 | New car policy                   | M. Iqbal Ghaffar VP         |
| Suzuki Cultus  | 607   | 113                          | 494        | 502                                 | New car policy                   | S. Musharaf Ali VP          |
| Toyota Corolla | 939   | 376                          | 563        | 590                                 | New car policy                   | G.M. Shahid VP              |
| Suzuki Cultus  | 620   | 190                          | 430        | 450                                 | New car policy                   | Ejaz Fakih VP               |
| Suzuki Cultus  | 647   | 52                           | 595        | 518                                 | New car policy                   | Usman Siddiqui VP           |
| Suzuki Cultus  | 609   | 284                          | 325        | 372                                 | New car policy                   | Farooq Amin VP              |
| Suzuki Cultus  | 609   | 406                          | 203        | 230                                 | New car policy                   | Abdul Hameed VP             |
| Suzuki Cultus  | 647   | 52                           | 595        | 522                                 | New car policy                   | Nisar Ahmed Farooqui VP     |
| Suzuki Cultus  | 615   | 74                           | 541        | 504                                 | New car policy                   | Ali Azfar Jafri VP          |
| Suzuki Cultus  | 604   | 330                          | 274        | 355                                 | New car policy                   | Halder Iqbal VP             |
| Honda Civic    | 1,043 | 348                          | 695        | 707                                 | New car policy                   | Mr. Azfar Noman EVP         |
| Toyota Corolla | 969   | 116                          | 853        | 785                                 | New car policy                   | Syed Aamir Ali Rizvi VP     |
| Suzuki Cultus  | 615   | 172                          | 443        | 443                                 | New car policy                   | Ms. Shamsunnisa Masood VP   |
| Suzuki Cultus  | 609   | 609                          | -          | 178                                 | New car policy                   | Muzaffar Hussain Qarni VP   |
| Suzuki Cultus  | 620   | 182                          | 438        | 448                                 | New car policy                   | Muhammad Usman VP           |
| Suzuki Cultus  | 609   | 609                          | -          | 164                                 | New car policy                   | Rafiq Ather VP              |
| Suzuki Cultus  | 620   | 190                          | 430        | 438                                 | New car policy                   | M. Yusuf Siddiqui VP        |
| Suzuki Cultus  | 652   | 35                           | 617        | 524                                 | New car policy                   | Khush Dil Khan VP           |
| Honda Civic    | 1,002 | 441                          | 561        | 569                                 | New car policy                   | Imtiaz Ahmed SVP            |
| Suzuki Cultus  | 609   | 390                          | 219        | 296                                 | New car policy                   | Rafaqat Ahmed VP            |
| Suzuki Cultus  | 612   | 106                          | 506        | 516                                 | New car policy                   | Sami ud din Khan VP         |
| Honda Civic    | 1,002 | 441                          | 561        | 604                                 | New car policy                   | S. Zia Amjad Khan VP        |
| Toyota Corolla | 969   | 478                          | 491        | 548                                 | New car policy                   | Fazal -e - Elahi VP         |
| Suzuki Cultus  | 604   | 322                          | 282        | 308                                 | New car policy                   | Sher Bahadur VP             |
| Toyota Corolla | 969   | 310                          | 659        | 688                                 | New car policy                   | Amjad Aziz VP               |
| Toyota Corolla | 969   | 478                          | 491        | 535                                 | New car policy                   | Khairullah Khan VP          |
| Honda Civic    | 1,002 | 414                          | 588        | 639                                 | New car policy                   | Shafiq ul Rehman SVP        |
| Suzuki Cultus  | 604   | 322                          | 282        | 323                                 | New car policy                   | Hafiz Muzammil Iqbal VP     |
| Suzuki Cultus  | 609   | 609                          | -          | 198                                 | New car policy                   | Bader Hussain VP            |
| Suzuki Cultus  | 647   | 35                           | 612        | 518                                 | New car policy                   | Asim Zaheer Agha VP         |
| Suzuki Cultus  | 610   | 171                          | 439        | 444                                 | New car policy                   | Ahmed Javed Qureshi VP      |
| Toyota Corolla | 969   | 245                          | 724        | 725                                 | New car policy                   | Naseem Saigol VP            |
| Suzuki Cultus  | 610   | 73                           | 537        | 493                                 | New car policy                   | Adnan Humayun VP            |
| Honda Civic    | 1,038 | 373                          | 665        | 695                                 | New car policy                   | Usman Hassan EVP            |
| Honda Civic    | 1,038 | 373                          | 665        | 686                                 | New car policy                   | M. Numan Chaughtal EVP      |
| Honda Civic    | 1,043 | 306                          | 737        | 783                                 | New car policy                   | M. Hamid Yaseen EVP         |
| Toyota Corolla | 939   | 526                          | 413        | 444                                 | New car policy                   | Nasir Ayub SVP              |
| Suzuki Cultus  | 609   | 390                          | 219        | 272                                 | New car policy                   | S. Jawed Abbas VP           |
| Honda Civic    | 963   | 629                          | 334        | 437                                 | New car policy                   | Nadeem Ahmed Butt SVP       |
| Toyota Corolla | 979   | 196                          | 783        | 794                                 | New car policy                   | Zafar Iqbal Chatha SVP      |
| Suzuki Cultus  | 612   | 114                          | 498        | 510                                 | New car policy                   | M. Asim Khan Suri VP        |
| Suzuki Cultus  | 609   | 398                          | 211        | 250                                 | New car policy                   | Sh. Mujeeb - ur - Rehman VP |
| Toyota Corolla | 939   | 939                          | -          | 266                                 | New car policy                   | Sultan Zeb Khan VP          |
| Suzuki Cultus  | 609   | 349                          | 260        | 319                                 | New car policy                   | Ms. Khalida Adeeb Khenum VP |
| Honda Civic    | 1,002 | 481                          | 521        | 535                                 | New car policy                   | Nadeem Afzal Khan EVP       |
| Suzuki Cultus  | 620   | 132                          | 488        | 501                                 | New car policy                   | Amin Sukhiani SVP           |
| Suzuki Cultus  | 609   | 406                          | 203        | 241                                 | New car policy                   | Syed Asim Ali SVP           |
| Toyota Corolla | 939   | 526                          | 413        | 443                                 | New car policy                   | Tauqir Subhani SVP          |
| Suzuki Cultus  | 612   | 114                          | 498        | 501                                 | New car policy                   | Anees Awan VP               |
| Toyota Corolla | 969   | 452                          | 517        | 612                                 | New car policy                   | Khalid Masood VP            |

