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# **National Bank of Pakistan**

## Financial Statements

For the year ended December 31, 2007

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**Board of Directors**

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*Chairman & President*

Syed Ali Raza  
Muhammed Ayub Khan Tarin  
Sikandar Hayat Jamali  
Azam Faruque  
Mian Kausar Hameed  
Ibrar A. Mumtaz  
Tariq Kirmani  
Muhammed Arshad Chaudhry

**Audit Committee**

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*Chairman*

Azam Faruque  
Ibrar A. Mumtaz  
Mian Kausar Hameed

**Auditors**

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*Chartered Accountants*

*Chartered Accountants*

Ford Rhodes Sidat Hyder & Co.  
M. Yousaf Adil Saleem & Co.

**Legal Advisors**

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*Advocates & Legal Consultants*

Mandviwala & Zafar

**Registered & Head Office**

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NBP Building  
I.I. Chundrigar Road, Karachi  
Pakistan

**Registrars & Share Registration Office**

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THK Associates (Pvt.) Limited  
Shares Department, Ground Floor,  
Modern Motors House,  
Beaumont Road,  
Karachi, Pakistan

**Website**

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[www.nbp.com.pk](http://www.nbp.com.pk)

## Directors Report

It gives me great pleasure to present on behalf of the Board of Directors, annual accounts of the bank for the year ended December 31, 2007.

NBP continued its journey of success based on our strategy of serving clients better.... a company agile enough to take advantage of its unique domestic and international footprint, capitalizing on the largest balance sheet and customer base in Pakistan with high cross sell potential. Our standalone AAA rating (the highest in the industry), our RoE, which is amongst the highest in the Asian banking industry, and our comfortable capital adequacy ratios, position us well in front of our competitors for future growth.

Year 2007 has been an outstanding year with the bank recording the highest profit in its history. Our wide range of product offering, large branch network and committed workforce are some of our fundamental strengths that enabled us to achieve exceptional results in a very competitive market.

The pre-tax profit increased to Rs. 28.06 billion, an increase of 6.6% over last year. Earning per share jumped by over 11.7% from Rs.20.88 in 2006 to Rs. 23.34 in 2007. Pre-tax return on equity stood at 45.9%, whereas pre-tax return on assets stands at 4.1% and cost to income ratio of 0.30 remained one of the highest in the sector. These results were possible despite the fact that NBP had to make additional provision of over Rs.3 billion as a result of withdrawal of Forced Sales Value (FSV). This year NBP also availed the offer to redeem upto 10% of its holding in NIT Units held by the bank under Letter of Comfort (LoC) arrangement, this sell off resulted in a Capital gain of Rs. 1.8 billion.

Increase in pre-tax profit was achieved through strong growth in core banking income. Net Interest income increased by Rs. 3.5 billion (11.5%) due to better yields and volume driven growth spurred by increase in consumer loan portfolio. Dividend income and Capital Gains also made a healthy contribution as it increased by Rs. 371 million and Rs. 1,145 million over 2006 respectively mainly owing to higher dividends from NIT Units as well as Capital gains recorded on sell of 10% NIT Units. Advances increased by Rs. 25 billion due to impressive contribution by all business units. Deposits increased by a healthy Rs. 90 billion or 18% over last year. The bank's NPL provision coverage ratio also stands at an impressive 84%.

### Corporate Banking

The Corporate Banking Group achieved excellent results in 2007 with a number of land mark transactions in cement, energy, communication and fertilizer sectors.

In addition to the funded income our corporate and investment banking has substantially increased its fee base income this year by being the lead advisor in a number of transactions in the Corporate world of Pakistan.

The challenges to corporate business in year 2007 were manifold, including reduction in private credit investment as a result of slowing down of economy as well as rising interest rates. The increasing pressure on the textile industry reduced the lending to this sector. In addition the bank's corporate loans yields also faced pressure as substitute form of funding sources are available in the market in form of Islamic financing, mutual funds, issuance of debt instruments like TFCs and Bonds and the Capital markets.

Despite these threats and challenges at NBP our corporate team not only increased the volume as well as the yield of the loans they also maintained a strong franchise with the leading Pakistani corporate so as to ensure that NBP not only maintains its market share but is in a position to meet any challenges in future.

NBP during the year also participated in a number of TFC issues and mutual funds subscriptions thereby increasing the overall yield on investment portfolio. NBP has the largest equity portfolio in the banking sector primarily due to 27% holding in NIT units, the largest mutual fund in Pakistan. During the year the bank redeemed 10% of its NIT holding covered under LoC , which resulted in capital gain of Rs. 1.8 billion.

## **Retail Banking**

NBP Karobar' under the "President's Rozgar Scheme" recorded excellent growth after its full launch in April 2007. This is a unique product launched to tap into the un-banked and actually the so far un-bankable poor people of Pakistan and targeted towards the unemployed youths aged between 18 to 45 years. This product not only serves the bank's commercial strategy but is also an effort toward poverty alleviation in the country. It is a unique Public – Private partnership where debt servicing is shared by the government, as well as providing free life and disability insurance. The portfolio at year end was over Rs.2 billion. The target is almost 1.8 million customers in the next five years. There are exciting new income generating products in the pipelines to achieve the targets of NBP. The income generation targeted is in excess of ten thousand rupees net per month for each customer. The bank plans on disbursing almost Rs 100 billion which will touch the lives of almost thirty million citizens

The flagship NBP 'Advance Salary' product continued to grow in 2007 and maintained its position as the single largest product in the country with its accumulated disbursement crossing Rs.115 billion. The number of organizations whose employees are entitled to avail this scheme is gradually being increased ensuring continued growth. The latest addition is the Pakistan Army and the target is almost half a million new customers in the next three years in addition to the existing base of one million satisfied customers approximately. Our retail banking is expanding its reach to its diversified customer base by offering new services and products through new delivery channels so as to minimize counter traffic, increase product offering and reduce administrative costs.

NBP Saibaan is a home equity loan product that was introduced in August 2003. Loans, are available to Pakistani residents to finance the purchase, construction or renovation of a home, as well as for the purchase of land and the subsequent construction of a home thereon. We are the only bank in Pakistan to offer home equity loans throughout the country. NBP Saiban has witnessed growth of 77% in 2007, one of the highest in the sector.

The development of alternate delivery channels, use of I.T., and leveraging large customer base for cross selling potential are the key strategies of NBP for increasing its retail business. NBP holds 16% market share in the consumer loan business and we aim to increase it gradually without compromising on the quality of portfolio.

Our call center is a value addition in the customer services and provides overall support to our retail products. It is a unique technology as it is not service provider specific and free calls can be made to the NBP 'Help Line" on 0800 800 80 from any land or cell phone in the country

## **SME**

Small and Medium Enterprises (SMEs) remain the main area of focus for NBP and are considered the future growth driver. The growth of SME is important as they generate higher yields and are expected to be a high growth sector in the near- term. The services available to SMEs are similar to those provided to our Corporate / Commercial customers, including, but not limited to working capital finance, term lending, trade finance, letter of credits and guarantees.

Our growth strategy for SMEs revolves around developing a better understanding of the SME market, increasing market penetration through our existing products and newly tailored ones, and increasing our capacity to provide SME-specific services to our clients.

The bank is engaged with Shore Bank International (SBI) in a technology as well as Technical Assistance agreement. The objective of which is to establish more effective SME lending at a select number of NBP branches. These techniques (including cash-flow based assessment) are institutionalized through an extensive staff training process. The pilot phase of the project (confined to selected Regions of Punjab) culminated in December 2007 and overachieved most of the pre-defined targets. More than PKR 1.6 billion in loans has been disbursed to over 811 undocumented businesses while maintaining an NPL rate of less than 2%. After the success of the pilot project, NBP has decided to engage the services of SBI to roll out the Technical Assistance on a national scale, covering 200 branches in Sindh, Punjab and Balochistan in the next two years.

## **Commercial Banking**

We plan to establish commercial centers across the country looking at the business potential in the area, size of the branch and its capabilities to deliver the desired service in order to attract quality customers. The objective is to target the untapped sectors and provide them professional quality service, through one window operations and Relationship Managers stationed at those centers. We expect and hope to reduce the turn around time and become more competitive and market oriented. Further this customer friendly and dedicated set up at convenient locations would help in improving the image of the Bank as well. These Centers would work in conjunction with the existing set-up of Commercial Lending done throughout the NBP branch network. The main purpose of these centers is to generate ancillary business in addition to funded and non funded facilities, with quick turn around time in decisions for customer satisfaction.

## **Agriculture**

NBP remains the largest agriculture lender in the banking sector in Agriculture with approximately 300,000 borrowers and gross disbursement of Rs. 32 Billion during the financial Year 2006-2007. Our vast domestic branch network having 45% branches in rural areas and unique Product offering under the banner of “Kissan Dost” provides us competitive edge over our peer banks. Our specialized Agriculture, Field Officers, being Agriculture graduates are trained to understand the needs and limitations of our borrowing farmers as well as versed with the latest trends in Agriculture production technology providing technical guidance and specialized services to our customers.

## **Deposits**

NBP is the largest bank in terms of deposit. Our large clientele and confidence of our depositors belonging to all walks of life is a major strength. We have shown appreciable growth of 18% in deposits on YoY basis which is significant from the view point that with the consolidation in the banking sector competition for deposits is ever increasing. We are branding our liability products and will continue to

develop new liability side products for continuing our leadership position in this business. This year we introduced three new liability products; NBP Premium Saver account, NBP Premium Mahana Amdani account and NBP Enhanced Saver account. These schemes have received excellent response from the customers and we expect healthy growth in future under these and new products that the bank is going to launch on the liability side. Given the large base and competition in the banking sector, the bank's performance is commendable in increasing its deposits by Rs. 90 billion especially low cost deposits.

### **Special Assets Management**

With a provision coverage of 84% we believe that going forward our Special Assets Management Group will make major contribution towards the Bank's profitability through recoveries and reversal of provision charge as a result of declassification / rescheduling. We have revamped our special assets management business and have coordinated our efforts to expedite recoveries and settlements.

### **International Operations**

NBP has the largest international franchise in terms of Assets. We are present in four continents and have branches in all the countries that are major trading partners of Pakistan. Our unique coverage of Central Asia, Fareast and South Asia is incomparable and we will be the major benefactor once the trade business from the Energy rich Central Asian Republics picks up. The bank is planning to start operations in Saudi Arabia (mid 2008) and further expand our branches in Afghanistan and Bangladesh. The bank's international operations strategy is focused towards increasing trade business and expand where the bank has competitive advantage.

### **Islamic Banking**

The year 2007 marked the first year of Islamic banking operations. During the year under review, in addition to active participation in various Sukuk transactions, two more Islamic banking branches at Lahore and Peshawar started operations. NBP's plans for the year 2008 include opening of Faisalabad and Rawalpindi branches with the focus on growing organically by opening more standalone Islamic banking branches, utilizing NBP's existing branch network of 1,200 plus conventional branches and looking into strategic acquisitions for expansion in this field.

### **Treasury**

NBP has the largest treasury in terms of size. We are a major player in the foreign exchange and money markets and are a primary dealer of government securities. We have the capabilities to offer structured products to our customers as per their needs.

### **Financial Institution and Cash Management**

NBP offers correspondent banking services through its overseas branches and more than 500 correspondent banks across the globe under the umbrella of Financial Institutions & Cash Management Division. Our strategy is to build strong, long-term, multi-level relationship with financial institutions. We are optimally utilizing our extensive domestic branch network by offering structured products to our corporate customers. NBP has taken various measures to facilitate overseas Pakistanis to bring their home remittance back to the country in a convenient and efficient manner.

## **Operations**

We are committed and focused towards good quality customer service and in 2007 with the motto of 'Putting a smile on our Customers face'; we made concerted efforts and took a number of initiatives. Workshops and seminars were conducted to disseminate the very important message of "excellent customer service". We are transforming our branches to give a modern look and convenience. A number of branches have been shifted to prominent and spacious locations. We also have established specialized customer facilitation centers to exclusively cater to pension payments, utility and government collections. These are expected to reduce counter traffic at our branches and will increase our distribution channels for better and convenient services. Business hours have been extended with establishment of customer facilitation offices at the regional levels to help on the spot resolution of customer complaints.

## **Information Technology**

Today banking is becoming more and more mechanized and it is the I.T. support that can improve the customer service and reduce cost at the same time. At NBP we have elaborated plans for transformation of the entire I.T. architecture of the bank by implementing core banking solutions. The said technology will not only increase our distribution capabilities by many folds but will also simplify our internal procedures thereby reducing the transactional cost and lead time for service. NBP has started a number of projects in relation to I.T. structure up-gradation. The bank is expanding its ATM network and connectivity to further expand our reach to the customers. This year we completed our automation of the government's tax collection services thereby opening new opportunities for such services on behalf of other organizations. NBP is also looking into other I.T. products for salary and pension disbursements and E banking for better services.

## **Human Resource**

For NBP our dedicated staff is a key strength. NBP has been investing in developing this valuable HR through need base training and career growth development. Our objective is to become an employer of choice and to maintain complete industrial harmony within the institution. Our new hiring of top class MBAs as Management Trainee Officers (MTOs) and search for talent within the bank has helped in preparing second and third tier leadership lines which will shape our succession planning process and at the same time will ensure that with the passage of time our employee refinement and skill enrichment program continues. We also have started new 'Employee communication program' and internal organizational magazine to improve the interaction of top and middle level management with the lower management. Female employees are being encouraged through female empowerment program under which they are given responsible and challenging assignments. Currently over 60 females are employed as branch managers all over the country and some females hold senior management positions.

## **Credit and risk management**

NBP is continuously upgrading its risk management process to identify, evaluate and manage risk. During the year the bank established an Operational Risk Management Unit to supplement its already established Credit and Market risk units for comprehensive risk management. Our risk management in terms of adoption of Basel II guidelines is on time and is advancing smoothly with completion of internal gap analysis. Our Credit management system is based on elaborated risk assessment and credit rating system to ensure a very objective and timely assessment of each proposal. We have our internal filtration systems and approval hierarchy to ensure that proper authority and responsibility is established and at the same time to reduce the lead processing time of the credit application. We have proper monitoring system and have also setup a separate Credit Administration Department (CAD) to further improve our credit monitoring function.

## **Credit Rating**

Moody's upgraded NBP's financial strength rating at D thereby recognizing the internal strength and leadership position of the Bank. In addition NBP also enjoys the highest credit rating amongst Pakistani banks; JCR- VIS Credit rating Co. Limited awarded highest standalone credit rating of AAA to NBP. The JCRVIS Credit rating Co. comments about NBP says a lot about the bank:

*“The organization has been able to strategically manage and build on its competitive advantages which has translated into the strong and well managed improvement in profitability trend observed over the last few years, a substantial balance sheet of sound asset quality, and strong liquidity and capitalization levels”*

## **Market Recognition**

In addition to the highest credit rating in the banking sector NBP is exultant to receive several awards from both local and foreign institutes of repute. NBP in year 2007 received the award for best return on Capital for 2006 amongst all banks in Asia by 'Bankers Magazine' in July 2007. Mr. Ali Raza, Chairman & President was awarded "The Asian Banker Leadership Achievement Award 2007, by Asian Banker in 2007. The Asian Banker has adjudged NBP as the Strongest Bank in Pakistan

## **Social Responsibility**

NBP fully recognizes its responsibility towards society in general and towards promotion of sports in the country in particular. The organization has always contributed towards worthy causes and has donated generously in case of natural calamities. Our focus is towards the promotion of sporting activities in the country and we are giving our patronage for the promotion of national game of hockey. To promote healthy sports activity in the country, We have built a state of the art sports complex at Karachi.

While we concentrated on achieving our financial targets, we did not loose sight of the future and its challenges. We continue to invest in our man power training and up-gradation of I.T. infrastructure. Although in the short run this will result in an increase in our administrative and capital expenditure but in the long run will increase our efficiency in terms of real cost reduction and increased product offering. In future we need to invest heavily into I.T. to bring further improvement in our service standards and also to reduce our transaction costs.

Our future envisions expansion in terms of geography, clientele and products. We are setting our eyes towards excelling amongst banks of the South Asian Region and would like to improve even further on our rankings both domestically and regionally. Our investment in technology and human resource will continue to prepare us for the future challenges. Customer will be the centre of our focus to become the 'Bank of choice' for customers. We will continue to redesign, improve our existing products and introduce new products / services to better serve our clients.

We are going to capitalize on our strengths of potential to cross sell, introduction of new delivery channels, organic as well as strategic expansion through acquisition. We will focus on effective deployment of our capital to further enhance our earning potential and will continue to tap into un-banked areas through our micro finance and SME products.



We will not only maintain our leadership position in deposits, treasury operations and Capital market but will introduce new structured products for our upscale corporate clients. While our front office strategy is penetration and sustenance of our business, our back office strategy is modernization, cost rationalization, strong internal controls and conformity with compliance standards.

Finally we extend our appreciation to the bank's staff for their commitment, dedication and hard work in achieving these excellent results. We would like to express our sincere reverence to the Board members whose valuable guidance has always enlightened us in our decision making. Finally we would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and continued confidence in NBP.

### **Corporate and financial reporting framework (Code of Corporate Governance)**

The Board is fully aware of its responsibilities established by the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The Directors are pleased to give the following declarations/statements to comply with the requirements of the Code.

- (a) The financial statements (Balance Sheet, Profit & Loss Account, Cash Flow Statement, Statement of Changes in Equity and notes forming part thereof), prepared by the management of the bank give the information in the manner so required and respectively give a true and fair view of the state of the bank's affairs as at December 31, 2007 and of the results of its operations, changes in equity and its cash flows for the year then ended.
- (b) Proper books of accounts have been maintained.
- (c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on the reasonable and prudent judgment.
- (d) The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and departure there from, if any has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored throughout the year. The Board is responsible for establishing and maintaining the system of internal control in the bank and for its ongoing monitoring. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

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

- The Board has formed various committees comprising of non-executive directors.
- Internal audit department of the bank conducts the audit of all branches, regions and groups at Head Office level on ongoing basis to evaluate the efficiency and effectiveness of internal control system and proper follow up of irregularities and control weaknesses is carried out.

- The Board receives confirmations / representations from all group and regional heads on annual basis confirming effectiveness of the internal control system established and maintained by them within their function.

The principal features of the bank's control framework include:

- The bank has clearly defined organizational structure, which supports clear lines of communications and reporting relationships.
- There exists properly defined financial and administrative powers of various committees and key management personnel, which supports delegations of authority and accountability.
- The bank has effective budgeting system in place. Annual budget of the bank is approved by the Board and monthly comparisons of actual results with the budget are prepared and reviewed by the senior management.

The bank has a comprehensive framework of written policies and procedures on all major areas of operations such as Credit, Treasury Operations, Finance, Internal audit and Compliance approved by the Board.

- (f) There are no significant doubts about the bank's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- (h) Key operating and financial data is available in the annual report.

The number of board meeting held during the year was 12 and attended by the directors as follows:

Syed Ali Raza	President / Chairman	12
Dr. Waqar Masood Khan	Director	12
Mr. Iftikhar Ali Malik	Director	2
Mr. Sikandar Hayat Jamali	Director	10
Mr. Zubair Motiwala	Director	3
Mr. Azam Farooque	Director	9
Mian Kausar Hameed	Director	9
Mr. Ibrar A. Mumtaz	Director	8

The Board places on record its sincerest appreciation to the outgoing Directors Dr. Waqar Masood Khan, Mr. Iftikhar Ali Malik, and Mr. M. Zubair Motiwala to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

- (j) Value of investments of Employees' Pension Fund and Employees Provident Fund as at December 31, 2007 (un-audited) was as follows:

*Rs. in thousand*

Employees Pension Fund	19,503,391
Employees Provident Fund	8,078,395

### **Pattern of Share holding**

The pattern of share holding as at December 31, 2007 is annexed with the report.

### **Earning per share**

After tax earning per share for the year 2007 is Rs.23.34.

### **Appointment of Auditors**

The Board of Directors on the recommendations of Audit Committee has also recommended name of Messers Ford Rhodes Sidat Hyder. Chartered Accountants and M.Yousuf Adil Saleem & Co as statutory auditors for the year ending December 31, 2008. Both the firm being eligible offer themselves for appointment.

### **Risk Management Framework**

NBP Board of Directors and senior management is fully committed to strengthen the Risk Management structure and practices in NBP. A number of initiatives taken and planned by NBP, in this regard reflects management commitment to upgrade the quality of the risk management process, such as the formation of a Board level Risk Management Committee; Basel – II Gap Analysis Exercises; implementation of Risk Management Software for managing Credit Risk, continuous improvement in the Policies, Procedures and reporting for effective risk Management and shift from fixed mark-up rate structures to floating rates of mark-up for managing interest rate risk.

### **Reporting of Internal Control System**

Bank's management has established and is managing an adequate and effective system of internal control which encompasses the policies, procedures, processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The management and the employees at all levels within the Bank are required to perform as per these approved Internal Control System components. The Internal Control System ensures quality of external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations and internal policies with respect to conduct of business.

The management ensures that an efficient and effective Internal Control System is in place by identifying control objectives, reviewing existing procedures and policies and ensuring that control procedure and policies are amended for time to time wherever required.

However, Internal Control System is designed to manage rather than eliminate the risk of failure to achieve objectives and provide reasonable but not absolute assurance against material misstatement or loss.

### **Evaluation of Internal Control**

The Bank has an independent Internal Audit Group that conducts audit of all Branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that compliance Group is also in place with independent Compliance Officer in 119 Branches and 29 Regional Compliance Chiefs with supporting staff to take care of compliance related issues to strengthen the control environment.

For the year 2007 the bank has made its best efforts to ensure that an effective Internal Control System continues to perform in letter and spirit. The observation made by the external and internal auditors are reviewed and measures are taken by the management to address the Internal Control.

We assess that the Internal Control environment is showing signs of improvement as compared to previous years in all areas of the bank. The bank is endeavoring to further refine its internal control design and assessment process as per guidelines issued by the State Bank of Pakistan. Accordingly Bank is making all possible effort to improve the professional skills and competency possible efforts to improve the professional skills and competency level of the staff through need based training programs.

Finally we extend our appreciation to the bank's staff for their commitment, dedication and hard work in achieving these excellent results. We would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and continued confidence in NBP.

On behalf of Board of Directors

S. Ali Raza

Chairman & President

Date: February 29, 2008

**Statement of Compliance with Code of Corporate Governance**  
**For the year ended December 31, 2007**

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No.36 & 37 (XIII) of listing Regulations of Karachi, Lahore & Islamabad Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance whereby a listed Company is managed in compliance with the best practices of Corporate Governance.

The Bank has complied with the principles contained in the Code in the following manner:

1. The Board of Directors of the Bank is appointed by the Government of Pakistan (GoP) as per provisions of the Banks' (Nationalization) Act 1974. At present, all the Directors (except for the President / Chief Executive who is also the Chairman of the Board) are independent non-executive Directors. In terms of amended Section 11(3) (a) of the Banks (Nationalization) Act 1974, Mr. Tariq Kirmani has been inducted on the board of NBP w.e.f. February 16, 2008 (the date of election) representing the private shareholders, in accordance with the section 178(1) of the Companies Ordinance 1984.
2. The directors have confirmed that none of them is serving as a Director in more than ten listed Companies including the Bank.
3. All the Directors of the Bank are registered as Tax Payers and none of them has defaulted in payment of any loan to Banking Company, a DFI or an NBFIs or being a member of Stock Exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy on the Board occurred during the year.
5. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
6. The Bank has prepared "Statement of Ethics and Business Practices" which is already approved by the Board of Directors.
7. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan 2007-2011.
8. The Bank has comprehensive frame work of written policies and procedure on all major areas of Operations such as Credit, Treasury, Finance, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.

