



MCB Bank Limited

Financial Statements
For the year ended December 31, 2010

MCB Bank Limited
Statement of Financial Position
As at December 31, 2010

	<i>Note</i>	2010	2009
		(Rupees in '000)	
Assets			
Cash and balances with treasury banks	6	45,407,183	38,774,871
Balances with other banks	7	1,478,569	6,009,993
Lendings to financial institutions	8	4,401,781	3,000,000
Investments - net	9	213,060,882	167,134,465
Advances - net	10	254,551,589	253,249,407
Operating fixed assets	11	20,947,540	18,014,896
Deferred tax assets - net		-	-
Other assets - net	12	27,705,069	23,040,095
		567,552,613	509,223,727
Liabilities			
Bills payable	14	10,265,537	8,201,090
Borrowings	15	25,684,593	44,662,088
Deposits and other accounts	16	431,371,937	367,604,711
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	4,934,018	3,196,743
Other liabilities	18	16,092,319	15,819,082
		488,348,404	439,483,714
Net assets		79,204,209	69,740,013
Represented by:			
Share capital	19	7,602,150	6,911,045
Reserves	20	40,162,906	38,385,760
Unappropriated profit		21,414,955	15,779,127
		69,180,011	61,075,932
Surplus on revaluation of assets - net of tax	21	10,024,198	8,664,081
		79,204,209	69,740,013
Contingencies and commitments	22		

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Profit and Loss Account
For the year ended December 31, 2010

	Note	2010 (Rupees in '000)	2009
Mark-up / return / interest earned	24	54,821,296	51,616,007
Mark-up / return / interest expensed	25	17,987,767	15,837,322
Net mark-up / interest income		36,833,529	35,778,685
Provision for diminution in the value of investments - net	9.3	444,476	1,484,218
Provision against loans and advances - net	10.4.2	3,100,594	5,796,527
Bad debts written off directly	10.5.1	52,047	41,576
		3,597,117	7,322,321
Net mark-up / interest income after provisions		33,236,412	28,456,364
Non-mark-up / interest income			
Fee, commission and brokerage income		4,129,540	3,455,948
Dividend income		543,906	459,741
Income from dealing in foreign currencies		632,346	341,402
Gain on sale of securities - net	26	411,834	773,768
Unrealized gain on revaluation of investments classified as held for trading		-	-
Other income	27	547,680	612,026
Total non-mark-up / interest income		6,265,306	5,642,885
		39,501,718	34,099,249
Non-mark-up / interest expenses			
Administrative expenses	28	12,173,942	10,111,330
Other provision - net	12.3	88,261	142,824
Other charges	29	986,440	690,150
Total non-mark-up / interest expenses		13,248,643	10,944,304
Extra ordinary / unusual item		-	-
Profit before taxation		26,253,075	23,154,945
Taxation - Current year		8,027,433	7,703,305
- Prior years		-	(2,232,226)
- Deferred		1,352,467	2,188,569
	30	9,379,900	7,659,648
Profit after taxation		16,873,175	15,495,297
Unappropriated profit brought forward		15,779,127	9,193,332
Transfer from surplus on revaluation of fixed assets - net of tax		21,792	22,324
		15,800,919	9,215,656
Profit available for appropriation		32,674,094	24,710,953
		(Rupees)	
Basic and diluted earnings per share - after tax	33	22.20	20.38

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Statement of Comprehensive Income
For the year ended December 31, 2010

	2010 (Rupees in '000)	2009
Profit after tax for the year	16,873,175	15,495,297
Other comprehensive income		
Effect of translation of net investment in foreign branches	89,828	67,465
Comprehensive income transferred to equity	<u>16,963,003</u>	<u>15,562,762</u>
Components of comprehensive income not reflected in equity		
Net change in fair value of available for sale securities	216,561	3,068,752
Deferred tax	(74,473)	(571,913)
	142,088	2,496,839
Total comprehensive income for the year	<u>17,105,091</u>	<u>18,059,601</u>

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited

Cash Flow Statement

For the year ended December 31, 2010

	Note	2010 (Rupees in '000)	2009
Cash flows from operating activities			
Profit before taxation		26,253,075	23,154,945
Less: Dividend income		(543,906)	(459,741)
		<u>25,709,169</u>	<u>22,695,204</u>
Adjustments for non-cash charges:			
Depreciation	11.2	1,012,161	909,471
Amortization	11.3	160,352	153,397
Provision against loans and advances - net	10.4.2	3,100,594	5,796,527
Provision for diminution in the value of investments - net	9.3	444,476	1,484,218
Provision against other assets - net	12.3	88,261	142,824
Bad debts written off directly	10.5.1	52,047	41,576
Operating fixed assets written off	29	-	17,477
Gain on disposal of fixed assets - net	27	(15,993)	(30,614)
		<u>4,841,898</u>	<u>8,514,876</u>
		30,551,067	31,210,080
(Increase) / decrease in operating assets			
Lendings to financial institutions		(1,401,781)	1,100,079
Net investments in 'held for trading' securities		-	94,176
Advances - net		(4,454,823)	3,047,960
Other assets - net		(2,246,347)	(3,416,086)
		<u>(8,102,951)</u>	<u>826,129</u>
Increase / (decrease) in operating liabilities			
Bills payable		2,064,447	(2,350,378)
Borrowings		(18,977,495)	21,998,248
Deposits and other accounts		63,767,226	37,423,087
Other liabilities		1,056,341	(6,641,481)
		<u>47,910,519</u>	<u>50,429,476</u>
		<u>70,358,635</u>	<u>82,465,685</u>
Income tax paid		(11,657,474)	(4,317,603)
Net cash flows from operating activities		<u>58,701,161</u>	<u>78,148,082</u>
Cash flows from investing activities			
Net investments in 'available for sale' securities		(47,515,913)	(72,317,445)
Net investments in 'held to maturity' securities		1,445,720	3,303,107
Investment in subsidiary company		(84,139)	(394)
Dividends received		570,788	446,181
Investments in operating fixed assets		(2,572,251)	(1,893,986)
Sale proceeds of property and equipment disposed off		33,241	93,092
Net cash flows from investing activities		<u>(48,122,554)</u>	<u>(70,369,445)</u>
Cash flows from financing activities			
Dividend paid		(8,567,547)	(6,735,510)
Net cash flows from financing activities		<u>(8,567,547)</u>	<u>(6,735,510)</u>
Exchange differences on translation of the net investment in foreign branches		89,828	67,465
Increase in cash and cash equivalents		<u>2,100,888</u>	<u>1,110,592</u>
Cash and cash equivalents at beginning of the year		44,725,336	43,032,579
Effects of exchange rate changes on cash and cash equivalents		59,528	641,693
		<u>44,784,864</u>	<u>43,674,272</u>
Cash and cash equivalents at end of the year	34	<u>46,885,752</u>	<u>44,784,864</u>

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited
Statement of Changes in Equity
For the year ended December 31, 2010

	Share capital	Capital reserves		Statutory reserve	Revenue Reserves		Total
		Share premium	Exchange translation reserve		General reserve	Unappropriated profit	
----- (Rupees in '000) -----							
Balance as at December 31, 2008	6,282,768	9,702,528	188,686	8,277,551	18,600,000	9,193,332	52,244,865
Changes in equity for 2009							
Profit after taxation for the year ended December 31, 2009	-	-	-	-	-	15,495,297	15,495,297
Exchange differences on translation of net investment in foreign branches	-	-	67,465	-	-	-	67,465
Total comprehensive income for the year ended December 31, 2009	-	-	67,465	-	-	15,495,297	15,562,762
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	22,324	22,324
Transferred to statutory reserve	-	-	-	1,549,530	-	(1,549,530)	-
Issue of bonus shares - December 2008	628,277	-	-	-	-	(628,277)	-
Final cash dividend - December 2008	-	-	-	-	-	(1,570,692)	(1,570,692)
Interim cash dividend - March 2009	-	-	-	-	-	(1,727,781)	(1,727,781)
Interim cash dividend - June 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Interim cash dividend - September 2009	-	-	-	-	-	(1,727,773)	(1,727,773)
Balance as at December 31, 2009	6,911,045	9,702,528	256,151	9,827,081	18,600,000	15,779,127	61,075,932
Changes in equity for 2010							
Profit after taxation for the year ended December 31, 2010	-	-	-	-	-	16,873,175	16,873,175
Exchange differences on translation of net investment in foreign branches	-	-	89,828	-	-	-	89,828
Total comprehensive income for the year ended December 31, 2010	-	-	89,828	-	-	16,873,175	16,963,003
Transferred from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	21,792	21,792
Transferred to statutory reserve	-	-	-	1,687,318	-	(1,687,318)	-
Issue of bonus shares - December 2009	691,105	-	-	-	-	(691,105)	-
Final cash dividend - December 2009	-	-	-	-	-	(2,418,877)	(2,418,877)
Interim cash dividend - March 2010	-	-	-	-	-	(1,900,549)	(1,900,549)
Interim cash dividend - June 2010	-	-	-	-	-	(2,280,645)	(2,280,645)
Interim cash dividend - September 2010	-	-	-	-	-	(2,280,645)	(2,280,645)
Balance as at December 31, 2010	7,602,150	9,702,528	345,979	11,514,399	18,600,000	21,414,955	69,180,011

For details of dividend declaration and appropriations, please refer note 45 to these financial statements.

The annexed notes 1 to 46 and Annexures I to V form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

MCB Bank Limited

Notes to the Financial Statements

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS

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 (2009: two 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 1,125 branches including 14 Islamic banking branches (2009: 1,074 branches including 11 Islamic banking branches) within Pakistan and 7 branches (2009: 7 branches) outside the country (including the Karachi Export Processing Zone branch).

2. BASIS OF PRESENTATION

- 2.1 These financial statements represent separate financial statements of MCB Bank Limited. The consolidated financial statements of the Group are being issued separately.
- 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, rates of Rs. 85.6367 per US Dollar (2009: Rs. 84.2416) and Rs. 0.7718 per SLR (2009: Rs.0.7364) have been used.

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 Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan 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 and 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. The Securities and Exchange Commission of Pakistan (SECP) has deferred applicability of IFRS-7 "Financial Instruments: Disclosures" on banks through S.R.O 411(1) /2008 dated April 28, 2008. 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.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011. These standards are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than increase in disclosures in certain cases:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Bank's financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Bank's financial statements.
- IAS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Bank's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

- Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. This amendment is not likely to have any impact on Bank's financial statements.

4. BASIS OF MEASUREMENT

- 4.1** These financial statements have been prepared under the historical cost convention except that certain classes of 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 Bank's functional and presentation currency. The amounts are rounded off to the 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 Bank'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 Bank's financial statements or where judgment was exercised in the application of accounting policies are as follows:

a) Classification of investments

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

d) Taxation

In making the estimates for income taxes currently payable by the Bank, 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 Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method 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 Bank 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.

g) Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in these financial statements (note 36) 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 Investments

The Bank 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 Bank has the positive intent and ability to hold to maturity.

c) Available for sale

These are investments, other than those in subsidiaries and 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 Bank 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', investments in subsidiaries 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 (excluding investments in subsidiaries and associates) 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. Investments in subsidiaries and investments in associates are carried at 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.

5.2 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.

5.3 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 are held against identified as well as 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 Bank 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.

5.4 Operating fixed assets and depreciation

Property and equipment, other than land carrying value of which is not amortized, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost less accumulated impairment losses (if any). 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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account.

5.4.1 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 Bank. The useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

5.4.2 Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognized on an accrual basis as and when the rental becomes due.

5.5 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. Recoverable amount is the greater of net selling price and value in use. 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.

5.6 Staff retirement benefits

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.
 - contributory benevolent 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.

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.

5.7 Employees' compensated absences

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.

5.8 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 temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. The Bank 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 Bank 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.

5.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and 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.

5.10 Foreign currencies

5.10.1 Foreign currency transactions

Transactions in foreign currencies (other than the results of foreign operations discussed in note 5.11.2) 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.

5.10.2 Foreign operations

The assets and liabilities of foreign branches 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.

5.10.3 Translation gains and losses

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

5.10.4 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.

5.11 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 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 of the Bank operate.

- Commission income is recognized on a time proportion basis.
- Dividend income is recognized when the Bank's right to receive dividend is established.
- Gain / loss on sale of investments is credited / charged to profit and loss account currently.

5.12 Operating leases

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

5.13 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.

5.14 Financial instruments

5.14.1 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 and subsidiaries), 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.

5.14.2 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 the derivative financial instruments are carried as an asset when the fair value is positive and liability when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account currently.

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

5.15 Share issuance cost

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

5.16 Segment reporting

A segment is a distinguishable component of the Bank 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 Bank's primary format of reporting is based on business segments.

5.16.1 Business segments

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.

5.16.2 Geographical segments

The Bank operates in three geographic regions being:

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

5.17 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.

	<i>Note</i>	2010	2009
(Rupees in '000)			
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand - local currency	<i>6.1</i>	9,103,182	9,104,489
- foreign currencies		1,539,991	1,059,928
With State Bank of Pakistan (SBP) in:			
Local currency current account	<i>6.2</i>	20,062,585	17,221,148
Foreign currency current account	<i>6.3</i>	34,673	7,464
Foreign currency deposit account	<i>6.2 & 6.4</i>	3,966,291	3,363,399
With other central banks in foreign currency current account	<i>6.2</i>	329,632	324,287
With National Bank of Pakistan in local currency current account		10,370,829	7,694,156
		45,407,183	38,774,871

- 6.1 This includes national prize bonds amounting to Rs. 67.097 million (2009: Rs. 80.591 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 This represents US Dollar settlement account maintained with SBP.
- 6.4 This includes balance of Rs.2,974.718 million (2009: Rs. 2,522.549 million) which carry interest rate of Nil per annum (2009: Nil).

Note **2010** 2009
(Rupees in '000)

7. BALANCES WITH OTHER BANKS

Outside Pakistan

- current account		1,074,315	5,059,663
- deposit account	<i>7.1</i>	404,254	950,330
		1,478,569	6,009,993

- 7.1 Balances with other banks outside Pakistan in deposit account carry interest at the rates ranging from 0.55% to 3% (2009: 0.12% to 1% per annum).

Note **2010** 2009
(Rupees in '000)

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	<i>8.2</i>	1,500,000	3,000,000
Repurchase agreement lendings	<i>8.3</i>	2,901,781	-
		4,401,781	3,000,000

8.1 Particulars of lendings

In local currency		4,391,754	3,000,000
In foreign currencies		10,027	-
		4,401,781	3,000,000

- 8.2. These carry mark-up rates ranging from 12.8% to 13.50% per annum (2009: 12.35% to 12.70% per annum) and are due to mature latest by March 2011.

8.3 Securities held as collateral against lendings to financial institutions

	2010			2009		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	922,947	-	922,947	-	-	-
Pakistan Investment Bonds	1,978,834	-	1,978,834	-	-	-
	2,901,781	-	2,901,781	-	-	-

Market value of securities held as collateral against lendings to financial institutions as at December 31, 2010 amounted to Rs. 2,922.541 million (2009: NIL). These carry mark up rates ranging from 12.8% to 12.85% per annum (2009:NIL).

9. INVESTMENTS - NET

9.1 Investments by types

	Note / Annexure	2010			2009		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		------(Rupees in '000)-----					
Held for trading securities							
- Shares in listed companies		-	-	-	-	-	-
- Market Treasury Bills		-	-	-	-	-	-
		-	-	-	-	-	-
Available-for-sale securities							
- Market Treasury Bills	9.4	174,114,758	11,840,440	185,955,198	108,056,249	31,513,525	139,569,774
- Pakistan Investment Bonds	9.4	4,764,252	-	4,764,252	5,454,941	-	5,454,941
- Shares in listed companies	9.4 & Annexure I (note 1)	6,680,635	-	6,680,635	7,133,214	-	7,133,214
- Units in open ended mutual fund	9.4 & Annexure I (note 1)	182,981	-	182,981	442,981	-	442,981
- Shares in unlisted companies	9.4 & Annexure I (note 2)	523,915	-	523,915	513,843	-	513,843
- NIT units		5,253	-	5,253	5,253	-	5,253
- Sukuk Bonds	9.4 & Annexure I (note 3)	2,100,000	-	2,100,000	400,000	-	400,000
- Term Finance Certificates (TFCs)	9.4 & Annexure I (note 3)	1,672,200	-	1,672,200	1,831,777	-	1,831,777
		190,043,994	11,840,440	201,884,434	123,838,258	31,513,525	155,351,783
Held-to-maturity securities							
- Market Treasury Bills	9.5	3,155,635	-	3,155,635	3,251,110	136,038	3,387,148
- Pakistan Investment Bonds	9.5	2,172,165	-	2,172,165	2,244,383	-	2,244,383
- Federal Government Securities		-	-	-	171,583	-	171,583
- Provincial Government Securities		118	-	118	118	-	118
- Government Compensation Bonds		-	-	-	286,557	-	286,557
- Sukuk Bonds	Annexure I (note 4)	1,427,762	-	1,427,762	2,753,929	-	2,753,929
- Euro Bonds	Annexure I (note 4)	1,446,590	-	1,446,590	684,810	-	684,810
- Term Finance Certificates (TFCs), Debentures, Bonds and Participation Term Certificates (PTCs)	Annexure I (note 3)	4,099,810	-	4,099,810	4,250,714	-	4,250,714
		12,302,080	-	12,302,080	13,643,204	136,038	13,779,242
Subsidiaries	Annexure I (note 5)						
- MNET Services (Private) Limited		49,975	-	49,975	49,975	-	49,975
- MCB Trade Services Limited		77	-	77	77	-	77
- MCB Asset Management Company Limited		299,980	-	299,980	299,980	-	299,980
- MCB Leasing" Closed Joint Stock Company		84,533	-	84,533	394	-	394
- MCB Financial Services Limited		27,500	-	27,500	27,500	-	27,500
		462,065	-	462,065	377,926	-	377,926
Associates	Annexure I (note 6)						
- Adamjee Insurance Company Limited	9.6	943,600	-	943,600	943,600	-	943,600
- First Women Bank Limited		63,300	-	63,300	63,300	-	63,300
		1,006,900	-	1,006,900	1,006,900	-	1,006,900
Investments at cost		203,815,039	11,840,440	215,655,479	138,866,288	31,649,563	170,515,851
Less: Provision for diminution in value of investments	9.3	(3,116,292)	-	(3,116,292)	(3,686,520)	-	(3,686,520)
Investments (net of provisions)		200,698,747	11,840,440	212,539,187	135,179,768	31,649,563	166,829,331
Surplus / (Deficit) on revaluation of available for sale securities - net	21.2	534,095	(12,400)	521,695	331,588	(26,454)	305,134
Investments at revalued amounts - net of provisions		201,232,842	11,828,040	213,060,882	135,511,356	31,623,109	167,134,465

	<i>Note / Annexure</i>	2010	2009
		(Rupees in '000)	
9.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills	9.4	185,955,198	139,569,774
- Pakistan Investment Bonds	9.4	6,936,417	7,699,324
- Federal Government Securities		-	171,583
- Government Compensation Bonds		-	286,557
- Euro Bonds	<i>Annexure I (note 4)</i>	1,446,590	684,810
- Sukuk Bonds	<i>Annexure I (note 3 & 4)</i>	2,500,000	1,503,702
- Unlisted Term Finance Certificate	<i>Annexure I (note 3)</i>	2,250,000	3,000,000
Overseas Government Securities			
- Market Treasury Bills - Sri Lanka		3,155,635	3,387,148
Provincial Government Securities			
		118	118
Subsidiaries and Associated Undertakings			
	<i>9.6 & Annexure I (note 5 & 6)</i>	1,468,965	1,384,826
Fully Paid-up Ordinary Shares / Certificates / Units			
- Listed companies / mutual funds / modarabas	<i>Annexure I (note 1)</i>	6,619,033	7,071,612
- Unlisted companies / funds	<i>Annexure I (note 2)</i>	423,915	413,843
Units of Open Ended Mutual Funds			
	<i>Annexure I (note 1)</i>	182,981	442,981
Fully Paid-up Preference Shares:			
- Listed Companies	<i>Annexure I (note 1)</i>	61,602	61,602
- Unlisted Companies	<i>Annexure I (note 2)</i>	100,000	100,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:			
- Listed Term Finance Certificates	<i>Annexure I (note 3)</i>	1,672,200	1,831,777
- Unlisted Term Finance Certificates	<i>Annexure I (note 3)</i>	1,758,446	1,129,096
- Debentures, Bonds and Participation Term Certificates (PTCs)	<i>Annexure I (note 4)</i>	91,364	121,618
Other Investments:			
- Sukuk Bonds	<i>Annexure I (note 4)</i>	1,027,762	1,650,227
- NIT Units		5,253	5,253
Total investments at cost			
		215,655,479	170,515,851
Less: Provision for diminution in the value of investments	9.3	(3,116,292)	(3,686,520)
Investments (net of provisions)			
		212,539,187	166,829,331
Surplus on revaluation of available for sale securities - net	21.2	521,695	305,134
Investments at revalued amounts - net of provisions			
		213,060,882	167,134,465

9.3 Particulars of provision

Opening balance	3,686,520	3,044,962
Charge during the year	458,070	1,538,895
Reversal made during the year	(13,594)	(54,677)
	444,476	1,484,218
Reversal on disposal of shares	(983,262)	(772,463)
Adjustments due to reclassification	(31,140)	-
Investment written off against provision	(302)	(70,197)
Closing balance	3,116,292	3,686,520

9.3.1 Particulars of provision in respect of Type and Segment

Available-for-sale securities

Listed shares / Certificates / Units	2,724,181	3,510,603
Unlisted shares	70,645	71,716
	2,794,826	3,582,319