## ANNEXURE - IV



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost  | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | * Mode of disposal/ settlement * | Particulars of buyers        |
|----------------|-------|------------------------------|------------|-------------------------------------|----------------------------------|------------------------------|
| (Rupees '000)  |       |                              |            |                                     |                                  |                              |
| Suzuki Cultus  | 612   | 106                          | 506        | 517                                 | New car policy                   | M. Siddiq Darbari VP         |
| Toyota Corolla | 939   | 939                          | -          | 339                                 | New car policy                   | Mir Javed Hussain SVP        |
| Toyota Corolla | 969   | 245                          | 724        | 735                                 | New car policy                   | Imran Moti VP                |
| Suzuki Cultus  | 620   | 190                          | 430        | 451                                 | New car policy                   | Sajid Zafar Mansuri VP       |
| Honda Civic    | 1,043 | 375                          | 668        | 707                                 | New car policy                   | Nisar Ahmed Sheikh SVP       |
| Toyota Corolla | 1,005 | 67                           | 938        | 808                                 | New car policy                   | S. Mohammad Ali SVP          |
| Suzuki Cultus  | 609   | 609                          | -          | 187                                 | New car policy                   | S.Badaruddin Ahmed VP        |
| Suzuki Cultus  | 620   | 174                          | 446        | 476                                 | New car policy                   | Rafiq Ahmed Sheikh VP        |
| Honda Civic    | 1,043 | 375                          | 668        | 687                                 | New car policy                   | S.M. Arshad SVP              |
| Suzuki Cultus  | 620   | 182                          | 438        | 442                                 | New car policy                   | A. Karim Agghadi VP          |
| Suzuki Cultus  | 609   | 609                          | -          | 199                                 | New car policy                   | Arshad Aziz VP               |
| Suzuki Cultus  | 652   | 17                           | 635        | 526                                 | New car policy                   | Munib Fayyaz VP              |
| Toyota Corolla | 939   | 513                          | 426        | 427                                 | New car policy                   | Abdul Rauf VP                |
| Toyota Corolla | 969   | 90                           | 879        | 785                                 | New car policy                   | A.Aziz Kalyan SVP            |
| Toyota Corolla | 969   | 129                          | 840        | 806                                 | New car policy                   | Zulfiqar Ali Arain SVP       |
| Suzuki Cultus  | 620   | 182                          | 438        | 460                                 | New car policy                   | Pervez Zia VP                |
| Toyota Corolla | 969   | 103                          | 866        | 782                                 | New car policy                   | Waqas Mehmood VP             |
| Suzuki Cultus  | 652   | 9                            | 643        | 522                                 | New car policy                   | M. Ijaz Aziz VP              |
| Toyota Corolla | 969   | 129                          | 840        | 800                                 | New car policy                   | Qazi Zahoor Ahmed VP         |
| Toyota Corolla | 979   | 196                          | 783        | 798                                 | New car policy                   | Rizwan Ali Khan VP           |
| Toyota Corolla | 939   | 513                          | 426        | 501                                 | New car policy                   | Arshad Mehmood VP            |
| Toyota Corolla | 939   | 513                          | 426        | 480                                 | New car policy                   | Amjad Jamal VP               |
| Suzuki Cultus  | 609   | 609                          | -          | 160                                 | New car policy                   | Fazal Mehmood VP             |
| Toyota Corolla | 969   | 413                          | 556        | 606                                 | New car policy                   | M. Ehsan Cheema VP           |
| Suzuki Cultus  | 631   | 50                           | 581        | 514                                 | New car policy                   | Waseem Ahmed Qureshi VP      |
| Suzuki Cultus  | 609   | 325                          | 284        | 344                                 | New car policy                   | Khadim Hussain VP            |
| Toyota Corolla | 939   | 513                          | 426        | 475                                 | New car policy                   | S. Zia-ul-Hasnain Shamsi SVP |
| Suzuki Cultus  | 609   | 382                          | 227        | 275                                 | New car policy                   | Aamir Nawab VP               |
| Suzuki Cultus  | 609   | 609                          | -          | 190                                 | New car policy                   | S.M.Saleem Raza Shirazi VP   |
| Suzuki Cultus  | 652   | 35                           | 617        | 522                                 | New car policy                   | Abdul Mohsin VP              |
| Suzuki Cultus  | 612   | 106                          | 506        | 511                                 | New car policy                   | Ms. Faiza Zafar VP           |
| Suzuki Cultus  | 612   | 106                          | 506        | 516                                 | New car policy                   | Ahmed Kamal ud din VP        |
| Toyota Corolla | 969   | 401                          | 568        | 667                                 | New car policy                   | Abdul Qayyum Malik VP        |
| Suzuki Cultus  | 555   | 96                           | 459        | 465                                 | New car policy                   | M. Saqib Arshad Qureshi VP   |
| Toyota Corolla | 969   | 310                          | 659        | 695                                 | New car policy                   | Ch. Muhammad Ayub VP         |
| Honda Civic    | 974   | 91                           | 883        | 781                                 | New car policy                   | All Shafiq SVP               |
| Suzuki Cultus  | 609   | 203                          | 406        | 422                                 | New car policy                   | Mansoor Ahmed VP             |
| Suzuki Cultus  | 631   | 50                           | 581        | 511                                 | New car policy                   | Tanveer Ahmed Khan VP        |
| Honda Civic    | 1,043 | 382                          | 661        | 715                                 | New car policy                   | Muhammad Ali Manjoe SVP      |
| Toyota Corolla | 939   | 513                          | 426        | 511                                 | New car policy                   | Fatah Muhammad SVP           |
| Toyota Corolla | 979   | 170                          | 809        | 814                                 | New car policy                   | Ali Qasim Gardazi VP         |
| Toyota Corolla | 1,005 | -                            | 1,005      | 804                                 | New car policy                   | Munir Ahmed Saleem EVP       |
| Toyota Corolla | 939   | 939                          | -          | 283                                 | New car policy                   | Ashfaq Abbas Awan VP         |
| Suzuki Cultus  | 615   | 172                          | 443        | 449                                 | New car policy                   | Irfan Ahmed Mir SVP          |
| Suzuki Cultus  | 631   | 50                           | 581        | 505                                 | New car policy                   | M.Rohail Akhtar VP           |
| Honda Civic    | 1,036 | 235                          | 801        | 809                                 | New car policy                   | Faisal Ejaz Khan SVP         |
| Suzuki Cultus  | 620   | 190                          | 430        | 450                                 | New car policy                   | Ayaz Ahmed Jaskani VP        |
| Suzuki Cultus  | 615   | 172                          | 443        | 457                                 | New car policy                   | Dilshad A Khan Sherwani VP   |
| Suzuki Cultus  | 609   | 325                          | 284        | 335                                 | New car policy                   | Khalid Farooq SVP            |
| Suzuki Cultus  | 609   | 325                          | 284        | 318                                 | New car policy                   | Karim ud din VP              |
| Toyota Corolla | 969   | 181                          | 788        | 803                                 | New car policy                   | S. Salman Qutb SVP           |
| Suzuki Cultus  | 612   | 114                          | 498        | 507                                 | New car policy                   | Muhammad Suleman VP          |