9. There exists in the Bank a frame work defining the limit of the authority at various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
10. All the powers of the Board have been duly exercised and decisions on Material Transactions have been taken by the Board.
11. The meetings of Board of Directors were presided over by the Chairman, Board met 12 times during the year. Written notices of the Board meetings, alongwith Agenda and working papers were circulated at-least seven days before the meetings. The Minutes of the Meetings were appropriately recorded.
12. The Bank held orientation course for the directors in January 2005
13. The appointment of Financial Controller, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Baord.
14. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters described in the Annual Report.
15. The Financial Statements of the Bank were duly endorsed by CEO and Financial Controller before approval of the Board.
16. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank except as mentioned in the report.
17. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code of Corporate Governance.
18. The Board has formed an Audit Committee comprising three Non Executive Directors.
19. The Meeting of Audit Committee were held 08 times including Meetings held prior to the approval of Interim and Final Results as required by the Code. The terms of reference of the Committee have been framed and advised to the Committee for compliance.
20. The Board has setup an effective Internal Audit function. All the Branches, Regions and Groups are subject to Audit. All the Internal Audit Reports are accessible to the Audit Committee and important points arising out of audit are reviewed by the Audit Committee and important points requiring Board's attention are brought into their notice.

21. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accounts (IFA) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they have observed IFA guidelines in this regard.
23. We confirm that all other material principles contained in the code have been complied.

On Behalf of the Board of Directors

**S. ALI RAZA**  
Chairman & President

Dated February 26, 2008

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541  
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**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharae Faisal,  
Karachi 75350, Pakistan

**Auditors' Review Report to the Members on Statement of  
Compliance with best Practices of the Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulations No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2007.

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants  
**Karachi**

**M. YOUSUF ADIL SALEEM & CO.**  
Chartered Accountants  
**Karachi**

**Date: February 29, 2008**



**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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Karachi 75530, Pakistan

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharae Faisal,  
Karachi 75350, Pakistan

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **National Bank of Pakistan** (the Bank) as at December 31, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty branches which have been audited by us and twelve branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2007 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants

- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

**FORD RHODES SIDAT HYDER & CO.**  
Chartered Accountants

**M. YOUSUF ADIL SALEEM & CO.**  
Chartered Accountants

**Karachi**

**Karachi**

**Date: February 29, 2008**

**PS:**

*In case of any discrepancy on a Bank's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Bank's registered Office.*

# National Bank of Pakistan

## Balance Sheet

As at December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
<b>ASSETS</b>					
1,268,149	<b>1,530,214</b>	Cash and balances with treasury banks	6	<b>94,873,249</b>	78,625,227
655,511	<b>604,401</b>	Balances with other banks	7	<b>37,472,832</b>	40,641,679
371,173	<b>346,203</b>	Lendings to financial institutions	8	<b>21,464,600</b>	23,012,732
2,257,210	<b>3,399,804</b>	Investments	9	<b>210,787,868</b>	139,946,995
5,098,555	<b>5,494,792</b>	Advances	10	<b>340,677,100</b>	316,110,406
156,160	<b>418,113</b>	Operating fixed assets	11	<b>25,922,979</b>	9,681,974
-	-	Deferred tax assets		-	-
437,318	<b>499,919</b>	Other assets	12	<b>30,994,965</b>	27,113,698
10,244,076	<b>12,293,446</b>			<b>762,193,593</b>	635,132,711
<b>LIABILITIES</b>					
171,059	<b>113,902</b>	Bills payable	13	<b>7,061,902</b>	10,605,663
188,775	<b>175,582</b>	Borrowings	14	<b>10,886,063</b>	11,704,079
8,094,714	<b>9,546,894</b>	Deposits and other accounts	15	<b>591,907,435</b>	501,872,243
-	-	Sub-ordinated loans		-	-
213	<b>541</b>	Liabilities against assets subject to finance lease	16	<b>33,554</b>	13,235
38,501	<b>82,223</b>	Deferred tax liabilities - net	17	<b>5,097,831</b>	2,387,073
428,973	<b>497,890</b>	Other liabilities	18	<b>30,869,154</b>	26,596,300
8,922,235	<b>10,417,032</b>			<b>645,855,939</b>	553,178,593
<u>1,321,841</u>	<u><b>1,876,414</b></u>	<b>NET ASSETS</b>		<u><b>116,337,654</b></u>	<u>81,954,118</u>
<b>REPRESENTED BY</b>					
114,366	<b>131,521</b>	Share capital	19	<b>8,154,319</b>	7,090,712
223,859	<b>254,389</b>	Reserves		<b>15,772,124</b>	13,879,260
517,334	<b>731,358</b>	Unappropriated profit		<b>45,344,188</b>	32,074,677
855,559	<b>1,117,268</b>			<b>69,270,631</b>	53,044,649
466,282	<b>759,146</b>	Surplus on revaluation of assets - net	20	<b>47,067,023</b>	28,909,469
<u>1,321,841</u>	<u><b>1,876,414</b></u>			<u><b>116,337,654</b></u>	<u>81,954,118</u>

### CONTINGENCIES AND COMMITMENTS 21

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Profit and Loss Account**  
For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
711,305	<b>815,637</b>	Mark-up / return / interest earned	23	<b>50,569,481</b>	44,100,934
224,955	<b>273,226</b>	Mark-up / return / interest expensed	24	<b>16,940,011</b>	13,947,218
486,350	<b>542,411</b>	Net mark-up / interest income		<b>33,629,470</b>	30,153,716
49,608	<b>76,179</b>	Provision against non-performing loans and advances	10.3	<b>4,723,084</b>	3,075,723
(11,443)	<b>(649)</b>	Reversal of provision for diminution in the value of investments	9.12	<b>(40,248)</b>	(709,461)
85	<b>644</b>	Bad debts written off directly	10.6.1	<b>39,899</b>	5,284
38,250	<b>76,174</b>			<b>4,722,735</b>	2,371,546
448,100	<b>466,237</b>	Net mark-up / interest income after provisions		<b>28,906,735</b>	27,782,170
<b>NON MARK-UP/INTEREST INCOME</b>					
99,107	<b>109,382</b>	Fee, commission and brokerage income		<b>6,781,683</b>	6,144,628
46,641	<b>52,633</b>	Dividend income		<b>3,263,246</b>	2,891,755
21,514	<b>16,820</b>	Income from dealing in foreign currencies		<b>1,042,827</b>	1,333,840
18,863	<b>37,769</b>	Gain on sale and redemption of securities	25	<b>2,341,690</b>	1,169,515
-	<b>-</b>	Unrealized loss on revaluation of			
(72)	<b>(516)</b>	investments classified as held-for-trading	9.13	<b>(31,964)</b>	(4,464)
10,123	<b>2,377</b>	Other income	26	<b>147,363</b>	627,618
196,176	<b>218,465</b>	Total non mark-up / interest income		<b>13,544,845</b>	12,162,892
644,276	<b>684,702</b>			<b>42,451,580</b>	39,945,062
<b>NON MARK-UP/INTEREST EXPENSES</b>					
216,830	<b>229,128</b>	Administrative expenses	27	<b>14,205,911</b>	13,443,441
(279)	<b>2,710</b>	Other provisions / write offs / (reversals)		<b>168,027</b>	(17,283)
3,360	<b>276</b>	Other charges	28	<b>17,141</b>	208,327
219,911	<b>232,114</b>	Total non mark-up / interest expenses		<b>14,391,079</b>	13,634,485
424,365	<b>452,588</b>			<b>28,060,501</b>	26,310,577
-	<b>-</b>	Extra ordinary / unusual items		<b>-</b>	-
424,365	<b>452,588</b>	<b>PROFIT BEFORE TAXATION</b>		<b>28,060,501</b>	26,310,577
140,252	<b>134,056</b>	Taxation - Current		<b>8,311,500</b>	8,695,598
8,559	<b>6,314</b>	- Prior years		<b>391,497</b>	530,652
1,000	<b>5,221</b>	- Deferred		<b>323,731</b>	61,981
149,811	<b>145,591</b>		29	<b>9,026,728</b>	9,288,231
274,554	<b>306,997</b>	<b>PROFIT AFTER TAXATION</b>		<b>19,033,773</b>	17,022,346
312,460	<b>517,334</b>	Unappropriated profit brought forward		<b>32,074,677</b>	19,372,523
		Transfer from surplus on revaluation of fixed assets			
662	<b>629</b>	on account of incremental depreciation		<b>39,007</b>	41,060
587,676	<b>824,960</b>	Profit available for appropriation		<b>51,147,457</b>	<b>36,435,929</b>
<b>----- US Dollars -----</b>					
0.34	<b>0.38</b>	Basic earnings per share	30	<b>23.34</b>	20.88
0.34	<b>0.38</b>	Diluted earnings per share	31	<b>23.34</b>	20.88

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director

# National Bank of Pakistan

## Cash Flow Statement

For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in ' 000				Rupees in ' 000	
424,364	<b>452,589</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>28,060,501</b>	26,310,577
(46,641)	<b>(52,633)</b>	Profit before taxation		<b>(3,263,246)</b>	(2,891,755)
<u>377,723</u>	<u>399,956</u>	Less: Dividend income		<u>24,797,255</u>	<u>23,418,822</u>
		Adjustments:			
7,820	<b>8,921</b>	Depreciation	11.2	<b>553,114</b>	484,810
29	<b>55</b>	Amortization	11.3	<b>3,409</b>	1,824
49,608	<b>76,179</b>	Provision against non-performing loans and advances	10.3	<b>4,723,084</b>	3,075,723
(11,443)	<b>(649)</b>	Reversal of provision for diminution in the value of investments	9.12	<b>(40,248)</b>	(709,461)
(135)	<b>(44)</b>	(Gain) on sale of fixed assets	11.6	<b>(2,702)</b>	(8,350)
30	<b>148</b>	Financial charges on leased assets		<b>9,183</b>	1,830
85	<b>644</b>	Bad debts written off directly	10.6.1	<b>39,899</b>	5,284
(279)	<b>2,710</b>	Other provisions / write offs / (reversals)		<b>168,027</b>	(17,283)
<u>45,715</u>	<u>87,964</u>			<u>5,453,766</u>	<u>2,834,377</u>
<u>423,438</u>	<u>487,920</u>			<u>30,251,021</u>	<u>26,253,199</u>
		(Increase) / decrease in operating assets			
(108,545)	<b>24,970</b>	Lendings to financial institutions		<b>1,548,132</b>	(6,729,790)
(2,315)	<b>(7,307)</b>	Held-for-trading securities		<b>(453,020)</b>	(143,532)
(812,139)	<b>(473,059)</b>	Advances		<b>(29,329,677)</b>	(50,352,634)
(61,679)	<b>(47,555)</b>	Other assets (excluding advance tax)		<b>(2,948,435)</b>	(3,824,108)
<u>(984,678)</u>	<u>(502,951)</u>			<u>(31,183,000)</u>	<u>(61,050,064)</u>
		Increase / (decrease) in operating liabilities			
142,976	<b>(57,157)</b>	Bills payable		<b>(3,543,761)</b>	8,864,507
50,423	<b>(20,215)</b>	Borrowings		<b>(1,253,323)</b>	3,126,198
620,091	<b>1,452,181</b>	Deposits and other accounts		<b>90,035,192</b>	38,445,641
49,948	<b>68,846</b>	Other liabilities (excluding current taxation)		<b>4,268,464</b>	3,096,763
<u>863,438</u>	<u>1,443,655</u>			<u>89,506,572</u>	<u>53,533,109</u>
(138,024)	<b>(157,435)</b>	Income tax paid		<b>(9,760,991)</b>	(8,557,501)
(30)	<b>(148)</b>	Financial charges paid		<b>(9,183)</b>	(1,830)
<u>(138,054)</u>	<u>(157,583)</u>			<u>(9,770,174)</u>	<u>(8,559,331)</u>
<u>164,144</u>	<u>1,271,041</u>	Net cash from operating activities		<u>78,804,419</u>	<u>10,176,913</u>
		<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
139,542	<b>(1,094,872)</b>	Net investments in / proceeds from available-for-sale securities		<b>(67,882,071)</b>	8,651,609
(33,743)	<b>37,286</b>	Net proceeds from / investments in held-to-maturity securities		<b>2,311,757</b>	(2,092,069)
46,641	<b>52,633</b>	Dividend income received		<b>3,263,246</b>	2,891,755
(11,536)	<b>(16,553)</b>	Investment in operating fixed assets		<b>(1,026,266)</b>	(715,215)
(605)	<b>326</b>	Investment in subsidiaries, associates and joint venture		<b>20,195</b>	(37,499)
215	<b>141</b>	Sale proceeds of property and equipment disposed off	11.6	<b>8,747</b>	13,342
<u>140,514</u>	<u>(1,021,039)</u>	Net cash (used in) / from investing activities		<u>(63,304,392)</u>	<u>8,711,923</u>
		<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(120)	<b>(222)</b>	Payments of lease obligations		<b>(13,751)</b>	(7,414)
(23,784)	<b>(45,676)</b>	Dividend paid		<b>(2,831,895)</b>	(1,474,605)
<u>(23,904)</u>	<u>(45,898)</u>	Net cash used in financing activities		<u>(2,845,646)</u>	<u>(1,482,019)</u>
(2,859)	<b>(170)</b>	Effects of exchange rate changes on cash and cash equivalents		<b>(10,513)</b>	(177,231)
<u>277,895</u>	<u>203,934</u>	<b>Increase in cash and cash equivalents</b>		<u>12,643,868</u>	<u>17,229,586</u>
1,638,446	<b>1,916,341</b>	Cash and cash equivalents at beginning of the year	32	<b>118,813,121</b>	101,583,535
<u>1,916,341</u>	<u>2,120,275</u>	Cash and cash equivalents at end of the year	32	<u>131,456,989</u>	<u>118,813,121</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Statement of Changes in Equity**  
For the year ended December 31, 2007

	Share capital	Reserves			Unappropriated profit	Total
		Capital		Revenue		
		Exchange equalisation	Statutory	General		
(Rupees in '000)						
<b>Balance as at January 1, 2006</b>	5,908,927	3,552,056	8,280,862	521,338	19,372,523	37,635,706
Exchange adjustments on translation of net assets of foreign branches	-	321,265	-	-	-	321,265
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	41,060	41,060
<b>Net income recognised directly in equity</b>	-	(177,231)	-	-	41,060	(136,171)
Profit after taxation for the year ended December 31, 2006	-	-	-	-	17,022,346	17,022,346
<b>Total recognised income and expense for the year</b>	-	(177,231)	-	-	17,063,406	16,886,175
Issue of bonus shares 20%	1,181,785	-	-	-	(1,181,785)	-
Cash dividend (Rs.2.5 per share)	-	-	-	-	(1,477,232)	(1,477,232)
Transfer to statutory reserve	-	-	1,702,235	-	(1,702,235)	-
<b>Balance as at December 31, 2006</b>	<u>7,090,712</u>	<u>3,374,825</u>	<u>9,983,097</u>	<u>521,338</u>	<u>32,074,677</u>	<u>53,044,649</u>
Balance as at January 1, 2007	7,090,712	3,374,825	9,983,097	521,338	32,074,677	53,044,649
Exchange adjustments on translation of net assets of foreign branches	-	(10,513)	-	-	-	(10,513)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	39,007	39,007
<b>Net income recognised directly in equity</b>	-	(10,513)	-	-	39,007	28,494
Profit after taxation for the year ended December 31, 2007	-	-	-	-	19,033,773	19,033,773
<b>Total recognised income and expense for the year</b>	-	(10,513)	-	-	19,072,780	19,062,267
Issue of bonus shares 15%	1,063,607	-	-	-	(1,063,607)	-
Cash dividend (Rs. 4 per share)	-	-	-	-	(2,836,285)	(2,836,285)
Transfer to statutory reserve	-	-	1,903,377	-	(1,903,377)	-
<b>Balance as at December 31, 2007</b>	<u>8,154,319</u>	<u>3,364,312</u>	<u>11,886,474</u>	<u>521,338</u>	<u>45,344,188</u>	<u>69,270,631</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

**Chairman & President**

**Director**

**Director**

**Director**

# **National Bank of Pakistan**

## **Notes to the Financial Statements**

For the year ended December 31, 2007

### **1. STATUS AND NATURE OF BUSINESS**

- 1.1** National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,243 (2006: 1,232) branches in Pakistan and 18 (2006: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.
- 1.2** During the year, the Bank has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on April 02, 2007.

### **2. BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the bank 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.

The financial results of the Islamic banking branches of the Bank have been consolidated in these financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 42 to these financial statements.

#### **Separate financial statements**

These financial statements are separate financial statements of the bank in which the investments in subsidiaries, associates and joint ventures are accounted for at cost and hence not on the basis of reported results and net assets of the investees.

#### **US Dollar equivalent**

The US Dollar amounts shown on the balance sheet, profit and loss account and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs.62.00 to one US Dollar has been used for both 2007 and 2006 as it was the prevalent rate as on December 31, 2007.

### **3. STATEMENT OF COMPLIANCE**

- 3.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting 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, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

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

#### **4. BASIS OF MEASUREMENT**

These financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and valuation of certain investments and derivative financial instruments at fair value.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 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 less overdrawn nostro accounts.

##### **5.2 Investments**

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases/sales of investment are recognised on the trade date, i.e., the date the bank commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

The bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus/(deficit) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to 'surplus/(deficit) on revaluation of assets' account below equity, except that available-for-sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (other than Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds) are stated at cost less provision for diminution in value of investments, if any. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

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

On derecognition or impairment in quoted available-for-sale investments the cumulative gain or loss previously reported as "surplus/(deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for any impairment in value.

Gains and losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

The carrying values of investments are reviewed for impairment at each balance sheet date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the profit and loss account.



### **5.3 Repurchase and resale agreements**

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet, as the bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the life of the reverse repo agreement using effective yield method.

### **5.4 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date of which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

### **5.5 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the bank has transferred substantially all the risks and rewards of the asset, or (ii) the bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

### **5.6 Advances**

Advances are stated net off specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of loans by the banks) for classification of non-performing loans and advances and computing provision / allowance thereagainst. SBP also requires the bank to maintain general provision / allowance against consumer advances at specified percentage of such portfolio. Provision in respect of overseas branches are made in accordance with the respective central bank's requirements. Advances are written off where there are no realistic prospects of recovery.

### **5.7 Operating fixed assets and depreciation**

#### **Property and equipment**

#### **Owned assets**

Fixed assets except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing limit to executives, which are depreciated on straight-line method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of fixed assets are included in income currently.

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

Land and buildings' valuation are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Assets account" shown below equity. The bank has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of the Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the Profit and Loss Account; and

- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

#### **Leased assets**

Assets subject to finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

#### **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 recognised on accrual basis as and when the rental becomes due and relevant profit is recorded on time proportion basis by reference to the relevant profit rate.

#### **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3.

#### **Capital work-in-progress**

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

#### **Impairment**

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to 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 assets.

### **5.8 Taxation**

#### **Current**

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

**Deferred**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to the items recognized directly in equity are recognized in equity and not in the profit and loss account.

**5.9 Employee benefits****5.9.1 Defined benefit plans****Pension scheme**

The bank operates defined benefit approved funded pension scheme for its eligible employees. The bank's costs are determined based on actuarial valuation carried out using Projected Unit Credit Method. Net cumulative un-recognized actuarial gains/losses relating to previous reporting period in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees. Where the fair value of plan assets exceeds the present value of defined benefit obligation together with unrecognized actuarial gains or losses and unrecognized past service cost, the bank reduces the resulting asset to an amount equal to the total of present value of any economic benefit in the form of reduction in future contributions to the plan and unrecognized actuarial losses and past service costs.

**Post retirement medical benefits**

The bank operates an un-funded defined post retirement medical benefits scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses are accounted for in a manner similar to the pension scheme.

**Benevolent scheme**

The bank also operates an un-funded defined benefit benevolent scheme for its eligible employees. Provision is made in the financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains/losses are recognized in the period in which they arise.

**Gratuity scheme**

The bank also operates an un-funded defined benefit gratuity scheme for its eligible contractual employees. Provision is made in the financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains/losses are accounted for in a manner similar to pension scheme.

**5.9.2 Other employee benefits****Employees' compensated absences**

The bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

**5.10 Revenue recognition**

Mark-up/return/interest on advances and return on investments are recognized on time proportion basis except in case of advances and investments classified under the Prudential Regulations on which mark-up is recognized on receipt basis.

Interest/mark-up on rescheduled/restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, commission and brokerage income and remuneration for trustee services are recognized at the time of performance of services.

Dividend income on equity investments is recognized when right to receive is established. Dividend received on equity investments acquired after the announcement of dividend till the book closure date are not taken to income but reflected as reduction in the cost of investment.

**5.11 Foreign currencies translation**

The bank's financial statements are presented in Pak Rupees (Rs.) which is the bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gain / losses arising on translation of net assets of foreign branches, which is credited to exchange equalization reserve reflected under reserves.

**5.12 Provision for off balance sheet obligations**

Provision for guarantees, claims and other off balance sheet obligations is made when the bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

**5.13 Off setting**

Financial assets and financial liabilities are only 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 to settle the liabilities simultaneously.

**5.14 Fiduciary assets**

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

**5.15 Dividend and other appropriations**

Dividend and appropriation to reserves, except appropriation which are required by the law after the balance sheet date, are recognised as liability in the Banks' financial statements in the year in which these are approved.

**5.16 Segment Reporting**

A segment is a distinguishable component of the Bank that is engaged either in providing product 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.

**5.16.1 Business segments****Corporate finance**

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

**Trading and sales**

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

**Retail banking**

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

**Commercial banking**

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, lending, guarantees, bills of exchange and deposits.

**Payment and settlement**

It includes payments and collections, funds transfer, clearing and settlement.

**Agency services**

It includes escrow, depository receipts, securities lending (customers), corporate actions, issuer and paying agents.

**5.16.2 Geographical segments**

The Bank operates in following geographical regions:

Pakistan

Asia Pacific (including South Asia and Karachi Export Processing Zone)

Europe

United States of America and Canada

Middle East

**5.17 Earnings per share**

The bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2007.

**5.18 Accounting estimates and judgments**

The preparation of financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies. The estimates/judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a Provision against non-performing loans and advances**

The bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and requirements of prudential regulations are considered.

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations and SBP directives. During the year, the management has changed the method of computing provision against non-performing loans consequent upon the revision in prudential regulations as disclosed in note 10.4.1 and 10.4.2.

**b Fair value of derivatives**

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

**c Impairment of available-for-sale investments**

The bank determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This 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, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

**d Held-to-maturity investments**

The bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity.