Held-to-maturity securities

Unlisted TFCs, Debentures, Bonds and Participation Term Certificates	321,466	104,201
	3,116,292	3,686,520

9.4 Quality of 'available for sale' securities

Note	2010		2009	
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating
Market Treasury Bills				
9.4.1	185,624,971	Unrated	139,261,981	Unrated
Pakistan Investment Bonds				
9.4.1	4,435,059	Unrated	5,331,065	Unrated
Listed Term Finance Certificates				
Askari Bank Limited	253,473	AA-	435,623	AA-
Bank Al-Habib Limited	-	-	91,619	AA
Bank Alfalah Limited	505,153	AA-	725,109	AA-
United Bank Limited	686,225	AA	244,962	AA
Allied Bank Limited	146,252	AA-	-	AA-
Soneri Bank Limited	-	A+	144,391	A+
Pak Arab Fertilizers Limited	97,000	AA	93,840	AA
	1,688,103		1,735,544	
Shares in Listed Companies				
Abbott Laboratories Pakistan Limited	14,881	Not available	16,437	Not available
Allied Bank Limited	342,733	AA & A1+	167,045	AA & A1+
Arif Habib Limited	2,038	Not available	6,613	Not available
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)	38,079	Not available	75,377	Not available
Arif Habib Investments Limited	13,826	A & A1	-	-
Askari Bank Limited	113,744	AA & A1+	146,279	AA & A1+
Atlas Bank Limited	2,465	A- & A2	5,309	A- & A2
Attock Petroleum Limited	132,585	Not available	37,585	Not available
Azgard Nine Limited - preference shares	11,602	A+ & A1	11,370	A+ & A1
Bank Alfalah Limited	3,382	AA & A1+	70,002	AA & A1+
Bank Al-Habib Limited	241,804	AA+ & A1+	178,641	AA+ & A1+
Century Papers and Board Mills Limited	919	A+	11,655	A- & A-2
EFU General Insurance Company Limited	-	-	1,175	AA
EFU Life Assurance Company Limited	-	-	1,041	AA-
Engro Corporation Limited	-	-	123,918	AA & A1+
Fauji Fertilizer Bin Qasim Company Limited	192,955	Not available	106,942	Not available
Fauji Fertilizer Company Limited	1,090,321	Not available	516,991	Not available
First Al - Noor Modaraba	16,104	BBB & A-3	15,660	BBB & A-3
Glaxo Smithkline Pakistan Limited	42,743	Not available	52,960	Not available
Habib Bank Limited	66,428	AA+ & A-1+	212,420	AA+ & A-1+
Habib Metropolitan Bank Limited	33,628	AA+ & A-1+	21,509	AA+ & A-1+
Hub Power Company Limited	-	-	38,537	Not available
Ibrahim Fiber Limited	1,264	A+ & A1	-	0
IGI Insurance Limited	26,113	AA	38,715	AA
Indus Motors Company Limited	6,824	Not available	8,259	Not available
International Industries Limited	20,645	Not available	22,460	Not available
Jahangir Siddique & Company Limited	-	-	34,775	AA+ & A1+
Kohinoor Energy Limited	1,198	Not available	1,705	Not available
Kot Addu Power Company Limited	57,220	Not available	64,521	Not available
Lucky Cement Limited	-	-	11,592	Not available
Maple Leaf Cement Company Limited	11,002	BB & B	14,414	Not available
Masood Textile Mills Limited - preference shares	50,000	Not available	50,000	Not available
Mehr Dastagir Textile Mills Limited	3,234	Not available	323	Not available
Millat Tractors Limited	90,990	Not available	22,421	Not available
National Bank of Pakistan Limited	-	-	151,170	AAA & A-1+
National Refinery Limited	-	-	5,305	AAA & A1+
Oil & Gas Development Company Limited	5,213	AAA & A-1+	20,520	AAA & A-1+
Orix Leasing Pakistan Limited	-	-	1,675	AA & A1+
Packages Limited	5,133	AA & A1+	3,155	AA & A1+
Pak Suzuki Motor Company Limited	-	-	4,412	Not available
Pakistan Cables Limited	2,342	Not available	4,423	Not available

Note	2010		2009		
	Market value (Rupees in '000)	Credit rating	Market value (Rupees in '000)	Credit rating	
Pakistan Oilfields Limited	155,823	Not available	97,090	Not available	
Pakistan Petroleum Limited	124,802	Not available	174,064	Not available	
Pakistan State Oil Company Limited	-	-	56,990	AA+ & A1+	
Pakistan Telecommunication Company Limited	98,143	Not available	86,374	Not available	
Pakistan Tobacco Company Limited	5,401	Not available	14,563	Not available	
Rupali Polyester Limited	23,708	Not available	24,893	Not available	
Samba Bank Limited	60,688	A & A-1	102,487	A & A-1	
Soneri Bank Limited	32,766	AA- & A1+	37,850	AA- & A1+	
** Sui Northern Gas Pipelines Limited	1,276,269	AA & A1+	1,183,675	AA & A1+	
Thal Limited	-	-	3,807	Not available	
The Bank of Punjab	63,011	AA- & A1+	125,250	AA- & A1+	
* Trust Securities & Brokerage Limited	525	Not available	948	Not available	
Unilever Pakistan Limited	145,106	Not available	76,544	Not available	
United Bank Limited	475,389	AA+ & A-1+	138,550	AA+ & A-1+	
Wateen Telecom Limited	28,994	A & A-2	-	0	
Zulfiqar Industries Limited	1,707	Not available	2,001	Not available	
	5,133,747		4,402,397		
Open Ended Mutual Fund					
Atlas Islamic Fund	-	-	10,239	Not available	
MCB Dynamic Allocation Fund	77,327	AM3+	80,691	AM3+	
MCB Dynamic Cash Fund	-	-	327,366	AM3+	
MCB Dynamic Stock Fund	100,624	AM3+	83,705	AM3+	
	177,951		502,001		
Shares in Un-listed Companies	9.4.2				
* Khushhali Bank Limited	300,000	A- & A-2	300,000	A-2 & A-	
* National Investment Trust Limited	100	AM2	100	AM-DS	
* SME Bank Limited	10,106	BBB & A-3	10,106	A-3 & BBB	
First Capital Investment (Private) Limited	2,500	AM4+	2,446	AM4+	
Pak Asian Fund	11,500	Not available	11,500	Not available	
Pakistan Agro Storage and Services Corporation	-	Not available	2,500	Not available	
* Arabian Sea Country Club	4,481	Not available	715	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)	1,738	Not available	1,738	Not available	
Fazal Cloth Mills Limited - preference share	100,000	A- & A2	100,000	Not available	
Next Capital Limited	9,752	Not available	-	-	
Lanka Clearing (Private) Limited	772	Not available	736	Not available	
Lanka Financial Services Bureau Limited	772	Not available	737	Not available	
Credit Information Bureau of Srilanka	23	Not available	22	Not available	
	453,271		442,127		
Other Investment					
Sukuk Bonds	9.4.1	2,094,727	Unrated	396,137	Unrated
N.I.T. Units		3,475	AM2	3,346	5 Star
		<u>199,611,304</u>		<u>152,074,598</u>	

9.4.1 These are Government of Pakistan guaranteed securities.

9.4.2 Investments in unlisted companies are stated at carrying value. The above excludes unlisted shares of companies which are fully provided for in these financial statements.

* These are the strategic investments of the Bank.

** This includes 32.287 million shares valuing Rs. 863.355 million (2009: 32.287 million shares valuing Rs. 800.718 million) which are held as strategic investment by the Bank.

- 9.5** "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, 2010 amounted to Rs. 1,848.956 million and Rs. 3,155.635 million (2009: Pakistan Investment Bonds Rs. 1,867.674 million and Market Treasury Bills Rs. 3,387.148 million) respectively.
- 9.6** Investment of the Bank in Adamjee Insurance Company Limited is carried at cost amounting to Rs. 943.600 million (2009: Rs. 943.600 million) as at December 31, 2010 in accordance with the treatment specified in International Accounting Standard (IAS) 28 "Accounting for Investments in Associates". The market value of the investment in Adamjee Insurance Company Limited as at December 31, 2010 amounted to Rs. 3,152.948 million (2009: Rs. 4,039.049 million).
- 9.7** At December 31, 2010 market value of quoted investments was Rs.207,710.300 million (2009: Rs. 161,322.481 million) while the book value of unquoted investments was Rs.7,231.451 million (2009: Rs. 8,526.863 million).
- 9.8** Investments include Pakistan Investment Bonds amounting to Rs. 232.60 million (2009: 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 Bank. In addition, Pakistan Investment Bonds amounting to Rs. 5 million (2009: Rs. 5 million) have been pledged with the Controller of Military Accounts on account of Regimental Fund account.
- 9.9** Information relating to investments in ordinary shares and preference shares of listed companies and unlisted companies required to be disclosed as part of the financial statements under BSD Circular No.04 of 2006 dated February 17, 2006, is given in Annexure "I".
- 9.10** Certain approved / Government securities are kept with the SBP to meet statutory liquidity requirements calculated on the basis of domestic demand and time liabilities.

	Note	2010	2009
		(Rupees in '000)	
10. ADVANCES - NET			
Loans, cash credits, running finances, etc.			
In Pakistan		250,395,183	247,718,210
Outside Pakistan		<u>9,104,266</u>	<u>7,788,234</u>
		259,499,449	255,506,444
Net investment in finance lease	10.2		
In Pakistan		<u>2,333,616</u>	<u>3,867,943</u>
Outside Pakistan		<u>86,429</u>	<u>65,492</u>
		2,420,045	3,933,435
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		<u>1,274,149</u>	<u>4,519,520</u>
Payable outside Pakistan		<u>10,950,281</u>	<u>5,762,777</u>
		12,224,430	10,282,297
Advances - gross		<u>274,143,924</u>	<u>269,722,176</u>
Provision against advances	10.4		
Specific provision	10.3	<u>(18,930,571)</u>	<u>(15,678,345)</u>
General provision	10.4.3	<u>(274,144)</u>	<u>(269,722)</u>
General provision against consumer loans	10.4.5	<u>(357,352)</u>	<u>(494,434)</u>
General provision for potential lease losses (in Srilanka operations)		<u>(30,268)</u>	<u>(30,268)</u>
		(19,592,335)	(16,472,769)
Advances - net of provision		<u>254,551,589</u>	<u>253,249,407</u>
10.1 Particulars of advances (gross)			
10.1.1 In local currency		253,009,362	258,501,232
In foreign currencies		<u>21,134,562</u>	<u>11,220,944</u>
		274,143,924	269,722,176
10.1.2 Short-term		192,749,318	178,869,203
Long-term		<u>81,394,606</u>	<u>90,852,973</u>
		274,143,924	269,722,176

10.2 Net investment in finance lease

	2010				2009			
	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	714,095	1,313,501	1,362	2,028,958	669,185	2,760,233	8,348	3,437,766
Guaranteed residual value	404,732	294,465	254	699,451	210,340	815,464	11,760	1,037,564
Minimum lease payments	1,118,827	1,607,966	1,616	2,728,409	879,525	3,575,697	20,108	4,475,330
Finance charge for future periods	(117,982)	(190,021)	(361)	(308,364)	(87,632)	(453,294)	(969)	(541,895)
Present value of minimum lease payments	<u>1,000,845</u>	<u>1,417,945</u>	<u>1,255</u>	<u>2,420,045</u>	<u>791,893</u>	<u>3,122,403</u>	<u>19,139</u>	<u>3,933,435</u>

10.3 Advances include Rs. 24,543.807 million (2009: Rs. 23,238.723 million) which have been placed under the non-performing status as detailed below:

Category of Classification	Note	2010								
		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	57,057	-	57,057	-	-	-	-	-	-
Substandard		1,539,019	864	1,539,883	349,703	216	349,919	349,703	216	349,919
Doubtful		2,139,457	2,755	2,142,212	1,014,758	1,377	1,016,135	1,014,758	1,377	1,016,135
Loss		16,688,531	4,116,124	20,804,655	16,310,419	1,254,098	17,564,517	16,310,419	1,254,098	17,564,517
		<u>20,424,064</u>	<u>4,119,743</u>	<u>24,543,807</u>	<u>17,674,880</u>	<u>1,255,691</u>	<u>18,930,571</u>	<u>17,674,880</u>	<u>1,255,691</u>	<u>18,930,571</u>

Category of Classification	Note	2009								
		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	76,933	-	76,933	-	-	-	-	-	-
Substandard		2,960,881	24,728	2,985,609	691,234	5,506	696,740	691,234	5,506	696,740
Doubtful		4,242,845	-	4,242,845	1,920,370	-	1,920,370	1,920,370	-	1,920,370
Loss		11,965,808	3,967,528	15,933,336	11,683,932	1,377,303	13,061,235	11,683,932	1,377,303	13,061,235
		<u>19,246,467</u>	<u>3,992,256</u>	<u>23,238,723</u>	<u>14,295,536</u>	<u>1,382,809</u>	<u>15,678,345</u>	<u>14,295,536</u>	<u>1,382,809</u>	<u>15,678,345</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	2010				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		----- (Rupees in '000) -----				
Opening balance		15,678,345	269,722	494,434	30,268	16,472,769
Exchange adjustments		20,890	-	-	-	20,890
Provision made during the year		5,989,585	4,422	-	-	5,994,007
Reversals		(2,756,331)	-	(137,082)	-	(2,893,413)
		<u>3,233,254</u>	<u>4,422</u>	<u>(137,082)</u>	<u>-</u>	<u>3,100,594</u>
Amounts written off	10.5.1	(1,918)	-	-	-	(1,918)
Closing balance		<u>18,930,571</u>	<u>274,144</u>	<u>357,352</u>	<u>30,268</u>	<u>19,592,335</u>

	Note	2009				
		Specific	General	General provision against consumer loans	Leasing (general)	Total
		----- (Rupees in '000) -----				
Opening balance		9,895,889	273,222	533,693	9,051	10,711,855
Exchange adjustments		87,498	-	-	-	87,498
Provision made during the year		7,524,063	-	-	21,217	7,506,021
Reversals		(1,705,994)	(3,500)	(39,259)	-	(1,709,494)
		<u>5,818,069</u>	<u>(3,500)</u>	<u>(39,259)</u>	<u>21,217</u>	<u>5,796,527</u>
Amounts written off	10.5.1	(123,111)	-	-	-	(123,111)
Closing balance		<u>15,678,345</u>	<u>269,722</u>	<u>494,434</u>	<u>30,268</u>	<u>16,472,769</u>

	2010			2009		
	Specific	General (total)	Total	Specific	General (total)	Total
----- (Rupees in '000) -----						
In local currency	17,674,880	631,496	18,306,376	14,295,536	764,156	15,059,692
In foreign currencies	1,255,691	30,268	1,285,959	1,382,809	30,268	1,413,077
	<u>18,930,571</u>	<u>661,764</u>	<u>19,592,335</u>	<u>15,678,345</u>	<u>794,424</u>	<u>16,472,769</u>

10.4.1 Particulars of provisions against advances

	2010	2009
In local currency	17,674,880	15,059,692
In foreign currencies	1,255,691	1,413,077
	<u>18,930,571</u>	<u>16,472,769</u>

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

	Note	2010 (Rupees in '000)	2009 (Rupees in '000)
Specific provision		3,233,254	5,818,069
General provision	10.4.3	4,422	(3,500)
General provision against consumer loans	10.4.5	(137,082)	(39,259)
General provision for potential lease losses (in Srilanka operations)		-	21,217
		<u>3,100,594</u>	<u>5,796,527</u>

10.4.3 General provision against advances represents provision maintained at around 0.1% of gross advances.

10.4.4 State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009, BSD Circular No. 10 dated October 20, 2009 and BSD Circular No. 02 of 2010 dated June 03, 2010 has allowed benefit of forced sale value (FSV) of pledged stock and mortgaged residential, commercial & industrial properties (land and building only) held as collateral against NPLs for four years from the date of classification. However, management has not taken the said benefit in calculation of specific provision, other than mortgage and agriculture financing as allowed under Prudential Regulations issued by State Bank of Pakistan.

10.4.5 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.

	<i>Note</i>	2010	2009
		(Rupees in '000)	
10.5 Particulars of write offs:			
10.5.1 Against provisions	<i>10.4</i>	1,918	123,111
Directly charged to the profit and loss account		52,047	41,576
		53,965	164,687
10.5.2 Write offs of Rs. 500,000 and above	<i>10.5.3</i>	7,019	127,420
Write offs of below Rs. 500,000		46,946	37,267
		53,965	164,687

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, 2010 is given at Annexure- III. However, this write off does not affect the Bank's right to recover the debts from these customers.

	<i>Note</i>	2010	2009
		(Rupees in '000)	
10.6 Particulars of advances to directors, executives, associated companies, etc.			
Debts due by executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of the year		4,432,905	3,844,485
Loans granted during the year		1,438,799	1,090,482
Repayments		(1,163,004)	(502,062)
Balance at end of the year		4,708,700	4,432,905
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		1,258,490	406,045
Loans granted during the year		3,486,145	1,732,988
Repayments		(2,767,384)	(880,543)
Balance at end of the year		1,977,251	1,258,490
		6,685,951	5,691,395

11. OPERATING FIXED ASSETS

Capital work-in-progress	<i>11.1</i>	2,040,246	1,099,749
Property and equipment	<i>11.2</i>	18,599,703	16,666,905
Intangible asset	<i>11.3</i>	307,591	248,242
		20,947,540	18,014,896

11.1 Capital work-in-progress

Civil works		1,654,483	871,181
Advances to suppliers and contractors		194,751	80,808
Others		191,012	147,760
		2,040,246	1,099,749

11.2 Property and equipment

Description	2010									Net book value at December 31, 2010	Annual rate of depreciation / estimated useful life
	Cost/ Revalued amount				Accumulated depreciation						
	At January 01, 2010	Additions/ (disposals)	Revaluation surplus	Reversal due to revaluation	At December 31, 2010	At January 01, 2010	Charge for the year / (depreciation on disposals)	Reversal due to revaluation	At December 31, 2010		
----- (Rupees in '000) -----											
Land - Freehold	9,719,130	61,451	600,819	-	10,381,400	-	-	-	-	10,381,400	-
Land - Leasehold	57,430	-	62,670	-	120,100	-	-	-	-	120,100	-
Buildings on freehold land	4,280,772	400,317	877,499	(282,420)	5,276,168	185,792	96,628	(282,420)	-	5,276,168	50 years
Buildings on leasehold land	76,230	76,587	9,166	-	161,983	28,854	39,042	-	67,896	94,087	3 to 50 years
Furniture and fixture	710,955	83,980 (3,595)	-	-	791,340	328,918	61,173 (2,758)	-	387,333	404,007	10% to 33%
Electrical, Computers and office Equipment	5,284,645	678,383 (22,670)	-	-	5,940,358	3,238,577	731,267 (20,859)	-	3,948,985	1,991,373	20% to 33%
Vehicles	541,845	88,869 (52,543)	-	-	578,171	248,725	74,320 (37,943)	-	285,102	293,069	20%
Ijarah Assets											
Assets held under Ijarah - Car	29,947	22,466	-	-	52,413	3,183	9,731	-	12,914	39,499	20%
	20,700,954	1,412,053 (78,808)	1,550,154	(282,420)	23,301,933	4,034,049	1,012,161 (61,560)	(282,420)	4,702,230	18,599,703	

11.2 Property and equipment

Description	Cost/ Revalued amount			2009			Net book value at December 31, 2009	Annual rate of depreciation / estimated useful life		
	At January 01, 2009	Additions/ (disposals)	Write off	At December 31, 2009	At January 01, 2009	Charge for the year / (depreciation on disposals)			Write off	
	At December 31, 2009									
----- (Rupees in '000) -----										
Land - Freehold	9,718,045	1,085	-	9,719,130	-	-	-	9,719,130	-	
Land - Leasehold	57,430	-	-	57,430	-	-	-	57,430	-	
Buildings on freehold land	4,210,928	104,184 (34,340)	-	4,280,772	89,504	97,476 (1,188)	185,792	4,094,980	50 years	
Buildings on leasehold land	65,567	10,663	-	76,230	25,062	3,792	28,854	47,376	3 to 50 years	
Furniture and fixture	672,327	70,226 (4,332)	(27,266)	710,955	312,254	40,412 (3,226)	(20,522)	328,918	382,037	10% to 33%
Electrical, Computers and office Equipment	4,683,034	800,367 (16,915)	(181,841)	5,284,645	2,736,827	687,941 (15,083)	(171,108)	3,238,577	2,046,068	20% to 33%
Vehicles	532,026	77,550 (67,731)	-	541,845	213,401	76,667 (41,343)	-	248,725	293,120	20%
Ijarah Assets										
Assets held under Ijarah - Car	-	29,947	-	29,947	-	3,183	-	3,183	26,764	20%
	19,939,357	1,094,022 (123,318)	(209,107) -	20,700,954	3,377,048	909,471 (60,840)	(191,630)	4,034,049	16,666,905	

- 11.2.1** The land and buildings of the Bank were revalued in December 2010 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, 2010. 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	10,501,500
Total revalued amount of buildings	5,329,945

Had the land and buildings not been revalued, the total carrying amounts of revalued properties as at December 31, 2010 would have been as follows:

(Rupees in '000)

Land	2,504,468
Buildings	3,037,807

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

Furniture and fixture	11,952
Electrical, computers and office equipment	2,044,587
Vehicles	303,812

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

Description	2010						Net book value at December 31, 2010	Annual rate of amortization
	Cost			Accumulated amortization				
	At January 01, 2010	Additions	At December 31, 2010	At January 01, 2010	Amortization for the year	At December 31, 2010		
	------(Rupees in '000)-----							%
Computer software	916,243	219,701	1,135,944	668,001	160,352	828,353	307,591	33.33
	916,243	219,701	1,135,944	668,001	160,352	828,353	307,591	

Description	2009						Net book value at December 31, 2009	Annual rate of amortization
	Cost			Accumulated amortization				
	At January 01, 2009	Additions	At December 31, 2009	At January 01, 2009	Amortization for the year	At December 31, 2009		
	------(Rupees in '000)-----							%
Computer software	705,802	210,441	916,243	514,604	153,397	668,001	248,242	33.33
	705,802	210,441	916,243	514,604	153,397	668,001	248,242	

	Note	2010 (Rupees in '000)	2009
12. OTHER ASSETS - NET			
Income / mark-up accrued on advances and investments - local currency		7,759,916	7,831,605
Income / mark-up accrued on advances and investments - foreign currencies		45,656	50,221
Advances, deposits, advance rent and other prepayments		2,969,294	2,889,208
Advance taxation (payments less provisions)		2,533,770	-
Compensation for delayed income tax refunds		44,802	44,802
Branch adjustment account		153,857	298,112
Non-banking assets acquired in satisfaction of claims	12.1	1,155,832	1,155,832
Unrealised gain on derivative financial instruments	12.2	278,628	194,400
Stationery and stamps on hand		94,053	82,466
Prepaid exchange risk fee		233	319
Receivable from the pension fund	36.3	12,542,560	9,322,304
Others		894,743	1,754,779
		<u>28,473,344</u>	<u>23,624,048</u>
Less: Provision held against other assets	12.3	<u>768,275</u>	<u>583,953</u>
		<u>27,705,069</u>	<u>23,040,095</u>

12.1 The market value of non-banking assets with carrying value of Rs.1,033.222 million (2009: Rs. 1,033.222 million) net of provision as per the valuation report dated December 31, 2010 amounted to Rs. 1,048.473 million (2009: Based on valuation as of December 31, 2009 Rs. 1,068.687 million).