## ANNEXURE - IV

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost  | * Accumulated depreciation * | Book value | * Sales proceeds/ insurance claim * | *Mode of disposal/ settlement* | Particulars of buyers         |
|----------------|-------|------------------------------|------------|-------------------------------------|--------------------------------|-------------------------------|
| (Rupees '000)  |       |                              |            |                                     |                                |                               |
| Suzuki Cultus  | 647   | 52                           | 595        | 520                                 | New car policy                 | Muhammad Shoalb VP            |
| Suzuki Cultus  | 809   | 325                          | 284        | 320                                 | New car policy                 | Syed Tariq Mehmood VP         |
| Suzuki Cultus  | 612   | 106                          | 506        | 509                                 | New car policy                 | Anwar ul Haq VP               |
| Suzuki Cultus  | 615   | 172                          | 443        | 456                                 | New car policy                 | Ms. Saamera M. Hassan VP      |
| Toyota Corolla | 969   | 439                          | 530        | 634                                 | New car policy                 | Ashfaq Ahmad Khan VP          |
| Honda Civic    | 1,371 | 238                          | 1,133      | 1,141                               | New car policy                 | Ms. Nabeela Ahmed EVP-I       |
| Toyota Corolla | 969   | 103                          | 866        | 785                                 | New car policy                 | Irfan Johar SVP               |
| Toyota Corolla | 1,005 | 54                           | 951        | 807                                 | New car policy                 | Syed Muhammad Asif VP         |
| Honda Civic    | 1,557 | 21                           | 1,536      | 1,246                               | New car policy                 | Munir Ahmed Saleem EVP        |
| Honda Civic    | 943   | 628                          | 315        | 669                                 | New car policy                 | Mr. Ajmal Anwar Malik SVP     |
| Toyota Corolla | 969   | 349                          | 620        | 384                                 | New car policy                 | Mr. Saeed halder Gardezi VP   |
| Honda Civic    | 1,043 | 375                          | 668        | 680                                 | New car policy                 | Ms. Anita Lalani SVP          |
| Suzuki Cultus  | 615   | 184                          | 451        | 465                                 | New car policy                 | Raza Yousuf VP                |
| Toyota Corolla | 969   | 439                          | 530        | 581                                 | New car policy                 | S.M. Saqlain Naqvi VP         |
| Suzuki Cultus  | 620   | 66                           | 554        | 498                                 | New car policy                 | Salman Azim VP                |
| Suzuki Cultus  | 604   | 330                          | 274        | 310                                 | New car policy                 | M. Abid Qureshi VP            |
| Toyota Corolla | 939   | 528                          | 413        | 507                                 | New car policy                 | Wali ullah Khan VP            |
| Toyota Corolla | 969   | 413                          | 556        | 598                                 | New car policy                 | Jahangeer Nazar VP            |
| Suzuki Cultus  | 609   | 333                          | 276        | 319                                 | New car policy                 | Muhammad Naeem VP             |
| Toyota Corolla | 969   | 401                          | 568        | 627                                 | New car policy                 | Muhammad Azam VP              |
| Suzuki Cultus  | 615   | 98                           | 517        | 501                                 | New car policy                 | Muhammad Saeed Raja VP        |
| Suzuki Cultus  | 615   | 172                          | 443        | 471                                 | New car policy                 | Sh. Tahir Iqbal VP            |
| Suzuki Cultus  | 604   | 354                          | 250        | 289                                 | New car policy                 | M. Qasim Qureshi VP           |
| Toyota Corolla | 969   | 297                          | 672        | 715                                 | New car policy                 | Ali Imam Al Hussaini SVP      |