**e Income taxes**

In making the estimates for current and deferred income taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are various matters where bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

**f Employees retirement benefit plans**

The liabilities for employees retirement benefits is determined using actuarial valuation. The actuarial valuation involves assumptions about discount rates, expected rates of return on assets, future salary increases and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**5.19 Accounting standards, interpretations and amendments to published approved accounting standards****5.19.1 Not-yet effective**

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

<b>Standards and Interpretations</b>		<b>Effective date (accounting periods beginning on or after)</b>
IAS 1	Presentation of Financial Statements	January 01, 2009
IAS 23	Borrowings Costs	January 01, 2009
IAS 27	Consolidated and Separate Financial Statements	January 01, 2009
IFRS 3	Business Combinations	January 01, 2009
IFRIC 11	Group and Treasury Share Transactions	March 01, 2007
IFRIC 12	Service Concession Arrangements	January 01, 2008
IFRIC 13	Customer Loyalty Programs	July 01, 2008
IFRIC 14	The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008
IAS 41	Agriculture	May 22, 2007

The bank expects that the adoption of the above standards and interpretations will have no material impact on the bank's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework:

IFRS 4	Insurance Contracts
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

**5.19.2 Early adoption of a standard**

During the year the Securities and Exchange Commission of Pakistan notified that Islamic Financial Accounting Standard (IFAS 2) "Ijarah" issued by the Institute of Chartered Accountants of Pakistan shall be followed while accounting for ijarah transactions as defined by IFAS 2 for financial statements covering periods beginning on or after July 1, 2007. The bank has early adopted IFAS 2 and has applied the accounting principles stated therein in the preparation of these financial statements. The disclosures required under IFAS 2 are set out in note 11.5 of these financial statements. The related accounting policy is disclosed in note 5.7.

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2007 Rupees in '000	2006
In hand			
Local currency		5,965,309	4,997,687
Foreign currency		1,713,518	1,316,993
		7,678,827	6,314,680
With State Bank of Pakistan in			
Local currency current account	6.1	56,864,729	34,314,011
Local currency deposit account		29	29
		56,864,758	34,314,040
Foreign currency current account	6.2	1,492,188	1,192,907
Foreign currency deposit account	6.2	1,182,316	3,578,722
Foreign currency collection account		488,669	193,307
Foreign currency placement accounts	6.3	24,571,600	30,442,750
		27,734,773	35,407,686
With other central banks in			
Foreign currency current accounts	6.4	1,416,986	1,438,942
Foreign currency deposit accounts	6.5	1,177,905	1,149,879
		2,594,891	2,588,821
		94,873,249	78,625,227

**6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

**6.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

**6.3** This represents US Dollar placements and carry interest at the rate of 6.5% per annum (2006: 6.71% to 7.46%) with maturities within six months.

**6.4** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements of respective countries.

**6.5** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry mark-up at the rate of 3.5% per annum (2006: 4.5% to 5.05%).

## 7. BALANCES WITH OTHER BANKS

In Pakistan			
On current accounts		669,458	-
On deposit account		1,600	100,600
		671,058	100,600
Outside Pakistan			
On current accounts		6,447,178	979,068
On deposit accounts	7.1	30,354,596	39,562,011
		36,801,774	40,541,079
		37,472,832	40,641,679

**7.1** These include various deposits with correspondent banks and carry mark-up rates ranging from 0.07% to 10% per annum (2006: 0.015% to 8% per annum).

## 8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	2,306,676	8,014,000
Repurchase agreement lendings (Reverse Repo)	8.3	19,157,924	14,998,732
	8.1	21,464,600	23,012,732
<b>8.1 Particulars of lendings</b>			
In local currency		21,464,600	23,012,732
In foreign currencies		-	-
		21,464,600	23,012,732

**8.2** These carry mark-up at rates ranging from 9.9% to 10.5% per annum (2006: 10.05% to 11.25% per annum).

**8.3** These carry mark-up at rates ranging from 9.3% to 9.9% per annum (2006: 8.5% to 9.4% per annum).

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

	2007			2006		
	Held by	Further	Total	Held by	Further	Total
	bank	given as collateral		bank	given as collateral	
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Market Treasury Bills	18,567,924	-	18,567,924	11,363,732	-	11,363,732.00
Pakistan Investment Bonds	590,000	-	590,000	3,635,000	-	3,635,000.00
	<u>19,157,924</u>	<u>-</u>	<u>19,157,924</u>	<u>14,998,732</u>	<u>-</u>	<u>14,998,732</u>

8.3.2 Market value of the securities under repurchase agreement lendings amount to Rs.19,235 million (2006: Rs.14,868 million).

## 9. INVESTMENTS

	Note	2007			2006		
		Held by	Given as	Total	Held by	Given as	Total
		bank	collateral		bank	collateral	
		----- Rupees in '000 -----			----- Rupees in '000 -----		
<b>9.1 Investments by type:</b>	9.14						
<b>Held-for-trading securities</b>							
Ordinary shares of listed companies		785,593	-	785,593	332,573	-	332,573
<b>Available- for- sale securities</b>							
Ordinary shares of listed companies		1,947,051	-	1,947,051	1,426,566	-	1,426,566
Ordinary shares of unlisted companies		304,119	-	304,119	331,641	-	331,641
		<u>2,251,170</u>	<u>-</u>	<u>2,251,170</u>	<u>1,758,207</u>	<u>-</u>	<u>1,758,207</u>
Investment outside Pakistan	9.8	463,295	-	463,295	463,295	-	463,295
Market Treasury Bills		117,851,357	416,578	118,267,935	50,524,649	381,964	50,906,613
Preference shares		275,000	-	275,000	368,184	-	368,184
Pakistan Investment Bonds		3,734,905	-	3,734,905	2,982,973	-	2,982,973
Federal Investment Bonds		940,000	-	940,000	940,000	-	940,000
GoP Foreign Currency Bonds		850,853	-	850,853	-	-	-
Term Finance Certificates		6,096,189	-	6,096,189	7,959,446	-	7,959,446
Investments in mutual funds		1,312,083	-	1,312,083	1,027,881	-	1,027,881
National Investment Trust Units	9.6	5,764,258	-	5,764,258	5,667,018	-	5,667,018
<b>Total Available- for- sale securities</b>		<u>139,539,110</u>	<u>416,578</u>	<u>139,955,688</u>	<u>71,691,653</u>	<u>381,964</u>	<u>72,073,617</u>
<b>Held-to-maturity securities</b>							
Government Compensation Bonds		2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds		11,679,736	-	11,679,736	11,843,279	-	11,843,279
GoP Foreign Currency Bonds		10,933,794	-	10,933,794	10,445,224	-	10,445,224
Foreign Government Securities		5,418,086	-	5,418,086	5,618,324	-	5,618,324
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds	9.7	4,508,548	-	4,508,548	4,595,982	-	4,595,982
Certificates of investment		800,000	-	800,000	3,172,000	-	3,172,000
<b>Total Held-to-maturity securities</b>	9.3	<u>35,707,859</u>	<u>-</u>	<u>35,707,859</u>	<u>38,042,504</u>	<u>-</u>	<u>38,042,504</u>
<b>Investments in associates</b>	9.9	959,669	-	959,669	979,864	-	979,864
<b>Investments in joint ventures</b>	9.10	1,312,335	-	1,312,335	1,312,335	-	1,312,335
<b>Investments in subsidiaries</b>	9.11	1,352,458	-	1,352,458	1,352,458	-	1,352,458
<b>Investments at cost</b>		<u>179,657,024</u>	<u>416,578</u>	<u>180,073,602</u>	<u>113,711,387</u>	<u>381,964</u>	<u>114,093,351</u>
<b>Less: Provision for diminution in value of Investments</b>	9.12	<u>(1,173,593)</u>	<u>-</u>	<u>(1,173,593)</u>	<u>(1,253,429)</u>	<u>-</u>	<u>(1,253,429)</u>
<b>Investments (net of provisions)</b>		<u>178,483,431</u>	<u>416,578</u>	<u>178,900,009</u>	<u>112,457,958</u>	<u>381,964</u>	<u>112,839,922</u>
Deficit on revaluation of Held-for-trading securities	9.13	(31,964)	-	(31,964)	(4,464)	-	(4,464)
Surplus on revaluation of Available-for-sale securities	20.2	31,921,226	(1,403)	31,919,823	27,111,716	(179)	27,111,537
<b>Total investments at market value</b>		<u>210,372,693</u>	<u>415,175</u>	<u>210,787,868</u>	<u>139,565,210</u>	<u>381,785</u>	<u>139,946,995</u>



		2007	2006
	Note	Rupees in '000	
<b>9.2 Investments by segment</b>	9.14		
<b>Federal Government Securities</b>			
Market Treasury Bills		118,267,935	50,906,613
Pakistan Investment Bonds	9.4	15,414,641	14,826,252
Federal Investment Bonds	9.5	940,000	940,000
Government Compensation Bonds		2,331,182	2,331,182
GoP Foreign Currency Bonds		11,784,647	10,445,224
		<u>148,738,405</u>	<u>79,449,271</u>
<b>Provincial Government Securities</b>		36,513	36,513
<b>Foreign Government Securities</b>		5,418,086	5,618,324
<b>Fully Paid up Ordinary Shares</b>			
- Listed Companies		2,732,644	1,759,139
- Unlisted Companies		304,119	331,641
		3,036,763	2,090,780
<b>Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds</b>			
- Listed		852,898	953,729
- Unlisted	9.7	9,751,839	11,601,699
		10,604,737	12,555,428
<b>Other Investments</b>			
- National Investment Trust Units	9.6	5,764,258	5,667,018
- Investments in mutual funds		1,312,083	1,027,881
- Preference Shares		275,000	368,184
- Certificates of Investment		800,000	3,172,000
- Investment outside Pakistan	9.8	463,295	463,295
<b>Investments in Associates</b>	9.9	959,669	979,864
<b>Investments in Joint Ventures</b>	9.10	1,312,335	1,312,335
<b>Investments in Subsidiaries</b>	9.11	1,352,458	1,352,458
<b>Total investments at cost</b>		<u>180,073,602</u>	<u>114,093,351</u>
Less : Provision for diminution in value of investments	9.12	(1,173,593)	(1,253,429)
<b>Investments (Net of Provisions)</b>		<u>178,900,009</u>	<u>112,839,922</u>
Deficit on revaluation of Held-for-trading securities	9.13	(31,964)	(4,464)
Surplus on revaluation of Available-for-sale securities	20.2	31,919,823	27,111,537
<b>Total investments at market value</b>		<u><u>210,787,868</u></u>	<u><u>139,946,995</u></u>

- 9.3** Market value of held-to-maturity investments is Rs.34,283 million (2006: Rs.36,032 million).
- 9.4** These include Pakistan Investment Bonds amounting to Rs.75 million (2006: Rs.75 million) held by SBP as pledge against demand loans and TT / DD discounting facilities.
- 9.5** These represents Federal Investment Bonds amounting to Rs.940 million (2006: Rs.940 million) provided to payoff liabilities relating to former Mehran Bank Limited.

#### **9.6 NIT Units**

- 9.6.1** The bank's investment in NIT consists of 361,545,322 units (2006: 387,699,844 units), which includes 333,746,836 units (2006: 370,826,836 units) covered under Letter of Comfort (LoC) and 27,798,486 (2006: 16,873,008 units) as Non-LoC units.

The LoC holding represents those units in respect of which the GoP had issued a Letter of Comfort dated June 20, 2006 stating that on bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit.

During the year, the bank received letter from GoP, letter no. F.4(2)INV.III/2000 dated December 13, 2007 stating that NIT will be facilitated to redeem 10% of total units under LoC outstanding in their books on or before December 31, 2007, subject to the extension of LoC upto December 31, 2008, at the redemption price prevailing on the date of such redemption.

Accordingly the bank has redeemed 10% of its LoC holdings at the prevalent redemption price which resulted in realization of capital gain amounting to Rs.1,775 million.

- 9.6.2** Rating of NIT mutual fund is 4 star (2006: 4 star) by PACRA.

- 9.7** Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.653 million (2006: Rs.705 million) which are considered non-performing.

#### **9.8 Bank Al-Jazira**

The bank holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares issued as bonus shares during the year. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. (Rating: BBB+ by Fitch Rating)

	Number of shares	Percentage holding	Note	2007 Rupees in '000	2006 Rupees in '000
<b>9.9 Investments in associates</b>					
<b>Un-quoted</b>					
Pakistan Emerging Venture Limited	12,500,000	33.33		51,415	64,415
First Credit and Investment Bank Limited	5,979,085	50.00		157,429	157,429
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Pakistan Insulation Limited	494,500	24.79		695	695
Ali Textile (Jhang) Limited	719,500	25.21		-	7,195
Venture Capital Fund Management	33,333	33.33		-	-
Ashraf Sugar Mills Limited	2,059,271	20.44		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
Qurell Cassettes Limited	46,250	30.83		-	-
Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Khushhali Bank	400	23.45	9.9.4	400,000	400,000
Dadabhoy Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Prudential Fund Management	150,000	20.00		-	-
				649,863	670,058
<b>Quoted</b>					
National Fibres Limited	17,119,476	20.19		-	-
Taha Spinning Mills Limited	833,800	20.59		2,501	2,501
Land Mark Spinning Mills Limited	3,970,960	32.75		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
			9.9.1	309,806	309,806
				959,669	979,864
Less: Provision for diminution in value of investments			9.12.1	(402,240)	(422,435)
				557,429	557,429

**9.9.1** Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs.275.359 million (2006: Rs.245.702 million). Management considers that there is no active market for these quoted investments and therefore provision for impairment has been made against the same.

**9.9.2** Associates with zero carrying amount, represent the investments acquired from former NDFC which have negative equity or whose operations were closed at the time of amalgamation.

**9.9.3** The details of break-up value based on latest available financial statements of un-quoted investments in associates are as follows:

	Year ended	Break-up value of bank's share Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2007	1,962
First Credit and Investment Bank Limited	June 30, 2007	273,755
Information System Associates Limited	June 30, 2007	17,036
Pakistan Insulation Limited	June 30, 2001	2,630
Ali Textile (Jhang) Limited	September 30, 2001	10,049
Ashraf Sugar Mills Limited	September 30, 2004	(17,199)
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank	December 31, 2006	439,343
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	85,232

**9.9.4** During the year, the Government of Pakistan, Finance Division (Investment Wing) vide their letter no. 4(3) Inv-I/2006 dated June 5, 2007 has advised the bank to divest its shareholding in Khushhali Bank through public announcement. Accordingly, the bank has initiated the process for such sale.

	Note	2007 Rupees in '000	2006
<b>9.10 Investments in joint ventures</b>			
United National Bank Limited	9.10.1	1,244,835	1,244,835
National Fullerton Asset Management (NAFA)	9.10.2	67,500	67,500
		<u>1,312,335</u>	<u>1,312,335</u>

**9.10.1** Under a joint venture agreement, the bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

**9.10.2** The company has been set up for the purpose of providing asset management services with a paid-up capital of Rs.250 million (2006: Rs.250 million) as a joint venture between the bank, NIB Bank Limited (Formerly NDLC-IFIC Bank Limited) and Alexandra Fund Management PTE Limited. The bank has 27% (2006: 27%) holding as at December 31, 2007.

#### 9.11 Investments in subsidiaries

	Percentage holding	2007 Rupees in '000	2006
NBP Capital Limited	100.00	500,000	500,000
JSC Subsidiary Bank of NBP in Kazakhstan	100.00	419,488	419,488
NBP Exchange Company Limited	100.00	300,000	300,000
NBP Modaraba Management Company Limited	100.00	105,000	105,000
Taurus Securities Limited	58.32	24,725	24,725
National Agriculture & Storage Company Limited	100.00	2,000	2,000
Cast-N-Link Products Limited	76.51	1,245	1,245
		<u>1,352,458</u>	<u>1,352,458</u>
Less: Provision for diminution in value of investments		<u>(3,245)</u>	<u>(3,245)</u>
		<u>1,349,213</u>	<u>1,349,213</u>

#### 9.12 Particulars of provision for diminution in value of investments

Opening balance		1,253,429	1,965,003
Charge for the year		-	-
Reversals		(40,248)	(709,461)
		(40,248)	(709,461)
Amount written off		(39,588)	(2,113)
Closing balance		<u>1,173,593</u>	<u>1,253,429</u>

	Note	2007 Rupees in '000	2006
<b>9.12.1 Particulars of provision in respect of type and segment</b>			
<b>Available-for-sale securities</b>			
Ordinary shares of unlisted companies		115,514	123,036
<b>Held-to-maturity securities</b>			
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds		652,594	704,713
<b>Associates</b>		402,240	422,435
<b>Subsidiaries</b>		3,245	3,245
		<u>1,173,593</u>	<u>1,253,429</u>
<b>9.13 Unrealized loss on revaluation of investments classified as held-for-trading</b>			
Ordinary shares of listed companies		<u>(31,964)</u>	<u>(4,464)</u>
<b>9.14</b> Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Certificates of investments etc. including quality of available-for-sale securities is given in Annexure-I to the financial statements.			
<b>10. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		325,226,242	304,569,560
Outside Pakistan		29,737,559	26,376,167
		354,963,801	330,945,727
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		2,673,256	2,502,819
Payable outside Pakistan		16,144,430	14,881,699
		18,817,686	17,384,518
Margin Financing / Continuous Funding System	10.9	1,308,715	40,213
Advances - gross	10.1	375,090,202	348,370,458
Less: Provision against non-performing advances	10.3	(34,413,102)	(32,260,052)
Advances - net of provision		<u>340,677,100</u>	<u>316,110,406</u>
<b>10.1 Particulars of advances - gross</b>			
<b>10.1.1</b> In local currency			
In foreign currencies		329,208,213	304,788,413
		45,881,989	43,582,045
		<u>375,090,202</u>	<u>348,370,458</u>
<b>10.1.2</b> Short-term (for upto one year)			
Long-term (for over one year)		248,623,476	233,817,770
		126,466,726	114,552,688
		<u>375,090,202</u>	<u>348,370,458</u>

10.2 Advances include Rs.38,318 million (2006: Rs.36,260 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	565,889	-	565,889	-	-	-	-	-	-
Substandard	4,483,776	37,641	4,521,417	1,097,813	9,410	1,107,223	1,097,813	9,410	1,107,223
Doubtful	2,916,347	1,656	2,918,003	1,453,829	828	1,454,657	1,453,829	828	1,454,657
Loss	29,745,438	566,805	30,312,243	29,718,461	71,474	29,789,935	29,718,461	71,474	29,789,935
	<u>37,711,450</u>	<u>606,102</u>	<u>38,317,552</u>	<u>32,270,103</u>	<u>81,712</u>	<u>32,351,815</u>	<u>32,270,103</u>	<u>81,712</u>	<u>32,351,815</u>

10.3 Particulars of provision against non-performing advances

Note	2007						2006		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
	Rupees in '000								
Opening balance	29,528,672	2,731,380	32,260,052	28,388,730	2,195,302	30,584,032			
Exchange adjustments	809	13,387	14,196	2,851	19,282	22,133			
Charge for the year	9,437,007	286,210	9,723,217	5,225,418	622,648	5,848,066			
Reversal during the year	(4,030,443)	(969,690)	(5,000,133)	(2,772,343)	-	(2,772,343)			
	5,406,564	(683,480)	4,723,084	2,453,075	622,648	3,075,723			
Amounts written off	(1,525,294)	-	(1,525,294)	(705,125)	-	(705,125)			
Other adjustments	(1,058,936)	-	(1,058,936)	(610,859)	(105,852)	(716,711)			
Closing balance	<u>32,351,815</u>	<u>2,061,287</u>	<u>34,413,102</u>	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>			

10.4 Particulars of provisions against non-performing advances

	2007						2006		
	Specific	General	Total	Specific	General	Total	Specific	General	Total
	Rupees in '000								
In local currency	32,270,103	1,818,856	34,088,959	29,469,042	2,493,782	31,962,824			
In foreign currencies	81,712	242,431	324,143	59,630	237,598	297,228			
	<u>32,351,815</u>	<u>2,061,287</u>	<u>34,413,102</u>	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>			

10.4.1 During the year, the SBP vide its BSD Circular No. 7 dated October 12, 2007, has amended Prudential Regulation in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2007, prohibit consideration of forced sale value of collateral held by the bank in determining the amount of provision against non-performing advances except in case of housing finance. Accordingly, the above change in regulation has resulted in additional provisioning of Rs.3,052 million against non-performing advances and a consequent decrease in profit before tax for the same amount.

Further, the time period for classifying personal loans under consumer financing as "loss" has been reduced from 1 year to 180 days. This change has no material effect on these financial statements.

10.4.2 In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs.824.839 million during the year. The effect on current year is to increase the net advances and profit before tax by Rs.824.839 million and to increase the deferred tax liability by Rs.288.694 million.

10.5 This represents amount charged off against loans and advances in respect of certain old schemes or where the bank holds no tangible security and principal amount disbursed was upto Rs 500,000. However, the bank reserve the right to recover such amount in the normal course of business.

10.6 Particulars of write offs

	Note	2007	2006
		Rupees in '000	
10.6.1 Against Provisions			
Directly charged to Profit & Loss account	10.3	1,525,294	705,125
		39,899	5,284
		<u>1,565,193</u>	<u>710,409</u>
10.6.2 Write Offs of Rs. 500,000 and above			
Write Offs of Below Rs. 500,000	10.7	1,544,971	687,167
		20,222	23,242
		<u>1,565,193</u>	<u>710,409</u>

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

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs.500,000 or above allowed to a person(s) during the year ended December 31, 2007 is given in Annexure-II.