12.2 Unrealised gain on derivative financial instruments

	Contract / notional amount		Unrealised gain	
	2010	2009	2010	2009
------(Rupees in '000)-----				
Unrealised gain on:				
Interest rate swaps	-	83,333	-	642
Cross currency swaps	76,563	124,845	51	307
Forward exchange contracts	<u>23,302,853</u>	<u>21,232,947</u>	<u>278,577</u>	<u>193,451</u>
	<u>23,379,416</u>	<u>21,441,125</u>	<u>278,628</u>	<u>194,400</u>
			2010	2009
			(Rupees in '000)	

12.3 Provision held against other assets

Opening balance	583,953	456,098
Charge for the year	88,261	142,824
Reversal during the year	-	-
	88,261	142,824
Write off during the year	(111,409)	(14,969)
Adjustment / Transfer	207,470	-
Closing balance	<u>768,275</u>	<u>583,953</u>

13. CONTINGENT ASSETS

There were no contingent assets of the Bank as at December 31, 2010 and December 31, 2009.

	<i>Note</i>	2010	2009
		(Rupees in '000)	
14. BILLS PAYABLE			
In Pakistan		10,218,142	8,131,031
Outside Pakistan		47,395	70,059
		<u>10,265,537</u>	<u>8,201,090</u>
15. BORROWINGS			
In Pakistan		24,324,510	43,658,408
Outside Pakistan		1,360,083	1,003,680
		<u>25,684,593</u>	<u>44,662,088</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		24,324,510	43,658,408
In foreign currencies		1,360,083	1,003,680
		<u>25,684,593</u>	<u>44,662,088</u>
15.2 Details of borrowings (secured / unsecured)			
Secured			
Borrowings from State Bank of Pakistan			
Export refinance scheme	<i>15.3 & 15.5</i>	9,880,240	8,829,527
Long term financing facility	<i>15.4 & 15.5</i>	721,000	80,220
Long term financing - export oriented projects scheme	<i>15.4 & 15.5</i>	1,444,542	2,018,330
		<u>12,045,782</u>	<u>10,928,077</u>
Borrowings from other financial institution	<i>15.6</i>	618,163	452,398
Repurchase agreement borrowings	<i>15.7</i>	12,027,499	31,606,331
		<u>24,691,444</u>	<u>42,986,806</u>
Unsecured			
Call borrowings	<i>15.8</i>	449,860	1,146,092
Overdrawn nostro accounts		543,289	529,190
		<u>993,149</u>	<u>1,675,282</u>
		<u>25,684,593</u>	<u>44,662,088</u>
15.3 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.			
15.4 The amount is due to SBP and has 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.			
15.5 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.			
15.6 These carry mark-up ranging 2% to 3.15% per annum (2009: 5% per annum).			
15.7 These carry mark-up rates ranging between 12.75% to 14% per annum (2009: 12.05% to 12.50% per annum) and are secured against government securities of carrying value of Rs. 11,940.647 million (2009: Rs. 31,513.525 million). These are repayable latest by January, 2011.			
15.8 These carry mark-up at the rate of 8.10% per annum (2009: 12.40% per annum). These are repayable by January, 2011.			

2010 2009
(Rupees in '000)

16. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	80,073,848	62,651,531
Saving deposits	196,015,213	173,797,078
Current accounts	144,545,488	123,898,324
Margin accounts	3,482,526	2,910,655
Others	-	767
	<u>424,117,075</u>	<u>363,258,355</u>

Financial institutions

Remunerative deposits	4,128,090	2,258,295
Non-remunerative deposits	3,126,772	2,088,061
	<u>7,254,862</u>	<u>4,346,356</u>
	<u><u>431,371,937</u></u>	<u><u>367,604,711</u></u>

16.1 Particulars of deposits

In local currency	404,168,939	336,180,581
In foreign currencies	27,202,998	31,424,130
	<u>431,371,937</u>	<u>367,604,711</u>

16.2 Deposits include deposits from related parties amounting to Rs. 29,623.272 million (2009: Rs. 20,505.156 million).

17. DEFERRED TAX LIABILITY / (ASSET) - NET

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

	<i>Note</i>	2010	2009
		(Rupees in '000)	
Taxable temporary differences on:			
Surplus on revaluation of operating fixed assets	21.1	802,248	503,649
Accelerated tax depreciation		839,989	749,828
Receivable from pension fund		4,389,896	3,262,911
Net investment in finance lease receivable		119,394	301,189
		<u>6,151,527</u>	<u>4,817,577</u>
Deductible temporary differences on:			
Deficit on revaluation of securities	21.2	(15,580)	(90,053)
Provision for bad debts		(821,631)	(1,084,757)
Provision for contributory benevolent scheme		(27,128)	(46,604)
Provision for post retirement medical benefits		(353,170)	(399,420)
		<u>(1,217,509)</u>	<u>(1,620,834)</u>
		<u><u>4,934,018</u></u>	<u><u>3,196,743</u></u>

17.1 The Finance Act, 2009 and 2010 have made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provision for doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 1% of total advances whereas provisions for advances and off-balance sheet items for consumers and small and medium enterprises (SMEs) ("as defined under the SBP's Prudential Regulations") is now allowed at 5% of gross consumer and SME portfolio. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense.

Note
2010
2009
(Rupees in '000)

18. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		6,292,926	5,144,560
Mark-up / return / interest payable in foreign currencies		44,443	68,138
Accrued expenses		2,641,056	1,824,390
Unclaimed dividend		606,751	293,582
Staff welfare fund		46,777	56,244
Unrealised loss on derivative financial instruments	18.1	264,411	276,063
Provision for employees' compensated absences	36.3	555,792	541,116
Provision for post retirement medical benefits	36.3	1,374,293	1,370,424
Provision for employees' contributory benevolent scheme	36.3	262,263	246,444
Security deposits received in respect of finance lease		713,392	1,041,833
Taxation (provision less payments)		-	1,096,273
Retention money		32,067	27,161
Insurance payable against consumer assets		196,806	298,504
Others		3,061,342	3,534,350
		16,092,319	15,819,082

Unrealised loss on derivative financial instruments

	Contract / Notional amount		Unrealised loss	
	2010	2009	2010	2009
	------(Rupees in '000)-----			
Unrealised loss on:				
Interest rate swaps	-	83,333	-	-
Cross currency swaps	76,563	124,845	51	307
Forward exchange contracts	19,097,040	25,636,271	264,360	275,756
	19,173,603	25,844,449	264,411	276,063

19. SHARE CAPITAL

19.1 Authorised Capital

2010	2009		2010	2009
(Number of shares)			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs 10 each	10,000,000	10,000,000

19.2 Issued, subscribed and paid-up capital

2010			2009			2010	2009	
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	493,850,732	691,104,527	197,253,795	431,023,048	628,276,843	Opening balance	6,911,045	6,282,768
-	69,110,453	69,110,453	-	62,827,684	62,827,684	Shares issued during the year	691,105	628,277
197,253,795	562,961,185	760,214,980	197,253,795	493,850,732	691,104,527	Closing balance	7,602,150	6,911,045

19.3 Number of shares held by the associated undertakings as at December 31, are as follows:

	2010	2009
	(Number of shares)	
Adamjee Insurance Company Limited	23,263,378	21,148,526
Nishat Mills Limited	53,411,266	47,810,242
D.G. Khan Cement Company Limited	69,856,731	63,506,121
Din Leather (Private) Limited	4,737,611	4,306,919
Siddiqsones Limited	34,708,948	31,553,589
Mayban International Trust (Labuan) Berhad	152,042,995	138,220,905
	338,020,929	306,546,302

Note
2010
2009
(Rupees in '000)

20. RESERVES

Share premium		9,702,528	9,702,528
Exchange translation reserve		345,979	256,151
Statutory reserve	20.1	11,514,399	9,827,081
General reserve		18,600,000	18,600,000
		40,162,906	38,385,760

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

	Note	2010 (Rupees in '000)	2009
21. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (deficit) arising on revaluation (net of tax) of:			
- fixed assets	21.1	9,486,923	8,268,894
- available-for-sale securities	21.2	537,275	395,187
		<u>10,024,198</u>	<u>8,664,081</u>
21.1 Surplus on revaluation of fixed assets-net of tax			
Surplus on revaluation of fixed assets as at January 01		8,772,543	8,809,384
Surplus during the year		1,550,154	-
Surplus realised on disposal of revalued properties - net of deferred tax		-	(1,623)
Related deferred tax liability		-	(874)
		-	(2,497)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(21,792)	(22,324)
Related deferred tax liability		(11,734)	(12,020)
		(33,526)	(34,344)
Surplus on revaluation of fixed assets as at December 31		10,289,171	8,772,543
Less: Related deferred tax liability on:			
Revaluation as at January 01		503,649	516,543
Surplus during the year		310,333	-
Disposal of revalued properties during the year transferred to profit and loss account		-	(874)
Incremental depreciation charged during the year transferred to profit and loss account		(11,734)	(12,020)
		802,248	503,649
		9,486,923	8,268,894
21.2 Surplus / (deficit) on revaluation of available- for-sale securities - net of tax			
Federal Government Securities			
- Market Treasury Bills		(330,227)	(307,793)
- Pakistan Investment Bonds		(329,193)	(123,876)
Listed Securities			
- Shares / Certificates / Units		1,089,882	690,169
- Open Ended Mutual Funds		80,603	146,730
- Term Finance Certificates		15,903	(96,233)
		1,186,388	740,666
Sukuk Bonds		(5,273)	(3,863)
		521,695	305,134
Add: Related deferred tax asset		15,580	90,053
		537,275	395,187

22. CONTINGENCIES AND COMMITMENTS

	2010	2009
	(Rupees in '000)	
22.1 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	4,533,255	6,027,243
Banks and financial institutions	1,455,621	11,312,597
Others	7,794,659	4,755,380
Suppliers' credit / payee guarantee	<u>2,326,818</u>	<u>2,421,640</u>
	16,110,353	24,516,860
22.2 Trade-related contingent liabilities	76,856,249	47,577,037
22.3 Other contingencies		
Claims against the Bank not acknowledged as debts	674,032	542,415

22.4 Commitments to extend credit

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.

	<i>Note</i>	2010	2009
		(Rupees in '000)	
22.5 Commitments in respect of forward foreign exchange contracts			
Purchase		<u>20,154,200</u>	<u>23,832,214</u>
Sale		<u>22,245,693</u>	<u>23,037,004</u>
22.6 Commitments for the acquisition of fixed assets		51,944	-
22.7 Other commitments			
Cross currency swaps (notional amount)	23.1 & 23.2	153,126	249,690
Interest rate swaps - (notional amount)		-	166,667
22.8 Taxation			

The income tax assessments of the Bank have been finalised upto and including the Tax Year 2010. For the Tax Years 2003 to 2009, the department has amended the assessments on certain issues against which the Bank has filed 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 the 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 2009, the department has amended the assessment on similar issues resulting in additional tax liability of Rs. 982.054 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 balance of Rs.405.393 million resulting in tax liability for interest in suspense for 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.

23. DERIVATIVE INSTRUMENTS

Most corporate (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 corporate 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.

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:

- a) 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.
- b) Macro Level: By Financial Institution Public Sector (FIPS) & Market Risk Management (MRM) Division, responsible for policy formulation, procedure development & implementation, monitoring and reporting.
- c) 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.

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).

23.1 Product analysis

Counter parties	2010					
	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)
With Banks for						
Hedging	2	76,563	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	76,563	-	-	-	-
Total						
Hedging	2	76,563	-	-	-	-
Market Making	2	76,563	-	-	-	-
2009						
Counterparties	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)
With Banks for						
Hedging	2	124,845	1	83,333	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	2	124,845	1	83,333	-	-
Total						
Hedging	2	124,845	1	83,333	-	-
Market Making	2	124,845	1	83,333	-	-

23.2 Maturity analysis

Remaining maturity	2010				
	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
<i>Cross currency swaps</i>			----- (Rupees in '000) -----		
1 to 2 Year	4	153,126	(51)	51	-
2009					
Remaining maturity	No. of Contracts	Notional Principal	Negative	Positive	Net
			----- (Rupees in '000) -----		
<i>Cross currency swaps</i>					
1 to 2 Year	4	249,690	(307)	307	-
2010					
Remaining maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
<i>Interest rate swaps</i>			----- (Rupees in '000) -----		
6 month to 1 year	-	-	-	-	-
2009					
Remaining maturity	No. of Contracts	Notional Principal	Negative	Positive	Net
			----- (Rupees in '000) -----		
<i>Interest rate swaps</i>					
6 month to 1 year	2	166,666	-	642	642

2010 2009
(Rupees in '000)

24. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	32,598,604	36,212,097
Financial institutions	-	-
	32,598,604	36,212,097

On investments in:

Held for trading securities	-	10,842
Available for sale securities	19,009,859	12,052,173
Held to maturity securities	1,310,394	1,831,147
	20,320,253	13,894,162

On deposits with financial institutions	16,105	133,069
On securities purchased under resale agreements	1,563,520	838,415
On money at call	105,031	335,911
Others	217,783	202,353
	54,821,296	51,616,007

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	15,805,828	13,866,799
Securities sold under repurchase agreements	622,999	722,711
Other short-term borrowings	901,916	775,126
Discount, commission and brokerage	553,809	448,742
Others	103,215	23,944
	17,987,767	15,837,322

26. GAIN ON SALE OF SECURITIES - NET

Federal Government Securities		
-Market Treasury Bills	965	11,011
-Pakistan Investment Bonds	30,880	77,981
-Sukuk Bonds	1,800	-
Overseas Government Securities		
Shares - Listed	378,189	643,417
Unlisted	-	18,630
Term Finance Certificates	-	22,729
	411,834	773,768

27. OTHER INCOME - NET

Rent on property / lockers	84,396	87,397
Net profit on sale of property and equipment	15,993	30,614
Bad debts recovered	58,981	90,310
Others	388,310	403,705
	547,680	612,026

	Note	2010 (Rupees in '000)	2009
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		7,218,085	6,471,114
Charge / (reversal) for defined benefit plans and other benefits:			
- Approved pension fund	36.7	(3,220,256)	(3,923,285)
- Post retirement medical benefits	36.7	136,014	130,488
- Employees' contributory benevolent scheme	36.7	71,464	64,906
- Employees' compensated absences	36.7	190,821	150,779
		(2,821,957)	(3,577,112)
Contributions to defined contribution plan - provident fund		158,724	148,734
Non-executive directors' fees		31,956	10,220
Rent, taxes, insurance and electricity		1,569,381	1,356,486
Legal and professional charges		221,954	240,410
Communications		841,915	995,448
Repairs and maintenance		681,026	533,935
Stationery and printing		362,691	330,415
Advertisement and publicity		232,432	215,079
Cash transportation charges		403,427	515,903
Instrument clearing charges		165,519	137,109
Donations	28.1	15,000	25,000
Auditors' remuneration	28.2	15,000	14,963
Depreciation	11.2	1,012,161	909,471
Amortization of intangible asset	11.3	160,352	153,397
Travelling, conveyance and fuel		683,651	588,793
Subscription		25,776	14,333
Entertainment		68,851	74,073
Training Expenses		57,798	46,979
Petty Capital items		63,924	49,034
Credit Card Related Expenses		129,184	58,264
Others		877,092	799,282
		12,173,942	10,111,330

28.1 None of the directors, executives or their spouses had any interest in the donee. Detail of donations made during the year is as follows:

	2010 (Rupees in '000)	2009
Mosque of Armed forces Institute of Cardiology and National Institute of Heart Diseases, Rawalpindi	500	-
Chief Minister's Flood Relief and Rehabilitation Account for relief of flood	10,000	-
CAS flood relief fund for flood victims	2,500	-
Aitmaad Pakistan Trust for relief to the flood calamity masses of Pakistan	2,000	-
Mir Khalil ur Rehman Foundation (MKRF) for internally displaced persons (IDPs)	-	25,000
	15,000	25,000

28.2 Auditors' remuneration

Annual Audit fee	2,716	2,587
Fee for the audit of branches	3,604	3,432
Fee for audit and other certifications of overseas branches	4,593	4,500
Fee for half year review	1,210	1,152
Special certifications, etc.	1,920	2,381
Out-of-pocket expenses	957	911
	15,000	14,963

2010 2009

(Rupees in '000)

29. OTHER CHARGES

Fixed assets written off	-	17,477
Penalties of State Bank of Pakistan	366,251	30,000
Workers welfare fund	525,062	463,099
VAT Sri Lanka	89,216	103,707
Others	5,911	75,867
	<u>986,440</u>	<u>690,150</u>

30. TAXATION

For the year

Current	8,027,433	7,703,305
Deferred	1,352,467	298,807
	<u>9,379,900</u>	<u>8,002,112</u>

Prior years

Current	-	(2,232,226)
Deferred	-	1,889,762
	-	(342,464)
	<u>9,379,900</u>	<u>7,659,648</u>

30.1 Relationship between tax expense and accounting profit

Accounting profit for the year	<u>26,253,075</u>	<u>23,154,945</u>
Tax rate	<u>35%</u>	<u>35%</u>
Tax on income	9,188,576	8,104,231
Tax effect on separate block of income (taxable at reduced rate)	(135,977)	(114,935)
Tax effect of permanent differences	339,035	24,836
Tax effect of prior years provisions / reversals	-	(342,464)
Reversal of deferred tax liability on incremental depreciation	(11,734)	(12,020)
Tax charge for the year	<u>9,379,900</u>	<u>7,659,648</u>

31. CREDIT RATING

PACRA through its notification in June 2010, has maintained long term credit rating of AA+ [double A plus] and short-term credit rating of A1+ [A one plus] to the Bank (2009: AA+ [Double A plus] for long term and A1+ [A one plus] for short term rating).

	<i>Note</i>	2010 (Rupees in '000)	2009
32. BASIC AND DILUTED EARNINGS PER SHARE - PRE TAX			
Profit before taxation		<u>26,253,075</u>	<u>23,154,945</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>760,214,980</u>	<u>760,214,980</u>
		(Rupees)	
Basic and diluted earnings per share - pre tax		<u>34.53</u>	<u>30.46</u>
		(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE - AFTER TAX			
Profit after taxation		<u>16,873,175</u>	<u>15,495,297</u>
		(Number of shares)	
Weighted average number of shares outstanding during the year		<u>760,214,980</u>	<u>760,214,980</u>
		(Rupees)	
Basic and diluted earnings per share - after tax		<u>22.20</u>	<u>20.38</u>
* Weighted average number of shares outstanding for 2009 have been restated to give effect of bonus shares issued during the year.			
		(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	45,407,183	38,774,871
Balances with other banks	7	<u>1,478,569</u>	<u>6,009,993</u>
		<u>46,885,752</u>	<u>44,784,864</u>
		(Number)	
35. STAFF STRENGTH			
Permanent		9,583	9,397
Temporary/on contractual basis		<u>57</u>	<u>48</u>
Bank's own staff strength at the end of the year		9,640	9,445
Outsourced		<u>3,740</u>	<u>3,747</u>
Total staff strength		<u>13,380</u>	<u>13,192</u>

36. DEFINED BENEFIT PLANS AND OTHER BENEFITS

36.1 General description

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

36.2 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, 2010. The principal actuarial assumptions used are as follows:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2010 (%)	2009 (%)	2010 (%)	2009 (%)	2010 (%)	2009 (%)	2010 (%)	2009 (%)
Valuation discount rate	13	14	13	14	13	14	13	14
Expected rate of return on plan assets	13	14	-	-	-	-	-	-
Salary increase rate	10	10	10	10	10	10	10	10
Medical cost inflation rate	-	-	-	-	7	8	-	-
Exposure inflation rate	-	-	-	-	3	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.