| Toyota Corolla | 969   | 323                          | 646        | 695                                 | New car policy                 | Omar Khalid SVP               |
| Toyota Corolla | 939   | 528                          | 413        | 484                                 | New car policy                 | Mir Sajjad Rafiq SVP          |
| Honda Civic    | 1,043 | 306                          | 737        | 765                                 | New car policy                 | Naeem Yaqoob Khan SVP         |
| Suzuki Cultus  | 615   | 189                          | 426        | 461                                 | New car policy                 | Saohal Rashid VP              |
| Suzuki Cultus  | 580   | 119                          | 441        | 461                                 | New car policy                 | Muhammad Yaqub VP             |
| Suzuki Cultus  | 615   | 82                           | 533        | 502                                 | New car policy                 | Muhammad Ali Khan VP          |
| Honda Civic    | 1,288 | 378                          | 910        | 939                                 | New car policy                 | Salman Zaffar Siddiqui EVP-II |
| Suzuki Cultus  | 609   | 284                          | 325        | 379                                 | New car policy                 | Zulfikhar Sani VP             |
| Suzuki Cultus  | 612   | 114                          | 498        | 512                                 | New car policy                 | Hassan Khawaja VP             |
| Suzuki Cultus  | 620   | 174                          | 446        | 469                                 | New car policy                 | Khan Afser Jadoon VP          |
| Suzuki Cultus  | 607   | 105                          | 502        | 502                                 | New car policy                 | Ms. Tazeen Shahid VP          |
| Suzuki Cultus  | 612   | 114                          | 498        | 502                                 | New car policy                 | Atif Iqbal Syed VP            |
| Suzuki Cultus  | 804   | 370                          | 234        | 289                                 | New car policy                 | M. Abbas Sharif VP            |
| Honda Civic    | 1,043 | 375                          | 668        | 679                                 | New car policy                 | Hashim Khan SVP               |
| Toyota Corolla | 969   | 362                          | 607        | 680                                 | New car policy                 | M. Laiq Marri VP              |
| Toyota Corolla | 969   | 220                          | 749        | 793                                 | New car policy                 | Budhal Mahessar VP            |
| Suzuki Cultus  | 615   | 74                           | 541        | 567                                 | New car policy                 | Waheed ullah Aftab VP         |
| Honda Civic    | 1,043 | 362                          | 681        | 693                                 | New car policy                 | Adam Ahmed SVP                |
| Suzuki Cultus  | 620   | 174                          | 446        | 446                                 | New car policy                 | Syed Moiuddin VP              |
| Suzuki Cultus  | 615   | 82                           | 533        | 497                                 | New car policy                 | Saud Sarwar VP                |
| Suzuki Cultus  | 620   | 174                          | 446        | 488                                 | New car policy                 | Hasnain Afzal VP              |
| Honda Civic    | 1,371 | 256                          | 1,115      | 1,134                               | New car policy                 | Farooq Ahmed Khan EVP-I       |
| Suzuki Cultus  | 609   | 325                          | 284        | 339                                 | New car policy                 | Khurram Ali Syed VP           |
| Honda Accord   | 2,402 | 128                          | 2,274      | 1,921                               | New car policy                 | Zarkham Khan Durrani EVP-II   |
| Suzuki Cultus  | 609   | 333                          | 276        | 315                                 | New car policy                 | Arshad Iqbal VP               |
| Suzuki Cultus  | 615   | 82                           | 533        | 502                                 | New car policy                 | Khawaja Naeemuddin VP         |
| Toyota Corolla | 969   | 362                          | 607        | 677                                 | New car policy                 | S. Azadar Hussain Kazmi VP    |
| Toyota Corolla | 1,005 | 80                           | 925        | 804                                 | New car policy                 | M. Khalid Qureshi VP          |