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

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

Balance at beginning of year	13,316,110	11,340,452
Loans granted during the year	4,284,598	2,401,776
Repayments	(3,274,131)	(426,118)
Balance at end of year	<u>14,326,577</u>	<u>13,316,110</u>

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

Balance at beginning of year	222,759	119,319
Loans granted during the year	-	222,759
Repayments	(23,368)	(119,319)
Balance at end of year	<u>199,391</u>	<u>222,759</u>

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

Balance at beginning of year	2,319,290	2,293,426
Loans granted during the year	100,496	146,983
Repayments	(118,284)	(121,119)
Balance at end of year	<u>2,301,502</u>	<u>2,319,290</u>

10.9 These are secured against shares of listed companies, market value of which amounted to Rs.1,309 million (2006: Rs.67 million) at the balance sheet date. These carry mark-up ranging from 10.7% to 18% (2006: 3 months KIBOR + 3%)

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>11. OPERATING FIXED ASSETS</b>			
Capital work-in-progress	11.1	459,487	378,617
Property and equipment	11.2	25,454,914	9,294,200
Intangible assets	11.3	8,578	9,157
		<u>25,922,979</u>	<u>9,681,974</u>

**11.1 Capital work-in-progress**

Civil works	374,511	326,066
Equipment	10,870	4,419
Advances to suppliers and contractors	74,106	48,132
	<u>459,487</u>	<u>378,617</u>

**11.2 Property and equipment**

	Cost/revalued amount				Accumulated depreciation				Book Value at December 31, 2007	Rate of depreciation	
	At January 1, 2007	Revaluation surplus/ (deficit)	Additions/ (deletions)	Adjustments	At December 31, 2007	At January 1, 2007	Charge for the year/ (deletions)	Adjustments			At December 31, 2007
----- Rupees in '000 -----											
<b>Owned</b>											
<b>Land</b>											
- freehold	2,781,313	7,798,804	4,258	470,664 *	11,055,039	-	-	-	-	11,055,039	Nil
- leasehold	2,798,186	6,372,800	-	330,751 *	9,501,737	-	-	-	-	9,501,737	Nil
<b>Buildings on land:</b>											
- freehold	1,773,312	1,217,359	148,020	(35,000) (721,580) *	2,382,111	482,973	75,362	(7,000)	551,335	1,830,776	5% on book value
- leasehold	1,312,416	386,338	135,333	(79,835) *	1,754,252	357,434	51,702	-	409,136	1,345,116	5% on book value
Furniture and fixtures	1,217,551	-	84,225 (3,854)	-	1,297,922	804,635	53,254 (2,472)	-	855,417	442,505	10% to 30% on book value and 20% on straight line on new furnishing limit to executives
Computer & peripheral equipments	1,267,416	-	174,081 (620)	-	1,440,877	938,599	155,190 (620)	-	1,093,169	347,708	33% on cost
Electrical & office equipments	1,442,105	-	195,707 (3,570)	-	1,634,242	968,661	136,199 (2,799)	-	1,102,061	532,181	20% on book value
Vehicles	488,836	-	101,520 (18,209)	-	572,147	253,658	69,790 (14,317)	-	309,131	263,016	20% on cost
	<u>13,081,135</u>	<u>15,775,301</u>	<u>843,144</u> <u>(28,253)</u>	<u>(35,000)</u>	<u>29,638,327</u>	<u>3,805,960</u>	<u>541,497</u> <u>(20,208)</u>	<u>(7,000)</u>	<u>4,320,249</u>	<u>25,318,078</u>	
<b>Assets held under finance lease</b>											
Vehicles	24,370	-	34,070	-	58,440	5,345	10,410	-	15,755	42,685	20% on cost
<b>Assets held under Ijarah</b>											
	-	-	95,358	-	95,358	-	1,207	-	1,207	94,151	33% on cost
<b>2007</b>	<u>13,105,505</u>	<u>15,775,301</u>	<u>972,572</u> <u>(28,253)</u>	<u>(35,000)</u>	<u>29,792,125</u>	<u>3,811,305</u>	<u>553,114</u> <u>(20,208)</u>	<u>(7,000)</u>	<u>4,337,211</u>	<u>25,454,914</u>	

\* Upto December 31, 2006 due to non availability of breakdown of cost components of land and buildings relating to certain properties, the entire amount was shown under the head of buildings. During the year, these assets have been bifurcated into land and buildings on the basis of revaluation.

## Property and equipment

	Cost/revalued amount			Accumulated depreciation			Book Value at December 31, 2006	Rate of depreciation
	At January 1, 2006	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
----- Rupees in '000 -----								
<b>Owned</b>								
Land								
- freehold	2,781,313	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	31,404	2,798,186	-	-	-	2,798,186	Nil
Buildings on land:								
- freehold	1,746,793	26,519	1,773,312	449,538	33,435	482,973	1,290,339	5% on book value
- leasehold	1,241,553	70,863	1,312,416	266,505	90,929	357,434	954,982	5% on book value
Furniture and fixtures	1,125,472	94,741 (2,662)	1,217,551	758,165	48,037 (1,567)	804,635	412,916	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives
Computer & peripheral equipments	1,047,260	220,264 (108)	1,267,416	811,600	127,053 (54)	938,599	328,817	33% on cost
Electrical & office equipments	1,308,327	138,718 (4,940)	1,442,105	854,721	117,954 (4,014)	968,661	473,444	20% on book value
Vehicles	442,437	65,946 (19,547)	488,836	207,291	62,997 (16,630)	253,658	235,178	20% on cost
	12,459,937	648,455 (27,257)	13,081,135	3,347,820	480,405 (22,265)	3,805,960	9,275,175	
<b>Assets held under finance lease</b>								
Vehicles	20,350	4,020	24,370	940	4,405	5,345	19,025	20% on cost
<b>Assets held under Ijarah</b>								
	-	-	-	-	-	-	-	
<b>2006</b>	12,480,287	652,475 (27,257)	13,105,505	3,348,760	484,810 (22,265)	3,811,305	9,294,200	



## 11.3 Intangible assets

	Cost/revalued amount			Accumulated amortization			Book value at December 31, 2007	Rate of amortization	
	At January 1, 2007	Revaluation surplus/ (deficit)	Additions/ (deletions) December 31, 2007	At January 1, 2007	Charge for the year/ (deletions)	At December 31, 2007			
	----- Rupees in '000 -----								
Computer software	13,021	-	2,830	15,851	3,864	3,409	7,273	8,578	33.33%
2007	13,021	-	2,830	15,851	3,864	3,409	7,273	8,578	on cost
2006	6,127	-	6,894	13,021	2,040	1,824	3,864	9,157	

## 11.4 Revaluation of domestic properties

The bank as part of its policy to revalue land and building on cyclical basis has revalued properties during the year. However, few properties are in process of revaluation. These properties are revalued by independent professional valuers and the results of the revaluation exercise were incorporated in the financial statements as at December 31, 2007. The revaluation was carried out by M/s Younus Mirza & Co., M/s Dimen Associates (Private) Limited and M/s Arch-e-Decon (Private) Limited on the basis of professional assessment of present market values and resulted in surplus of Rs.15,775 million. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2007 would have been as follows:

	Rupees in '000
Freehold land	284,179
Leasehold land	369,986
Buildings on freehold land	104,421
Buildings on leasehold land	102,329

## 11.5 The Islamic Banking Branches of the bank have entered into ijarah transactions with customers during the year. The significant ijarah transactions have been entered in respect of heavy duty earth moving machinery. The rate of profit is 6 months KIBOR + 1.5% per annum.

The ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

	Rupees in '000
Not later than one year	34,210
Later than one year but not later than five years	68,420
Later than five years	-

## 11.6 Details of disposals of fixed assets

Details of assets whose original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees, whichever is lower are given below:

Particulars of assets	Original cost	Book value	Sale proceeds	Profit/ (loss)	Mode of Disposal	Particulars of Purchaser
	----- Rupees in '000 -----					
Motor Vehicle	969	598	598	-	As per service rules on retirement	Mr. Muhammad Naeemuddin - EVP
Motor Vehicle	849	382	382	-	As per service rules on retirement	Mr. Muhammad Aslam Chisti - SVP
Motor Vehicle	849	325	325	-	As per service rules on retirement	Syed Israr Ali - SVP
Motor Vehicle	969	549	549	-	As per service rules on retirement	Mr. Abid Hussain Awan - EVP
Motor Vehicle	969	581	581	-	As per service rules on retirement	Mr. Fazl-ur-Rahman - EVP
Motor Vehicle	849	340	700	360	Insurance	M/s National Insurance Company
Motor Vehicle	1,530	-	535	535	Auction	M/s Pakistan Auction Mart
Motor Vehicle	849	396	396	-	As per service rules on retirement	Syed Najmuddin - SVP
Motor Vehicle	1,285	-	129	129	As per service rules	Syed Ali Raza - President
Motor Vehicle	879	571	571	-	As per service rules on death	Mr. Aftab A. Mehakri (late) - SVP
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	16,256	2,303	3,981	1,678	As per service rules on retirement / auction	Various
	<u>26,253</u>	<u>6,045</u>	<u>8,747</u>	<u>2,702</u>		

	Note	2007 Rupees in '000	2006
<b>12. OTHER ASSETS</b>			
Income/mark-up accrued in local currency		7,132,135	7,667,576
Income/mark-up accrued in foreign currencies		1,740,892	1,490,816
Advances, deposits, advance rent and other prepayments	12.1	2,501,465	785,294
Advance taxation (payments less provisions)		9,805,072	8,747,078
Receivable from GoP	12.2	278,501	278,501
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	12.3	786,453	817,667
Branch Adjustment Account		-	128,687
Un-realized gain on derivative financial instruments		71,813	-
Un-realized gain on forward foreign exchange contracts		431,763	126,371
Commission receivable		1,822,685	1,790,993
Stationery and stamps on hand		319,020	220,939
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	12.4	323,172	323,172
Receivable from Government under VHS scheme	12.5	416,355	412,561
Less: amount charged/provision		(416,355)	(412,561)
		-	-
Receivable from pension fund	34.1.2	3,676,345	2,951,933
Prize bonds on hand		281,595	320,023
Receivable from brokers		33,686	-
Others		3,490,809	3,040,856
		<u>32,890,805</u>	<u>28,885,305</u>
Less: Provision held against other assets			
Income/mark-up accrued in local currency/foreign currencies		296,592	296,592
Stationery and stamps on hand		51,200	51,200
Barter trade balances		195,399	195,399
Receivable on account of Government transactions		323,172	323,172
Others		1,029,477	905,244
	12.6	<u>1,895,840</u>	<u>1,771,607</u>
		<u>30,994,965</u>	<u>27,113,698</u>
<b>12.1</b>	This includes Rs.1,155 million (2006: Rs. Nil) advance against Pre-IPO placement of Term Finance Certificates of United Bank Limited, NIB Bank Limited and Kunjah Textile Mills Limited.		
<b>12.2</b>	Upon dissolution of CIRC and take over by the bank with effect from September 22, 2006, the said amount represents receivable from GoP.		
<b>12.3</b>	During the year 2006, the bank has acquired non-performing assets from CIRC, consequent upon its dissolution with effect from September 22, 2006 vide Corporate and Industrial Restructuring Corporation (Dissolution) Order 2006 dated September 11, 2006. The book value of non-performing assets after adjustment of down payment of Rs.150 million shall be repayable in three annual installments of Rs.222.555 million each upto September 2009. Further the bank under fiduciary duty shall collect the sale proceeds of disposal of units, the sale proceed of which is approved between CIRC and obligors of non-performing assets, amounting to Rs.471.307 million and transfer them to GoP on expiry of each quarter subject to adjustments / reimbursements for reasonable expenses incurred in relation to steps and legal action taken.		
<b>12.4</b>	This represents amount receivable from Government of Pakistan on account of encashment of various instruments handled by the bank for Government of Pakistan as an agent of SBP.		
<b>12.5</b>	This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from Government of Pakistan. Due to uncertainty about its recoverability, although despite a claim being lodged, full amount has been provided for.		
<b>12.6 Provisions against other assets</b>			
Opening balance		1,771,607	1,792,875
Charge for the year		130,374	17,732
Reversals		(6,141)	(39,000)
Closing balance		<u>1,895,840</u>	<u>1,771,607</u>

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>13. BILLS PAYABLE</b>			
In Pakistan		6,922,717	10,549,447
Outside Pakistan		139,185	56,216
		<u>7,061,902</u>	<u>10,605,663</u>
<b>14. BORROWINGS</b>			
In Pakistan		8,288,001	10,091,407
Outside Pakistan		2,598,062	1,612,672
	14.1 & 14.2	<u>10,886,063</u>	<u>11,704,079</u>
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		8,288,001	10,091,407
In foreign currencies		2,598,062	1,612,672
	14.2	<u>10,886,063</u>	<u>11,704,079</u>
<b>14.2 Details of borrowings secured/unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		3,213,430	2,470,235
Long Term Financing under Export Oriented Project (LTF-EOP)		4,143,885	5,109,810
Under Locally Manufactured Machinery (LMM) scheme		-	1,160
Finance to payoff liabilities relating to former MBL	14.2.1	376,000	564,000
Others		-	66,907
		7,733,315	8,212,112
Repurchase agreement borrowings		383,886	354,710
		<u>8,117,201</u>	<u>8,566,822</u>
<b>Unsecured</b>			
Call borrowings		1,808,970	2,612,672
Overdrawn nostro accounts		889,092	453,785
Others		70,800	70,800
		2,768,862	3,137,257
		<u>10,886,063</u>	<u>11,704,079</u>

**14.2.1** This comprises of balance of loan of Rs.940 million obtained in 1999. The loan is interest free and is repayable in five equal annual installments after an initial grace period of five years.

**14.2.2** Mark-up/interest rates and other terms are as follows:

- The bank has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the date of maturity of finances by directly debiting the current account maintained by the bank with SBP. Export refinance loans from SBP are at the rate of 7.5% per annum (2006: 6.5% per annum).
- Call borrowings carry interest ranging from 8.0% to 10.25% per annum (2006: 7.75% to 10.2% per annum).
- Overdrawn Nostro accounts carry interest at the rate of 1% to 5% per annum (2006: 1% to 5% per annum).
- Repurchase agreement borrowings carry mark-up at the rate of 8.10% per annum (2006: 8.5% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2006: 10% per annum).

## 15. DEPOSITS AND OTHER ACCOUNTS

	2007 Rupees in '000	2006 Rupees in '000
<b>Customers</b>		
Fixed deposits	128,403,278	100,017,399
Savings deposits	188,687,111	170,256,433
Current accounts - remunerative	76,708,879	54,359,662
Current accounts - non-remunerative	139,868,016	119,468,864
	533,667,284	444,102,358
<b>Financial Institutions</b>		
Remunerative deposits	31,180,729	39,196,100
Non-remunerative deposits	27,059,422	18,573,785
	58,240,151	57,769,885
	<u>591,907,435</u>	<u>501,872,243</u>
	15.1	

	2007	2006
	Rupees in '000	
<b>15.1 Particulars of deposits</b>		
In local currency	486,881,474	390,605,310
In foreign currencies [including deposits of foreign branches of Rs.81,489 million (2006: Rs.86,816 million)]	105,025,961	111,266,933
	<u>591,907,435</u>	<u>501,872,243</u>

**16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	2007			2006		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees in '000			Rupees in '000		
Not later than one year	18,869	3,451	15,418	8,890	1,260	7,630
Later than one year and not later than five years	20,225	2,089	18,136	6,488	883	5,605
	<u>39,094</u>	<u>5,540</u>	<u>33,554</u>	<u>15,378</u>	<u>2,143</u>	<u>13,235</u>

The bank has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 11.59% to 12.94% and KIBOR + 2.25% (2006: 12% to 16% and KIBOR + 2%). At the end of lease term, the bank has the option to acquire the assets subject to adjustment of security deposits.

	Note	2007	2006
		Rupees in '000	
<b>17. DEFERRED TAX LIABILITIES - net</b>			
<b>Deferred tax (assets) arising in respect of</b>			
Provision for diminution in the value of investments		(228,408)	(246,650)
Provision against advances - general provisions		(636,600)	(872,824)
Other provision		(103,806)	(103,806)
Charge against defined benefits plans		(289,333)	(281,028)
Difference between accounting book value of fixed assets and tax base		-	(12,145)
Provision against off-balance sheet obligation		(115,222)	(115,222)
		<u>(1,373,369)</u>	<u>(1,631,675)</u>
<b>Deferred tax liabilities arising in respect of</b>			
Excess of accounting book value of leased assets over lease liabilities		3,196	2,025
Difference between accounting book value of fixed assets and tax base		85,259	-
Revaluation of securities	20.2	5,395,899	3,570,167
Revaluation of fixed assets	20.3	986,846	446,556
		6,471,200	4,018,748
Net deferred tax liabilities		<u>5,097,831</u>	<u>2,387,073</u>

**17.1** Through Finance Act 2007, a new section 100A read with the 7th schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008).

The 7th Schedule does not contain transitory provisions to deal with the disallowances made upto the year ended December 31, 2007. This issue has been taken up with the tax authorities through Pakistan Banks Association for formulation of transitory provisions to deal with the items which were previously treated differently under the then applicable provisions.

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007 is being kept as an asset as the bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>18. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		4,248,516	3,364,337
Mark-up/ return/ interest payable in foreign currencies		1,108,424	1,063,453
Unearned commission and income on bills discounted		99,741	72,207
Accrued expenses		1,580,010	1,538,418
Advance payments		41,338	8,496
Unclaimed dividends		12,649	8,259
Un-realized loss on forward foreign exchange contracts		508,468	35,500
Un-realized loss on derivative financial instruments		77,954	240,525
Provision against off balance sheet obligations	18.1	425,824	425,824
Branch adjustment account - net		3,433,226	-
Employment benefits:			
Post retirement medical benefits	34.1.3	2,582,476	2,276,586
Compensated absences	34.2.1	1,662,930	1,639,708
Benevolent fund	34.1.4	759,957	802,937
Gratuity scheme	34.1.5	66,708	33,409
Staff welfare fund		659,336	686,401
Liabilities relating to:			
Bangladesh (former East Pakistan)		227,089	227,089
Barter trade agreements		8,775,910	8,660,061
Special separation package		78,422	78,422
Payable to GoP for acquisition of assets from CIRC	12.2	638,772	673,282
Payable on account of Government transactions		-	34,246
Payable to brokers		17,491	89,665
Others [(including provision of Rs.178 million (2006: Rs.178 million) for contingencies)]		3,863,913	4,637,475
		<u>30,869,154</u>	<u>26,596,300</u>
<b>18.1 Provision against off balance sheet obligations</b>			
Opening balance		425,824	425,824
Charge for the year		-	-
Closing balance	18.1.1	<u>425,824</u>	<u>425,824</u>

**18.1.1** This represents provision against non-funded exposure of borrowers where the bank feels the borrower will not be able to meet its contractual obligations at the time of amount becoming due.

## 19. SHARE CAPITAL

### 19.1 Authorized Capital

2006	2007		2007	2006
Number of shares			Rupees in '000	
<u>750,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>7,500,000</u>

### 19.2 Issued, subscribed and paid-up

140,388,000	140,388,000	Ordinary shares of Rs.10 each	1,403,880	1,403,880
568,683,295	675,043,989	Fully paid in cash	6,750,439	5,686,832
<u>709,071,295</u>	<u>815,431,989</u>	Issued as fully paid bonus shares	<u>8,154,319</u>	<u>7,090,712</u>

The Federal Government and the SBP held about 75.60% shares of the bank as at the year ended December 31, 2007 (2006: 75.60%).

	Note	2007 Rupees in '000	2006
<b>20. SURPLUS ON REVALUATION OF ASSETS - net</b>			
<b>20.1 Surplus on revaluation of fixed assets - net of tax</b>	20.3	20,543,099	5,368,099
<b>20.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax</b>			
Federal Government securities		(37,626)	80,436
Term Finance Certificates		34,262	56,000
Quoted shares		2,574,809	1,760,160
GoP Foreign Currency Bonds		(73,531)	-
NIT Units		15,801,458	11,721,554
Investment outside Pakistan		13,620,451	13,493,387
		31,919,823	27,111,537
Deferred tax liability recognized	17	(5,395,899)	(3,570,167)
		<u>47,067,023</u>	<u>28,909,469</u>
<b>20.3 Movement in surplus on revaluation of fixed assets - net of tax</b>			
Surplus on revaluation on January 1,		5,814,655	5,877,824
Net surplus on revaluation of bank's properties during the year		15,775,301	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax		(39,007)	(41,060)
Related deferred tax liability		(21,004)	(22,109)
		(60,011)	(63,169)
		<u>21,529,945</u>	<u>5,814,655</u>
Less: Related deferred tax liability on:			
Revaluation as at January 1,		446,556	468,665
Revaluation of bank's properties during the year		561,294	-
Incremental depreciation charged during the year		(21,004)	(22,109)
Transferred to profit and loss account			
	17	986,846	446,556
Surplus on revaluation of fixed assets on December 31,		<u>20,543,099</u>	<u>5,368,099</u>

**21. CONTINGENCIES AND COMMITMENTS****21.1 Direct credit substitutes**

Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

- Government	15,096,694	345,847
- Financial institutions	6,898,062	4,885,235
- Others	17,271,257	24,807,965
	<u>39,266,013</u>	<u>30,039,047</u>

**21.2 Transaction-related contingent liabilities**

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:

- Government	17,235,612	18,138,591
- Financial institutions	6,034,302	30,735
- Others	7,502,582	5,484,271
	<u>30,772,496</u>	<u>23,653,597</u>

2007                      2006  
Rupees in '000

### 21.3 Trade-related contingent liabilities

Letters of credit		
Issued in favour of		
- Government	139,367,158	128,295,046
- Financial institutions	187,561	522,542
- Others	59,601,103	31,725,396
	199,155,822	160,542,984

### 21.4 Other contingencies

<p><b>21.4.1</b> Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.170 million (2006: Rs.164 million) and claims relating to former MBL amounting to Rs.965 million (2006: Rs.1,053 million)].</p>	9,263,526	11,544,592
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#### 21.4.2 Taxation

The income tax assessments of the bank for global operations have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004) and for Azad Kashmir have been finalized upto Tax year 2006. The income tax returns for the Tax year 2007 (accounting year ended December 31, 2006) have been filed for global operations and Azad Kashmir and the same are deemed assessed under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During the year, the Taxation Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounts to Rs.922 million.

In the event that the above matters are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2006: Rs. 8,721 million) may arise in addition to amount for which provision has already been made in these financial statements.

No provision has been made in these financial statements for the above as the management, based on the opinion of tax lawyers and consultants, expects that it will get relief in the appeals.

#### 21.4.3 Provident Fund

In 1977, in accordance with the GoP policy, the bank's employees' benefits were changed from the Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The bank considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of bank's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal interpretation obtained, has commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977.

For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield through the year of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and upto date of payment in case of serving employees.

Some Ex-Employees not being satisfied with the payment filed contempt against the Bank in 2004. This case in the form of Criminal Original No. 7/2004 is pending before Supreme Court of Pakistan in which the petitioners claimed that the amount being paid to them against Bank's contribution is far less than that due to them. The Bank filed a reply and submitted before the Honorable Court that the rate of the interest which the petitioners are claiming is far higher than that due to them and the payment being made is in accordance with Provident Funds Rules. Pending outcome of the said contempt appeal, the Bank has decided not to claim excess fund lying in Provident Fund Account although as per legal opinion it would be lawful to the Bank to adjust the Banks Books of Accounts regarding excessive interest paid or accrued.

On one of the dates of hearing the Court had already observed that the contempt proceedings are not meant to cover the amount, if according to petitioners the amount falls short of their expectations. Under contempt proceedings their jurisdiction is only confined to punishing for disobedience of the order. The Court also put a direct question to the counsel for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Counsel of the petitioners was unable to do so. The Court therefore expressed the view that proceedings of contempt were not competent. However, the matter is still awaiting the decision of Honorable Supreme Court of Pakistan.

Pending outcome of the said application, the bank has decided not to claim excess fund lying in the Provident Fund account although the management is confident that the payments being made are in accordance with the Supreme Court's decision. The additional liability which may arise in case of different interpretation of the Supreme Court's decision cannot be estimated until such interpretation is made.

	2007	2006
	Rupees in '000	
<b>21.5 Commitments in respect of forward lending</b>		
Forward call lending	-	1,000,000
<b>21.6 Commitments in respect of forward exchange contracts</b>		
Purchase	49,819,478	33,055,235
Sale	38,137,569	15,352,480
<b>21.7 Commitments in respect of trading of government securities</b>		
Sale	-	22,500
Purchase	-	10,000,000
<b>21.8 Commitments for the acquisition of operating fixed assets</b>	475,088	590,073
<b>21.9 Other commitments</b>		
- Equity futures sold	189,289	339,816
- Interest rates swaps	8,852,500	8,905,000
- Cross currency swaps	9,317,886	-
<b>21.10 Commitments to inject capital in the following companies under share-holders agreement</b>		
- Nishat Power Limited	300,000	-
- Nishat (Chunian) Limited	300,000	-

Provided that if the maximum limit of Rs.300 million referred above has been reached but the associated capital is less than 10% of the permitted equity, then the bank may increase its commitment subject to internal and regulatory approvals.