36.3 (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		
	2010	2009	2010	2009	2010	2009	2010	2009	
------(Rupees in '000)-----									
Present value of defined benefit obligations	36.5	4,217,507	4,072,653	314,414	299,388	1,320,933	1,287,348	555,792	541,116
Fair value of plan assets	36.6	(19,303,801)	(18,254,967)	-	-	-	-	-	-
Net actuarial gains / (losses) not recognised		2,543,734	4,860,010	(52,151)	(52,944)	53,360	49,369	-	-
Unrecognised negative past service cost		-	-	-	-	-	33,707	-	-
Unrecognised past service cost		-	-	-	-	-	-	-	-
Net (receivable) / payable recognised as at the year-end		<u>(12,542,560)</u>	<u>(9,322,304)</u>	<u>262,263</u>	<u>246,444</u>	<u>1,374,293</u>	<u>1,370,424</u>	<u>555,792</u>	<u>541,116</u>

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 medial obligation at December 31, 2010 would be Rs.82.189 million (2009: Rs. 76.348 million) and Rs.68.517 million (2009: Rs. 62.472 million) respectively.

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences		
	2010	2009	2010	2009	2010	2009	2010	2009	
------(Rupees in '000)-----									
Opening balance of (receivable) / payable		(9,322,304)	(5,399,019)	246,444	274,446	1,370,424	1,400,413	541,116	752,947
Expense recognised	36.7	(3,220,256)	(3,923,285)	71,464	64,906	136,014	130,488	190,821	150,779
- Employees' contribution		-	-	10,972	12,338	-	-	-	-
Benefits paid		-	-	(66,617)	(105,246)	(132,145)	(160,477)	(176,145)	(362,610)
Closing balance of (receivable) / payable		<u>(12,542,560)</u>	<u>(9,322,304)</u>	<u>262,263</u>	<u>246,444</u>	<u>1,374,293</u>	<u>1,370,424</u>	<u>555,792</u>	<u>541,116</u>

36.4 Movement in balance (receivable) / payable

36.5 Reconciliation of the present value of the defined benefit obligations

Note	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2010	2009	2010	2009	2010	2009	2010	2009
	------(Rupees in '000)-----							
Present value of obligation as at January 01,	4,072,653	4,295,986	299,388	300,162	1,287,348	1,269,622	541,116	752,947
Current service cost	37,135	22,223	14,447	11,751	16,172	15,253	33,927	47,209
Interest cost	570,171	558,478	41,914	39,021	180,229	165,051	75,756	97,883
Benefits paid	(654,204)	(1,172,751)	(66,617)	(105,246)	(132,145)	(160,477)	(176,145)	(362,610)
Actuarial (gains) / losses	191,752	368,717	25,282	53,700	(30,671)	(2,101)	81,138	5,687
Present value of obligation as at December 31,	4,217,507	4,072,653	314,414	299,388	1,320,933	1,287,348	555,792	541,116

36.6 Changes in fair values of plan assets

Net assets as at January 01,	18,254,967	15,953,712	-	-	-	-	-	-
Expected return on plan assets	2,555,695	2,073,983	-	-	-	-	-	-
Benefits paid	(654,204)	(1,172,751)	-	-	-	-	-	-
Actuarial gain / (loss)	(852,657)	1,400,023	-	-	-	-	-	-
Net assets as at December 31,	19,303,801	18,254,967	-	-	-	-	-	-

36.7 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:

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2010	2009	2010	2009	2010	2009	2010	2009
	------(Rupees in '000)-----							
Current service cost	37,135	22,223	14,447	11,751	16,172	15,253	33,927	47,209
Interest cost	570,171	558,478	41,914	39,021	180,229	165,051	75,756	97,883
Expected return on plan assets	(2,555,695)	(2,073,983)	-	-	-	-	-	-
Net actuarial (gain) / loss recognised	(1,271,867)	(2,430,003)	26,075	26,472	(26,680)	(24,685)	81,138	5,687
Contributions employees	-	-	(10,972)	(12,338)	-	-	-	-
Recognised past service cost	-	-	-	-	-	8,577	-	-
Recognised negative past service cost	-	-	-	-	(33,707)	(33,708)	-	-
	(3,220,256)	(3,923,285)	71,464	64,906	136,014	130,488	190,821	150,779

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 post - employment medical costs would be Rs. 11.502 million (2009: Rs. 12.139 million) and Rs.9.550 million (2009: Rs. 9.871 million) respectively.

36.8 Actual return on plan assets

	Approved pension fund		Employees' contributory benevolent scheme		Post retirement medical benefits		Employees' compensated absences	
	2010	2009	2010	2009	2010	2009	2010	2009
	------(Rupees in '000)-----							
Actual return on plan assets	1,703,038	3,474,006	-	-	-	-	-	-

36.9 Composition of fair value of plan assets

	Approved Pension Fund			
	2010		2009	
	Fair value (Rupees in '000)	Percentage (%)	Fair value (Rupees in '000)	Percentage (%)
Term deposit receipts	14,855,349	76.96	12,933,809	70.85
Listed equity shares	3,380,334	17.51	3,255,079	17.83
Open ended mutual funds units	222,605	1.15	127,412	0.70
Term Finance certificates	197,652	1.02	-	-
Cash and bank balances	647,861	3.36	1,938,667	10.62
Fair value of plan total assets	19,303,801	100	18,254,967	100

36.9.1 Fair value of the Bank's financial instruments included in plan assets

Shares of MCB	2,667,543	2,331,026
TDRs of MCB	14,855,349	12,933,809
Bank balance with MCB	634,567	1,926,220
	18,157,459	17,191,055

36.10 Other relevant details of above funds are as follows:

36.10.1 Pension Fund

	2010	2009	2008	2007	2006
	------(Rupees in '000)-----				
Present value of defined benefit obligation	4,217,507	4,072,653	4,295,986	4,747,389	4,752,693
Fair value of plan assets	(19,303,801)	(18,254,967)	(15,953,712)	(25,095,113)	(14,810,557)
(Surplus) / deficit	<u>(15,086,294)</u>	<u>(14,182,314)</u>	<u>(11,657,726)</u>	<u>(20,347,724)</u>	<u>(10,057,864)</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(191,752)	(368,717)	167,695	(325,849)	54,320
Assumptions gain / (loss)	-	-	-	-	-
	<u>(191,752)</u>	<u>(368,717)</u>	<u>167,695</u>	<u>(325,849)</u>	<u>54,320</u>
Actuarial gain / (loss) on assets					
Experience adjustment	(852,657)	1,400,023	(476,313)	9,694,483	4,634,045
Assumptions gain / (loss)	-	-	-	-	-
	<u>(852,657)</u>	<u>1,400,023</u>	<u>(476,313)</u>	<u>9,694,483</u>	<u>4,634,045</u>

36.10.2 Employees' Contributory Benevolent Scheme

Present value of defined benefit obligation	314,414	299,388	300,162	355,340	332,677
Fair value of plan assets	-	-	-	-	(20,650)
	<u>314,414</u>	<u>299,388</u>	<u>300,162</u>	<u>355,340</u>	<u>312,027</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	(25,282)	(53,700)	-	(60,968)	10,182
Assumptions gain / (loss)	-	-	-	-	-
	<u>(25,282)</u>	<u>(53,700)</u>	<u>-</u>	<u>(60,968)</u>	<u>10,182</u>
Actuarial gain / (loss) on assets					
Experience adjustment	-	-	-	(1,529)	(34)
Assumptions gain / (loss)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,529)</u>	<u>(34)</u>

36.10.3 Post Retirement Medical Benefits

Present value of defined benefit obligation	1,320,933	1,287,348	1,269,622	1,422,918	1,345,357
Fair value of plan assets	-	-	-	-	-
	<u>1,320,933</u>	<u>1,287,348</u>	<u>1,269,622</u>	<u>1,422,918</u>	<u>1,345,357</u>
Actuarial gain / (loss) on obligation					
Experience adjustment	30,671	2,101	159,682	(40,893)	36,153
Assumptions gain / (loss)	-	-	-	-	(21,846)
	<u>30,671</u>	<u>2,101</u>	<u>159,682</u>	<u>(40,893)</u>	<u>14,307</u>

36.10.4 Compensated absences

Present value of defined benefit obligation	555,792	541,116	752,947	974,464	1,023,683
Fair value of plan assets	-	-	-	-	-
	<u>555,792</u>	<u>541,116</u>	<u>752,947</u>	<u>974,464</u>	<u>1,023,683</u>
Actuarial gain / (loss) on obligation					
	<u>(81,138)</u>	<u>(5,687)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

37. DEFINED CONTRIBUTION PLAN

The Bank operates an approved contributory provident fund for 6,616 (2009: 6,663) employees where contributions are made by the Bank and employees at 8.33% per annum (2009: 8.33% per annum) of the basic salary. During the year, the Bank contributed Rs.158.724 million (2009: Rs. 148.734 million) in respect of this fund.

The Bank also operates an approved non-contributory provident fund for 2,114 (2009: 2,223) employees who have opted for the new scheme, where contributions are made by the employees at 12% per annum (2009: 12% per annum) of the basic salary.

38. 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 Bank was as follows:

Note	President / Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
	------(Rupees in '000)-----					
Fees	-	-	31,956	10,220	-	-
Managerial remuneration	22,597	38,830	-	1,524	824,826	628,210
Bonus and others	20,654	8,000	-	-	350,461	227,216
Retirement benefits	1,866	1,759	-	-	685,954	383,096
Rent and house maintenance	10,078	9,502	-	-	306,795	228,536
Utilities	2,239	2,111	-	-	65,710	49,854
Medical	-	-	-	-	17,153	14,641
Conveyance	-	417	-	-	309,515	226,273
38.1	57,434	60,619	31,956	11,744	2,560,414	1,757,826
Number of persons	2	1	12	12	698	586

38.1. This includes salary of current president and ex-president.

The chairman has been provided with free use of the Bank maintained car. The Chief Executive and certain executives are provided with free use of the Bank's maintained cars and household equipments in accordance with the terms of their employment.

39. 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 43.3, 43.4.1 and 43.4.2 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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate Finance	Trading and Sales	Retail & Consumer Banking	Commercial Banking	Total
	------(Rupees in '000)-----				
2010					
Total income	105,897	22,832,746	12,907,394	25,240,565	61,086,602
Total expenses	(22,504)	(2,346,148)	(28,634,106)	(3,830,769)	(34,833,527)
Income tax expense	-	-	-	-	(9,379,900)
Net income	<u>83,393</u>	<u>20,486,598</u>	<u>(15,726,712)</u>	<u>21,409,796</u>	<u>16,873,175</u>
Segment assets - (Gross of NPL's provision)	-	244,173,082	122,032,226	217,744,106	583,949,414
Provision for taxation	-	-	-	-	2,533,770
Total assets	<u>-</u>	<u>244,173,082</u>	<u>122,032,226</u>	<u>217,744,106</u>	<u>586,483,184</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>7,892,471</u>	<u>16,651,336</u>	<u>24,543,807</u>
Segment specific provision required	<u>-</u>	<u>-</u>	<u>6,087,441</u>	<u>12,843,130</u>	<u>18,930,571</u>
Segment liabilities	-	20,269,951	437,756,727	25,387,708	483,414,386
Deferred tax liability	-	-	-	-	4,934,018
Total liabilities - net	<u>-</u>	<u>20,269,951</u>	<u>437,756,727</u>	<u>25,387,708</u>	<u>488,348,404</u>
Segment return on net assets (ROA) (%)	-	9.35%	11.13%	12.32%	-
Segment cost of fund (%)	-	10.99%	4.00%	4.96%	-
2009					
Total income	81,457	16,399,642	15,442,747	25,335,046	57,258,892
Total expenses	(17,300)	(3,161,956)	(27,806,309)	(3,118,382)	(34,103,947)
Income tax expense	-	-	-	-	(7,659,648)
Net income	<u>64,157</u>	<u>13,237,686</u>	<u>(12,363,562)</u>	<u>22,216,664</u>	<u>15,495,297</u>
Segment assets - (Gross of NPL's provision)	-	188,753,204	119,559,979	216,588,889	524,902,072
Provision for taxation	-	-	-	-	-
Total assets	<u>-</u>	<u>188,753,204</u>	<u>119,559,979</u>	<u>216,588,889</u>	<u>524,902,072</u>
Segment non performing loans	<u>-</u>	<u>-</u>	<u>7,546,222</u>	<u>15,692,501</u>	<u>23,238,723</u>
Segment specific provision required	<u>-</u>	<u>-</u>	<u>5,091,169</u>	<u>10,587,176</u>	<u>15,678,345</u>
Segment liabilities	-	26,575,242	383,952,758	24,662,698	435,190,698
Provision for taxation	-	-	-	-	1,096,273
Deferred tax liability	-	-	-	-	3,196,743
Total liabilities - net	<u>-</u>	<u>26,575,242</u>	<u>383,952,758</u>	<u>24,662,698</u>	<u>439,483,714</u>
Segment return on net assets (ROA) (%)	-	8.69%	13.49%	12.30%	-
Segment cost of fund (%)	-	11.57%	3.99%	4.67%	-

41. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans and its key management personnel (including their associates) and companies with common directors. The detail of investment in subsidiary companies and associated undertakings are stated in Annexure I (note 5 & 6) to these financial statements.

Transactions between the Bank and its related parties are carried at arm's length basis under the comparable uncontrolled price and cost plus method. Details of loans and advances to the companies or firms in which the directors of the Bank are interested as directors, partners or in case of private companies as members, are given in note 10.6 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 36 and 37. Remuneration to executives is disclosed in note 38 to these financial statements.

	Directors		Associated companies		Subsidiary companies		Other related parties	
	2010	2009	2010	2009	2010	2009	2010	2009
------(Rupees in '000)-----								
A. Balances								
Deposits								
Deposits at beginning of the year	1,394,294	426,196	789,205	865,239	40,644	30,068	18,281,013	11,069,463
Deposits received during the year	51,883,458	20,156,909	108,743,238	139,291,264	827,231	551,295	265,426,025	231,944,902
Deposits repaid during the year	(51,182,696)	(19,188,811)	(108,577,429)	(139,367,298)	(790,832)	(540,719)	(257,210,879)	(224,733,352)
Deposits at end of the year	2,095,056	1,394,294	955,014	789,205	77,043	40,644	26,496,159	18,281,013
Mark-up expense on deposits	227,084	33,359	74,666	45,945	1,292	692	2,158,105	1,363,087
Advances (secured)								
Balance at beginning of the year	-	-	-	-	1,141	1,640	1,257,349	404,405
Loans granted during the year	-	-	-	-	111,970	-	3,374,175	1,732,988
Repayments received during the year	-	-	-	-	(563)	(499)	(2,766,821)	(880,044)
Balance at end of the year	-	-	-	-	112,548	1,141	1,864,703	1,257,349
Markup income of advances	-	-	-	-	304	-	169,234	116,351
Receivable from Pension fund	-	-	-	-	-	-	12,542,560	9,322,304
B. Other transactions (including profit and loss related transactions)								
	Directors		Associated companies		Subsidiary companies		Other related parties	
	2010	2009	2010	2009	2010	2009	2010	2009
------(Rupees in '000)-----								
Associates								
Adamjee Insurance Company Limited								
- Insurance premium paid - net of refund	-	-	285,131	243,658	-	-	-	-
- Insurance claim settled	-	-	166,315	150,520	-	-	-	-
- Rent income received	-	-	6,954	8,942	-	-	-	-
- Dividend received	-	-	85,171	78,917	-	-	-	-
- Outstanding commitments and contingent liabilities	-	-	4,842	4,451	-	-	-	-
- Purchase of Vehicle	-	-	26,000	-	-	-	-	-
Mayban International Trust (Labuan) Berhad								
- Dividend paid	-	-	-	-	-	-	1,776,139	1,350,795
- Bonus shares issued	-	-	-	-	-	-	138,221	125,655
- Forward foreign exchange contracts (Notional)	-	-	-	-	-	-	-	3,408,431
- Unrealized loss on forward foreign exchange contracts	-	-	-	-	-	-	-	36,213
Subsidiary Companies								
MNET Services (Private) Limited								
- Outsourcing service charges	-	-	-	-	79,697	75,124	-	-
- Networking service charges	-	-	-	-	15,276	13,389	-	-
- Switch revenue	-	-	-	-	124	401	-	-
- Payments system managed service revenue	-	-	-	-	26,721	28,192	-	-
- Other expenses paid by MCB	-	-	-	-	23,414	14,876	-	-
- Trade debts	-	-	-	-	24,544	35,501	-	-
- Receivable for other expenses	-	-	-	-	13,578	12,615	-	-
MCB Asset Management Company Limited								
- Dividend received	-	-	-	-	-	29,998	-	-
- Markup paid	-	-	-	-	666	692	-	-
- Proceeds from sale of property	-	-	-	-	-	34,340	-	-
- Gain on sale of property	-	-	-	-	-	1,188	-	-
- Markup payable	-	-	-	-	185	51	-	-
- Sale commission payable	-	-	-	-	824	1,033	-	-
- Others	-	-	-	-	4,073	1,001	-	-
MCB Trade Services Limited								
- Dividend received	-	-	-	-	9,929	11,315	-	-
"MCB Leasing" Closed Joint Stock Company								
- Capital injection	-	-	-	-	84,138	394	-	-
Other related parties								
MCB Employees Security System and Services (Private) Limited								
- Security guard expenses	-	-	-	-	-	-	168,823	146,508
MCB Employees Foundation								
- Stationery expenses	-	-	-	-	-	-	121,791	111,100
- Service expenses	-	-	-	-	-	-	17,287	16,750
- Cash sorting expenses	-	-	-	-	-	-	28,027	21,597
- Advance receivable	-	-	-	-	-	-	20,000	20,000
- Cash in transit expenses	-	-	-	-	-	-	220	801
- Payable for stationery expenses	-	-	-	-	-	-	394	-
- Proceeds from sale of fixed assets	-	-	-	-	-	-	178	-
- Gain on sale of fixed assets	-	-	-	-	-	-	56	-
Others								
Dividend income	-	-	-	-	-	-	143,136	28,694
Advisory fee received	-	-	3,428	-	-	-	13,696	-
Proceeds from sale of vehicles to key management personnel	-	-	-	-	-	-	6,003	-
Gain on sale of vehicles to key management personnel	-	-	-	-	-	-	-	-
Remuneration of key management personnel (other than directors)	-	-	-	-	-	-	229,195	219,228
Contribution / (expense) to provident fund	-	-	-	-	-	-	158,724	148,734
Other miscellaneous expenses	-	-	-	-	-	-	112,613	125,140

The details of director's compensations are given in note 38 to these financial statements.

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Applications

The Basel II Framework is applicable to the bank both at the consolidated level (comprising of wholly/partially owned subsidiaries & associates undertaking) and also on a stand alone basis. Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method whereas associates in which the bank has significant influence on equity method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital

42.2 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
- 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.07 of 2009 dated April 15, 2009 requires the minimum paid up capital (net of losses) for all locally incorporated banks to be raised to Rs. 10 billion by the year ending on December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 7 billion paid up capital (net of losses) by the end of the financial year 2010. The paid up capital of the Bank for the year ended December 31, 2010 stands at Rs. 7.6 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 10 % of the risk weighted exposure. The Bank's CAR as at December 31, 2010 is 22.07 % 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 and reciprocal investments advised by BSD circular letter No.6 of 2010 by SBP.
- 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

Tier 3 capital has also been prescribed by the State Bank of Pakistan. However, the bank currently does not have any Tier III 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 and BSD Circular No.07 of 2009 dated April 15, 2009 . The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (10% 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 organization 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

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.

	Note	2010	2009
----- (Rupees in '000) -----			
42.3 Capital Structure			
Tier 1 Capital			
Shareholders equity /assigned capital		7,602,150	6,911,045
Share premium		9,702,528	9,702,528
Reserves		30,114,399	28,427,081
Unappropriated profits		21,414,955	15,779,127
		68,834,032	60,819,781
Deductions:			
Book value of intangible		407,346	248,242
Other deductions	42.3.1	725,412	675,256
		1,132,758	923,498
Total Tier 1 capital		67,701,274	59,896,283
Tier 2 Capital			
General provisions subject to 1.25% of total risk weighted assets		661,764	794,424
Revaluation reserves up to 45%		4,864,890	4,084,955
Foreign exchange translation reserves		345,979	256,151
		5,872,633	5,135,530
Deductions:			
Other deductions	42.3.1	717,547	675,256
Total Tier 2 Capital		5,155,086	4,460,274
Total Regulatory Capital Base	A	72,856,360	64,356,557

42.3.1 Other deduction includes investments in equity of financial subsidiaries not consolidated in the balance sheet and significant minority investments in banking, securities and other financial entities.