**ANNEXURE - IV**



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost  | * Accumulated depreciation * | Book value | * Sales proceeds/ insurance claim * | *Mode of disposal/ settlement* | Particulars of buyers                 |
|----------------|-------|------------------------------|------------|-------------------------------------|--------------------------------|---------------------------------------|
| (Rupees '000)  |       |                              |            |                                     |                                |                                       |
| Toyota Corolla | 969   | 207                          | 762        | 786                                 | New car policy                 | M. Omer Ata SVP                       |
| Suzuki Cultus  | 612   | 114                          | 498        | 498                                 | New car policy                 | Tariq Shakir VP                       |
| Suzuki Cultus  | 615   | 107                          | 508        | 524                                 | New car policy                 | M. Farooq Nadeem VP                   |
| Suzuki Cultus  | 620   | 83                           | 537        | 496                                 | New car policy                 | Amjad Saleem Butt VP                  |
| Toyota Corolla | 969   | 155                          | 814        | 787                                 | New car policy                 | Natasha Ahmed SVP                     |
| Suzuki Cultus  | 555   | 96                           | 459        | 461                                 | New car policy                 | Khalid Mamood VP                      |
| Toyota Corolla | 969   | 233                          | 736        | 743                                 | New car policy                 | Mr. Salman Razzaq VP                  |
| Suzuki Cultus  | 609   | 219                          | 390        | 419                                 | New car policy                 | Tariq Masood VP                       |
| Suzuki Cultus  | 604   | 362                          | 242        | 275                                 | New car policy                 | Muhammad Hadi Haidri VP               |
| Suzuki Cultus  | 620   | 174                          | 446        | 476                                 | New car policy                 | Muhammad Shahid VP                    |
| Suzuki Cultus  | 609   | 203                          | 406        | 442                                 | New car policy                 | Ahmed Nawaz Kayani VP                 |
| Suzuki Cultus  | 609   | 406                          | 203        | 253                                 | New car policy                 | Farman ullah VP                       |
| Toyota Corolla | 969   | 181                          | 788        | 789                                 | New car policy                 | Syed Furqan Ali VP                    |
| Suzuki Cultus  | 623   | 133                          | 490        | 488                                 | New car policy                 | Amer Yousuf VP                        |
| Toyota Corolla | 979   | 196                          | 783        | 807                                 | New car policy                 | Kamran Hafeez SVP                     |
| Suzuki Cultus  | 620   | 190                          | 430        | 455                                 | New car policy                 | Jahangir Ahmed VP                     |
| Suzuki Cultus  | 609   | 406                          | 203        | 262                                 | New car policy                 | Sikander Iqbal Khan VP                |
| Toyota Corolla | 969   | 375                          | 594        | 613                                 | New car policy                 | Ms. Ghazala Riaz Malik SVP            |
| Suzuki Cultus  | 647   | 52                           | 595        | 522                                 | New car policy                 | Zulfikar Ali                          |
| Suzuki Cultus  | 615   | 172                          | 443        | 470                                 | New car policy                 | Jawad Ahmed Dar                       |
| Suzuki Cultus  | 609   | 609                          | -          | 177                                 | New car policy                 | Ather Hussain Siddiqi                 |
| Mercedes Benz  | 3,526 | 1,598                        | 1,928      | 2,038                               | New car policy                 | Salman A. Usmani SEVP                 |
| Toyota Corolla | 969   | 220                          | 749        | 774                                 | New car policy                 | Azhar Iqbal                           |
| Toyota Corolla | 969   | 155                          | 814        | 775                                 | New car policy                 | Shahid Iqbal                          |
| Toyota Corolla | 969   | 401                          | 568        | 568                                 | Pre-Mature Retirement          | Shahid Agha                           |
| Suzuki Cultus  | 652   | 43                           | 609        | 522                                 | New car policy                 | M. Asif Azim VP                       |
| Toyota Corolla | 969   | 413                          | 556        | 562                                 | superannuation                 | Muhammad Ashfaq                       |
| Suzuki Cultus  | 609   | 317                          | 292        | 292                                 | New car policy                 | Saleem Pervaiz Arbab                  |
| Mercedes Benz  | 3,578 | 1,527                        | 2,051      | 1,973                               | New car policy                 | Ms. Sadia P. Saeed SEVP               |
| Toyota Corolla | 939   | 939                          | -          | 94                                  | New car policy                 | Khair Muhammad                        |
| Honda VTI      | 950   | 950                          | -          | 423                                 | New car policy                 | Munir Ahmed Saleem EVP                |
| Toyota Corolla | 939   | 939                          | -          | 320                                 | New car policy                 | Muhammad Khalid Qureshi               |
| Toyota Corolla | 939   | 526                          | 413        | 507                                 | New car policy                 | Mr. Tahir Mushtaq Mir                 |
| Honda Civic    | 1,038 | 318                          | 720        | 782                                 | New car policy                 | Mr. Shoaid Mumtaz                     |
| Honda Civic    | 1,043 | 389                          | 654        | 733                                 | New car policy                 | Mr. Junaid Iqbal                      |
| Honda Civic    | 1,043 | 389                          | 654        | 692                                 | New car policy                 | Mirza Ali Nazim SVP                   |
| Honda Civic    | 1,043 | 403                          | 640        | 683                                 | New car policy                 | Nadeem Illahi SVP                     |
| Suzuki Cultus  | 620   | 182                          | 438        | 483                                 | New car policy                 | Jafar Bokhari VP                      |
| Toyota Corolla | 969   | 271                          | 698        | 742                                 | New car policy                 | Asif numtaz Butt VP                   |
| Toyota Corolla | 969   | 245                          | 724        | 711                                 | New car policy                 | Salman Zafer Siddiqui                 |
| Suzuki Cultus  | 615   | 180                          | 435        | 460                                 | New car policy                 | Pervez Akhtar VP                      |
| Suzuki Cultus  | 620   | 182                          | 438        | 505                                 | New car policy                 | Rashid Mehboob VP                     |
| Suzuki Cultus  | 620   | 141                          | 479        | 500                                 | New car policy                 | M. Mubashar Bashir VP                 |
| Honda Civic    | 1,376 | 404                          | 972        | 1,073                               | New car policy                 | Mr. Humayun Nizami                    |
| Honda Civic    | 955   | 955                          | -          | 191                                 | Retirement Benefit             | Mr. Tahir Ayub                        |
| Toyota Corolla | 939   | 939                          | -          | 188                                 | Retirement Benefit             | Mr. Tahir Ayub                        |
| Suzuki Cultus  | 609   | 341                          | 268        | 354                                 | New car policy                 | Farhat Mehmood Khosa VP               |
| Suzuki Cultus  | 615   | 123                          | 492        | 469                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Suzuki Cultus  | 560   | 112                          | 448        | 555                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |

**ANNEXURE - IV**

**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description    | Cost          | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | *Mode of disposal/ settlement* | Particulars of buyers                 |
|----------------|---------------|------------------------------|------------|-------------------------------------|--------------------------------|---------------------------------------|
|                | (Rupees '000) |                              |            |                                     |                                |                                       |
| Toyota Corolla | 969           | 245                          | 724        | 850                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Suzuki Cultus  | 615           | 90                           | 525        | 612                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Suzuki Cultus  | 615           | 90                           | 525        | 620                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Suzuki Cultus  | 615           | 74                           | 541        | 620                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Suzuki Cultus  | 604           | 298                          | 306        | 480                                 | Insurance Claim                | M/s Adamjee Insurance Company Limited |
| Toyota Corolla | 939           | 626                          | 313        | 708                                 | Auction                        | Mr. M. Hanif Dilbar                   |
| Toyota Corolla | 954           | 509                          | 445        | 810                                 | Auction                        | MR. K Zulfqar Ahmad                   |
| Toyota Corolla | 969           | 413                          | 556        | 750                                 | Auction                        | Mr. Khuram Imtiaz                     |
| Suzuki Cultus  | 607           | 130                          | 477        | 515                                 | Auction                        | Mr. M. Sharif                         |
| Suzuki Cultus  | 620           | 207                          | 413        | 462                                 | Auction                        | Mr. Khuram Imtiaz                     |
| Toyota Corolla | 969           | 297                          | 672        | 837                                 | Auction                        | Mr. Sohail Rehman                     |
| Suzuki Cultus  | 620           | 190                          | 430        | 498                                 | Auction                        | Mr. Khuram Imtiaz                     |
| Suzuki Cultus  | 620           | 174                          | 446        | 508                                 | Auction                        | Mr. Rehan Mathani                     |
| Toyota Corolla | 979           | 209                          | 770        | 900                                 | Auction                        | Mr. Khuram Imtiaz                     |
| Suzuki Cultus  | 560           | 127                          | 433        | 556                                 | Auction                        | Mian M. Tariq Iqbal                   |
| Suzuki Cultus  | 612           | 131                          | 481        | 564                                 | Auction                        | Mr. M. Ilyas                          |
| Honda City     | 1,031         | 247                          | 784        | 705                                 | Auction                        | Mr. Humayun Zaheer                    |
| Honda City     | 1,031         | 220                          | 811        | 752                                 | Auction                        | Mr. Irfan ABID Qureshui               |
| Suzuki Cultus  | 615           | 107                          | 508        | 546                                 | Auction                        | Mr. Aasad Khalid Sh                   |
| Toyota Corolla | 969           | 168                          | 801        | 920                                 | Auction                        | Mr. M. Nasir                          |
| Lancer         | 1,079         | 144                          | 935        | 800                                 | Auction                        | Mr. Yasir Mehmood                     |
| Toyota Corolla | 1,005         | 107                          | 898        | 925                                 | Auction                        | Mr. M. Sajid                          |
| Lancer         | 1,079         | 58                           | 1,021      | 825                                 | Auction                        | Mr. Jahangir Pervalz                  |
| Toyota Corolla | 1,005         | 80                           | 925        | 983                                 | Auction                        | Mr. Khuram Imtiaz                     |
| Suzuki Cultus  | 620           | 165                          | 455        | 485                                 | Auction                        | Mr. Tariq Saeed                       |
| Toyota Corolla | 954           | 547                          | 407        | 800                                 | Auction                        | Farhat A. Jaffari                     |
| Toyota Corolla | 939           | 576                          | 363        | 776                                 | Auction                        | Mohammad Akber                        |
| Toyota Corolla | 939           | 563                          | 376        | 800                                 | Auction                        | Mr. Saleem                            |
| Toyota Corolla | 939           | 576                          | 363        | 800                                 | Auction                        | Mehmood                               |
| Honda Civic    | 1,043         | 431                          | 612        | 810                                 | Auction                        | Syed Afzal Mehndi                     |
| Toyota Hillux  | 2,290         | 1,718                        | 572        | 1,350                               | Auction                        | Adnan Ahmed Bhatti                    |
| Toyota Corolla | 939           | 563                          | 376        | 765                                 | Auction                        | Adnan Ahmed Bhatti                    |
| Toyota Corolla | 939           | 576                          | 363        | 794                                 | Auction                        | Mehmood                               |
| Honda Civic    | 1,238         | 512                          | 726        | 958                                 | Auction                        | Syed yasir Ahmed                      |
| Bolan Van      | 427           | 199                          | 228        | 385                                 | Auction                        | Mehmood                               |
| Honda Civic    | 1,238         | 429                          | 809        | 1,026                               | Auction                        | Haibullah Associates                  |
| Honda Civic    | 1,238         | 495                          | 743        | 1,010                               | Auction                        | Syed yasir Ahmed                      |
| Toyota Corolla | 1,043         | 362                          | 681        | 942                                 | Auction                        | Syed yasir Ahmed                      |
| Suzuki Cultus  | 620           | 174                          | 446        | 500                                 | Auction                        | Waseem Mirza                          |
| Honda Civic    | 1,237         | 511                          | 726        | 910                                 | Auction                        | Mehmood                               |
| Lancer         | 1,074         | 143                          | 931        | 880                                 | Auction                        | Haibullah Associates                  |
| Honda Civic    | 943           | 679                          | 264        | 680                                 | Auction                        | Waseem Mirza                          |
| Honda Civic    | 963           | 642                          | 321        | 770                                 | Auction                        | Waseem Mirza                          |
| Suzuki Cultus  | 604           | 274                          | 330        | 471                                 | Auction                        | Mehmood                               |
| Honda Civic    | 963           | 552                          | 411        | 700                                 | Auction                        | Waseem Mirza                          |
| Suzuki Cultus  | 609           | 357                          | 252        | 435                                 | Auction                        | Waseem Mirza                          |