## 22. DERIVATIVE INSTRUMENTS

22.1 The bank is involved in derivative transactions including interest rate swaps, cross currency swaps and equity futures.

The Asset Liability Committee regularly reviews the bank's risk profile in respect of derivatives. Performance trends, forecasts, as well as actual performance against budgets and prior periods are closely monitored. Operations procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The bank has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are described in note 5.4.

## 22.2 Product Analysis

Counterparties	2007							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		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)	No. of Contracts	Notional Principal (Rupees in '000)
<b>With Banks for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-	-	-
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	7	4,452,500	9	9,317,886	-	-	-	-
<b>Total</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	13	8,852,500	9	9,317,886	-	-	-	-
	13	8,852,500	9	9,317,886	-	-	-	-

Counterparties	2006							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		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)	No. of Contracts	Notional Principal (Rupees in '000)
<b>With Banks for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-	-	-
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	7	4,505,000	-	-	-	-	-	-
<b>Total</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	13	8,905,000	-	-	-	-	-	-
	13	8,905,000	-	-	-	-	-	-

## 22.3 Maturity Analysis

## Interest Rate Swaps

2007

Rupees in '000

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	8	6,642,772	56,574	8,281	(48,293)
6 month to 1 Year	5	2,209,728	31,776	2,115	(29,661)
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

2006

Rupees in '000

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	13	8,905,000	249,498	8,973	(240,525)
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

## Cross Currency Swaps

2007

Rupees in '000

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	9	9,317,886	334,095	405,908	71,813
Above 10 Years	-	-	-	-	-

2006

Rupees in '000

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>23. MARK-UP/RETURN/INTEREST EARNED</b>			
On loans and advances to:			
Customers and financial institutions		33,187,151	29,642,749
On Investments in:			
Available-for-sale securities		8,473,696	5,402,561
Held-to-maturity securities		2,390,246	3,806,635
		10,863,942	9,209,196
On deposits with financial institutions		4,777,132	4,006,289
On securities purchased under resale agreements		1,472,295	1,027,270
On interest rate SWAP		268,961	215,430
		<u>50,569,481</u>	<u>44,100,934</u>
<b>24. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		15,928,071	13,072,306
Securities sold under repurchase agreements		207,355	306,033
Short-term borrowings		590,924	387,223
Long-term borrowings		-	37
Interest rate SWAP		213,661	181,619
		<u>16,940,011</u>	<u>13,947,218</u>
<b>25. GAIN / (LOSS) ON SALE AND REDEMPTION OF SECURITIES</b>			
Federal government securities			
Market Treasury Bills		(3,925)	(2,651)
Pakistan Investment Bonds		23,941	(2,307)
		20,016	(4,958)
NIT Units	25.1	1,775,003	-
Shares - listed		546,671	829,797
- un-listed		-	344,676
		<u>2,341,690</u>	<u>1,169,515</u>
25.1 This represents gain on redemption on 10% of bank's LoC holdings.			
<b>26. OTHER INCOME</b>			
Rent on property		30,483	24,974
Profit on sale of property and equipment	11.6	2,702	8,350
Others		114,178	594,294
		<u>147,363</u>	<u>627,618</u>

	Note	2007	2006
Rupees in '000			
<b>27. ADMINISTRATIVE EXPENSES</b>			
Salaries and allowances	27.3	8,993,228	8,560,920
Charge for defined benefit plans		330,161	712,948
One time special award to staff		-	259,180
Non-executive directors' fee, allowances and other expenses	35	2,993	1,116
Rent, taxes, insurance, electricity, etc.		839,072	680,705
Legal and professional charges		261,629	125,429
Communications		315,464	281,567
Repairs and maintenance		235,113	232,935
Financial charges on leased assets		9,183	1,830
Stationery and printing		384,262	297,433
Advertisement and publicity		294,493	209,694
Donations	27.1	295	1,850
Auditors' remuneration	27.2	54,493	53,104
Depreciation	11.2	553,114	484,810
Amortization	11.3	3,409	1,824
Conveyance		91,924	81,452
Entertainment		31,583	29,008
Traveling		241,173	233,938
Security services		588,835	508,124
Outsourcing		266,102	156,361
Others		709,385	529,213
		<u>14,205,911</u>	<u>13,443,441</u>

**27.1 Donations include following amounts exceeding Rs.0.1 million.**

Q.M. Fareed Memorial Library, Department of Economics - University of Karachi	200	-
Friends of Layton Rehmatullah Benevolent Trust	-	1,000
Auj International Karachi	-	200
Institute of Technology Pakistan Aeronautical Complex Kamra	-	500
	<u>200</u>	<u>1,700</u>

None of the directors/executives or their spouses have any interest in the donee.

**27.2 Auditors' remuneration**

	M.Yousuf Adil Saleem & Co.	Ford Rhodes Sidat Hyder & Co.	2007 Total	2006 Total
----- Rupees in '000 -----				
Audit fee	2,854	2,854	5,708	4,756
Review of interim financial statements	1,584	1,584	3,168	2,640
Fee for audit of domestic branches	2,990	2,990	5,980	4,984
Fee for special certifications and sundry advisory services	211	43	254	2,591
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	150	-	36,867	34,173
Fee for audit of pension and other funds	-	-	-	1,185
Out-of-pocket expenses	1,316	1,200	2,516	2,775
	<u>9,105</u>	<u>8,671</u>	<u>54,493</u>	<u>53,104</u>

**27.3** The Salaries and allowance includes charge for staff welfare fund which is based on estimated payments to be made out of current year's profits.

	2007	2006
Rupees in '000		
<b>28. OTHER CHARGES</b>		
Penalties imposed by SBP	<u>17,141</u>	<u>208,327</u>
<b>29. TAXATION</b>		
For the year		
Current	8,311,500	8,695,598
Deferred	323,731	61,981
	29.1 <u>8,635,231</u>	<u>8,757,579</u>
For prior year		
Current	<u>391,497</u>	<u>530,652</u>
Deferred	-	-
	<u>391,497</u>	<u>530,652</u>
	<u>9,026,728</u>	<u>9,288,231</u>

Current taxation includes Rs.543 million (2006: Rs.504 million) of overseas branches.

The tax provision for 2007 has been made on estimated taxable income after charging provision against non-performing advances for which certificates from SBP, as required by the taxation authorities, are yet to be received.

		2007	2006
		Rupees in '000	
<b>29.1 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		28,060,501	26,310,577
Income tax at statutory rate @ 35% (2006: 35%)		9,821,175	9,208,702
Increase/(decrease) in taxes resulting from:			
Inadmissible differences		255,408	264,982
Income taxed at reduced rate		(889,953)	(218,044)
Income exempt from tax		(801,399)	(1,048,159)
Overseas taxation		250,000	550,098
Tax charge for current year		8,635,231	8,757,579
		<b>2007</b>	<b>2006</b>
<b>30. BASIC EARNINGS PER SHARE</b>			
Profit after tax for the year	<b>Rupees '000</b>	19,033,773	17,022,346
Weighted average number of ordinary shares	<b>Numbers '000</b>	815,432	815,432
Basic earnings per share	<b>Rupees</b>	23.34	20.88
<b>30.1</b>	Earnings per share for the year 2006 has been restated for the effect of bonus shares issued during the year.		
<b>31. DILUTED EARNINGS PER SHARE</b>			
Basic and diluted earnings per share are same.			
		2007	2006
		Rupees in '000	
<b>32. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks		94,873,249	78,625,227
Balances with other banks		37,472,832	40,641,679
Overdrawn nostros		(889,092)	(453,785)
		131,456,989	118,813,121
<b>33. STAFF STRENGTH</b>			
Permanent		13,237	13,326
Temporary/on contractual basis		842	693
Bank's own staff strength at the end of the year		14,079	14,019
Outsourced		2,350	1,337
Total Staff Strength		16,429	15,356
<b>33.1</b>	In addition to the above, the bank is utilizing the services of security guard companies. The number of security guards deployed by such companies as at year end are 5,192 (2006: 5,192).		
<b>34. EMPLOYEE BENEFITS</b>			
<b>34.1 Defined benefit plans</b>			
<b>34.1.1 General description</b>			
General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.9 to the financial statements.			
<b>Principal actuarial assumption</b>			
The financial assumptions used in actuarial valuation at December 31, 2007 of pension fund, post retirement medical benefits, benevolent fund and gratuity schemes are as follows:			
		2007	2006
Salary increase		10% per annum	9% per annum
Discount rate		10% per annum	9% per annum
Expected rate of return on plan assets		10% per annum	9% per annum
Pension indexation rate		6% per annum	5% per annum
Rate of inflation in the cost of medical benefits		7% per annum	7% per annum
Number of employees covered under retirement benefit plan		12,999	13,084

	Note	2007	2006
		Rupees in '000	
<b>34.1.2 Reconciliation of (recoverable from) pension fund</b>			
Present value of defined benefit obligations		12,704,049	12,069,249
Fair value of plan assets		(19,503,391)	(17,333,982)
Net actuarial gains not recognized		3,122,997	2,312,800
	12	<u>(3,676,345)</u>	<u>(2,951,933)</u>

The recognized amount has been restricted to present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

#### Movement in (recoverable from) pension fund

Opening net asset		(2,951,933)	(2,523,668)
Charge for the year		(197,568)	1,866
Contribution to the fund made during the year		(526,844)	(430,131)
		<u>(3,676,345)</u>	<u>(2,951,933)</u>

#### Charge for pension fund

Current service cost		324,541	319,588
Interest cost		1,086,232	907,656
Expected return on plan assets		(1,560,058)	(1,225,378)
Actuarial (gains)/losses recognized		(48,283)	-
		<u>(197,568)</u>	<u>1,866</u>

#### Actual return on plan assets

		<u>2,060,092</u>	<u>1,454,739</u>
--	--	------------------	------------------

#### 34.1.2.1 Components of fair value of plan assets as a percentage of total fair value of plan assets

	2007	2006
	%	%
Bonds	59.89	64.38
Equities	29.40	17.86
Cash and net current assets	10.71	17.75

#### Reconciliation of (recoverable from) pension fund for the five years are as follows

	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligations	12,704,049	12,069,249	10,085,072	8,889,166	7,721,627
Fair value of plan assets	(19,503,391)	(17,333,982)	(13,615,308)	(10,953,151)	(10,900,651)
Net actuarial gains not recognized	3,122,997	2,312,800	1,006,568	16,126	1,506,095
	<u>(3,676,345)</u>	<u>(2,951,933)</u>	<u>(2,523,668)</u>	<u>(2,047,859)</u>	<u>(1,672,929)</u>

	Note	2007	2006
		Rupees in '000	

#### 34.1.3 Reconciliation of payable to medical benefit plan

Present value of defined benefit obligations		2,726,617	2,595,291
Fair value of plan assets		-	-
Net actuarial losses not recognized		(144,141)	(318,705)
	18	<u>2,582,476</u>	<u>2,276,586</u>

#### Movement in net liability recognized

Opening net liability		2,276,586	2,001,749
Charge for the year		323,543	289,469
Benefits paid		(17,653)	(14,632)
		<u>2,582,476</u>	<u>2,276,586</u>

#### Charge for medical benefit plan

Current service cost		85,036	73,187
Interest cost		233,576	207,334
Expected return on plan assets		-	-
Actuarial (gains)/losses recognized		4,931	8,948
		<u>323,543</u>	<u>289,469</u>

#### Reconciliation of payable to medical benefit plan for the five years are as follows:

	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligations	2,726,617	2,595,291	2,303,706	2,212,279	1,937,958
Fair value of plan assets	-	-	-	-	-
Net actuarial losses not recognized	(144,141)	(318,705)	(301,957)	(440,381)	(358,054)
	<u>2,582,476</u>	<u>2,276,586</u>	<u>2,001,749</u>	<u>1,771,898</u>	<u>1,579,904</u>

	Note	2007	2006			
Rupees in '000						
<b>34.1.4 Movement in net liability recognized for benevolent fund</b>						
Opening net liability		802,937	729,725			
Charge for the year		22,756	129,185			
Benefits paid		(65,736)	(55,973)			
	18	<u>759,957</u>	<u>802,937</u>			
<b>Charge for benevolent fund</b>						
Current service cost		19,567	19,407			
Interest cost		72,264	65,675			
Actuarial (gains)/losses recognized		(69,075)	44,103			
		<u>22,756</u>	<u>129,185</u>			
<b>Reconciliation of net liability recognized for benevolent fund for the five years are as follows:</b>						
		2007	2006	2005	2004	2003
----- Rupees in '000 -----						
Opening net liability		802,937	729,725	733,572	638,103	832,015
Net charge for the year		22,756	129,185	56,242	162,032	(122,722)
Benefits paid		(65,736)	(55,973)	(60,089)	(66,563)	(71,190)
		<u>759,957</u>	<u>802,937</u>	<u>729,725</u>	<u>733,572</u>	<u>638,103</u>

	Note	2007	2006
Rupees in '000			
<b>34.1.5 Reconciliation of payable to gratuity benefit plan</b>			
Present value of defined benefit obligations		82,098	58,205
Net actuarial losses not recognized		(4,309)	(2,635)
Unrecognized Past Service Cost		(11,081)	(22,161)
	18	<u>66,708</u>	<u>33,409</u>
<b>Movement in net liability recognized</b>			
Opening liability		33,409	-
Charge for the year		33,299	33,409
Benefits paid		-	-
		<u>66,708</u>	<u>33,409</u>
<b>Charge for gratuity benefit plan</b>			
Current service cost		16,980	7,272
Interest cost		5,238	2,080
Past service cost to be recognized		11,081	24,057
		<u>33,299</u>	<u>33,409</u>

**34.2 Other employee benefits****34.2.1 Movement in net liability recognized for compensated absences**

Opening net liability		1,639,708	1,521,326
Charge for the year		23,222	118,382
	18	<u>1,662,930</u>	<u>1,639,708</u>

**Reconciliation of net liability recognized for compensated absences for the five years are as follows:**

	2007	2006	2005	2004	2003
----- Rupees in '000 -----					
Opening net liability	1,639,708	1,521,326	1,219,566	1,281,741	1,196,698
Net charge for the year	23,222	118,382	301,760	(62,175)	85,043
	<u>1,662,930</u>	<u>1,639,708</u>	<u>1,521,326</u>	<u>1,219,566</u>	<u>1,281,741</u>

**34.3 Expected contributions to be paid to the funds in the next financial year**

	2 0 0 8			
	Pension funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
----- Rupees in '000 -----				
Contribution to be paid	<u>(230,680)</u>	<u>94,588</u>	<u>380,083</u>	<u>42,423</u>

**34.4 Effect of 1% movement in assumed medical cost trend rate**

	2 0 0 7		2 0 0 6	
	Increase	Decrease	Increase	Decrease
----- Rupees in '000 -----				
Impact on obligations	145,588	(111,073)	191,642	(143,547)
Impact on cost	23,191	(17,363)	29,773	(21,797)

**35. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	----- Rupees in '000 -----					
Fees	-	-	2,993	1,116	-	-
Managerial remuneration	7,800	6,600	-	-	196,553	122,997
Charge for defined benefit plan	-	-	-	-	38,825	48,467
Rent and house maintenance	5,265	3,192	-	-	93,303	58,424
Utilities	1,029	598	-	-	19,719	12,227
Medical	1,061	1,631	-	-	28,200	8,131
Conveyance	-	-	-	-	46,450	24,709
Leave fare assistance	3,000	3,000	-	-	-	-
Bonus & others	25,812	17,369	-	-	84,388	53,474
	<u>43,967</u>	<u>32,390</u>	<u>2,993</u>	<u>1,116</u>	<u>507,438</u>	<u>328,429</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>7</u>	<u>239</u>	<u>135</u>

The president and certain executives are also provided with free use of the bank's cars, household equipments and free membership of clubs.

Executives mean officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year.

**36. FAIR VALUE OF FINANCIAL INSTRUMENTS****36.1 On-balance sheet financial instruments**

	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
	----- Rupees in '000 -----			
<b>Assets</b>				
Cash and balances with treasury banks	94,873,249	94,873,249	78,625,227	78,625,227
Balances with other banks	37,472,832	37,472,832	40,641,679	40,641,679
Lendings to financial institutions	21,464,600	21,464,600	23,012,732	23,012,732
Investments	210,787,868	209,413,807	139,946,995	138,228,620
Advances	340,677,100	340,677,100	316,110,406	316,110,406
Other assets	15,200,716	15,200,716	14,306,189	14,306,189
	<u>720,476,365</u>	<u>719,102,304</u>	<u>612,643,228</u>	<u>610,924,853</u>
<b>Liabilities</b>				
Bills payable	7,061,902	7,061,902	10,605,663	10,605,663
Borrowings	10,886,063	10,886,063	11,704,079	11,704,079
Deposits and other accounts	591,907,435	591,907,435	501,872,243	501,872,243
Liabilities against assets subject to finance lease	33,554	33,554	13,235	13,235
Other liabilities	21,658,733	21,658,733	20,339,091	20,339,091
	<u>631,547,687</u>	<u>631,547,687</u>	<u>544,534,311</u>	<u>544,534,311</u>

**36.2 Off-balance sheet financial instruments**

Forward purchase of foreign exchange	<u>49,819,478</u>	<u>49,454,538</u>	<u>33,055,235</u>	<u>33,147,690</u>
Forward sale of foreign exchange	<u>38,137,569</u>	<u>38,601,982</u>	<u>15,352,480</u>	<u>15,354,064</u>
Cross currency swaps and interest rate swaps	<u>18,170,386</u>	<u>18,092,432</u>	<u>8,905,000</u>	<u>4,264,475</u>
Equity futures sold	<u>189,289</u>	<u>179,260</u>	<u>339,816</u>	<u>339,017</u>
Forward call lending	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Forward Purchases of trading government securities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
Forward Sales of trading government securities	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>

All quoted and unquoted investments have been valued in accordance with the accounting policy stated in note 5.2.

Fair value of loans and advances cannot be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these 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 deposits are frequently repriced.



**37. Segment Details with respect to Business Activities**

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
----- Rupees in '000 -----									
<b>2007</b>									
Total income	311,422	9,626,193	11,376,128	21,967,311	1,052,772	2,840,489	-	-	-
Total expenses	1,455	323,949	6,549,071	9,389,224	610,926	2,239,189	-	-	-
Net income	309,967	9,302,244	4,827,057	12,578,087	441,846	601,300	-	-	-
Segment Assets (Gross)	-	317,550,303	123,134,052	321,509,238	-	-	-	-	-
Segment Non Performing Loans	-	-	2,594,898	35,722,654	-	-	-	-	-
Segment Provision Required	-	-	1,238,286	31,113,529	-	-	-	-	-
Segment Liabilities	-	9,218,145	121,426,879	515,210,915	-	-	-	-	-
Segment Return on net Assets (ROA) (%)	0.00%	3.35%	4.54%	3.19%	0.00%	0.00%	-	-	-
Segment Cost of funds (%)	0.00%	4.90%	1.81%	3.02%	0.00%	0.00%	-	-	-
<b>2006</b>									
Total income	168,813	9,929,281	11,899,362	17,022,142	742,940	2,554,070	-	-	-
Total expenses	1,439	(473,327)	7,401,922	6,248,086	504,351	2,323,560	-	-	-
Net income	167,374	10,402,608	4,497,440	10,774,056	238,589	230,510	-	-	-
Segment Assets (Gross)	-	269,919,000	93,292,013	307,206,786	-	-	-	-	-
Segment Non Performing Loans	-	-	1,458,278	34,801,608	-	-	-	-	-
Segment Provision Required	-	-	473,902	29,054,770	-	-	-	-	-
Segment Liabilities	-	6,713,045	128,818,479	417,646,618	-	-	-	-	-
Segment Return on net Assets (ROA) (%)	0.00%	4.30%	3.49%	2.58%	0.00%	0.00%	-	-	-
Segment Cost of funds (%)	0.00%	0.00%	1.07%	3.19%	0.00%	0.00%	-	-	-

**38. TRUST ACTIVITIES****38.1 National Investment Trust (NIT)**

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale/purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately 1.4 billion (2006: 1.3 billion) shares with market value of Rs.95,687 million (2006: Rs.72,832 million) in safe custody/Central Depository Company on behalf of NIT.

**38.2 Long-term Credit Fund (LTCF)**

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs.36 billion on December 31, 2007 (2006: Rs.38 billion). However, the bank is in process of negotiating the charge of fee in consideration of administrative services to the LTCF.

**38.3 Qarz-e-Hasna Fund**

The work relating to Qarz-e-Hasna Scheme was attended by Pakistan Banking Council (PBC) since inception. PBC was dissolved in January 1997. In order to fill the void created by the dissolution of PBC and in order to continue the scheme, SBP decided to entrust all funds and transfer all record relating to Qarz-e-Hasna scheme for education to the bank with the instructions to perform all work relating to the Fund.

Till December 31, 2007 SBP had transferred Rs.244 million (2006: Rs.244 million) to the bank. Assets and liabilities relating to the Fund have been treated as off-balance sheet item in the financial statements.

**39. RELATED PARTY TRANSACTIONS**

The bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiary companies and associated undertakings are stated in note 9 to these financial statements.

Transactions between the bank and its related parties are carried out under normal course of business except employee staff loans, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

Detail 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 10.8 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approval in respect of staff retirement and other benefit plans as disclosed in note 34 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 35 and 11.6 to the financial statements.

	2007	2006
	Rupees in '000	
<b>Balance outstanding at year end</b>		
<b>Advances to:</b>		
Subsidiaries	786,382	719,220
Associates	1,515,120	1,600,070
Key management executives *	89,102	65,225
Debts due by company in which a director of the bank is interested as director	199,391	222,759
<b>Placements with:</b>		
Joint venture	759,343	349,550
Associates / subsidiaries	27,331	27,331
* This includes loans extended to certain key management executives in accordance with the terms of employment.		
<b>Deposits from:</b>		
<b>Subsidiaries</b>		
Opening balance	14,167	317,593
Received during the year	241,785	-
Repaid during the year	-	(303,426)
Closing Balance	<u>255,952</u>	<u>14,167</u>
<b>Pension fund</b>		
Opening balance	3,077,536	2,598,358
Received during the year	1,990,643	1,701,545
Repaid during the year	<u>(2,979,203)</u>	<u>(1,222,367)</u>
Closing Balance	<u>2,088,976</u>	<u>3,077,536</u>
<b>Provident fund</b>		
Opening balance	7,397,487	6,665,252
Received during the year	1,325,349	1,212,644
Repaid during the year	<u>(644,441)</u>	<u>(480,409)</u>
Closing Balance	<u>8,078,395</u>	<u>7,397,487</u>
<b>Obligation under finance lease</b>		
Subsidiary	31,694	9,260
<b>Income for the year</b>		
On advances/placements with:		
Subsidiaries	832	10,323
Associates	37,726	46,105
Joint venture	23,160	9,619
Debts due by company in which a director of the bank is interested as director	5,965	9,102
<b>Expenses for the year</b>		
Remuneration to key management executives	77,208	66,157
Charge for defined benefit plan	5,605	14,577
<b>On deposits of:</b>		
Subsidiaries	584	344
Provident fund **	943,205	976,870
On Repo / call borrowing:		
Commission paid to subsidiaries	2,473	4,921
Other receivables	30,259	23,284
Other payables	11,154	144

\*\* Had the interest on deposits from provident fund paid at the average rate of twenty years Government paper, interest would have been lower by Rs.201 million (2006: Rs.306 million).