42.4 Capital Adequacy

The risk weighted assets to capital ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	Capital Requirements		Risk Weighted Assets	
	2010	2009	2010	2009
----- Rupees in '000 -----				
Credit Risk				
Portfolios subject to standardized approach (simple or comprehensive)				
On-Balance Sheet				
Corporate portfolio	12,444,765	10,928,917	115,459,216	101,485,148
Banks / DFIs	444,321	1,071,254	4,122,296	9,947,588
Public sector entities	330,845	378,392	3,069,491	3,513,725
Sovereigns / cash & cash equivalents	537,630	642,408	4,987,985	5,965,352
Loans secured against residential property	189,672	198,943	1,759,731	1,847,383
Retail	3,161,672	3,653,858	29,333,155	33,929,470
Past due loans	660,003	830,110	6,123,329	7,708,344
Operating fixed assets	2,213,924	1,913,288	20,540,194	17,766,654
Other assets	2,133,270	2,384,455	19,791,909	22,141,877
	22,116,100	22,001,625	205,187,306	204,305,541
Off-Balance Sheet				
Non-market related	3,178,387	4,048,605	29,488,233	37,595,057
Market related	18,134	23,335	168,239	216,690
	3,196,521	4,071,940	29,656,472	37,811,747
Equity Exposure Risk in the Banking Book				
Listed	219,616	92,259	2,037,538	856,713
Unlisted	81,364	79,491	754,869	738,152
	300,979	171,750	2,792,407	1,594,865
Total Credit Risk	25,613,601	26,245,316	237,636,185	243,712,153
Market Risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	684,116	930,563	8,551,446	11,632,039
Equity position risk	712,207	644,076	8,902,587	8,050,949
Foreign exchange risk	157,520	765,954	1,969,001	9,574,418
Total Market Risk	1,553,843	2,340,593	19,423,034	29,257,406
Operational Risk				
Capital requirement for operational risks	5,846,092	5,155,801	73,076,148	64,447,511
Total	B	33,013,536	330,135,367	337,417,070

----- (Rupees in '000) -----			
Capital Adequacy Ratio		2010	2009
Total eligible regulatory capital held	A	72,856,360	64,356,557
Total Risk Weighted Assets	B	330,135,367	337,417,070
Capital Adequacy Ratio	A / B	22.07%	19.07%

* As SBP capital requirement of 10% (10% in 2009) is calculated on overall basis therefore, capital charge for credit risk is calculated after excluding capital requirements against market and operational risk from the total capital required.

43 RISK MANAGEMENT

MCB defines risk as any deviation from an anticipated outcome that may affect the value, capital or earnings of the Bank. Identifying and managing exposure to risk is an integral part of strategic and operational activities of risk management. Bank's risk management policy is aimed at setting the best course of action under uncertainty by identifying, prioritizing, mitigating and monitoring risk issues. With the goal of enhancing shareholders' value, following are the five guiding principles of robust risk management structure:

- Optimizing risk/return in a controlled manner
- Establishing clear responsibility and accountability
- Establishing independent and properly resourced risk management function.
- Promoting open risk culture
- Adopting international best practices in risk management

Keeping in view dynamics of internal and external environment, the bank regularly reviews and updates policy manuals / frameworks and procedures in accordance with domestic regulatory environment and international standards.

The Bank executes its risk strategy and undertakes controlled risk-taking activities within its risk management framework. This framework combines core policies, procedures and process design with broad oversight and is supported by risk monitoring across the bank. The Board of Directors and its relevant committee, i.e. the Risk Management & Portfolio Review Committee (RM&PRC) and the senior management and its relevant committees, i.e. the Management Committee (MC), Asset Liability Committee (ALCO), etc., are responsible to ensure formulation and implementation of comprehensive Risk Management Framework. This framework is based on prudent risk identification, measurement, management and monitoring process which are closely aligned with the activities of the bank so as to ensure that risks are kept within an acceptable level.

As part of risk assessment process, the Bank ensures that not only the relevant risks are identified but their implications are considered and basis provided for managing and measuring the risks. Through Internal Control units, the Bank ensures that effective controls are in place to mitigate each of the identified risk.

Independent from business groups, Head of Risk Management reports functionally to the Risk Management & Portfolio Review Committee (RM&PRC) and administratively to the President; the RM&PRC committee convenes regularly to evaluate bank's risk and portfolio concentrations. The Risk Management Group performs the following critical functions:

- Credit Risk Management
- Credit Review
- Credit Risk Control
- Market Risk Management
- Operational Risk Management

In line with regulatory guidelines under Pillar II of the Basel framework, the Bank has initiated Internal Capital Adequacy Assessment Process (ICAAP).

In context of the financial services industry and the requirements laid down via BSD Circular No. 03 of 2007 dated April 14, 2007 by the State Bank of Pakistan (SBP) and Pillar II of Basel II, defining and operationalising risk appetite has assumed critical importance. The financial industry is now widely seen recognizing the importance of articulating risk appetite and also linking it to limit setting, risk control and performance measurement.

Keeping in view the international best practices and SBP requirements, Board of Directors of the Bank has approved a Risk Appetite Statement, which takes into account quantitative and qualitative risk indicators, covering target ratios, credit, market, operational, liquidity and business risks.

43.1 Credit Risk

Credit risk arises from our dealings with individuals, corporate, financial institutions, sovereigns etc. The Bank is exposed to credit risk through its lending and investment activities. It also stems from activities both on and off-balance sheet activities. Credit risk makes up the largest part of the Bank's exposure. Purpose of credit risk function is to identify measure, manage, monitor and mitigate credit risk. Organizational structure of this function ensures pre and post-facto management of credit risk. While, Credit Review function provides pre-fact evaluation of counterparties, the Credit Risk Control (CRC) performs post-fact evaluation of financing facilities and review clients' performance as an ongoing process.

The Bank has adopted standardized approach to measure Credit risk regulatory charge in compliance with Basel-II requirements. The approach is reliant upon the assessment of external credit rating agencies. In line with SBP guidelines on Internal Credit Ratings Systems the Bank has developed a system and all its corporate borrowers are internally rated. Bank is in the process of continuously improving the system and bringing it inline with the Basel framework requirements.

In order to manage bank's credit risk, the bank has the following policies and procedures in place:

- Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks;
- The approval of credit limits to counter parties are subject to pre-fact review;
- Extension in credit facility or material change to the credit facility is subject to credit review;
- Approval and review process is reviewed by RM&PRC and internal audit;
- Management periodically reviews the powers of credit approving and credit reviewing authorities.

As a part of credit assessment Bank uses internal rating framework as well as the ratings assigned by the external credit rating agencies, wherever available.

Ongoing administration of the credit portfolio is an essential part of the credit process that supports and controls extension and maintenance of credit. The Bank's Credit Risk Control, being an independent function from the business and operations groups, is responsible for performing following activities:

- Credit disbursement authorization;
- Collateral coverage and monitoring;
- Compliance of loan covenants/ terms of approval;
- Maintenance/ custody of collateral and security documentation.

Credit Risk Monitoring is based on a comprehensive reporting framework, continuous monitoring of the credit portfolio and the risks attached thereto are carried out at different levels including businesses, Audit & Risk Assets Review, Credit Risk Control, Credit Risk Management Division, etc.

To ensure a prudent distribution of asset portfolio, the Bank manages its lending and investment activities within a framework of risk profile benchmarks. Per party exposure limit is maintained in accordance with SBP Prudential Regulation R-1.

The Bank creates specific provision against Non- Performing Loans (NPLs) in accordance with the Prudential Regulations and other directives issued by the State Bank of Pakistan (SBP) and charged to the profit and loss account. Provisions are held against identified as well as 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. Please refer note No. 10.4 for reconciliation of changes in specific and general provisions.

Management of Non Performing Loans

The Bank has a Special Asset Management Group (SAMG), which is responsible for management of non performing loans. SAMG undertakes restructuring / rescheduling of problem loans, as well as litigation both civil and criminal cases for collection of debt.

Stress Testing

The Bank also conducts stress testing of its existing portfolio, which includes all assets, i.e., advances as well as investments. This exercise is conducted on a semi-annual basis through assigning shocks to all assets of the Bank and assessing its resulting affect on capital adequacy inline with SBP requirements.

43.1.1 Segmental information

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

	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
43.1.1.1 Segments by class of business						
Agriculture, forestry, hunting and fishing	2,541,907	0.93	39,865,496	9.24	366,696	0.27
Mining and quarrying	157,736	0.06	371,755	0.09	388,575	0.29
Textile	40,354,192	14.72	1,669,316	0.39	26,185,570	19.22
Chemical and pharmaceuticals	12,990,612	4.74	1,600,137	0.37	5,219,494	3.83
Cement	3,648,217	1.33	30,564	0.01	694,911	0.51
Sugar	9,062,880	3.31	728,325	0.17	734,344	0.54
Footwear and leather garments	2,782,358	1.01	164,847	0.04	1,017,338	0.75
Automobile and transportation equipment	476,630	0.17	510,051	0.12	760,204	0.56
Electronics and electrical appliances	2,202,681	0.80	168,801	0.04	756,986	0.56
Construction	-	-	-	-	-	-
Power (electricity), gas, water, sanitary	36,348,248	13.26	724,626	0.17	4,617,725	3.39
Wholesale and Retail Trade	22,119,616	8.07	33,258,336	7.71	3,143,491	2.31
Exports / imports	-	-	-	-	-	-
Transport, storage and communication	67,013,507	24.44	461,437	0.11	2,952,413	2.17
Financial	4,268,631	1.56	5,642,220	1.31	38,254,338	28.08
Insurance	426	0.00	1,612,642	0.37	8,429	0.01
Services	4,536,701	1.65	90,629,594	21.01	2,791,931	2.05
Individuals	22,007,235	8.03	223,040,400	51.70	18,413	0.01
Others	43,632,347	15.92	30,893,390	7.15	48,334,739	35.47
	274,143,924	100	431,371,937	100	136,245,597	100
	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Agriculture, forestry, hunting and fishing	2,606,240	0.97	34,509,866	9.39	1,055,277	0.88
Mining and quarrying	611,408	0.23	294,235	0.08	24,942	0.02
Textile	31,377,649	11.63	1,393,648	0.38	4,741,012	3.95
Chemical and pharmaceuticals	15,197,729	5.63	1,013,664	0.28	3,689,010	3.08
Cement	3,886,303	1.44	14,565	0.00	28,633	0.02
Sugar	6,328,298	2.35	438,319	0.12	40,215	0.03
Footwear and leather garments	2,279,204	0.85	208,767	0.06	54,727	0.05
Automobile and transportation equipment	2,293,028	0.85	539,065	0.15	336,712	0.28
Electronics and electrical appliances	2,204,672	0.82	149,539	0.04	318,098	0.27
Construction	2,785,464	1.03	-	-	238,562	0.20
Power (electricity), gas, water, sanitary	37,940,970	14.07	1,461,906	0.40	531,536	0.44
Wholesale and Retail Trade	18,565,483	6.88	33,909,697	9.22	2,202,054	1.84
Exports / imports	4,257,087	1.58	-	-	3,987,621	3.33
Transport, storage and communication	58,748,442	21.78	285,773	0.08	152,713	0.13
Financial	6,866,088	2.55	10,026,720	2.73	44,941,870	37.48
Insurance	1,285	0.00	1,344,562	0.37	2,152	0.00
Services	6,642,802	2.46	62,135,724	16.90	285,914	0.24
Individuals	27,049,649	10.03	195,463,714	53.17	367,077	0.31
Others	40,080,375	14.85	24,414,947	6.63	56,923,762	47.45
	269,722,176	100	367,604,711	100	119,921,887	100
	2010					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
43.1.1.2 Segment by sector						
Public / Government	78,725,414	28.72	14,673,234	3.40	35,044,121	25.72
Private	195,418,510	71.28	416,698,703	96.60	101,201,476	74.28
	274,143,924	100	431,371,937	100	136,245,597	100
	2009					
	Advances (Gross)		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)	(Rupees in '000)	Percent (%)
Public / Government	79,707,503	29.55	11,100,632	3.02	39,390,760	32.85
Private	190,014,673	70.45	356,504,079	96.98	80,531,127	67.15
	269,722,176	100	367,604,711	100	119,921,887	100

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

	2010		2009	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
------(Rupees in '000)-----				
Agriculture, forestry, hunting and fishing	417,169	290,886	713,511	384,054
Mining and quarrying	-	-	2,176	2,021
Textile	4,258,684	3,691,316	3,862,699	3,329,483
Chemical and pharmaceuticals	148,866	148,866	153,231	145,779
Cement	531,715	265,857	-	-
Sugar	1,160,081	1,059,540	1,177,714	557,152
Footwear and leather garments	128,292	128,292	118,061	101,686
Automobile and transportation equipment	114,482	84,721	133,671	77,419
Electronics and electrical appliances	323,271	322,558	338,647	321,521
Construction	127,404	116,056	68,039	60,621
Power (electricity), gas, water, sanitary	2,000	500	-	-
Wholesale and retail trade	4,516,086	4,254,729	5,010,321	3,453,025
Exports / imports	320,868	316,530	442,731	408,280
Transport, storage and communication	139,397	69,707	49,240	44,012
Financial	1,275,315	998,750	869,818	766,750
Services	615,006	568,668	479,395	349,113
Individuals	3,605,321	2,778,450	2,804,634	2,018,306
Others	6,859,850	3,835,145	7,014,835	3,659,123
	24,543,807	18,930,571	23,238,723	15,678,345

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

Public/ Government	-	-	-	-
Private	24,543,807	18,930,571	23,238,723	15,678,345
	24,543,807	18,930,571	23,238,723	15,678,345

43.1.1.5 Geographical segment analysis

	2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
------(Rupees in '000)-----				
Pakistan	25,751,183	556,340,340	78,896,061	134,065,828
Asia Pacific (including South Asia)	289,426	8,233,398	290,102	1,737,926
Middle East	212,466	2,978,875	18,046	441,843
	26,253,075	567,552,613	79,204,209	136,245,597
	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
------(Rupees in '000)-----				
Pakistan	22,538,236	498,216,844	69,189,718	115,393,307
Asia Pacific (including South Asia)	355,775	7,117,974	357,914	2,877,120
Middle East	260,934	3,888,909	192,381	1,651,460
	23,154,945	509,223,727	69,740,013	119,921,887

Total assets employed include intra group items of Rs. NIL (2009: Rs. NIL).

43.1.2 Credit Risk - General Disclosures

The Bank has adopted Standardized approach of Basel II for calculation of capital charge against credit risk in line with State Bank requirements.

43.1.2.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. Bank utilizes, wherever available, the credit ratings assigned by the SBP recognized ECAIs, viz. PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company–Vital Information Systems), Fitch, Moody’s and Standard & Poors . Credit rating data for advances is obtained from recognized External Credit Assessment Institutions and then mapped to State Bank of Pakistan’s Rating Grades.

Type of Exposures for which the ratings from the External Credit Rating Agencies are used by the Bank.

Exposures	JCR-VIS	PACRA	OTHER (S&P / Moody's / Fitch)
Corporate	Yes	Yes	-
Banks	Yes	Yes	Yes
Sovereigns	-	-	Yes
SME's	Yes	Yes	-

The criteria for transfer public issue ratings onto comparable assets in the banking book and the alignment of the alphanumerical scale of each agency used with risk buckets is the same as specified by the banking regulator SBP in BSD Circular No.8 table 2.3.

Long - Term Ratings Grades Mapping

SBP Rating Grade	PACRA	JCR-VIS	Fitch	Moody's	S&P	ECA Scores
1	AAA AA+ AA AA-	AAA AA+ AA AA-	AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	1
2	A+ A A-	A+ A A-	A+ A A-	A1 A2 A3	A+ A A-	2
3	BBB+ BBB BBB-	BBB+ BBB BBB-	BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	3
4	BB+ BB BB-	BB+ BB BB-	BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	4
5	B+ B B-	B+ B B-	B+ B B-	B1 B2 B3	B+ B B-	5,6
6	CCC+ and below	CCC+ and below	CCC+ and below	Caa1 and Below	CCC+ and below	7

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	Fitch	Moody's	S&P
S1	A-1	A-1	F1	P-1	A-1+, A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

Credit Exposures subject to Standardised approach

Exposures	Rating	2010			2009		
		Amount Outstanding	Deduction CRM	Net amount	Amount Outstanding	Deduction CRM	Net amount

----- (Rupees in '000)-----

Corporate	1	8,813,855	-	8,813,855	14,146,516	-	14,146,516
	2	11,067,495	-	11,067,495	5,160,828	-	5,160,828
	3,4	1,736,237	-	1,736,237	764,389	-	764,389
	5,6	-	-	-	798,230	-	798,230
	Unrated	106,426,460	-	106,426,460	94,113,697	-	94,113,697
Bank				-			
	1	18,116,088	-	18,116,088	14,541,435	-	14,541,435
	2,3	929,748	-	929,748	436,070	-	436,070
	4,5	943	-	943	928	-	928
	6	6,344	-	6,344	4,108,093	-	4,108,093
Unrated	91,104	-	91,104	2,497,023	-	2,497,023	
Public Sector Entities in Pakistan				-			
	1			-	6,986,305	-	6,986,305
	2,3	3,039,527	-	3,039,527	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
Unrated	-	-	-	75,506,214	71,273,287	4,232,927	
Sovereigns and on Government of Pakistan or provincial governments or SBP or Cash		81,068,380	76,145,209	4,923,171			
		37,863,496	-	37,863,496			
				-			
	1	-	-	-	33,010,037	-	33,010,037
	2	-	-	-	-	-	-
	3	-	-	-	-	-	-
	4,5	4,987,985	-	4,987,985	5,965,352	-	5,965,352
6	-	-	-	-	-	-	
Unrated	-	-	-	-	-	-	
Mortgage		5,027,804	-	5,027,804	5,278,238	-	5,278,238
Retail		39,110,873	-	39,110,873	45,239,293	-	45,239,293

43.1.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank does not make use of on and off-balance sheet netting in capital charge calculations under Basel-II's Standardized Approach for Credit Risk.

43.1.3.1 Credit Risk: Disclosures for portfolio subject to the Standardized Approach

The Bank has strong policies and processes for collateral valuation and collateral management thus ensuring that collateral valuation happens at regular defined intervals. Collaterals are normally held for the life of exposure. Regular monitoring of coverage of exposure by the collateral and lien/ charge registered over the collaterals is carried out besides ensuring that collateral matches the purpose, nature and structure of the transaction and also reflect the form and capacity of the obligor, its operations, nature of business and economic environment. The Bank mitigates its risk by taking collaterals that may include assets acquired through the funding provided, as well as cash, government securities, marketable securities, current assets, fixed assets, and specific equipment, commercial and personal real estate.

The Standardized Approach of Basel-II guidelines allows the Bank to take benefit of credit risk mitigation of financial collaterals against total exposures in the related loan facilities. As a prudent and conservative measure while calculating capital charge for credit risk of on balance sheet activities, bank has taken only the benefit of Sovereign guarantee.

MCB manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and also reviews exposure to industry sectors and geographical regions on a regular basis. Limits are applied in a variety of forms to portfolios or sectors where MCB considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

Concentration of risk

Out of the total financial assets of Rs. 530,304.938 million (2009: Rs. 478,552.107 million) the financial assets which are subject to credit risk amounting to Rs. 519,661.765 million (2009: Rs. 468,387.690 million). To manage credit risk the bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs.199,088.205 million (2009: Rs. 152,915.75 million) are guaranteed by the Government of Pakistan. In addition, an amount of Rs. 24,393.181 million (2009: Rs. 20,916.298 million) are held by the Bank with the State Bank of Pakistan and central banks of other countries.

43.1.3.2 Equity position risk in the banking book

The Bank takes proprietary equity positions for both trading and strategic purposes. The Bank has invested in its subsidiaries and associated companies to achieve long term strategic objectives. As of December 31, 2010 the composition of equity investments subsidiaries and associated companies is as follows:

Composition of equity investments

Exposures	Held for trading	Available for Sale	Subsidiary and Associates
Equity investments – publicly traded	-	6,868,869	943,600
Equity investments - others	-	523,915	525,365
Total value	-	7,392,784	1,468,965

Classification of equity investments

Banks classify its equity investment portfolio in accordance with the directives of SBP as follows:

- Investments - Held for trading
- Investments - Available for sale
- Investments in associates
- Investments in subsidiaries

Policies, valuation and accounting of equity investments

The accounting policies for equity investments are designed and their valuation is carried out under the provisions and directives of State Bank of Pakistan, Securities and Exchange Commission of Pakistan and the requirements of approved International Accounting Standards as applicable in Pakistan.

In accordance with the requirements of the State Bank of Pakistan, quoted securities, other than investments in subsidiaries 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. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. 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.

The cumulative realized gain of Rs. 378.189 million has been charged to profit & loss account from sale of equity securities; however unrealized gain of Rs. 1,170.485 million was recognized in the balance sheet in respect of "AFS" securities. Further a provision for impairment in value of equity investments amounting to Rs. 195.769 million has been charged to profit and loss account.

43.2 Market Risk Management

Market risk arises from changes in market rates (such as Interest Rates, Foreign Exchange Rates and Equity Prices) as well as their correlations and volatilities. MCB is exposed to market risk primarily through its trading activities, which are centered in the Treasury and Foreign exchange and Capital market groups. Market risk also arises from market-making, facilitation of client business and proprietary positions in equities, fixed income and interest rate products and foreign exchange, which exposes bank to interest rate risk, foreign exchange risk and equity price risk. Market risk is also assumed as a result of bank's balance sheet and capital management activities.

The Bank's Market Risk Management structure consists of Risk Management Committee of the Board, ALCO, and independent Market Risk Management Division reporting directly to Group Head Risk Management. Market Risk Management Division is responsible for policy formulation, controlling of market risk including monitoring of exposures against limits; assessment of risks in new business; developing procedures, market risk measurement and reporting system. Market risk authority, including both approval of market risk limits and approval of market risks is vested in the ALCO.

As per SBP instructions (BSD Circular 8, 2006) trading book shall consist of positions in financial instruments held with trading intent or in order to hedge other elements of the trading book. Hence the bank has clearly defined, in its Risk Management policy, the positions which shall be subject to market risk. The definition covers the accounting classifications as well as positions booked by different business groups under "Available for Sale" category. The assets subject to trading book treatment are frequently valued and actively managed. The positions which does not fulfill the criteria of Trading book falls under the Banking Book and are treated as per SBP requirements.