**ANNEXURE - IV**



**Notes to the Consolidated Financial Statements**  
For the year ended December 31, 2008

Disposal of operating fixed assets (refer note 11.2.3)

| Description  | Cost          | * Accumulated depreciation * | Book value | * Sales proceeds/ Insurance claim * | *Mode of disposal/ settlement* | Particulars of buyers  |
|--|---------------|------------------------------|------------|-------------------------------------|--------------------------------|------------------------|
|  | (Rupees '000) |                              |            |                                     |                                |                        |
| Suzuki Cultus  | 620           | 182                          | 438        | 555                                 | Auction                        | Mr. Mehmood            |
| Suzuki Cultus  | 612           | 131                          | 481        | 625                                 | Auction                        | Waseem Mirza           |
| Suzuki Cultus  | 615           | 90                           | 525        | 609                                 | Auction                        | Mr. Khuram Imtiaz      |
| Toyota Corolla   | 1,074         | 172                          | 902        | 880                                 | Auction                        | Waseem Mirza           |
| Toyota Corolla   | 969           | 297                          | 672        | 668                                 | Auction                        | Kamran Ahmad           |
| Honda Civic  | 1,225         | 817                          | 408        | 710                                 | Auction                        | Mirza Atif Shahzad     |
| Suzuki Cultus  | 560           | 276                          | 284        | 364                                 | Auction                        | Mrs. Samina Atif       |
| Honda Civic  | 1,043         | 334                          | 709        | 900                                 | Auction                        | Mr. Ibrahim Mahir Raja |
| Toyota Corolla   | 939           | 576                          | 363        | 763                                 | Auction                        | Mr. Khuram Imtiaz      |
| Toyota Corolla   | 939           | 563                          | 376        | 723                                 | Auction                        | Mr. Khuram Imtiaz      |
| Toyota Corolla   | 939           | 551                          | 388        | 679                                 | Auction                        | Mr. Khuram Imtiaz      |
| Toyota Corolla   | 939           | 538                          | 401        | 739                                 | Auction                        | Mr. Khuram Imtiaz      |
|  | 290,357       | 110,949                      | 179,408    | 198,340                             |                                |                        |
| *Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000* |               |                              |            |                                     |                                |                        |
|  | 30,275        | 16,648                       | 13,627     | 23,160                              |                                |                        |
| 2008   | 576,157       | 354,365                      | 221,772    | 258,627                             |                                |                        |
| 2007   | 215,536       | 166,253                      | 49,283     | 62,419                              |                                |                        |