**39.1** Although the Federal Government and the SBP held about 75.60% shares of the bank (2006: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 40. CAPITAL ADEQUACY

### 40.1 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank operates;
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Through BSD Circular No. 6 dated 28 October 2005 the State Bank of Pakistan has raised the minimum paid-up capital requirement for locally incorporated banks to Rs. 6 billion (net of losses) to be achieved in a phased manner by 31 December 2009. The minimum paid-up capital requirement to be achieved by 31 December 2007 was Rs. 4 billion. Further, the amount of capital required to be maintained by all banks/DFIs carrying on business in Pakistan should at least be equivalent to 8 percent of the risk weighted assets.

The State Bank of Pakistan's regulatory capital as managed by the bank is analyzed into following tiers:

- Tier I capital, which comprise of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which include general reserve for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debts.
- Tier III capital, which include short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluations reserves are eligible upto 50 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Undisclosed reserves, despite being unpublished, are eligible if they appear in the internal account of the bank. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect more contingent nature of potential losses.

Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

There have been no material changes in the Bank's management of capital during the year.

#### 40.2 Capital Adequacy Ratio

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

	2007	2006
	Rupees in '000	
<b>Regulatory Capital Base</b>		
<b>Tier I Capital</b>		
Shareholders Capital	8,154,319	7,090,712
Reserves	12,407,812	10,504,435
Unappropriated profits	45,344,188	32,074,677
Less: Adjustments	(1,349,213)	(1,349,213)
<b>Total Tier I Capital</b>	<b>64,557,106</b>	<b>48,320,611</b>
<b>Tier II Capital</b>		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions (subject to 1.25% of Total Risk Weighted Assets)	1,656,163	2,162,008
Exchange equalization reserve	3,364,312	3,374,825
Revaluation Reserve (upto 50%)	23,327,423	14,400,593
<b>Total Tier II Capital</b>	<b>28,347,898</b>	<b>19,937,426</b>
<b>Eligible Tier III Capital</b>	-	-
<b>Total Regulatory Capital</b> (a)	<b>92,905,004</b>	<b>68,258,037</b>

#### Risk-Weighted Exposures

	2007		2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	----- Rupees in '000 -----			
<b>Credit Risk</b>				
Balance Sheet Items:-				
Cash and other liquid Assets	132,346,081	7,495,846	119,266,906	8,128,336
Money at call	21,464,600	624,535	23,012,732	1,766,000
Investments	210,787,867	49,239,899	139,946,995	47,948,660
Loans and Advances	338,877,957	260,466,754	312,073,126	244,182,290
Fixed Assets	25,922,979	25,922,979	9,681,974	9,681,974
Other Assets	30,994,965	20,183,551	27,113,698	17,672,740
	<b>760,394,449</b>	<b>363,933,564</b>	<b>631,095,431</b>	<b>329,380,000</b>
Off Balance Sheet items				
Loan Repayment Guarantees	39,266,013	18,650,869	30,039,047	15,510,825
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	30,772,496	4,354,721	23,653,597	8,340,146
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	199,155,822	29,819,308	160,542,984	16,745,802
Outstanding Foreign Exchange Contracts				
- Purchase	49,819,478	287,072	33,055,235	232,166
- Sale	38,137,569	155,255	15,352,480	131,394
Cross currency SWAP	9,317,886	37,272		
Single currency Interest Rate SWAP	4,452,500	35,620	4,505,000	36,040
	<b>370,921,764</b>	<b>53,340,117</b>	<b>267,148,343</b>	<b>40,996,373</b>
Credit risk-weighted exposures		<b>417,273,681</b>		<b>370,376,373</b>
<b>Market Risk</b>				
General market risk		44,301,305		42,925,385
Specific market Risk		785,594		332,573
Market risk-weighted exposures		<b>45,086,899</b>		<b>43,257,958</b>
<b>Total Risk-Weighted exposures</b> (b)		<b>462,360,580</b>		<b>413,634,331</b>
<b>Capital Adequacy Ratio [ (a) / (b) x 100]</b>		<b>20.09%</b>		<b>16.50%</b>

## 41. RISK MANAGEMENT

### 41.1 Credit risk

Credit risk exposure in respect of earning assets and off-balance sheet financial instruments represents carrying values of assets and contingencies which could be impacted as a result of failure by the bank's counter-parties to discharge their obligations under financial instruments and cause the bank to incur financial loss.

Concentration of credit risk arises from exposures to customers having similar characteristics in terms of industry in which they are engaged, geographical location in which they operate such that their ability to discharge contractual obligations may be similarly affected by change in political, economical and other conditions. Significant concentrations of bank's risk assets by industrial and geographical sectors are set out below.

Credit risk is managed in terms of lending policy, approved by the board of directors and other laid down procedures outlined in the Standard Procedures Manual and related circulars. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Credit Management Group (CMG) at Head Office. Where possible, all loans and advances are secured by acceptable form of collateral to mitigate credit risk. The CMG is also responsible for continuing review and monitoring of borrowers' accounts and effective compliance of Prudential Regulations.

The bank maintains advances portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector.

Cross border exposures are controlled by the bank by considering country/sovereign risk and these are updated on regular basis.

Special Assets Management Group (SAMG) of the bank is responsible for monitoring the stuck up advances. It negotiates with the borrowers and takes legal actions against the delinquent borrowers.

#### 41.1.1 SEGMENTAL INFORMATION

##### 41.1.1.1 Segment by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	2,657,289	0.71	1,066,632	0.18	13,451,526	5.00
Agribusiness	22,039,921	5.88	11,753,867	1.99	184,218	0.07
Textile	57,239,248	15.26	1,647,032	0.28	8,611,672	3.20
Cement	9,700,961	2.59	1,164,714	0.20	3,348,457	1.24
Sugar	7,891,294	2.10	249,386	0.04	566,551	0.21
Flour	826,041	0.22	75,142	0.01	41,909	0.02
Rice processing	10,786,315	2.88	205,833	0.03		
Shoes & leather garments	656,006	0.17	146,301	0.02	72,859	0.03
Automobile and transportation equipment	5,655,043	1.51	501,837	0.08	989,499	0.37
Financial Insurance	13,530,582	3.61	58,240,151	9.84	8,520,218	3.17
Transportation	15,091,830	4.02	3,171,234	0.54	369,148	0.14
Real Estate Construction	7,363,131	1.96	4,627,290	0.78	732,341	0.27
Electronics and electrical appliances	13,627,351	3.63	2,013,074	0.34	19,878,950	7.38
Production and transmission of energy	13,880,606	3.70	3,143,770	0.53	16,234,959	6.03
Food and tobacco	1,813,831	0.48	304,016	0.05	130,477	0.05
Fertilizer	3,238,541	0.86	250,168	0.04	1,454,092	0.54
Metal products	2,823,582	0.75	209,905	0.04	1,164,511	0.43
Oil, gas, petroleum and energy	22,813,472	6.08	12,292,966	2.08	19,749,290	7.34
Telecommunication	7,789,703	2.08	15,010,063	2.54	2,985,474	1.11
Hotel and services	6,300,379	1.68	13,474,475	2.28	1,111,400	0.41
Public sector commodity operations	15,882,415	4.23	7,189,309	1.21	1,195,782	0.44
Individuals	83,971,629	22.39	264,674,653	44.72	5,245,993	1.95
General traders	15,475,908	4.13	12,594,240	2.13	3,407,025	1.27
Others	34,035,124	9.08	176,280,600	29.78	159,747,980	59.33
	<b>375,090,202</b>	<b>100.00</b>	<b>591,907,435</b>	<b>100.00</b>	<b>269,194,331</b>	<b>100.00</b>

## 41.1.1.2 Segment by sector

	2007					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	67,502,893	18.00	249,531,928	42.16	171,699,464	63.78
Private	307,587,309	82.00	342,375,507	57.84	97,494,867	36.22
	<u>375,090,202</u>	<u>100.00</u>	<u>591,907,435</u>	<u>100.00</u>	<u>269,194,331</u>	<u>100.00</u>

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

	2007		2006	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	----- Rupees in '000 -----			
Chemical and pharmaceuticals	1,528,242	1,496,988	1,553,889	1,484,888
Agribusiness	1,698,478	709,774	1,102,793	263,248
Textile	14,555,983	12,571,994	11,883,548	10,067,133
Cement	1,192,930	1,192,930	2,182,965	1,479,413
Sugar	1,340,425	1,340,425	1,523,504	1,256,677
Flour	169,787	144,113	102,895	80,434
Rice processing	818,768	600,694	321,257	180,805
Shoes & leather garments	107,908	106,609	178,190	154,602
Automobile and transportation equipment	361,852	328,000	317,633	273,066
Financial	60,235	60,235	66,404	39,019
Transportation	69,818	68,836	223,215	223,215
Real Estate Construction	334,860	254,511	138,071	105,164
Electronics and electrical appliances	168,013	148,225	146,289	142,543
Food and tobacco	968,742	867,133	1,073,901	1,020,411
Fertilizer	210,856	206,091	190,795	160,680
Metal products	1,993,805	1,989,868	1,922,181	1,578,470
Oil, gas, petroleum and energy	1,215,650	1,067,101	978,385	626,507
Hotel and services	56,624	34,057	9,306	9,306
Individuals	896,420	528,512	355,485	210,654
General traders	1,661,610	1,484,882	3,880,361	3,429,779
Others	8,906,546	7,150,837	8,108,819	6,742,658
	<u>38,317,552</u>	<u>32,351,815</u>	<u>36,259,886</u>	<u>29,528,672</u>

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

Public / Government	908,750	908,750	1,137,579	926,431
Private	37,408,802	31,443,065	35,122,307	28,602,241
	<u>38,317,552</u>	<u>32,351,815</u>	<u>36,259,886</u>	<u>29,528,672</u>

## 41.1.1.5 Geographical segment analysis

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	----- Rupees in '000 -----			
Pakistan	26,508,701	645,155,276	106,977,382	251,265,796
Asia Pacific (including South Asia)	658,093	19,269,969	5,407,122	5,216,137
Europe	1,663	8,667,946	1,853,556	6,450,977
United States of America and Canada	290,741	12,843,044	1,430,281	6,261,421
Middle East	601,303	76,257,358	669,313	-
	<u>28,060,501</u>	<u>762,193,593</u>	<u>116,337,654</u>	<u>269,194,331</u>

## 41.2 Market risk

Market risk refers to the risk to an institution resulting from movements in market variables, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices.

Market risk management strategy states the risk tolerance level, which the institution is prepared to assume, and the business goals it plans to achieve. NBP market risk office makes sure that Bank's Market risk exposure, i.e. exposure in Money Market, Foreign Exchange Market and Equity Market, adheres with the risk tolerance level and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee (RMC) and Assets & Liability Committee (ALCO). Various risk management reports are generated e.g. 'Exception reports', 'Limit reports', 'Stress Testing reports', 'Money market and FX Gap reports', 'Counterparty limit report', 'CRR', and 'SLR' etc for the purpose of market risk measurement and monitoring.

### 41.2.1 Foreign exchange risk

	2007			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupee	617,154,139	524,456,652	(15,047,124)	77,650,363
United States Dollar	102,400,042	88,602,314	10,550,695	24,348,423
Great Britain Pound	7,347,879	8,001,400	2,802,727	2,149,206
Euro	6,973,738	6,531,677	2,374,939	2,817,000
Japanese Yen	3,295,294	4,380,632	(653,834)	(1,739,172)
Other currencies	25,022,501	13,883,264	(27,403)	11,111,834
	145,039,454	121,399,287	15,047,124	38,687,291
	<u>762,193,593</u>	<u>645,855,939</u>	<u>-</u>	<u>116,337,654</u>

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot, forward and swap transactions with the SBP and in the inter bank market.

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exist between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

The liabilities in foreign currencies include a sum of Rs.658 million (2006: Rs.787 million) being deposits in foreign currencies of local branches against which the bank has obtained forward cover through SBP.

### 41.2.2 Equity position risk

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risk from various factors that include, but are not limited to:

- Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and/ or economy in general.
- Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made.
- Fluctuation in the shares' prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market.
- The possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system is discharging their fiduciary responsibilities.
- Any government or court order restraining payment of dividend by a company to its shareholders.

The bank mitigates the aforesaid risk as follows:

- Through diversification and capping maximum exposure in a single sector/company. Additionally continuous follow up of these sectors and companies through self monitoring and fundamentals research from reputable brokerage houses.
- Compliances with the SECP Corporate Governance Rules by the investee company prudent investing practices (focus on dividend payout history).
- The bank will refrain from speculative trading and the investment will be made as per the guidelines on liquidity and growth as per investment policy manual or set by the Board of Directors.
- The bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

## 41.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The bank manages this risk by matching/re-pricing of assets and liabilities. The bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the bank.

Effective Yield / Interest rate	2007										Non-interest bearing financial instruments	
	Total	Exposed to Yield / Interest risk										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	2.20%	94,873,249	3,205,059	14,742,960	10,889,486	-	-	-	-	-	-	66,035,744
Balances with other banks	7.30%	37,472,832	16,529,278	12,725,102	762,098	338,118	1,600	-	-	-	-	7,116,636
Lending to financial institutions	7.80%	21,464,600	15,672,337	1,443,081	4,349,182	-	-	-	-	-	-	-
Investments	10.00%	210,787,868	25,051,729	29,446,778	35,350,436	47,494,926	14,689,731	2,013,422	4,834,818	8,576,579	756,332	42,573,117
Advances	10.30%	340,677,100	95,414,186	78,517,308	65,012,528	82,344,884	5,739,696	10,884,531	1,383,180	1,380,787	-	-
Other assets	0.00%	15,200,716	-	-	-	-	-	-	-	-	-	15,200,716
		<u>720,476,365</u>	<u>155,872,589</u>	<u>136,875,229</u>	<u>116,363,730</u>	<u>130,177,928</u>	<u>20,431,027</u>	<u>12,897,953</u>	<u>6,217,998</u>	<u>9,957,366</u>	<u>756,332</u>	<u>130,926,213</u>
<b>Liabilities</b>												
Bills payable	0.00%	7,061,902	-	-	-	-	-	-	-	-	-	7,061,902
Borrowings	4.00%	10,886,063	2,192,856	7,357,315	-	-	-	-	70,800	-	-	1,265,092
Deposits and other accounts	3.00%	591,907,435	395,048,259	9,291,403	20,511,104	129,231	-	-	-	-	-	166,927,438
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	12.50%	33,554	-	4,297	4,297	8,113	12,735	4,112	-	-	-	-
Other liabilities	0.00%	21,658,733	-	-	-	-	-	-	-	-	-	21,658,733
		<u>631,547,687</u>	<u>397,241,115</u>	<u>16,653,015</u>	<u>20,515,401</u>	<u>137,344</u>	<u>12,735</u>	<u>4,112</u>	<u>70,800</u>	<u>-</u>	<u>-</u>	<u>196,913,165</u>
<b>On-balance sheet gap</b>		<u>88,928,678</u>	<u>(241,368,526)</u>	<u>120,222,214</u>	<u>95,848,329</u>	<u>130,040,584</u>	<u>20,418,292</u>	<u>12,893,841</u>	<u>6,147,198</u>	<u>9,957,366</u>	<u>756,332</u>	<u>(65,986,952)</u>
<b>Off-balance sheet financial instruments</b>												
Interest rate swaps and cross currency swap		18,170,386	-	-	6,669,022	2,183,478	-	-	-	9,317,886	-	-
Equity futures		189,289	-	189,289	-	-	-	-	-	-	-	-
Forward call lending		-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange		49,819,478	15,459,204	11,073,536	12,940,963	10,345,775	-	-	-	-	-	-
Forward sale of foreign exchange		38,137,569	17,018,360	7,820,977	12,891,619	406,613	-	-	-	-	-	-
Forward Purchases of trading government securities		-	-	-	-	-	-	-	-	-	-	-
Forward Sales of trading government securities		-	-	-	-	-	-	-	-	-	-	-
		<u>106,316,722</u>	<u>32,477,564</u>	<u>19,083,802</u>	<u>32,501,604</u>	<u>12,935,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,317,886</u>	<u>-</u>	<u>-</u>
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<u>195,245,400</u>	<u>(208,890,962)</u>	<u>139,306,016</u>	<u>128,349,933</u>	<u>142,976,450</u>	<u>20,418,292</u>	<u>12,893,841</u>	<u>6,147,198</u>	<u>19,275,252</u>	<u>756,332</u>	<u>(65,986,952)</u>
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>			<u>(208,890,962)</u>	<u>(69,584,946)</u>	<u>58,764,987</u>	<u>201,741,437</u>	<u>222,159,729</u>	<u>235,053,570</u>	<u>241,200,768</u>	<u>260,476,020</u>	<u>261,232,352</u>	<u>195,245,400</u>



Effective Yield / Interest rate	2 0 0 6										Non-interest bearing financial instruments	
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Exposed to Yield / Interest risk							
					Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
----- Rupees in '000 -----												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	3.05%	78,625,227	5,328,059	18,265,650	13,209,920	-	-	-	-	-	-	41,821,598
Balances with other banks	5.43%	40,641,679	31,455,316	5,515,292	2,391,174	300,710	119	-	-	-	-	979,068
Lending to financial institutions	5.07%	23,012,732	-	3,646,179	16,747,792	2,618,761	-	-	-	-	-	-
Investments	8.56%	139,946,995	5,722,060	35,634,259	16,391,110	13,133,085	6,166,539	15,132,315	2,013,336	8,959,974	574,707	36,219,610
Advances	10.08%	316,110,406	62,590,106	52,350,176	97,332,079	48,312,632	46,882,213	158,300	1,597,900	1,541,900	5,345,100	-
Other assets	0.00%	14,306,189	-	-	-	-	-	-	-	-	-	14,306,189
		612,643,228	105,095,541	115,411,556	146,072,075	64,365,188	53,048,871	15,290,615	3,611,236	10,501,874	5,919,807	93,326,465
<b>Liabilities</b>												
Bills payable	0.00%	10,605,663	-	-	-	-	-	-	-	-	-	10,605,663
Borrowings	3.78%	11,704,079	1,610,623	8,828,364	109,600	-	-	-	70,800	-	-	1,084,692
Deposits and other accounts	2.73%	501,872,243	277,663,751	57,430,401	26,417,526	2,317,916	-	-	-	-	-	138,042,649
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		13,235	-	-	-	-	-	13,235	-	-	-	-
Other liabilities	0.00%	20,339,091	-	-	-	-	-	-	-	-	-	20,339,091
		544,534,311	279,274,374	66,258,765	26,527,126	2,317,916	-	13,235	70,800	-	-	170,072,095
<b>On-balance sheet gap</b>		<b>68,108,917</b>	<b>(174,178,833)</b>	<b>49,152,791</b>	<b>119,544,949</b>	<b>62,047,272</b>	<b>53,048,871</b>	<b>15,277,380</b>	<b>3,540,436</b>	<b>10,501,874</b>	<b>5,919,807</b>	<b>(76,745,630)</b>
<b>Off-balance sheet financial instruments</b>												
Interest rate swaps		4,505,000	-	-	-	-	4,505,000	-	-	-	-	-
Equity futures		339,816	-	339,816	-	-	-	-	-	-	-	-
Forward call lending		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange		33,055,235	5,210,218	6,954,697	10,168,736	10,721,584	-	-	-	-	-	-
Forward sale of foreign exchange		15,352,480	4,011,439	2,532,404	3,510,552	5,298,085	-	-	-	-	-	-
Forward Purchases of trading government securities		10,000,000	10,000,000	-	-	-	-	-	-	-	-	-
Forward Sales of trading government securities		22,500	22,500	-	-	-	-	-	-	-	-	-
Cross currency swap		-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>64,275,031</b>	<b>20,244,157</b>	<b>9,826,917</b>	<b>13,679,288</b>	<b>16,019,669</b>	<b>4,505,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<b>132,383,948</b>	<b>(153,934,676)</b>	<b>58,979,708</b>	<b>133,224,237</b>	<b>78,066,941</b>	<b>57,553,871</b>	<b>15,277,380</b>	<b>3,540,436</b>	<b>10,501,874</b>	<b>5,919,807</b>	<b>(76,745,630)</b>
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>			<b>(153,934,676)</b>	<b>(94,954,968)</b>	<b>38,269,269</b>	<b>116,336,210</b>	<b>173,890,081</b>	<b>189,167,461</b>	<b>192,707,897</b>	<b>203,209,771</b>	<b>209,129,578</b>	<b>132,383,948</b>



	2 0 0 6									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	78,625,227	47,149,657	18,265,650	13,209,920	-	-	-	-	-	-
Balances with other banks	40,641,679	32,434,384	5,515,292	2,391,174	300,710	119	-	-	-	-
Lending to financial institutions	23,012,732	-	3,646,179	16,747,792	2,618,761	-	-	-	-	-
Investments	139,946,995	3,854,699	31,149,258	9,280,763	30,254,514	21,737,459	20,723,117	8,337,711	11,369,974	3,239,500
Advances	316,110,406	42,973,488	38,507,774	46,047,045	74,029,411	29,867,599	30,681,841	38,739,435	14,744,980	518,833
Operating fixed assets	9,681,974	-	-	-	-	-	-	-	9,681,974	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	27,113,698	5,125,324	6,172,019	3,500,790	44,188	3,033,699	8,910,611	327,067	-	-
	<u>635,132,711</u>	<u>131,537,552</u>	<u>103,256,172</u>	<u>91,177,484</u>	<u>107,247,584</u>	<u>54,638,876</u>	<u>60,315,569</u>	<u>47,404,213</u>	<u>35,796,928</u>	<u>3,758,333</u>
<b>Liabilities</b>										
Bills payable	10,605,663	10,605,663	-	-	-	-	-	-	-	-
Borrowings	11,704,079	2,064,408	9,016,364	109,600	188,000	254,907	-	70,800	-	-
Deposits and other accounts	501,872,243	391,728,528	69,631,553	14,454,044	7,621,612	4,055,681	2,386,141	2,954,218	4,081,889	4,958,577
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	13,235	-	-	-	-	-	13,235	-	-	-
Deferred tax liabilities	2,387,073	-	-	-	-	-	-	2,833,628	(446,555)	-
Other liabilities	26,596,300	8,492,615	708,782	3,714,835	-	10,322,820	-	1,974,852	-	1,382,396
	<u>553,178,593</u>	<u>412,891,214</u>	<u>79,356,699</u>	<u>18,278,479</u>	<u>7,809,612</u>	<u>14,633,408</u>	<u>2,399,376</u>	<u>7,833,498</u>	<u>3,635,334</u>	<u>6,340,973</u>
<b>Net assets</b>	<u>81,954,118</u>	<u>(281,353,662)</u>	<u>23,899,473</u>	<u>72,899,005</u>	<u>99,437,972</u>	<u>40,005,468</u>	<u>57,916,193</u>	<u>39,570,715</u>	<u>32,161,594</u>	<u>(2,582,640)</u>
Share capital	7,090,712									
Reserves	13,879,260									
Unappropriated profit	32,074,677									
Surplus on revaluation of assets	28,909,469									
	<u>81,954,118</u>									

Savings and current deposits have been classified as due upto one months. However, the bank does not expect these deposits to fall below their current level.