The Bank measures and manages Market risk by using conventional methods i.e. notional amounts and sensitivity. Bank has established a specific Market Risk Limit Policy providing guideline for assuming controlled market risk, its monitoring and management. A reasonable number of limits are set and approved. These Limits are compared with the numbers generated by the market risk management system based on the trading activity and the outstanding position on risk measurement date.

Besides conventional methods, the Bank uses VaR (Value at Risk) technique for market risk assessment of assets booked by its treasury and capital market groups. In-house and vendor based solutions are used for calculating mark to market value of positions and generating VaR (value at risk) and sensitivity numbers. Variance co-variance approach of VaR measure for conventional products and Monte Carlo simulation approach for derivative and structured products are being used by the bank.

Stress testing of both banking and trading books as per SBP guidelines is a regular feature.

The Bank is exposed to interest rate risk both in trading and banking books. Risk numbers along with the marked to market values of government securities held by the Bank's treasury are generated on daily basis. The risk numbers include duration, PVBP, and VaR on individual security basis as well as on portfolio basis. These reports are presented to the senior management for review on a daily basis.

43.2.1 Foreign Exchange Risk Management

Foreign exchange risk represents exposures the bank has due to changes in the values of current holdings and future cash flows denominated in currencies other than home currency. The types of instruments exposed to this risk include investments in foreign branches, foreign currency-denominated loans, foreign currency-denominated deposits, future cash flows in foreign currencies arising from foreign exchange transactions, etc.

The core objective of foreign exchange risk management is to ensure the foreign exchange exposure of the Bank remain within defined risk appetite and insulate bank against losses that may arise due to volatile movements in foreign exchange rates or interest rates.

Limit structure to manage Foreign exchange risk is in place. Gap limits on different tenures have been introduced for USD exposures. Gap limit for other major currencies will be introduced depending upon the significance of exposure in that currency. Bank's net open position and Foreign exchange exposure limit (FEEL) is monitored and reported on daily basis. Additionally, daily reports are generated to evaluate the exposure in different currencies. 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.

2010				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	545,689,856	468,137,556	1,740,181	79,292,481
United States Dollar	20,279,528	13,920,166	(6,665,221)	(305,859)
Pound Sterling	473,095	2,170,830	1,696,111	(1,624)
Japanese Yen	544	44,138	47,434	3,840
Euro	820,530	4,002,992	3,181,495	(967)
Other currencies	289,060	72,722	-	216,338
	567,552,613	488,348,404	-	79,204,209
2009				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
------(Rupees in '000)-----				
Pakistan Rupee	493,610,963	422,573,623	(1,108,310)	69,929,030
United States Dollar	14,317,231	11,828,720	(2,779,180)	(290,669)
Pound Sterling	277,235	1,870,038	1,596,226	3,423
Japanese Yen	109,825	167	(109,376)	282
Euro	762,031	3,211,166	2,504,675	55,540
Other currencies	146,442	-	(104,035)	42,407
	509,223,727	439,483,714	-	69,740,013

43.2.2 Equity Price Risk

Bank's proprietary positions in the equity instruments expose it to the equity price risk in its trading and banking books. 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. The stress test for equity price risk assesses the impact of the fall in the stock market index. This exercise is done on internal based assumptions in addition to the criteria advised by the State Bank of Pakistan for Stress Testing on Equities.

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	2010										Not exposed to Yield/ Interest Risk
		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)-----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0%	45,407,183	2,974,718	-	-	-	-	-	-	-	-	42,432,465
Balances with other banks	0.55% to 3%	1,478,569	404,254	-	-	-	-	-	-	-	-	1,074,315
Lendings to financial institutions	12.80% to 13.50%	4,401,781	1,510,027	-	2,891,754	-	-	-	-	-	-	-
Investments - net	4.5% to 16.12%	211,591,917	52,052,595	69,509,187	77,743,838	1,049,725	1,567,893	2,622,223	-	1,439,615	-	5,606,841
Advances - net	15.00%	254,551,589	152,730,953	50,910,318	38,182,738	12,727,579	-	-	-	-	-	-
Other assets - net		12,873,899	-	-	-	-	-	-	-	-	-	12,873,899
		530,304,938	209,672,547	120,419,505	118,818,330	13,777,304	1,567,893	2,622,223	-	1,439,615	-	61,987,520
Liabilities												
Bills payable		10,265,537	-	-	-	-	-	-	-	-	-	10,265,537
Borrowings	6 % to 14 %	25,684,593	13,638,811	4,940,120	4,940,120	1,082,771	1,082,771	-	-	-	-	-
Deposits and other accounts	5% to 13%	431,371,937	221,149,086	16,906,178	13,768,970	23,497,887	930,669	669,222	2,249,840	1,045,299	-	151,154,786
Other liabilities		12,922,168	-	-	-	-	-	-	-	-	-	12,922,168
		480,244,235	234,787,897	21,846,298	18,709,090	24,580,658	2,013,440	669,222	2,249,840	1,045,299	-	174,342,491
On-balance sheet gap		50,060,703	(25,115,350)	98,573,207	100,109,240	(10,803,354)	(445,547)	1,953,001	(2,249,840)	394,316	-	(112,354,971)
Off-balance sheet financial instruments												
Foreign exchange contracts Purchase		20,154,200	12,279,293	4,980,758	2,226,096	668,052	-	-	-	-	-	-
Cross currency swaps - long position		76,563	-	-	-	-	76,563	-	-	-	-	-
		20,230,763	12,279,293	4,980,758	2,226,096	668,052	76,563	-	-	-	-	-
Foreign exchange contracts Sale		22,245,693	12,917,004	6,180,514	3,148,175	-	-	-	-	-	-	-
Cross currency swaps - short position		76,563	-	-	-	-	76,563	-	-	-	-	-
		22,322,256	12,917,004	6,180,514	3,148,175	-	76,563	-	-	-	-	-
Off-balance sheet gap		(2,091,493)	(637,711)	(1,199,756)	(922,079)	668,052	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(25,753,060)	97,373,451	99,187,162	(10,135,301)	(445,547)	1,953,001	(2,249,840)	394,316	-	
Cumulative yield / interest risk sensitivity gap			(25,753,060)	71,620,391	170,807,552	160,672,251	160,226,704	162,179,705	159,929,865	160,324,181	160,324,181	

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	2009										Not exposed to Yield/ Interest Risk	
		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) -----													
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	0%	38,774,871	2,522,549	-	-	-	-	-	-	-	-	-	36,252,322
Balances with other banks	0.12% to 1%	6,009,993	950,330	-	-	-	-	-	-	-	-	-	5,059,663
Lendings to financial institutions	12.35% to 12.70%	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Investments - net	4.5% to 16.12%	165,749,639	17,543,637	50,084,055	28,508,489	56,948,201	707,468	1,311,516	2,670,133	2,787,640	-	-	5,188,500
Advances - net	15.00%	253,249,407	151,949,644	50,649,882	37,987,411	12,662,470	-	-	-	-	-	-	-
Other assets - net		11,625,990	-	-	-	-	-	-	-	-	-	-	11,625,990
		478,409,900	173,966,160	102,733,937	66,495,900	69,610,671	707,468	1,311,516	2,670,133	2,787,640	-	-	58,126,475
Liabilities													
Bills payable		8,201,090	-	-	-	-	-	-	-	-	-	-	8,201,090
Borrowings	12.05% to 12.50%	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-	-	-
Deposits and other accounts	5% to 9.5%	367,604,711	179,635,312	9,793,315	6,139,604	37,229,475	852,485	1,292,144	2,309,620	1,454,949	-	-	128,897,807
Other liabilities		12,343,202	-	-	-	-	-	-	-	-	-	-	12,343,202
		432,811,091	213,297,483	14,243,781	10,581,338	38,287,917	1,901,760	1,292,144	2,309,620	1,454,949	-	-	149,442,099
On-balance sheet gap		45,598,809	(39,331,323)	88,490,156	55,914,562	31,322,754	(1,194,292)	19,372	360,513	1,332,691	-	-	(91,315,624)
Off-balance sheet financial instruments													
Foreign exchange contracts Purchase		23,832,214	11,904,381	10,021,332	1,906,501	-	-	-	-	-	-	-	-
Interest rate swaps - long position		83,333	-	-	-	83,333	-	-	-	-	-	-	-
Cross currency swaps - long position		124,845	-	-	-	-	124,845	-	-	-	-	-	-
		24,040,392	11,904,381	10,021,332	1,906,501	83,333	124,845	-	-	-	-	-	-
Foreign exchange contracts Sale		23,037,004	9,518,707	7,797,744	5,720,553	-	-	-	-	-	-	-	-
Interest rate swaps - short position		83,333	-	-	-	83,333	-	-	-	-	-	-	-
Cross currency swaps - short position		124,845	-	-	-	-	124,845	-	-	-	-	-	-
		23,245,182	9,518,707	7,797,744	5,720,553	83,333	124,845	-	-	-	-	-	-
Off-balance sheet gap		795,210	2,385,674	2,223,588	(3,814,052)	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(36,945,649)	90,713,744	52,100,510	31,322,754	(1,194,292)	19,372	360,513	1,332,691	-	-	-
Cumulative yield / interest risk sensitivity gap			(36,945,649)	53,768,095	105,868,605	137,191,359	135,997,067	136,016,439	136,376,952	137,709,643	137,709,643	-	-
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.													

Reconciliation to total assets

2010
(Rupees in '000)

2009

Balance as per balance sheet

567,552,613 509,223,727

Less: Non financial assets

Investments	1,468,965	1,384,826
Operating fixed assets	20,947,540	18,014,896
Other assets	14,831,170	11,414,105
	37,247,675	30,813,827

Total financial assets

530,304,938 478,409,900

Reconciliation to total liabilities

2010
(Rupees in '000)

2009

Balance as per balance sheet

488,348,404 439,483,714

Less: Non financial liabilities

Other liabilities	3,170,151	3,475,880
Deferred tax liability	4,934,018	3,196,743
	8,104,169	6,672,623

Total financial liabilities

480,244,235 432,811,091

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

2009

	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	-	-	-	-	-	-	-	-
Balances with other banks	6,009,993	6,009,993	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-
Investments - net	167,134,465	7,595,046	50,098,194	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	1,384,826
Advances - net	253,249,407	32,496,580	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,014,896	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,386,216
Deferred tax assets	1,620,834	9,082	45,158	26,195	332,189	307,935	341,615	394,186	164,474	-
Other assets - net	23,040,095	4,387,525	4,251,638	201,363	3,460,971	260,081	-	10,478,517	-	-
	510,844,561	90,361,669	107,210,745	43,263,468	144,364,246	30,997,705	24,185,269	39,483,225	21,949,541	9,028,693
Liabilities										
Bills payable	8,201,090	8,201,090	-	-	-	-	-	-	-	-
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-
Deposits and other accounts	367,604,711	308,533,119	9,793,315	6,139,604	37,229,475	852,485	1,292,144	2,309,620	1,454,949	-
Deferred tax liabilities	4,817,577	18,290	36,580	54,870	109,741	219,481	113,768	167,694	3,682,146	415,007
Other liabilities	15,819,082	6,325,748	1,090,620	1,694,516	2,600,731	1,976,687	443,678	869,033	818,069	-
	441,104,548	356,740,418	15,370,981	12,330,724	40,998,389	4,097,928	1,849,590	3,346,347	5,955,164	415,007
Net assets	69,740,013	(266,378,749)	91,839,764	30,932,744	103,365,857	26,899,777	22,335,679	36,136,878	15,994,377	8,613,686
Share capital	6,911,045									
Reserves	38,385,760									
Unappropriated profit	15,779,127									
Surplus on revaluation of assets - net of tax	8,664,081									
	69,740,013									

When an asset or liability does not have any contractual maturity date, the period in which these are assumed to mature has been taken as the expected date of maturity.

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

	2010									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	----- (Rupees in '000) -----									
Assets										
Cash and balances with treasury banks	45,407,183	45,407,183	-	-	-	-	-	-	-	-
Balances with other banks	1,478,569	1,478,569	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,401,781	1,510,027	-	2,891,754	-	-	-	-	-	-
Investments - net	213,060,882	41,715,017	69,523,376	79,607,464	4,805,688	5,267,577	5,203,638	784,119	4,685,038	1,468,965
Advances - net	254,551,589	32,663,674	50,898,988	12,553,379	80,993,551	23,826,658	19,863,742	22,173,449	11,319,171	258,977
Operating fixed assets	20,947,540	97,709	195,419	293,128	586,257	1,172,513	1,172,513	2,345,026	5,862,565	9,222,410
Deferred tax assets	1,217,509	18,893	62,718	18,892	388,317	383,669	59,565	92,500	192,955	-
Other assets - net	27,705,069	5,340,702	5,365,939	126,263	3,173,722	51	-	13,698,392	-	-
	568,770,122	128,231,774	126,046,440	95,490,880	89,947,535	30,650,468	26,299,458	39,093,486	22,059,729	10,950,352
Liabilities										
Bills payable	10,265,537	10,265,537	-	-	-	-	-	-	-	-
Borrowings	25,684,593	13,638,811	4,940,120	4,940,120	1,082,771	1,082,771	-	-	-	-
Deposits and other accounts	431,371,937	65,162,986	50,524,439	43,874,251	67,655,091	64,654,210	48,339,407	78,023,871	13,137,682	-
Deferred tax liabilities	6,151,527	18,441	36,880	55,321	110,647	101,895	101,895	4,593,686	447,854	684,908
Other liabilities	16,092,319	7,936,734	1,192,525	1,992,157	1,288,856	1,719,647	376,097	733,870	852,433	-
	489,565,913	97,022,509	56,693,964	50,861,849	70,137,365	67,558,523	48,817,399	83,351,427	14,437,969	684,908
Net assets	79,204,209	31,209,265	69,352,476	44,629,031	19,810,170	(36,908,055)	(22,517,941)	(44,257,941)	7,621,760	10,265,444
Share capital	7,602,150									
Reserves	40,162,906									
Unappropriated profit	21,414,955									
Surplus on revaluation of assets - net of tax	10,024,198									
	79,204,209									

Refer the sub-note to note 43.4.1 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.

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

	2009									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	38,774,871	38,774,871	-	-	-	-	-	-	-	-
Balances with other banks	6,009,993	6,009,993	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,000,000	1,000,000	2,000,000	-	-	-	-	-	-	-
Investments - net	167,134,465	7,595,046	50,098,194	30,281,032	59,460,431	5,662,050	3,018,659	4,424,767	5,209,460	1,384,826
Advances - net	253,249,407	32,496,580	50,638,610	12,489,161	80,579,221	23,704,771	19,762,127	22,060,019	11,261,267	257,651
Operating fixed assets	18,014,896	88,572	177,145	265,717	531,434	1,062,868	1,062,868	2,125,736	5,314,340	7,386,216
Deferred tax assets	1,620,834	9,082	45,158	26,195	332,189	307,935	341,615	394,186	164,474	-
Other assets - net	23,040,095	4,387,525	4,251,638	201,363	3,460,971	260,081	-	10,478,517	-	-
	<u>510,844,561</u>	<u>90,361,669</u>	<u>107,210,745</u>	<u>43,263,468</u>	<u>144,364,246</u>	<u>30,997,705</u>	<u>24,185,269</u>	<u>39,483,225</u>	<u>21,949,541</u>	<u>9,028,693</u>
Liabilities										
Bills payable	8,201,090	8,201,090	-	-	-	-	-	-	-	-
Borrowings	44,662,088	33,662,171	4,450,466	4,441,734	1,058,442	1,049,275	-	-	-	-
Deposits and other accounts	367,604,711	36,433,135	42,646,512	91,180,668	122,270,538	25,468,818	19,318,014	15,796,725	8,045,411	6,444,890
Deferred tax liabilities	4,817,577	18,290	36,580	54,870	109,741	219,481	113,768	167,694	3,682,146	415,007
Other liabilities	15,819,082	6,325,748	1,090,620	1,694,516	2,600,731	1,976,687	443,678	869,033	818,069	-
	<u>441,104,548</u>	<u>84,640,434</u>	<u>48,224,178</u>	<u>97,371,788</u>	<u>126,039,452</u>	<u>28,714,261</u>	<u>19,875,460</u>	<u>16,833,452</u>	<u>12,545,626</u>	<u>6,859,897</u>
Net assets	<u>69,740,013</u>	<u>5,721,235</u>	<u>58,986,567</u>	<u>(54,108,320)</u>	<u>18,324,794</u>	<u>2,283,444</u>	<u>4,309,809</u>	<u>22,649,773</u>	<u>9,403,915</u>	<u>2,168,796</u>
Share capital	6,911,045									
Reserves	38,385,760									
Unappropriated profit	15,779,127									
Surplus on revaluation of assets - net of tax	8,664,081									
	<u>69,740,013</u>									

Refer sub-note to note 43.4.1 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.

43.5 Operational Risk

Operational Risk is risk of loss resulting from an inadequacy or a failure ascribable to people, processes, technology or external events. This definition includes legal risk, but excludes strategic and reputational risk.

Operational Risk Management Division (ORMD) within Risk Management Group (RMG) is primarily responsible for oversight of bank-wide operational risk management. ORMD is independent of revenue generating functions. Although, respective business and support functions are the risk takers / owners, ORMD provides assistance and guidance for proactive operational risk management. The Risk Management Policy and bank-wide Operational Risk Management Framework (ORMF) have been developed in line with international best practices. The policy and framework are reviewed periodically so as to incorporate the current changes.

Major processes for operational risk management include, but not limited to Risk and Control Self Assessment, loss database management, enhancing operational risk awareness through workshops and sessions. ORMD has active coordination with audit and compliance for information sharing on Key Risk Indicators (KRIs) with respect to management of various operational risk aspects within the bank.

43.5.1 Operational Risk-Disclosures Basel II Specific

Currently, the bank is reporting operational risk capital charge under Basic Indicator Approach (BIA). However, a number of initiatives are underway for adoption of The Standardized Approach (TSA) / Alternative Standardized Approach (ASA) like business line mapping, risk and control self assessment exercises.

ORMD initiated the process of collecting loss data on key risk events in the year 2007. Based on periodical analysis of loss data, ORMD generates reports for senior management and Risk Management and Portfolio Review Committee (RM&PRC) of the Board. The report covers the significant risk events, impact analysis and recommendations for improvement in control / risk mitigation.

44. 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:

Description	Amount Rupees in 000	Reclassified	
		From	To
Commission on home remittance	124,092	Other income	Fee, commission and brokerage income
Fee paid to MCI issuer transactions	4,141	Markup/return/interest expense	Administrative expenses

45. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on February 10, 2011 has announced a final cash dividend in respect of the year ended December 31, 2010 of Rs.3.0 per share (2009: Rs. 3.5 per share) and bonus shares of 10% (2009: 10%). These financial statements for the year ended December 31, 2010 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

46. 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 10, 2011.

President and Chief Executive

Director

Director

Director

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/unit Rupees	Total paid-up/nominal value (Rupees in '000)	Cost as at December 31, 2010
Fully Paid-up Preference Shares					
Azgard 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
Fully Paid-up Ordinary Shares					
Abbott Laboratories Pakistan Limited		135,600	10	1,356	25,200
Allied Bank Limited		4,885,721	10	48,857	394,108
Arif Habib Limited		78,337	10	783	13,908
Arif Habib Investments Limited		778,500	10	7,785	14,576
Arif Habib Corporation Limited (formerly Arif Habib Securities Limited)		1,529,875	10	15,299	214,004
Askari Bank Limited		6,429,864	10	64,299	301,018
Atlas Bank Limited		1,512,199	10	15,122	23,352
Attock Petroleum Limited		396,344	10	3,963	124,588
Bank Alfalah Limited		301,735	10	3,017	10,541
Bank Al-Habib Limited		6,668,613	10	66,686	221,373
Century Papers & Board Mills Limited		54,540	10	545	1,556
Fauji Fertilizer Bin Qasim Company Limited		5,400,371	10	54,004	196,917
Fauji Fertilizer Company Limited		8,662,968	10	86,630	726,264
Glaxosmithkline Pakistan Limited		484,672	10	4,847	64,437
Habib Bank Limited		544,760	10	5,448	90,943
Habib Metropolitan Bank Limited		1,160,000	10	11,600	38,678
Ibrahim Fibers Limited		30,000	10	300	1,231
IGI Insurance Company of Pakistan Limited		269,510	10	2,695	42,529
Indus Motor Company Limited		27,027	10	270	5,566
International Industries Limited		344,942	10	3,449	26,427
Kohinoor Energy Limited		55,000	10	550	1,566
Kot Addu Power Company Limited		1,406,600	10	14,066	62,931
Mehr Dastagir Textile Mills Limited		1,616,912	10	16,169	16,169
Maple Leaf Cement Company Limited		3,833,500	10	38,335	68,266
Millat Tractors Limited		182,060	10	1,821	53,686
Oil & Gas Development Company Limited		30,515	10	305	3,020
Packages Limited		39,911	10	399	8,368
Pakistan Cables Limited		42,716	10	427	7,098
Pakistan Oilfields Limited		526,500	10	5,265	137,699
Pakistan Petroleum Limited		574,726	10	5,747	95,668
Pakistan Telecommunication Company Limited		5,053,731	10	50,537	225,135
Pakistan Tobacco Company Limited		49,000	10	490	7,962
Rupali Polyester Limited		658,545	10	6,585	46,475
Soneri Bank Limited		3,943,006	10	39,430	121,456
Sui Northern Gas Pipelines Limited		47,728,822	10	477,288	2,205,253
Samba Bank Limited		30,963,000	10	309,630	147,150
The Bank of Punjab		6,423,100	10	64,231	170,996
Trust Securities & Brokerage Limited		300,000	10	3,000	3,000
Unilever Pakistan Limited		33,280	50	1,664	47,891
United Bank Limited		6,967,440	10	69,674	508,211
Wateen Telecom Limited		7,965,466	10	79,655	79,655
Zulfqar Industries Limited		30,537	10	305	3,556
Total					6,558,427

Investee Entities	Name of Management Company	Number of Ordinary and preference shares/certificates/units held	Paid-up value per share/certificate/unit Rupees	Total paid-up/nominal value (Rupees in '000)	Cost as at December 31, 2010 (Rupees in '000)
Fully Paid-up Modaraba Certificates					
First Al-Noor Modaraba	Al-Noor Modaraba 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'					6,680,635
Provision for diminution in value of investments					(2,636,770)
Surplus on revaluation of securities					1,089,882
Market value as at December 31, 2010					5,133,747

Fully Paid-up Ordinary Certificates/Units of Mutual Funds	Name of Management Company	Number of units held	Paid-up value per unit Rupees	Total paid-up/nominal value (Rupees in '000)	Cost as at December 31, 2010 (Rupees in '000)
MCB Dynamic Stock Fund (IPO)	MCB Asset Management Company Limited	1,033,301	100	103,330	82,981
MCB Dynamic Allocation Fund (IPO)	MCB Asset Management Company Limited	1,000,000	100	100,000	100,000
Carrying value before revaluation & provision					182,981
Provision for diminution in value of investments					(85,504)
Surplus on revaluation of securities					80,603
Market value as at December 31, 2010					178,080

- 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.