**ANNEXURE - IV**



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

### ANNEXURE - V

Summarized detail of the valuation of owned properties (refer note 11.2.1)

| City   | Land      | Building<br>(Rupees in '000) | Total      |
|--|-----------|------------------------------|------------|
| Karachi  | 3,489,740 | 2,098,418                    | 5,588,158  |
| Hyderabad  | 89,981    | 42,407                       | 132,388    |
| Sukkur   | 48,591    | 14,049                       | 62,640     |
| Moro   | 5,698     | 1,735                        | 7,433      |
| Nausheroferoz                                    | 4,150     | 1,051                        | 5,201      |
| Mirpurkhas                                       | 15,687    | 5,397                        | 21,084     |
| Larkana  | 21,935    | 6,190                        | 28,125     |
| Gawadar  | 3,765     | 2,674                        | 6,439      |
| Mianwali   | 23,500    | 486                          | 23,986     |
| Jhelum   | 21,000    | 9,047                        | 30,047     |
| Muree  | 10,000    | 305                          | 10,305     |
| Jhang  | 14,063    | 2,874                        | 16,937     |
| Quetta   | 241,260   | 33,860                       | 275,120    |
| Islamabad  | 1,189,400 | 150,936                      | 1,340,336  |
| Abbottabad                                       | 15,000    | 6,531                        | 21,531     |
| Rawalpindi                                       | 300,836   | 84,738                       | 385,574    |
| Lahore   | 3,075,794 | 1,386,009                    | 4,461,803  |
| Kasur  | 16,380    | 1,673                        | 18,053     |
| Faisalabad                                       | 396,077   | 81,372                       | 477,449    |
| Gujrat   | 43,200    | 14,391                       | 57,591     |
| Gujranwala                                       | 41,534    | 7,862                        | 49,396     |
| Wazirabad  | 12,000    | 4,849                        | 16,849     |
| Muridke  | 18,000    | 3,231                        | 21,231     |
| Hafizabad  | 20,000    | 8,128                        | 28,128     |
| Sargodha   | 51,323    | 7,256                        | 58,579     |
| Okara  | 13,000    | 7,104                        | 20,104     |
| Sheikhupura                                      | 24,000    | 8,332                        | 32,332     |
| Vehari   | 3,885     | 1,228                        | 5,113      |
| Sialkot  | 50,000    | 4,505                        | 54,505     |
| Sahiwal  | 11,764    | 7,681                        | 19,445     |
| Chakwal  | -         | 3,988                        | 3,988      |
| Azad Kashmir                                     | 57,352    | 7,970                        | 65,322     |
| Peshawar   | 67,017    | 21,054                       | 88,071     |
| Tandoallahyar                                    | 2,200     | 800                          | 3,000      |
| Muzaffarabad                                     | 43,582    | 6,085                        | 49,667     |
| Shadadpur  | 4,300     | 818                          | 5,118      |
| Haripur  | 23,070    | 3,507                        | 26,577     |
| Dir  | 3,484     | 3,739                        | 7,223      |
| Mingora  | 10,150    | 6,931                        | 17,081     |
| Rahim Yar Khan                                   | 8,100     | 8,535                        | 16,635     |
| Sadiqabad  | 15,120    | 5,924                        | 21,044     |
| Haroonabad                                       | 7,000     | 1,600                        | 8,600      |
| Christan   | 667       | 915                          | 1,582      |
| Khanpur  | 9,380     | -                            | 9,380      |
| Bahawalpur                                       | 13,750    | 11,711                       | 25,461     |
| D.G. Khan  | 20,500    | 12,945                       | 33,445     |
| Shujabad   | 4,800     | 1,837                        | 6,637      |
| Overseas   | -         | 35,061                       | 35,061     |
| MCB Asset Management Company(subsidiary company) | -         | 34,818                       | 34,818     |
| Grand total                                      | 9,562,035 | 4,172,557                    | 13,734,592 |



## Form of Proxy

Folio No. \_\_\_\_\_ CDC Participants Identity Card No. \_\_\_\_\_ A/C. No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ a member/ members of MCB Bank Limited,  
and holder of \_\_\_\_\_ shares do hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him / her \_\_\_\_\_  
of \_\_\_\_\_ who is also a member of the Company, vide Registered  
Folio No. \_\_\_\_\_ as my/ our proxy to attend, speak and vote for me/us and on my/our behalf at the  
61<sup>st</sup> Annual General Meeting of the Company to be held on Friday, March 27, 2009 at 3:00 p.m. at Islamabad Hotel (formerly Holiday Inn). G-6, Civic Centre, Islamabad  
and at any adjournment thereof.

As witness my/ our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2009.

Signature on  
Five Rupees  
Revenue Stamp

The Signature should  
agree with the  
specimen registered  
with the Company

Dated:

Place:

Notice:

1. The Proxy Form Should be deposited in the office of THK Associates (Pvt). Ltd., Ground Floor, State Life Building No 3, Dr. Ziauddin Ahmaed Road, Karachi, as soon as possible but not less than 48 hours before the time of holding the meeting and in default Proxy Form will not be treated as valid.
2. No person shall act as proxy unless he/ she is a member of the company except a corporation being a member may appoint as its proxy any officer of such corporation whether a member of the company or not.