#### 41.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

In terms of Road map set forth by the National Regulators all banks in Pakistan are mandated to implement BII Basic Indicator approach for Operational Risk for calculation of Minimum Capital Requirement (MCR) from Jan 1 2008. Parallel run for which has started from July 1, 2006. However AMA approach is not being offered by SBP for the time being. With the strengthening of operational Risk management department the bank plans to move towards standardized approach for Operational Risk Management. Time lines for adopting this approach shall be determined once the bank's road map of BII is finalized. The bank has thus embarked upon Basic Indicator Approach for the time being.

The bank is in the process of setting up separate operational risk management unit that will analyze the existing data for developing key risk indicators, assess additional data required for testing and strengthening controls. The bank is also working on Business continuity and disaster recovery plan under the supervision of Operations Group.

**42. ISLAMIC BANKING BUSINESS**

The bank is operating 3 Islamic banking branches at the end of current year as compared to 1 Islamic banking branch at the end of prior year.

	2007	2006
	Rupees in '000	
<b>ASSETS</b>		
Cash and Balances with Treasury Banks	22,536	4,724
Balances with and due from Financial Institutions	-	99,000
Investments	355,000	-
Financing and Receivables		
- Murahaba	-	-
- Ijarah	95,358	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
- Other Islamic Modes	-	-
Fixed Assets	76	-
Other Assets	10,626	-
<b>Total Assets</b>	<b>483,596</b>	<b>103,724</b>
<b>LIABILITIES</b>		
Bills payable	268	800
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	26,895	2,911
- Saving Accounts	-	-
- Term Deposits	-	-
- Others	-	-
- Deposits from Financial Institutions - Remunerative	-	-
- Deposits from Financial Institutions - Non-Remunerative	-	-
Due to Head Office	338,141	-
Other Liabilities	9,536	11
<b>Total Liabilities</b>	<b>374,840</b>	<b>3,722</b>
<b>NET ASSETS</b>	<b>108,756</b>	<b>100,002</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	100,000	100,000
Reserves	-	-
Unappropriated / Unremitted profit	8,756	2
	108,756	100,002
Surplus on Revaluation of Assets	-	-
	<b>108,756</b>	<b>100,002</b>

**43. SUBSEQUENT EVENT**

The Board of Directors has proposed a cash dividend of Rs.7.5 per share (2006: Rs.4 per share) amounting to Rs. 6,116 million (2006: Rs.2,836 million) and bonus shares in the proportion of 10 ordinary shares per 100 ordinary shares held (2006: 15) amounting to Rs. 815 million (2006: Rs. 1,064 million) at its meeting held on February 29, 2008 for approval of the members at the annual general meeting to be held on March 31, 2008. These financial statements do not reflect this appropriation as explained in note 5.15.

**44. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**45. DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on February 29, 2008 by the Board of Directors of the Bank.

**Chairman & President****Director****Director****Director**

**Details of Investments  
As at December 31, 2007**

**1.1 Government Compensation Bonds**

Investee	Terms of Redemption		Rate of Interest %	2007	2006
	Principal	Interest		Cost	
				-----Rupees in '000-----	
Govt. Bond (Public Sector Enterprises)	1-Jun-09	Annually	6%	755,859	755,859
Govt. Bond (Heavy Mechanical Complex)	1-Mar-09	Annually	6%	385,996	385,996
Govt. Bond (Shahnawaz Bhutto Sugar Mills)	30-Sep-09	Annually	6%	56,364	56,364
Govt. Bond (Public Sector Enterprises)	1-Jul-10	Annually	9%	1,132,963	1,132,963
				2,331,182	2,331,182

**1.2 Particulars of investments held in listed companies and modarabas**

**1.2.1. Ordinary shares**

Investee	No. of shares held		Market Value	
	2007	2006	2007	2006
			-----Rupees in '000-----	
<b>Held for trading</b>				
Askari Commercial Bank	-	200,000	-	21,000
Adamjee Insurance Company Ltd	50,000	-	17,918	-
Bank Al - Falah	275,000	250,000	14,768	10,462
Bank of Punjab	-	723,500	-	73,269
Century Insurance Co Ltd	53,000	-	3,726	-
DG Khan Cement	250,000	56,990	23,675	3,598
Engro Chemicals Ltd	500,000	-	132,875	-
Fauji Fertilizer Bin Qasim	526,000	100,000	22,118	2,860
Faysal Bank	-	200,000	-	12,110
Hub Power Company Limited	-	1,297,000	-	35,029
Lucky Cement	433,300	65,500	50,479	3,933
Maple Leaf Cement	300,000	-	5,760	-
Mezan Bank Ltd	50,000	-	1,925	-
MCB Bank	-	130,000	-	32,008
Nishat Mills Ltd	385,200	-	40,523	-
Oil & Gas Development Corporation	370,000	150,000	44,197	17,220
Pakistan Oil Fields	290,000	100,000	96,976	34,985
Pakistan Petroleum Limited	680,000	95,000	166,634	22,050
Pakistan State Oil	300,000	180,000	121,980	52,930
Pakistan Telecommunication Company Limited	200,000	150,000	8,410	6,655
	4,662,500	3,697,990	751,964	328,109

**Available-for-sale**

	JCRVIS		PACRA		2007	2006
	Unrated	Unrated	Unrated	Unrated		
Al-Ghazi Tractors Limited	Unrated	Unrated	30,900	32,900	8,512	7,189
Al-Noor Sugar Mills Limited	Unrated	Unrated	-	43,300	-	1,310
Askari Leasing Limited	Unrated	A+	-	8,500	-	230
Allied Bank Ltd	A1+	AA	50,000	25,000	6,508	2,338
Attock Cement Pakistan Ltd	Unrated	Unrated	-	100,000	-	6,610
Attock Petroleum Ltd	Unrated	Unrated	-	178,000	-	69,055
Baig Spinning Mills Limited	Unrated	Unrated	662,050	662,050	1,688	2,350
Bank Al Falah Ltd	A1+	AA	-	1,354,033	-	56,599
Bank Islami Pakistan Ltd	A2	A-	387,700	1,900,700	6,281	19,577
Bawany Sugar Mills Ltd	Unrated	Unrated	35,200	35,200	155	-
BOC Pakistan	Unrated	Unrated	22,957	61,957	5,801	8,745
Balance carried forward					28,945	174,003

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2007	2006	2007	2006
					-----Rupees in '000-----	
Baance brought forward					28,945	174,003
Bolan Casting Limited	Unrated	Unrated	785,730	714,300	60,226	51,430
Brother Textile Mills Ltd	Unrated	Unrated	134,146	134,146	248	335
BRR Gardian Modarba	Unrated	Unrated	138,776	-	985	-
Cherat Cement	Unrated	Unrated	-	28,750	-	1,179
Cherat Papersack Limited	Unrated	Unrated	126,000	190,800	23,883	8,157
Colony Textile Mills	Unrated	Unrated	384,520	1,451,166	7,671	12,625
Clariant Pakistan Limited	Unrated	Unrated	9,898	36,498	2,177	7,373
Dandot Cement Limited	Unrated	Unrated	160,000	160,000	3,840	1,936
Dadabhoj Cement Industries	Unrated	Unrated	5,004,500	137,400	33,780	824
Dewan Automotive Engg. (formerly: Allied Motor	Unrated	Unrated	1,001,333	1,001,333	5,908	-
Dewan Hattar Cement Limited (formerly Saadi C	Unrated	Unrated	-	254,000	-	2,540
Dewan Cement	Unrated	A	1,502,000	1,502,000	24,708	15,771
Dewan Salman Fibres Limited	Unrated	Unrated	1,300,000	1,300,000	9,750	9,945
Escort Investment Bank Limited	A	Unrated	1,184,092	1,184,092	20,011	16,104
Engro Chemical ( Pak) Limited	A	Unrated	460,400	-	122,351	-
Fauji Fertilizer Company Limited	Unrated	Unrated	3,207,908	4,619,908	380,939	487,631
Fauji Cement Industries Ltd	Unrated	Unrated	41,691	41,691	621	630
FFC Bin Qasim	Unrated	Unrated	284,000	477	11,942	14
Frontier Ceramics Limited	Unrated	Unrated	1,371,000	1,371,000	5,621	4,456
Faysal Bank Ltd	AA	AA	-	367,355	-	22,225
First Dawood Investment Bank Limited (formerly: General Leasing Modaraba 1st.)	Unrated	A+	-	2,507	-	40
First National Equity	BBB	Unrated	-	1,400,000	-	53,900
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	99,500	103,683	19,144	16,366
Guardian Leasing Modaraba	BBB+	Unrated	-	631,300	-	5,050
Ghribwal Cement	Unrated	Unrated	1,339,000	1,339,000	21,089	13,524
Habib Bank Modaraba 1st.	Unrated	Unrated	-	265,420	-	2,256
Haji Mohammad Ismail Mills	Unrated	Unrated	1,594,650	1,683,150	3,907	5,049
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	3,279	-
Habib Bank Limited	AA+	Unrated	50,000	-	11,995	-
Harum Textile	Unrated	Unrated	-	128,000	-	-
Hub Power Company Limited	Unrated	Unrated	8,684,005	9,891,005	264,862	267,057
ICI Pakistan	Unrated	Unrated	50,000	-	9,833	-
Ibrahim Fibers	Unrated	Unrated	78,000	-	4,263	-
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	50	-
Junaid Cotton Mills Limited	Unrated	Unrated	32,800	32,800	-	-
Kaisar Arts & Krafts	Unrated	Unrated	850,000	850,000	-	-
KASB Bank Limited	Unrated	A-	760	760	15	12
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	12,815	-
Kohinoor Mills Ltd	Unrated	Unrated	-	374,727	-	9,012
Khurshed Spinning Mills	Unrated	Unrated	53,900	60,400	100	-
Kohinoor Textile Mills Limited	Unrated	Unrated	306,900	306,900	9,913	6,997
Kohinoor Industries Ltd	Unrated	Unrated	-	88,558	-	961
Kohat Cement	Unrated	A-	322,575	280,500	16,548	8,920
Kohat Textile Mills	Unrated	Unrated	2,906,900	2,906,900	9,447	10,756
Kot Addu Power Co	Unrated	Unrated	100,000	494,100	4,845	20,110
Lucky Cement	Unrated	Unrated	-	58,449	-	3,501
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	288	-
Mehran Modaraba 1st. (Face value: Rs.5 each)	Unrated	Unrated	1,000	1,000	5	2
Millat Tractors Limited	Unrated	Unrated	-	500	-	12
Millat Tractors Limited	Unrated	Unrated	407,160	407,160	110,137	114,819
Mirza Sugar Mills Limited	Unrated	Unrated	-	627,740	-	1,789
Mohib Textile	Unrated	Unrated	425,600	425,600	-	-
MCB Bank	Unrated	AA+	-	89,491	-	22,024
Muhammad Farooq Textile	Unrated	Unrated	-	41,008	-	232
NIB (NDLC-IFI Bank)	Unrated	A+	-	174,373	-	4,255
Balance carried forward					1,246,141	1,383,822

Investee	JCRVIS	PACRA	No. of shares held		Market Value	
			2007	2006	2007	2006
					-----Rupees in '000-----	
Baance brought forward					1,246,141	1,383,822
Nishat Mills	Unrated	A+	424,700	400,180	44,679	35,136
Nishat Chunian	Unrated	Unrated	357,000	332,000	13,209	12,666
Oil & Gas Development Corporation	Unrated	Unrated	1,911,355	185,655	228,311	21,295
Orix Leasing Pakistan Limited	AA(p)	AA+	182,735	182,735	4,961	4,477
Pace Pakistan	Unrated	A+	500,000	-	18,275	-
Packages Limited	Unrated	AA	213,975	168,167	77,844	35,315
Pakistan Engineering Company Limited	Unrated	Unrated	135,240	135,240	45,982	13,254
Pakistan Tobacco	Unrated	Unrated	10,000	-	1,555	-
Pakistan Synthetic	Unrated	Unrated	-	22,500	-	158
PTA Pakistan Limited	Unrated	Unrated	-	70,296	-	344
Pakistan State Oil Company Limited	Unrated	AAA	310,467	161,567	126,236	47,501
Pakistan Petroleum	Unrated	Unrated	410,700	25,472	100,642	5,910
Pangrio Sugar	Unrated	Unrated	-	800	-	-
Pakistan International Airlines Corporation "A-cl	Unrated	Unrated	20,122,813	20,122,813	126,774	141,866
Pakistan National Shipping Corporation	Unrated	Unrated	386,236	399,636	38,604	16,625
Pakistan Telecommunication Company Limited	Unrated	Unrated	1,800,440	1,766,240	75,709	87,104
Pakistan Oil fields	Unrated	Unrated	250,000	-	83,600	-
Pak Suzuki Motors	Unrated	Unrated	128,100	-	42,228	-
Pioneer Cement Limited	Unrated	Unrated	500,000	-	15,800	-
Punjab Oil Mills Limited	Unrated	Unrated	307,850	307,850	15,393	8,081
Prime Commercial Bank	Unrated	A+	-	56,562	-	2,746
Redco Textile Mills Limited	Unrated	Unrated	1,300	1,300	3	-
Saif Textile Mills Limited	A-	Unrated	-	6,000	-	93
Sahrish Textile Ltd	Unrated	Unrated	10,043	107,543	68	-
Sakrand Sugar Mills Limited	Unrated	Unrated	3,896,000	3,896,000	10,714	12,272
Saudi Pak Commercial Bank Limited	BBB+	Unrated	-	20,410	-	346
Searle Pakistan Limited	BBB	Unrated	46,251	76,909	2,102	1,969
Shell Pakistan Limited	Unrated	Unrated	183,202	257,202	74,435	102,379
Siemens (Pakistan) Engineering Company Limited	Unrated	Unrated	200,000	200,000	339,800	220,000
Sitara Chemicals Industries Limited	Unrated	Unrated	77,000	118,894	25,872	12,722
Southern Electric power	Unrated	Unrated	-	111,148	-	661
Standard Chartered Modarba Ist	Unrated	AA+	1,332,403	1,268,956	16,722	19,288
Sui Northern Gas Pipeline Company Limited	Unrated	AA	6,426,429	6,426,429	421,252	420,931
Sunshine Cloth Mills	Unrated	Unrated	150,000	150,000	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	281,250	281,250	197	-
SME Leasing	A-	Unrated	1,230,477	1,230,477	13,535	13,535
Taj Textile Mills Limited	Unrated	Unrated	44,775	44,775	60	123
Twakkal Garments Industries Limited	Unrated	Unrated	112,500	112,500	-	-
United Bank Limited	AA+	Unrated	611,500	-	105,728	-
Unilever (Pakistan) Limited	Unrated	Unrated	139,740	139,740	318,614	279,478
(Face value: Rs.50 each)			-	-	-	-
Unity Modaraba	Unrated	Unrated	1,000,000	1,000,000	1,600	-
World Call Telecom	Unrated	A+	-	1,081,259	-	11,624
Yousuf Weaving Mills	Unrated	Unrated	21,711	21,711	105	119
					3,636,750	2,911,840
<b>Total</b>					<b>4,388,714</b>	<b>3,239,949</b>

All shares have a face value of Rs.10 each unless otherwise mentioned.



1.2.2 Particulars of Investments held in un-listed companies

1.2.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2007	2006			
Avari Hotel Limited	Unrated	Unrated	12.7%	9,459,200	-	-	(6,338)	June 30 200	Mr. Byram D. Avari
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	Sep 30,1999	Mr. Naved Ahmad Javeri
Engine System	Unrated	Unrated	16.5%	788,500	-	-	(10,132)	June 30,1998	Mr. Javed Burki
First Women Bank Limited	Unrated	BBB+	10.6%	-	-	21,100	83,430	Dec. 31. 2006	Ms. Zareen Aziz
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	.....	Not Available.....	Mr. Hassan Zaidi
Investment Corporation of Pakistan	Unrated	Unrated	19.9%	398,000	-	-	262,317	June 30, 2005	Mr. Tariq Iqbal Khan
Pakistan Agriculture Storage Service Corporation	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	March 31,2003	Maj. General Fahim Akhter Khan
(Face value: Rs.1,000 each)									
Pakistan Textile City	Unrated	Unrated		5,000,000	-	50,000	51,159	June 30,2006	Not available
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	.....	Not Available.....	Mr. Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	.....	Not Available.....	Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	
					<b>14,228</b>	<b>85,328</b>			

1.2.2.2 Ordinary Shares - Holding below 10%

Investee	Rating	Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
				2007	2006			
Al Ameen Textile	Unrated	Unrated	32,800	328	328	.....	Not Available.....	
Al Zamin Modarba Management	Unrated	Unrated	140,000	1,000	1,000	2,048	June 30, 2006	Mr. Bashir A. Chaudhry
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	948	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	.....	Not Available.....	
Equity Participation Fund	Unrated	Unrated	28,000	2,800	2,800	15,410	June 30, 2006	Mr. Muhammad Akhter
(Face value: Rs.100 each)								
F.T.C. Management	Unrated	Unrated	50,000	250	250	366	June 30, 2005	Mr. Rehan-ul Ambia Riaz
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	22,541	June 30, 2006	Col (R) Ali Abbas
First Women Bank Limited	Unrated	BBB+	2,532,000	21,100	-	83,430	Dec. 31. 2006	Ms. Zareen Aziz
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	4,917	June 30, 2006	Mr. Kamran Ahmed Khalili
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	.....	Not Available.....	
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Indus Sugar	Unrated	Unrated	-	-	5,948	(4,829)	Sep 30,2003	Not available
Kashmir Textile	Unrated	Unrated	-	-	825	.....	Not Available.....	
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778	.....	Not Available.....	
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-	.....	Not Available.....	
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	1,810	.....	Not Available.....	
Myfip Video Industries	Unrated	Unrated	537,300	5,373	5,373	.....	Not Available.....	
National Construction Limited	Unrated	Unrated	50,000	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Institute of Banking and Finance	Unrated	Unrated	200,000	-	20,000	-	June 30, 2005	Mr. Kazi Abdul Mukhtadir
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	10	-	-	.....	Not Available.....	
National Institution of Facilitation Technology (Pvt) Limited	Unrated	Unrated	440,094	1,526	1,526	19,867	June 30, 2006	Mr. M. M. Khan
National Investment Trust	Unrated	Unrated	52,800	100	100	130,081	June 30, 2006	Mr. Tariq Iqbal Khan
(Face value: Rs.100 each)								
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183	.....	Not Available.....	
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz khan
Newshehra Engineering Works Limited	Unrated	Unrated	4,950	41	41	.....	Not Available.....	
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373	.....	Not Available.....	
Pakistan Textile City	Unrated	Unrated	5,000,000	50,000	-	51,159	June 30,2006	Not available
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	9,721	Dec 31, 2003	Not available
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276	.....	Not Available.....	
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500	.....	Not Available.....	
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589	.....	Not Available.....	
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	5,799	June 30,2006	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750	.....	Not Available.....	
South Asia Regional Fund	Unrated	Unrated	5,000	287	287	.....	Dec 31, 04	Mr.Kandia Balendra
Shoab Capital	Unrated	Unrated	100,000	272	272	544	June 30,2000	Not available
SME Bank Limited	BBB	Unrated	4,590,936	26,950	26,950	72,032	June 30, 2006	Mr. Mansur Khan
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267	.....	Not Available.....	
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-	.....	Not Available.....	
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Ltd.	Unrated	Unrated	247,100	256	256	.....	Not Available.....	
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330	.....	Not Available.....	
				<b>289,892</b>	<b>246,313</b>			
				<b>304,120</b>	<b>331,641</b>			

All shares have a face value of Rs.10 unless otherwise mentioned.

### 1.3 Particulars of Investments held in units of mutual funds

	Rating		No. of certificates held		Market value/cost	
	JCRVIS	PACRA	2007	2006	2007	2006
..... Rupees in '000 .....						
<b>Listed:</b>						
AKD Income Fund	Unrated	Unrated	2,500,000	-	131,897	-
AKD Index Tracker Fund	Unrated	Unrated	4,159,350	4,159,350	55,153	41,178
Alfalah GHP Income Multiplier Fund	Unrated	Unrated	190,150	-	10,000	-
Askari Income Fund	Unrated	Unrated	549,970	495,540	58,126	52,616
Atlas Income Fund	Unrated	5-Star	-	50,000	-	26,220
Atlas Islamic Fund	Unrated	Unrated	100,000	100,000	51,529	50,000
Atlas Stock Market Fund	Unrated	5-Star	143,927	100,000	86,621	55,288
BSJS Balanced Fund	Unrated	5-Star	1,247,500	1,237,500	28,543	14,108
Faysal Balance Growth Fund	Unrated	Unrated	694,353	694,353	75,337	69,970
Faysal Saving Growth Fund	Unrated	Unrated	100,000	-	10,515	-
First Dawood Mutual Fund	Unrated	4-Star	5,262,059	5,262,059	73,300	33,414
First Habib Income Fund	Unrated	Unrated	253,750	-	26,585	-
HBL Income Fund	Unrated	Unrated	500,000	-	52,280	-
HBL Stock Fund	Unrated	Unrated	250,000	-	25,600	-
Meezan Balanced Fund	Unrated	5-Star	5,000,000	5,000,000	61,150	43,000
Meezan Islamic Fund-Type-A Series (nominal value: Rs.50 each)	5-Star	5-Star	2,415,502	1,475,772	152,273	89,638
NAFA Cash Fund	A(f)	Unrated	8,285,356	12,500,000	87,092	131,500
NAFA Islamic Income Fund	Unrated	Unrated	7,500,000	-	75,979	-
NAFA Islamic Multi Asset Fund	Unrated	Unrated	7,500,000	-	73,022	-
NAFA Multi Asset Fund	Unrated	Unrated	12,946,411	7,500,000	162,786	75,000
NAFA Stock Fund	Unrated	Unrated	13,294,133	7,500,000	180,985	75,000
NAMCO Balanced Fund	Unrated	Unrated	2,000,000	2,000,000	21,380	20,000
Pakistan Capital Market Fund	Unrated	3-Star	4,628,163	4,628,163	56,510	52,992
Pakistan International Element Islamic Fund	Unrated	Unrated	357,931	300,000	19,221	14,361
Pakistan Premier Fund	Unrated	4-Star	-	129,525	-	1,684
Pakistan Strategic Allocation Fund	Unrated	4-Star	2,500,000	2,500,000	22,750	21,250
PICIC Energy Fund	Unrated	Unrated	1,380,520	1,380,520	15,766	10,630
PICIC Growth Fund (formerly: Investment Corporation of Pakistan - SEMF)	2-Star	Unrated	7,103,051	7,703,051	315,802	216,841
PICIC Investment Fund	3-Star	Unrated	65,277	137,277	1,311	1,991
Reliance Income Fund	Unrated	Unrated	320,954	300,000	16,799	15,312
UTP Growth Fund	Unrated	Unrated	352,754	352,754	6,477	4,586
UTP Large Capital Fund	Unrated	4-Star	2,500,000	2,500,000	31,225	20,000
J.S. ABAMCO Limited Formerly UTP ABAMCO Limited-(nominal value: Rs.100 each (2006: Rs.5,000 each)	Unrated	AM 2+	1,681,460	26,427	243,274	194,687
					2,229,288	1,331,266

Cost of the above investment amounted to Rs.1,312 million (2006: Rs.1,028 million).