2) Particulars of Investment held in unlisted companies-available for sale

Company Name	Percentage of holding (%)	Number of shares / certificates held	Cost as at December 31, 2010	Net Asset Value of total investment	Based on audited financial statements as at	Name of Chief Executive
------(Rs '000')-----						
Shareholding more than 10%						
Fully paid up preference shares						
Fazal Cloth Mills Limited (2.1)	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	18,764	June 30, 2010	Mr. Ashfaq A. Berdi
Khushhali Bank Limited	17.60%	30,000,000	300,000	362,640	December 31, 2009	Mr. Ghalib Nishtar
Next Capital Limited	10.00%	1,000,000	10,000	9,752	June 30, 2010	Mr. Najam Ali
Central Depository Company of Pakistan Limited	10.00%	5,000,000	10,000	158,389	June 30, 2010	Mr. Mohammad Hanif Jhakura
			331,500			
Shareholding upto 10%						
Fully paid up Ordinary Shares/ Certificates/ Units						
First Capital Investment Limited		250,000	2,500	2,647	June 30, 2010	Mr. Syed Kashan Kazmi
National Institute of Facilitation Technology Private Limited		985,485	1,527	51,952	June 30, 2010	Mr. Mohammad Naeem Malik
National Investment Trust Limited		79,200	100	97,491	June 30, 2010	Mr. Wazir Ali Khoja
SME Bank Limited		1,490,619	10,106	10,212	December 31, 2010	Mr. R. A. Chughtai
Arabian Sea Country Club		500,000	5,000	4,481	June 30, 2010	Mr. Arif Ali Khan Abbasi
Society for Worldwide Inter Fund Transfer (SWIFT)		18	1,738	5,276	December 31, 2009	Mr. Lazara Campos
Credit Information Bureau of Srilanka		300	23	5,421	March 31, 2009	Mr. G. P. Karunaratne
Lanka Clear (Private) Limited		100,000	772	2,988	March 31, 2010	Mr. Sunimal Weerasooriya
Lanka Financial Services Bureau Limited		100,000	772	970	March 31, 2009	Mr. Rajendra Thegarajah
Pakistan Agro Storage and Services corporation*		2,500	2,500	-	-	-
Equity Participation Fund*		15,000	1,500	-	-	-
Al-Ameen Textile Mills Limited.*		19,700	197	-	-	-
Ayaz Textile Mills Limited.*		225,250	2,252	-	-	-
Custodian Management Services*		100,000	1,000	-	-	-
Musarrat Textile Mills Limited.*		3,604,500	36,045	-	-	-
Sadiqabad Textile Mills Limited.*		2,638,261	26,383	-	-	-
			92,415			
Cost of unlisted shares/ certificates/ units			523,915			
Provision against unlisted shares			(70,645)			
Carrying value of unlisted shares/ certificates/ units			453,270			

* These are fully provided unlisted shares.

2.1 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.

3. 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)	Profit	Principal Redemption	Balance as at December 31, 2010 (Rupees in '000)	Name of Chief Executive
LISTED TERM FINANCE CERTIFICATES - available for sale							
Askari Bank Limited - issue no. III	50,000	5,000	250,000,000	6 months KIBOR + 2.5% p.a. for first five years & 6 months KIBOR +2.95% for next five years	0.32% of principal amount in the first 96 months and remaining principal in four equal semi annual installments starting from the 102nd month from issue.	249,900	Mr.R. Mehakri
Bank Alfalah Limited - issue no. III	100,000	5,000	500,000,000	6 months KIBOR + 2.5% p.a.	0.26% of principal amount in the first 78 months and remaining principal in three semi -annual installment starting from the 84th month.	499,800	Mr. Sirajuddin Aziz
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.	94,000	Mr. Fawad Ahmed Mukhtar
United Bank Limited - issue no. IV	144,399	5,000	721,995,000	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.	681,361	Mr. Atif R. Bokhari
Allied Bank Limited - issue no. I	11,960	5,000	59,800,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	55,788	Mr. Khalid Sherwani
Allied Bank Limited - issue no. II	19,000	5,000	95,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	91,351	Mr. Khalid Sherwani
Carrying value before revaluation						1,672,200	
Surplus on revaluation of securities						15,903	
Market value of listed TFCs (revalued amount)						1,688,103	
SUKUK BONDS - available for sale							
	Terms of Redemption		Rate of interest	Currency			
	Principal	Interest					
WAPDA Sukuk Bonds	At maturity	Half-yearly	6 Month KIBOR+0.35%	PKR		400,000	Mr. Muhammad Shakil Durrani
Government of Pakistan Ijara Sukuks	At maturity	Half-yearly	6-Month MTB Auction Weighted Average Yield.	PKR		1,700,000	
Deficit on revaluation of securities						(5,273)	
Market value of sukuk bonds						2,094,727	
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, 2010	Name of Chief Executive
Askari 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 96th month from February 2005.	97,811	Mr.R. Mehakri
- issue no. II	19,980	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 96th month from October 2005.	96,793	--do--
	39,980		199,900,000				
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.	49,259	Mr. Sirajuddin Aziz
- issue no. II	39,720	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.	192,911	--do--
	49,720		248,600,000				
Jahangir Siddiqui and Company Limited	56	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 8-1/2 years from December 2004.	279,272	Mr. Munaf Ibrahim
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.	95,423	Mr. Abbas D. Habib
Soneri Bank Limited	30,000	5,000	150,000,000	5 months KIBOR + 1.6% p.a.	In 4 semi annual equal installments starting from the 78th month from May 2005.	145,842	Mr. Atif Bajwa
United Bank Limited - issue no. III	56,978	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.	282,122	Mr. Atif R. Bokhari
Allied Bank Limited	46,400	5,000	232,000,000	6 months KIBOR + 0.85% p.a. for first five years & 6 months KIBOR+1.30% for next 5 years.	0.38% of principal amount in the first 114 months and remaining principal will be paid at maturity	231,908	Mr. Khalid Sherwani
JDW Sugar Mills Limited	45,000	5,000	225,000,000	3 months KIBOR + 1.25% p.a.	Quarterly installments starting from March 23, 2010	175,000	Mr. Jehangir Khan Tareen
Shakarganj Mills Limited	16,000	5,000	80,000,000	6 Month KIBOR +2.25% p.a.	In 10 equal semi-annual installments starting from 18th Month from the date of issue date .	80,000	Mr. Ahsan Saleem
Islamabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	5 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	750,000	Mr. Javed Pervaiz
Gujranwala Electric Supply Company Limited	200,000	5,000	1,000,000,000	5 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	750,000	Muhammad Ibrahim Majoka
Faisalabad Electric Supply Company Limited	200,000	5,000	1,000,000,000	5 Month KIBOR +0.23% p.a.	In 4 equal semi-annual installments starting from November 2009.	750,000	Tanveer Safder Cheema
Carrying value of unlisted TFCs						3,976,341	

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

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

ANNEXURE - I

Description	Terms of Redemption		Rate of interest	Currency	Foreign Currency Amount (in '000)	Carrying value as at December 31, 2010 (Rupees in '000)
	Principal	Interest				
Debentures						
Singer (Sri Lanka) Plc.	At maturity	Half-yearly	21.85%	SLR	90,000	69,462
Sukuk Bonds						
WAPDA Sukuk Bonds	At maturity	Half-yearly	5 Month KIBOR+0.35 %	PKR	-	400,000
Sui Southern Gas Company Limited Sukuk Bonds	At maturity	Quarterly	3 Month KIBOR+1.4%	PKR	-	145,833
Maple Leaf Cement Factory Limited Sukuk Bonds	In 8 unequal semi-annual installments.	Half-yearly	5 Month KIBOR+1.70 %	PKR	-	374,681
Quetta Textile Mills Limited Sukuk Bonds	In 12 equal semi-annual installments.	Half-yearly	5 Month KIBOR+1.50 %	PKR	-	72,500
J.D.W Sugar Mills Limited Sukuk Bonds	In 18 unequal quarterly installments.	Quarterly	3 Month KIBOR+1.25 %	PKR	-	136,111
Sitara Energy Limited	In 8 equal semi-annual installments.	Half-yearly	5 Month KIBOR+1.15 %	PKR	-	98,636
Century Paper and Boards Mills Limited Sukuk Bonds	At maturity	Half-yearly	5 Month KIBOR+1.35 %	PKR	-	200,000
					-	1,427,761
Euro Bonds						
Pakistan Euro Bonds	At maturity	Half-yearly	7.125% & 6.875	US\$	16,892	1,446,590

5 Investment in subsidiaries

Details of the Bank's subsidiary companies are as follows:

Name	% of holding	Country of incorporation	Year of incorporation
MCB Financial Services Limited (Formerly Muslim Commercial Financial Services (Private) Limited)	* 99.99	Pakistan	1992
MNET Services (Private) Limited	* 99.95	Pakistan	2001
MCB Trade Services Limited	100	Hong Kong	2005
MCB Asset Management Company Limited	* 99.99	Pakistan	2005
"MCB Leasing" Closed Joint Stock Company	95	Azerbaijan	2009

* Remaining shares are held by certain individuals as nominees of the Bank.

6 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 after tax	% of interest held
		----- (Rupees in '000) -----					
2010							
First Women Bank Limited (unaudited based on September 30, 2010)	Pakistan	12,804,666	11,704,309	1,100,357	460,994 *	18,687	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2010)	Pakistan	25,809,424	15,155,098	10,654,326	5,049,611 **	133,317	29.13%
		<u>38,614,090</u>	<u>26,859,407</u>	<u>11,754,683</u>	<u>5,510,605</u>	<u>152,004</u>	
2009							
First Women Bank Limited (unaudited based on September 30, 2009)	Pakistan	10,645,302	9,481,305	1,163,997	415,120 *	(7,684)	26.78%
Adamjee Insurance Company Limited (unaudited based on September 30, 2009)	Pakistan	21,364,087	10,882,002	10,482,085	5,187,372 **	2,308,817	29.13%
		<u>32,009,389</u>	<u>20,363,307</u>	<u>11,646,082</u>	<u>5,602,492</u>	<u>2,301,133</u>	

* Represents net mark-up / interest income and non mark up income

** Represents net premium revenue

ISLAMIC BANKING BUSINESS

The Bank is operating 14 Islamic banking branches at the end of December 31, 2010 (2009: 11 branches).

Statement of Financial Position

As at December 31, 2010

	2010	2009
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	526,377	315,766
Investments	2,147,807	1,671,364
Financing and receivables		
-Murabaha	1,976,942	1,466,368
-Ijara	381,315	771,734
-Islamic export refinance	1,048,050	1,239,498
Deferred tax asset	1,846	1,352
Other assets	3,260,611	2,725,991
Total Assets	9,342,948	8,192,073
LIABILITIES		
Bills payable	74,335	15,779
Deposits and other accounts		
-Current accounts	322,253	231,793
-Saving accounts	2,902,032	1,450,493
-Term deposits	2,960,509	271,760
-Others	166	2,790
Borrowings from SBP	1,079,000	1,137,307
Due to head office	657,640	3,600,000
Deferred tax liability	-	-
Other liabilities	379,331	420,598
	8,375,266	7,130,520
Net Assets	967,682	1,061,553
REPRESENTED BY		
Islamic banking fund	850,000	850,000
Unappropriated profit	121,110	214,064
	971,110	1,064,064
Surplus on revaluation of assets - net of tax	(3,428)	(2,511)
	967,682	1,061,553
Remuneration to Shariah Advisor / Board	1,424	1,200
<u>CHARITY FUND</u>		
Opening balance	1,998	2,093
Additions during the year		
Received from customers on delayed payments	1,621	1,311
Profit on charity saving account	144	94
	1,765	1,405
Payments / utilization during the year		
Social Welfare	-	(500)
Health	-	(600)
Education	-	(400)
Relief and disaster recovery	(2,000)	-
	(2,000)	(1,500)
Closing balance	1,763	1,998

ISLAMIC BANKING BUSINESS**Profit and Loss Account***For the year ended December 31, 2010*

	2010	2009
	(Rupees in '000)	
Income / return / profit earned	956,850	974,180
Income / return / profit expensed	<u>639,234</u>	<u>652,766</u>
	317,616	321,414
Provision against loans and advances - net	49,942	37,736
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>49,942</u>	<u>37,736</u>
Net profit / income after provisions	267,674	283,678
Other income		
Fees, commission and brokerage income	20,352	16,102
Dividend income	-	-
Income from dealing in foreign currencies	4,805	7,446
Other Income	13,703	14,403
Total other income	<u>38,860</u>	<u>37,951</u>
	306,534	321,629
Other expenses		
Administrative expenses	183,961	107,263
Other provisions / write offs	-	-
Other charges (penalty paid to SBP)	1,463	302
Total other expenses	<u>185,424</u>	<u>107,565</u>
Extra ordinary / unusual items	-	-
Profit before taxation	<u>121,110</u>	214,064
Taxation - Current	-	-
- Prior years	-	-
- Deferred	-	-
	-	-
Profit after taxation	<u>121,110</u>	<u>214,064</u>

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/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
1	Jawad Haider Filling Station Address:76-E-1 Wapda Town, Lahore	Bushra Ali	35303-9854040-8	Sved Saijad Hadier	2,300	1,421	-	3,721	-	-	832	832
2	Nasir Traders Near Degree College Badoo Malhi, Narowal	Nasir Mehmood	34501-12025468-9	Nasarullah Khan	199	557	-	756	-	-	598	598
3	Umar Fabrics 76-New Anarkali, Lahore	Muhammad Nawaz	35202-3595202-5	Haji Jalal Din	2,416	1,090	70	3,576	-	-	896	896
4	Nisar Ahmad Mirza Pur Post Office Mandi Faizabad, Tehsil and District, Nankana Sahib	Nisar Ahmed	35402-1125594-1	Bashir Ahmad	3,142	1,547	-	4,689	-	-	1,752	1,752
5	Liaquat Oil Mills Rehman Road, Misri Shah, Lahore	Liaquat Ali	264-54-118179	Sh. Atta Muhammad	-	1,718	-	1,718	-	-	1,718	1,718
6	Pak Rice & Flour Mills Ban Haij Pura, Sialkot	Abdul Waheed Abid Javaid Sajid Javaid Kamran Wahid	34603-7890211-1 36403-4072797-7 34603-2906038-7 34603-6100643-9	Abdul Rasheed Abdul Waheed Abdul Waheed Abdul Waheed	10,691	9,169	-	19,860	-	-	8,396	8,396
7	Fabnus Construction 43 K Model Town, Lahore	Mashood-ur-Rehman Riaz Ahmed Ch Ruqqaya Begum	352021259874-1 352026987423-1 352021479658-9	Riaz Ahmed Ch Muhammad Hassan Ch Riaz Ahmed Ch	1	4,672	139	4,812	-	-	2,311	2,311
8	Hirra Farooq 14 G Gulberg III, Lahore	Mian Bashrat Zia Mian Faiz Jamil Mian Ifikhar Ahmed Mian Ayaz Farooq Mian Waqar Mohsin Mrs.Khawar Ayyaz Mrs. Shazia Bashrat	352025545555-5 352021569841-3 352021269856-4 352025155855-5 352021456985-3 352023256944-5 352021563354-7	Ch. Muhammad Hussain Ch. Muhammad Hussain Ch. Muhammad Zia Ch. Muhammad Hussain Ch. Muhammad Hussain Mian Ayaz Ahmed Mian Bashrat Zia	-	67,735	1,200	68,935	-	-	51,335	51,335
9	SB Metal Casting 2- Retanwala, Gujranwala	Arshad Saiddiqui	285-68-046231	Muhamamd Ibrahim	-	1,958	-	1,958	-	-	990	990
10	Warraich Flour Mills Gujrat, Sargodha Road	Bashir Ahmed	34403-2826199-1	Sardar Khan	4,968	2,982	-	7,950	-	-	5,202	5,202
11	Al Moin Foundrv 410/B, G.T. Road, Daroghawala, Lahore	Mian Muhammad Favvaz	352015482511-1	Muhamamd Shafi	4,999	2,889	-	7,888	-	-	2,918	2,918
12	Premier Agencies 21-L, DHA, Lahore	M. Abid Sultan	265-68-467011	M. Nawaz	288	6,692	-	6,980	288	-	6,827	7,115
13	SMA International Nasir Road, Silakot	Mr.Nadeem Sheikh	34603-7015805-9	Sh.Muhammad Aslam	-	1,671	-	1,671	-	-	1,671	1,671
14	Saadullah Khan & Brothers 10-A Gulberg III, Lahore	Abaidullah Khan Ahsanullah Khan Asadullah Khan Fazal Akbar Inayatullah Khan Kamal Nasir Khan M Faisal Khan Rahmatullah Khan Shahbuddin Khan Sheharvar Khan	544008534874-7 511011802327-9 422016811621-9 511016464800-5 511012003813-3 565035034439-7 51101203811-5 511017752840-1 5440007154841 42201194933-8	Sh Mirak Khan Abaidullah Khan Sultan Mehmood Rahmatullah Khan Sh Mirak Khan Abaidullah Khan Inayatullah Khan Sh Mirak Khan Saadullah Khan Faizullah Khan	5,609	-	4,752	10,361	-	-	5,748	5,748

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/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
15	Hasnain Associates 271-K1 Wapda Town, Lahore	Javed Iqbal	35201-1633810-1	M.Sharif	-	1,654	-	1,654	-	-	1,654	1,654
16	Em Jay International 85 Jinnah Park, Jilani Street, Sheikhpura	Farid Jillani Mushtaq Ahmad Bhatti Shakil Ahmad Bhatti Najib Jillani Muhammad Munawar Mushtaq Ahmad	35404-5600884-5 35403-6245788-7 35404-6636613-3 35201-1496421-9 35404-7632066-91 35404-1258417-3	Masood Jillani Noor Muhammad M. Afzal Bhatti Masood Jillani M. Nazir Ch Khuda Buksh	2,999	2,465	-	5,464	-	-	2,247	2,247
17	Siddique Ikram Industries Kamir Road, Pakpattan Sharif	Muhammad Ijaz Muhammad Ikram	35206-4552233-1 35206-4552336-5	Muhammad Shafi Ali Muhammad	845	2,028	-	2,873	-	-	3,344	3,344
18	Muazzam Traders Grain Market, Pakpattan Sharif	Sh.Muhammad Afzal Sh.Muhammad Arshad	35207-2266521-2 352620-4566233-6	Ali Muhammad Ali Muhammad	742	2,367	-	3,109	-	-	1,883	1,883
19	United Corporation Grain Market, Pakpattan Sharif	Mrs.Munaza Yasmin Muhammad Ijaz Mrs.Safia Ikram	35202-1545455-6 35202-1548484-3 35602-4545444	Muhammad Afzal Muhammad Shafi Muhammad Ikram	177	1,109	-	1,286	-	-	1,141	1,141
20	M/s Leatherise 65-D Staff Housing Society, Lahore	Khalid Habib Rashid Habib Amjad Habib	352022543488-7 352022543953-3 352022553581-7	Habib ur Rehman Habib ur Rehman Habib ur Rehman	1,700	1,090	-	2,790	-	-	960	960
21	Asad Traders Galla Mandi, Muridke	Shahzab Ahmad	35401-4371705-9	Abdul Ghafoor	2,848	1,658	43	4,549	-	-	1,906	1,906
22	Irshad Sons House No. 675, Shadman Coloney, Lahore.	Muhammad Shams Uz Zaman	35202-4566169-1	Ch. Irshad Muhammad	5,660	2,284	32	7,976	-	-	3,356	3,356
23	Muhammad Shams Uz Zaman House No. 675, Shadman Coloney, Lahore	Muhammad Shams Uz Zaman	35202-4566169-1	Ch. Irshad Muhammad	4,447	1,139	88	5,674	-	-	1,529	1,529
24	Alpine International 148/2-F Phase 5, DHA, Lahore	Hasnat Ul Khairat Khairat Hussain Ch	35201-91846927 34603-6486609-9	Khairat Hussain Ch Sadat Din	-	30,114	-	30,114	-	-	30,114	30,114
25	Jawed Omer Vohra & Company Room No. 507-511, Karachi Stock Exchange Building, Karachi	Mr. Muhammad Bilal Vohra Mr. Muhammad Iqbal Mr. Syed Ahmed Karim Ms. Avesha Mubashir Ms. Saira Faraz Ms. Fatima Aamir Mian Saleem ul Haq	42301-9975536-7 42301-5207680-9 42201-1243084-3 42301-0943809-4 42301-0992219-4 42301-0350898-6 38403-1287140-9	S/o Javed Omer Vohra (Late) S/o Ismail S/o Syed Altaf Karim W/o Mubashir Usman W/o Faraz Perwaiz W/o aamir Naseer Barkhudaria S/o Muhammad Aslam Mian	-	9,808	201	10,009	-	-	10,009	10,009
26	Firdous Carpets (Pvt) Ltd 1) 104, 1st Floor, Al-Farid Centre, Moulvi Tamizuddin Khan Road Karachi 2) 13/14, & 14/14, Firdous Colony, Gulbahar, Karachi	Muhammad Muzaffar (Late) Mrs. Zohra Khatoon Tanveer Muzaffar	42201-8087458-9 42201-6314650-6 42301-4037708-9	S/o Muhammad Idrees W/o Muhammad Muzaffar S/o Muhammad Muzaffar	5,208	2,985	-	8,193	-	-	2,985	2,985
27	Madina Rice Mill Wagan Road Larkana	Haji Fateh Mohammad Shaikh	43203-1368753-7	Muhammad Yousuf Shaikh	1,500	930	-	2,430	-	-	930	930
28	Faruki Pulp Mills Limited 409-Ferozpur Road Lahore	Majeed Akbar Faruki Nasim Akbar Faruki Kaleem Akbar Faruki Mian Naeem Akbar Faruki Salim Akbar Faruki Abdul Sami Pervez Aslam Faruki	34201-0453242-5 34201-0350518-3 35201-1513228-7 35201-1425526-3 35202-7905561-1 35202-4367455-7 35201-6788982-5	Muhammad Akbar Faruki Muhammad Akbar Faruki Muhammad Akbar Faruki Mian Muhammad Akbar Faruki Mian Muhammad Akbar Faruki Abdul Samad Aslam Riaz Faruki	8,744	5,860	-	14,604	-	-	9,015	9,015

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/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
29	Kamran Motors D/69, PECHS, Block-2, Karachi	Zeesan Ali Khan	42201-3946325-3	Farzand Ali Khan	1,821	1,427	-	3,248	-	-	1,427	1,427
30	Kashif Ahmed D-24, Blocj-I, North Nazimabad, Karachi	Kashif Ahmed	42101-1870710-5	Ishtiaq Ahmed	2,890	1,458	-	4,348	-	-	1,458	1,458
31	M/s. Green Way Chemicals P-28/51, Street No. 02, Islam Nagar, Faisalabad	Syed Zafar Ali Shah	33100-4021799-5	Syed Dawaan Ali Shah	-	-	-	-	-	-	775	775
32	M/s. Al Rehmat Cotton Ginning & Pressing (Pvt.) Limited Mungi Bungalow, Tehsil Goira Distt, T T Singh	Haji Ghulam Rabbani Ch Ali Akbar Tahira Rabbani	255-36-159317 255-34-315914	Haji Barkat Ali Ch. Rehmat Ali Ghulam Rabbani	-	-	-	-	-	-	8,582	8,582
33	Allah Yaar Ansari Ghallah Mandi, Sargodha	Allah Yaar Ansari	231-43-187714	Mian Ranjha	-	-	-	-	-	-	738	738
34	Al Furqan Traders 64-Chenab Market, Madina Town, Faisalabad	Sajid Ehsan Zubaida Ehsan	33100-1423473-1 33100-9110783-0	Ehsanullah Ehsanullah	-	-	-	-	-	-	2,776	2,776
35	Rashid & Brothers 302- Jalwi Market, Jarranwala Road, Faisalabad	Ehsan U allah	33100-9361093-3	Abdul Hakeem	2,997	-	-	2,997	-	-	1,644	1,644
36	Shahzad Electronics Kotwali Road, Faisalabad	Naseer U Din Hamayoun Butt	244-55-109945	Mohammad Aslam Butt	801	-	-	801	-	-	1,479	1,479
37	Charde Garments International P-679, A Small Industrial Estate, Sargodha Road, Faisalabad	Syed Taffakar Hussain Shah Syeda Rukhsana	101-51-072314 501-56-161872	Syed Anwar Hussain Syed Taffakar	613	-	-	613	-	-	1,192	1,192
38	Deen International 82-Rachna Town, Satiana Road, Faisalabad	Mohammad Ijaz Mohammad Shahbaz	33100-8828395-3 33100-5788385-1	Mohammad Islam Mohammad Islam	2,100	-	-	2,100	-	-	1,533	1,533
39	Rose Textile Plot No. P-04, Lasani Market, Chiniot Bazar, Faisalabad	Mohammad Zahid	33100-7534305-7	Mohammad Akram	2,100	-	-	2,100	-	-	1,208	1,208
40	Sangam Hotel & Restaurant (Pvt) Limited Domail Muzafarabad, Azad Kashmir	Sh. Shaukat Rashid Sh Tahir Rashid Sh. Tariq Rashid	710-89-042830 710-60-042827 710-60-042826	Sh. Abdul Rashid Sh. Abdul Rashid Sh. Abdul Rashid	-	2,517	-	2,517	-	-	2,517	2,517
41	Standard Furniture House Neelam Road, Muzafarabad	Mehboob-ur-Rehman Tareen	82203-5672310-7	Abdul Latif Khan Tareen	344	2,645	50	3,039	-	-	2,056	2,056
42	Malik Muhammad Ashraf House No L-32, Street 04, ZafarulHaq Road, Rawalpindi	Malik Muhammad Ashraf	37405-3453880-1	Muhammad Ismail	1,366	1,404	46	2,816	-	-	1,276	1,276
43	Pak Printing & Packages Corporation (Pvt) Limited Industrial Estate Hvatatabad Peshawar House No 133-A, Laki Gate, Mohalla Salar Yaqub, Bannu City	Mir Alam Jan Khan Alam	17301-4037249-3 17301-9043630-1	Haji Nazir Haji Nazir	24,995	2,606	-	27,601	-	-	4,886	4,886
44	International Beverages (Pvt) Limited Plot No 281, Industrial Estate I-9, Islamabad	Mehboob Elahi Mehfooz Elahi Mehmood Elahi	101-41-045669 101-69-233847 101-76-233849	Muhammad Hussain Mehboob Elahi Mehboob Elahi	4,427	34,170	40	38,637	-	-	33,196	33,196
45	Al Hadia Agencies Banda Jalal Road, Abbottabad	Wali Muhammad Zaman	13101-9997485-7	Muhammad Zaman	3,199	898	20	4,117	-	-	1,266	1,266
46	Muhammad Irshad Irshad Hardware Store, Shahrae Resham Punjab Chowk, Mansehra	Muhammad Irshad	13503-0657887-9	Muhammad Suleman	1,397	1,074	45	2,516	-	-	620	620

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/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
47	Rose Wood Handicrafts 50, Street No 01, Committee Mohalla, Rawalpindi	Adeel Mirza Sadaf Mirza Sohail Mirza	210-79-717081 210-77-717080 101-75-565377	Muhammad Yaqub Mirza Muhammad Yaqub Mirza Riaz Akhtar	36	861	35	932	-	-	-	533
48	M/S. Iqbal Model Factory 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi	Malik Farrukh Iqbal Nazish Farrukh Safeera Begum	359-62-333792 358-77-772514 359-35-333788	Malik Iqbal Ahmad W/o Malik Farrukh Iqbal W/o Malik Muhammad Iqbal	-	755	-	755	-	-	755	755
49	M/S. S.G Crop Sciences 193-D Block-V Model Town-C, Bahawalpur	Dilber Hussain Muhammad Asif	31202-2571216-5 31202-0284568-7	Muhammad Sadiq Faqir Hussain Javed	-	978	-	978	-	-	978	978
50	M/S. Asif Industries Pvt Ltd. Qazi Wala Road Kilometer # 3, Tehsil Chishtian, Distt, Bahawalnagar	Muhammad Asim Javed Muhammad Hashim Muhammad Asif Javed Mst. Mussarat Iqbal	354-91-164800 354-91-164851 354-93-164852 54-54-164844	Manzoor Javed Manzoor Javed Manzoor Javed W/o Manzoor Ahmed	1,477	5,011	100	6,588	-	-	4,500	4,500
51	M/S. Ghous Corporation Cotton Ginners Bye Pass Road, Rahim Yar Khan	Mian Abdul Hai Zakia Qayyum Noor Ellahi Anwar Fatima Naseem Akhtar Irshad Elahi	358-48-358984 358-90-205887 358-50-358985 358-55-709901 358-56-468189 358-41-036026	Mian Ghous Muhammad W/o Mian Abdul Qayyum D/o Mian Atta Muhammad W/o Mian Abdul Sammad W/o Abdul Salam W/o Mian Ahmad Hassan	-	2,325	-	2,325	-	-	2,325	2,325
52	M/S. Ghous Sons Pvt Ltd. Bye Pass Road, Rahim Yar Khan	Abdul Manan Zakia Qayyum Munawar Fatima Anwar Fatima Irshad Elahi	358-78-666025 358-90-205887 358-56-466189 358-55-709901 358-41-036026	Mian Abdul Qayyum W/o Mian Abdul Qayyum W/o Mian Saleh Muhammad W/o Mian Abdul Sammad W/o Mian Ahmad Hassan	-	7,484	-	7,484	-	-	7,484	7,484
53	M/s Aziz ur Rehman Model Farm & Ginning Ghari Bagir Minthar Road, Sadiqabad	Aziz Ur Rehman Afshan Zareen	360-73-546094 360-93-323740	Jind Wadda W/o Aziz Ur Rehman	1,739	1,507	90	3,336	-	-	1,278	1,278
54	Four Star Cotton Ginners Chak No.7/F Syedanwala, Chishtian	Javaid Ul Haq Islam Ul Haq Muhammad Arshad	354-93-010671 354-90-010672 352-62-112768	Shah Muhammad Shah Muhammad Muhammad Amin	750	2,456	36	3,242	-	-	2,169	2,169
55	Kissan Dost Corporation Ghalla Mandi, Chishtian	Javaid Ul Haq	354-93-010671	Shah Muhammad	490	1,479	36	2,005	-	-	762	762
56	Rafiq Model Industries Near Railway Station Sheja, Khan pur	Muhammad Rafique Shahid Iqbal Tasneem Akhter Tufiq Iqbal Zafar Iqbal Atiq Ur Rehman Balqees Akhter Khaleed Iqbal Muhammad Afzal Muhammad Arshad	359-88-000926 359-90-327411 359-56-328264 359-62-327410 359-93-326620 359-88-327407 359-50-397029 359-85-405466 359-59-032688 359-54-328263	Fateh Muhammad Faqir Muhammad Faqir Muhammad Faqir Muhammad Fateh Muhammad Faqir Muhammad Faqir Muhammad Fateh Muhammad Fateh Muhammad Fateh Muhammad	4,010	2,824	100	6,934	-	-	2,486	2,486
57	S S Ginners 60-A Ghalla Mandi, Khanewal	Muhammad Younas Muhammad Sadiq Muhammad Sharif Khaliq mehmood	329-90-571733 329-43-012496 329-85-440711 329-90-440714	Muhammad Sharif Noor Muhammad Noor Muhammad Muhammad Sharif	2,250	6,416	100	8,766	-	-	5,769	5,769
58	Lucky Chemicals 62-C Khayaban-e-Sarwar, D.G.Khan	Umer Khosa Akbar Ali Ejaz Fareed Fayyaz Fareed Ghulam Fareed	30959-4327580-0 30965-4169810-0 30993-0148010-0 30979-7099460-0 30993-1220560-0	Hafiz Jindan Muhammad Shafi Muhammad Bukhsh Muhammad Bukhsh Muhammad Bukhsh	1,499	751	40	2,290	-	-	599	599

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/ Markup Written off	Other Fin. Reliefs Provided	Total
		Name	NIC No.		Principal	Intt/Acc/Mup	Others	Total				
59	Kissan Agro Industries KLP Road, Rahimyar khan	Muhammad Nauman Sagheer Muhammad Usman Sagheer	358-77-448082 357-77-448083	Muhammad Sagheer Ahmed Muhammad Sagheer Ahmed	-	1,977	-	1,977	-	-	1,977	1,977
60	Tanveer Masood & Co Airport Road, Khanpur	Javaid Rasul Tanveer Masood	359-54-013425 359-93-013423	Ch Ghulam Rasul Ch Ghulam Rasul	-	1,371	-	1,371	-	-	1,160	1,160
61	Al-Amin Flour Mills KLP Road By Pass, Sadiqabad	Rukhsana Tariq Sh Imran Tariq Tahir Mehmood Tariq Mehmood M Zeeshan Tariq	31304-9541664-9 31304-2104105-5 31304-7463059-1 31304-9501664-9 31304-2067888-5	Sh Tariq Mehmood Sh Tariq Mehmood Allah Ditta Allah Ditta Allah Ditta	2,022	1,235	50	3,307	-	-	910	910
62	Shafique & Co 109.Faisal Town Al-Farooq Road, Bahawalpur	Shafique Ahmed	31202-4632874-5	Ghulam Muhammad	1,199	953	55	2,207	-	-	668	668
63	Shalimar Textile Mills KLP Road, Sadiqabad	Quyyum Abid Chaudhary	42301-1058223-9	Siddiq Ahmed	5,017	4,949	50	10,016	-	-	1,849	1,849
64	Siddique Zari Services Mouza Gaddai Gharbi Basti Murradani Tehsil & Distt, D.G.Khan	Muhammad Siddique	32102-4848211-9	Muhammad Moosa	1,455	1,088	61	2,604	-	-	1,011	1,011
65	Warraich Traders Adda 28/10 R Kucha Khuh Vehari Road, Khenewal	Ch Safdar Munir	36302-4099280-7	Ch Muhammad Hussain	3,798	1,882	50	5,730	-	-	1,978	1,978
66	Khurram Ishaq Traders Jampur Road, Dera Ghazi Khan	Suhail Ishaq Khan	32102-5480181-1	M. Ishaq Khan	160	1,231	-	1,391	-	-	953	953
67	Pak Food 218-C, Saidpur Multan Road, Lahore	Muhammad Nasir Maqbool	35202-2920775-3	Maqbool Ahmed	2,300	785	-	3,085	-	-	641	641
68	Atif Corporation Flat # 84, A/II, Nawaz Court Block-16 Fedral "B" Area, Karachi	Syed Asghar Ali, Prop	45504-0698507-1	Baber Ali Syed	992	669	85	1,746	509	669	52	1,230
69	Nasir Commission Shop Ghallah Mandi, Bucheki	Mohammad Ashraf Mohammad Abbas	33104-2125569-3 33104-212557-7	Ghulam Rasool Mohammad Ashraf	2,964	751	-	3,715	-	751	-	751
70	Rafique Medical Hall Yaru Khel Road, Mohalla Eid Mianwali	Mohammad Rafique	38302-1172967-7	Ghulam Mohammad	400	140	-	540	400	140	-	540
71	Abdul Hameed Shahid Autos New Jail Road Chungi Amar Shedu, Lahore	Abdul Hameed	35201-9544706-3	M. Yousaf	464	50	-	524	214	77	219	510
72	Syed Qalbb e Abbas Sherazi Shop No 14, 15 Moti Plaza Muree Road, Rawalpindi	Syed Qalbb e Abbas Sherazi	37405-0615976-9	Syed Safeer Hussain Shah Sherazi	714	118	-	831	214	308	-	522
73	Abdul Rasheed Suit # 05 Mezanine Floor Poona Wala Tower Jamshed Road, Karachi	Abdul Rasheed	42301-5380243-9	Saleh Muhammad	3,319	1,196	-	4,515	1,319	2,154	-	3,473
74	Amoon Akram 1361/22, Main Double Road, Azam Basti, Karachi	Amoon Akram	42301-0753966-3	Akram	7,992	991	-	8,983	989	1,705	-	2,693
75	Sadia Moazam Plot # 15-C 2nd Floor Sunset Bulevard PH 2 DHA, Karachi	Sadia Moazam	35201-1247344-8	Asad Shoaib	19,058	3,023	-	22,081	558	3,239	663	4,460
76	Syeda Sultana Fahim B-2, First Floor Ali Centre Block No 13-C Gulshan E Iqbal	Syeda Sultana Fahim	42101-1624340-0	Syed Fahim Ahmed Gilani	19,044	3,071	-	22,116	2,529	5,957	-	8,486
					201,682	276,128	7,614	485,423	7,019	15,001	272,082	294,634

Disposal of operating fixed assets (refer note 11.2.3)

Description	Cost/ revalued amount	Accumulate d depreciation	Book value	Sales proceeds/ insurance claim	Mode of disposal/ settlement	Particulars of buyers	Location
----- (Rupees '000) -----							
<u>Furniture and fixture, electrical, computers and office equipment</u>							
Items having book value in aggregate more than Rs. 250,000 or cost of more than Rs. 1,000,000	4,039	3,638	401	1,041	Auction	Karachi Auction Mart	Karachi
	1,600	1,370	230	67	Quotations	M/S Ghulam Mustaffa	
	13,883	13,764	119	225	Quotations	M/S Abdul Razzaq & Brothers Kabaria	Lahore
	19,522	18,772	750	1,333			
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,743	4,845	1,898	2,109	Auction/Quotation	Different Buyers	All Pakistan
<u>Vehicles</u>							
Mercedes Benz	8,860	7,088	1,772	1,772	Bank Car Policy	Mr. Atif Aslam Bajwa	Lahore
Honda Accord	4,225	3,380	845	845	Bank Car Policy	Mr. Atif Aslam Bajwa	Lahore
Mercediez Benz	3,526	2,821	705	705	Bank Car Policy	Mr. Agha Saeed	Lahore
Mercediez Benz	3,526	2,821	705	705	Bank Car Policy	Mr. Ali Munir	Lahore
Toyota Hilux	2,160	2,160	-	1,500	Under Claim	M/S Adamjee Insurance	Insurance Claim
Honda Civic	1,563	521	1,042	1,042	Bank Car Policy	Mr. Atif Aslam Bajwa	Lahore
Honda Civic	1,429	495	934	933	Bank Car Policy	Mr. M.A Saleem	Lahore
Honda Civic	1,383	627	756	1,207	Auction	Mr. Khalid Mehmood	Lahore
Honda Civic	1,376	826	550	972	Auction	Mr. Khurram Imtiaz	Insurance Claim
Toyota Corola	1,365	200	1,165	1,389	Under Claim	M/S Adamjee Insurance	Insurance Claim
	29,413	20,939	8,474	11,070			
Other Vehicles having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	23,130	17,004	6,126	18,729			
2010	78,808	61,560	17,248	33,241			
2009	123,318	60,840	62,478	93,092			

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

City	Land	Building	Total
	----- (Rupees in '000) -----		
Abbottabad	20,000	2,427	22,427
Bahawalpur	14,140	7,490	21,630
Chakwal	1,800	5,062	6,862
Chistian	13,200	1,260	14,460
Dera Gazi Khan	12,600	12,255	24,855
Dir	13,000	1,680	14,680
Faisalabad	486,286	141,939	628,225
Gawadar	450	-	450
Gujranwala	141,095	81,749	222,844
Gujrat	54,000	17,292	71,292
Hafizabad	32,000	4,402	36,402
Haripur	26,915	3,507	30,422
Haroonabad	14,640	1,980	16,620
Hyderabad	186,696	67,140	253,836
Islamabad	1,274,485	225,703	1,500,188
Jehlum	24,000	20,313	44,313
Jhang	19,625	2,218	21,843
Karachi	3,460,564	2,232,035	5,692,599
Kasur	14,040	1,434	15,474
Khanpur	19,033	7,218	26,251
Lahore	3,250,068	1,812,896	5,062,964
Larkana	27,420	5,197	32,617
Mianwali	14,375	16,780	31,155
Mirpur	57,352	8,635	65,987
Mirpurkhas	22,640	4,901	27,541
Multan	99,393	318,968	418,361
Muree	20,000	901	20,901
Muridke	30,000	3,234	33,234
Muzafarabad	57,235	7,993	65,228
Naushero Feroze	5,930	1,366	7,296
Okara	16,338	10,945	27,283
Peshawar	86,000	18,207	104,207
Quetta	276,760	31,082	307,842
Rahim Yar Khan	5,940	5,270	11,210
Rawalpindi	388,593	110,430	499,023
Sadiqabad	23,595	4,130	27,725
Sahiwal	14,720	10,753	25,473
Sargodha	74,147	16,205	90,352
Shahdapur	4,850	756	5,606
Sheikhupura	40,000	8,606	48,606
Shujabad	6,400	3,250	9,650
Sialkot	40,000	10,313	50,313
Moro	8,500	2,150	10,650
Sukkur	35,920	12,853	48,773
Swat	46,600	4,568	51,168
Tando Allahyar	2,600	727	3,327
Vehari	5,555	1,637	7,192
Wazirabad	12,000	6,062	18,062
Overseas	-	54,026	54,026
Grand total	10,501,500	5,329,945	15,831,445