All certificates have a nominal value of Rs.100 per unit unless otherwise metioned.

### 1.4 Particulars of Investments held in Preference shares

	Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost			
			2007	2006	2007	2006		
-----Rupees in '000-----								
<b>Listed:</b>								
Chenab Limited	Unrated	Unrated	Cummulative	9.25%	10,000,000	10,000,000	70,700	71,500
Cost of the above investment amounted to Rs.100 million (2006: Rs.100 million)								
Dalda Food	Unrated	Unrated	Cummulative	8.75%	-	9,300,000	-	93,000
Jamshoro Joint Venture limited	Unrated	Unrated	Cummulative	15%	2,500,000	2,500,000	25,000	25,000
Pak Elektron Limited	Unrated	Unrated	Cummulative	9.5%	10,000,000	10,000,000	100,000	100,000
South Asia Regional Fund (Face value: USD 1 each)	Unrated	Unrated	Cummulative	8%	-	3	-	184
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	10,000,000	10,000,000	50,000	50,000
							175,000	268,184
							245,700	339,684

1.5 Debentures, Bonds, Participation Term Certificates and Term finance certificates

1.5.1 Term finance certificates

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value		
					2007	2006	2007	2006	
<b>Listed</b>									
-----Rupees in '000-----									
AI - Zamin Leasing Modoraba	*	9.5%	Overdue	2.06.2008	BBB+	1,902	1,902	9,510	9,510
Azgard Nine Ltd	*	12.40% 6 month Kibor + 2.4 %	Half yearly	17.8.2012	A	20,000	20,000	110,092	99,960
Bank Al-Habib Limited	*	10.55% 6 month Kibor + 1.5 %	Half yearly	28.06.2012	AA	39,984	39,984	199,760	199,840
Soneri Bank Limited	*	11.60% 6 month Kibor + 1.6 %	Half yearly	31.3.2013	A+	26,995	26,995	141,655	134,919
United Bank Limited	*	11.20% 8 year PIB Reuter Page PKRV@10.20%	Half yearly	16.06.2012	AA+	16,903	16,903	82,107	84,480
Sitara Chemical Industries Limited SUKUK	*	11.57% 3 month Kibor + 1.65%	Quarterly	30.06.2011	AA-	80,000	80,000	319,041	456,000
Financial Receivable Securitization Co. Ltd.	*	12.00% 6 month Kibor + 2%	Half yearly	27.12.2013	AA-	5,000	5,000	24,995	25,000
								<b>887,160</b>	<b>1,009,709</b>

All term finance certificates have a face value of Rs.5,000 each unless otherwise mentioned.

Term finance certificates - Unlisted

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost		
					2007	2006	2007	2006	
-----Rupees in '000-----									
AI Abbas Holding Co Ltd.	**	12.25% 6 month Kibor + 2.25%	Half yearly	22.08.2014	Unrated	-	-	575,000	-
Agro Dairies Limited		22.00%	Overdue	Overdue	Unrated	20	20	4,237	4,237
Al-Azhar Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited		22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	3,549	4,160
Aswan Tentage & Canvas Mills Limited		22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Azeem Tapes (Pvt) Limited		22.00%	Overdue	Overdue	Unrated	34	34	-	2,279
Bachani Sugar Mills Limited		22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited		22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited		22.00%	Overdue	Overdue	Unrated	10	10	104,449	104,449
Bela Chemical Limited		22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited		22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited		22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Bosicor Pakistan Ltd	*	13.00% 6 month Kibor + 6.79 %	Half yearly	12.2.2010	Unrated	20	20	57,143	86,190
Brother Steel Limited		22.00%	Overdue	Overdue	Unrated	17	17	3,094	3,094
Cast-N-Link Product Limited		22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chaudhry Wire Rope Industries Limited		22.00%	Overdue	Overdue	Unrated	14	14	1,565	1,565
Chiniot Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Chiragh Sun Engg Limited		22.00%	Quarterly	Overdue	Unrated	6	6	1,399	1,865
Danneman Fabrics Limited		22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Faruki Pulp Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	17,550	17,550
Frontier Ceramics Limited		22.00%	Overdue	Overdue	Unrated	46	46	3,517	3,517
General Dairies & Food Limited		22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	1	1	927	927
Gypsum Corporation Limited		22.00%	Overdue	Overdue	Unrated	10	10	900	900
Ghani Holding Co.Ltd.	**	12.25% 6 month Kibor + 2.25 %	Half yearly	22.08.2014	Unrated	-	-	575,000	-
Hospitex International Limited		22.00%	Overdue	Overdue	Unrated	16	16	511	511
Indus Sugar Mills		22.00%	Overdue	Overdue	Unrated	-	-	-	1,015
Jamshoro Joint Venture (Face value of Rs. 5,000,000)	*	13.92% 3 month Kibor + 4 %	Quarterly	15.4.2009	Unrated	9	9	16,875	28,125
Jahangir Siddiqui & Company Limited	*	11.50% 6 month Kibor + 1.50 %	Half yearly	17.05.2014	AA+	39,960	39,960	199,720	199,800
Javedan Cement Ltd.	**	12.25% 6 month Kibor + 2.25 %	Half yearly	10.11.20.14	Unrated	-	-	250,000	1,400,000
Kamal Ghee & Allied Industries Limited		22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Balance carried forward								1,908,754	1,953,502

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2007	2006	2007	2006
							-----Rupees in '000-----	
Balance brought forward							1,908,754	1,953,502
Kashmir Polytex Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	1,483
Khairpur Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	-	5,128
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,056	8,706
Larr Sugar Mills Limited	22.00%	Yearly	Overdue	Unrated	14	14	8,273	9,929
Latif Bawany Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	38	38	-	2,380
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	2,472	2,472
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,350	7,350
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	2,043
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	1,113	1,113
National Fructose Company Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	1,450
Nishat Mills Limited	* 10.95%	Half yearly	29.08.2008	Unrated	149,880	149,880	299,700	599,400
Weighted Average of last 3 cut off rate 6 month T-Bills 9.2523% + 1.7%								
Novelty Fabric Processing Limited	22.00%	Overdue	Overdue	Unrated	38	38	-	12,896
Pak Pattan Dairies Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,762	2,954
Pakistan International Airlines Corp. Limited	* 10.50%	Half yearly	26.02.2011	Unrated	647,424	647,424	3,062,378	3,237,371
SBP Discount Rate + 50 bps								
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	1	1	95	95
Pakistan Services Limited	* 12.25%	Half yearly	16.09.2008	Unrated	19,074	19,074	47,686	95,371
BR + 2.25% SBP Discount Rate 10%								
Dewan Cement (Pakland Cement)	* 12.50%	Half yearly	15.7.2013	Unrated	16	16	209,291	261,172
6 month Kibor + 2.5 %								
Pangrio Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,683	1,683
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	403	403
ABN Amro Prime Bank	* 11.90%	Half yearly	08.12.2012	A	21,991	21,991	109,890	109,956
(Formerly Prime Commercial Bank Limited)	6 month Kibor + 1.9 %							
Pak kuwait Investment Bank Ltd. F	* 11.32%	Quarterly	22.02.2011	AAA	150,000	150,000	750,000	750,000
3 month Kibor + 1.40 %								
Pak kuwait Investment Bank Ltd. G	* 11.32%	Quarterly	23.03.2011	AAA	100,000	100,000	500,000	500,000
3 month Kibor + 1.40 %								
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	2	2	2,706	2,706
Qand Ghar Sugar Mills Limited	22.00%	Outstanding	Overdue	Unrated	14	14	7,915	7,915
Raja Weaving Mills Limited		Overdue	Overdue	Unrated	14	14	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,081	6,081
Rehman Sharif Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	563	702
Reliance Pak Arab fertilizar Co.Ltd	* 13.15%	Half yearly	13.7.2013	Unrated	120	120	-	1,200,000
(Face value of Rs. 10,000,000)	6 month Kibor + 2.5 %							
Dewan Hattar Cement (Saadi Cement)	* 12.50%	Half yearly	15.7.2013	Unrated	32	32	648,884	810,461
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,749	6,749
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	17	17	774	774
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,423	5,423
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	104	104
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,202	2,202
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	2,320	2,320
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,650	1,650
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Taj Syringes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	36	36	-	4,917
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	1,150	1,315
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	23,332	23,332
Trubo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	122	122
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,211	1,211
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
Zaver Petroleum Corporation Ltd.	13.25%	Half yearly	10.07.2011	Unrated	10,000	10,000	49,900	50,000
6 month kibor + 3.25%								
							<u>7,710,394</u>	<u>9,724,937</u>

\* Cost of the above TFCs amounted to Rs.7,579 million (2006: Rs.10,231 million)

\*\* Not yet held by the bank, due to delievery in process.

## 1.5.2 Debentures

	Investee	Terms of Redemption		Rate of Interest	2007	2006
		Principal	Interest		Cost	
					-----Rupees in '000-----	
1	Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
2	Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
3	Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
4	Ajax Industries Limited	Overdue	Overdue	14%	269	269
5	Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
6	Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
7	Allied Ghee Industries Limited	Overdue	Overdue	16%	1,141	1,141
8	Allied Ghee Industries Limited	Overdue	Overdue	Interest free	572	572
9	Allied Marbles Industries	Overdue	Overdue	14%	23	23
10	Allied Marbles Industries	Overdue	Overdue	Interest free	15	15
11	Aslo Electrical Industries	Outstanding	Outstanding	11%	-	2,270
12	Aslo Electrical Industries	Outstanding	Outstanding	14%	-	6
14	Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
15	Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
16	Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
17	Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
18	Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
19	Chillya Corrugated Board	Overdue	Overdue	14%	318	318
20	Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
21	Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
22	Daaman Oil Mills	Overdue	Overdue	14%	204	204
23	Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
24	Effef Industries Limited	Overdue	Not Applicable	Interest free	3,828	3,828
25	Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
26	Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
27	Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
28	Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
29	Hazara Woolen Mills.	Overdue	Overdue	14%	1,148	1,148
30	Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
31	Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
32	Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
33	Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
34	Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
35	Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
36	Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
37	Mansoor Textile Mills	Overdue	Overdue	14%	510	510
38	Morgah Valley Limited	Overdue	Overdue	11%	400	400
39	Morgah Valley Limited	Overdue	Overdue	14%	160	160
40	National Woolen Mills	Overdue	Overdue	14%	66	66
41	Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
42	Pakistan Polypropylene Packages Limited	Outstanding	Outstanding	14%	-	-
43	Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
44	Qadri Textile Mills Limited	Overdue	Overdue	14%	489	489
45	Regal Ceramics Limited	Overdue	Overdue	14%	105	105
46	Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
47	Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
48	Saleem Tanneries Project 1	Outstanding	Outstanding	12.5%	-	1,302
49	Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
50	Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
51	SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
52	SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
53	SDA-A/C Cold Storage Mardan -1	Regular	Regular	12%	-	204
54	SDA-A/C Cold Storage Mardan -2	Regular	Regular	12.5%	-	108
55	Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
56	Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
57	Shahdin Limited	Overdue	Overdue	14%	163	163
58	Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
59	Spinzer Towel Industries Limited	Oustanding	Oustanding	12.5%	200	200
60	Spinzer Towel Industries Limited	Oustanding	Oustanding	14%	175	175
61	Sun Publications Limited	Overdue	Overdue	13.5%	178	178
62	Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
					<b>191,067</b>	<b>194,956</b>

### 1.5.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	Cost	
				2007 -----Rupees in '000-----	2006 -----Rupees in '000-----
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	1,250
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Balochistan Clay Products	17	17%	227,176	2,504	2,504
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Bela Ghee Mills Limited	14	17%	191,214	-	1,066
Calcium Limited	1	17%	300,000	300	300
Cotex Industries Limited	14	17%	16,357	-	229
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	10,863
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,881
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gem Industries Limited	12	17%	126,417	-	1,518
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	6,761	6,761
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	727	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	6,060
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	11,551	11,551
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Sethi Industries Limited	15	17%	240,667	2,997	3,260
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
Suhail Jute Mills Limited	13	17%	80,769	-	673
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
				<b>110,878</b>	<b>122,597</b>

### 1.5.4 Government of Pakistan-Guaranteed bonds

Investee	Terms of Redemption		Rate of Interest %	Cost	
	Principal	Interest		2,007 -----Rupees in '000-----	2,006 -----Rupees in '000-----
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	6 months KIBOR less 25 basis points (9.75%)	1,711,500	-
Rice Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	575,420
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	380,000
Trading Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	309,153
Saindak Metals Limited - Bonds	Annual	Bi-annual	15% Average of last six	-	254,485
Shahnawaz Bhutto Sugar Mills	Lumpsum	Lumpsum	6%	16,762	16,762
Public Sector Enterprizes	Lumpsum	Lumpsum	11%	-	12,167
				<b>1,728,262</b>	<b>1,547,987</b>

**1.5.5 OTHERS GOVT. BOND INVESTMENT**

Investee	Terms of Redemption		Rate of Interest %	2006	2005
	Principal	Interest		Cost	
				-----Rupees in '000-----	
CIRC Bond	Regular	Regular	Six month's T-Bill auction rate on the day preceeding the date of payment of return 8.8142%	11,242	11,242
				11,242	11,242

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER  
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Annexure - II as referred to in  
Note 10.7 to the Financial Statements

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	Rao Associates (Private) Ltd. Qaimpur. *	Rao Tariq Mehmood, 31203-1734265-7 Muhammad Aslam Farooq 31203-1729617-1 Haji Nazir Ahmed Bhatti, 31204-1023816-3 Gohar Azim, 31203-1733957-1	Rao Ilyas Ahmed.  Rao Ilyas Ahmed.  Ghulam Muhammad.  Muhammad Azim	5.000 1.526	6.000 4.951	7.000 0.331	8.000 6.808	9.000 0.689	10.000 -	11.000 5.282	12.000 5.971
2	M.Z.Textile Industries Bye Pass Road, Rahimyar Khan.	Muhammad Sarwar 31303-2391521-7 Mian Muhammad Arif 271-45-045271	Khuda Bukhsh Haji Muhammad Siddique	-	2.085	0.091	2.176	-	-	1.931	1.931
3	Tanveer Imran Cotton, Alipur Road Rohillanwali Tehsil & Distt: Muzaffargarh *	Tanveer Rasool Qureshi 315-86-402710 Imran Rasool Qureshi 315-88-402711 Mst.Rashida Begum 315-90-402706	Atta Muhammad Qureshi -- do -- -- do --	0.022	3.627	-	3.649	-	-	2.181	2.181
4	Mr. Javed Aslam Bajwa Chak No.226/RB Faisalabad	Mr. Javed Aslam Bajwa 33100-90144116-7	Muhammad Aslam	0.494	0.066	-	0.560	0.494	-	0.066	0.560
5	Bhawaish Kumar Village Mano Mali Para P.O. Taluka: Umerkot	Bhawaish Kumar 473-89-101654	Manga Ram	1.493	2.417	0.278	4.188	0.150	-	2.695	2.845
6	Friged Fish, C-6, Fish Harbour, West Wharf, Karachi	Akbar Y. Masti Khan A. Sattar Masri Khan M. Khan Baloch		1.246	12.260	0.036	13.542	1.226	-	12.296	13.522
7	Muhammad Taufiq 53-S, Sector 5/E, New Karachi.	Muhammad Taufiq 42201-0337436-5	Ibrahim	0.297	0.547	0.014	0.858	0.297	-	0.561	0.858
8	Karachi Bulk Storage & Terminals (Pvt) Ltd. Kiran, Karachi *	Nadeem Maqbool 42000-2238564-7 Zahid Bashir 42301-9092735-5	Maqbool Ahmed  Mian M. Bashir	1.207	5.730	-	6.937	-	-	5.657	5.657
9	Fasih ud din 202 Neelam Block Allama Iqbal Town, Lahore.	Fasih ud din 272-62-291918	Zahoor ud din	0.620	0.477	0.055	1.152	0.620	-	0.532	1.152
10	Muhammad Amer Saleem - House No.82 St.No.1 Block2 Bhawal City.	Muhammad Amer Saleem 233-64-520372	Rana M. Saleem Akhtar.	0.318	0.205	0.046	0.569	0.271	-	0.251	0.522
11	Gulzar Ahmed House No.287, Block-A Gugar Colony Amar Sidhur, Lahore.	Gulzar Ahmed 270-89-336373	Nizam Din	0.290	0.337	-	0.627	0.290	-	0.337	0.627
12	Sajjad Ahmed House No.225 Block No.14 Sector B 1 Township, Lahore.	Sajjad Ahmed 270-88-007151	Ijaz Ahmed	0.261	0.283	-	0.544	0.261	-	0.283	0.544
13	Muhammad Younas Near Madina Masjid, Rasool Park Behind General Hospital, Lahore.	Muhammad Younas 422265	270-86- Muhammad Hussain	0.304	0.353	-	0.657	0.304	-	0.353	0.657
14	Ch. Javaid Iqbal Samra House B-Block Al Faisal Town, Lahore Cantt.	Ch. Javaid Iqbal 081778	269-88- Ch. Ghulam Rasool	0.661	0.894	-	1.555	0.661	-	0.894	1.555
15	Syed Muhammad Jawad 1/A Cavalary Ground, Lahore Cantt.	Syed Muhammad Jawad 90-669470	261- Sed Haider Shah	0.413	0.780	-	1.193	0.413	-	0.780	1.193
16	Sadaqat Ali Awan 468-P LCCHS, Lahore.	Sadaqat Ali Awan 67-152124	329- Malik Maqsood Ali Awan	0.626	0.941	-	1.567	0.626	-	0.941	1.567
17	Farhat Shoes (Pvt) Ltd. 38-A Davis Road, Lahore.	Bashir Muhamamad, 274-38-115400 Abid Khan, 274-25-359505 Babar Abid, Shahzad Bashir	Bakhtiar Ahmed  Mukhtar Ahmed	3.195	6.921	0.284	10.400	-	-	5.405	5.405
18	Omer Apparels (Pvt) Ltd. 16 KM Multan Road, Lahore. *	Mian Muhammad Arshad 35502-4404688-9 Akhtar Sagoo 2931992 Saeed Akhtar 35202-2584375-6	Mehmood 35202- Mian Mohammed Ibrahim Chiragh Ali Sagoo Mehmood Akhtar Sagoo	0.925	23.031	0.241	24.197	0.497	-	23.272	23.769
19	Ashfaq Flour Mills	Allah Ditta 24-051310	274- Mian Chiragh Din	0.028	0.979	0.010	1.017	-	-	0.989	0.989
20	X.L Sports 54-Shadman Market, Lahore.	Khalil Ahmed Mir 276-93-401593	Saeed Ahmed Mir	0.120	0.616	0.078	0.814	0.075	-	0.694	0.769
21	National Tecno Commercial Services PVT.Ltd. Shalimar Town, Sultan Mehmood Road Lahore.	1. Dewan Sarfraz Ul-Haq 34402-1715194-5 Dewan Saleem Ul-Haq 34402-1715194-5 Ms.Uzma Rizwan 34402-1631040-8 Dewan Ikhtaq Ahmed 34402-2892762-3	Dewan Zia Ul Haq  Dewan Zia Ul Haq  Dewan Khurram Zia  Dewan Munammad Ishaq	-	6.888	0.248	7.136	-	-	5.017	5.017
22	Sharia Habib Corporation 104 M.M.Alam Road Gulberg III,Lahore.	Mr.Amir Nawar Sheikh 42000-5834612-9	Sheikh Bhag Din	1.844	5.584	0.927	8.355	-	-	2.510	2.510



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Annexure - II as referred to in  
Note 10.7 to the Financial Statements

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
23	Farooq Hameed & Family 38 Empress Road Lahore. *	Farooq Hameed 35201-1452075-5 Mrs. Majeeda Hameed 35201-5636772-0 Ijaz Hameed 35200-1510400-1 Mrs. Safia Hameed 35200-1469698-0 Aamir Hameed 35200-1510260-9 Mrs. Siddiqua Liaqat 35201-6911321-4 Mrs. Sajida Karamat 35202-2433150-8 Asad Hameed 315060-121048-7 Sara Hameed 35201-479850-6 Saad Hameed 35202-6998419-5 Uzma Hameed 35200-1449804-8	Ch.Muhammad Saeed  W/O Mumtaz Hameed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Mumtaz Hameed  Mumtaz Hameed  Mumtaz Hameed  W/O Mumtaz Hameed	8.503	7.501	0.147	16.151	2.652	-	7.648	10.300
24	Tasa International 11/224 Neka Pura, Sialkot. *	Tariq Javed 35201-1554623-5	Sh.Muhammad Saleem Javed.	-	1.027	0.175	1.202	-	-	0.825	0.825
25	House Hold International Pvt.Ltd. 147-A/3,Ittehad Colony Multan Road Lahore & 86-87 Chahurji Park,Multan Road Lahore.	Maqbool Alam 35202- 1386045-3	Mahboob Alam	0.541	2.254	0.168	2.963	0.293	-	1.961	2.254
26	Rawal Industrial Works Ltd. 6 K.M. Sheikhpura, Faisalabad Road, Sheikhpura	Ghafoor Ahmed Ch. 35202-8941615-3 Syed Muhammad Maghfoor. 35202-4811219-3 Mrs. Shaheena Gul 35202-4577293-4 S.Yasir Ali Shah 35202-4547204-5 Mrs. Shafiqat Fatima 35202-6802962-8 Mrs. Bilquees Fatima 35202-2189979-4 S.Muhammad Umair 35202-4546254-5	Alim Uddin Ch.  Muhammad Hassan  Muhammad Mughfoor  Syed Muhammad Maghfoor Syed Zameer Ali Shah  Dildar Hussain Shah  Syed Muhammad Maghfoor	0.156	7.757	0.107	8.020	-	-	7.864	7.864
27	Tufail Transport Company 8-Rehman Plaza, 132 Temple Road, Lahore	Muhammad Tufail 274-86-065800 Bhatti Muhammad 274-63056718 Asfaq Muhammad 271-65-198722 Ifthikhar Muhammad 274-63-056716 Ijaz Muhammad Imtiaz 274-63-339065	Mian Fazal Din Muhammad Tufail Bhatti Muhammad Tufail Bhatti Muhammad Tufail	2.060	1.516	-	3.576	2.060	-	1.516	3.576
28	Khurshid Ahmad Chak No.3-AH, Tehsil Kabirwala Distt. Khanewal	Khurshid Ahmad 328-39-006392	Abdul Ghafoor	0.654	0.274	-	0.928	0.654	-	0.274	0.928
29	Khalid Munir Oil Mills & Solvent Plant Suraj Kund Road, Chowk Shahabbas, Multan	Khalid Munir 36302-5418441-9 Ruby Sarwar Khan 36302-6667659-4	Ch. Jamal Ud Din  Khalid Munir	1.614	0.830	0.134	2.578	0.891	-	0.964	1.855
30	Raza Textile Industries Peoples Colony Near General Bus Stand Old Makhdoom Rashid Road Multan	Abdul Waheed Khan 36302-2825475-3 Mr. Abdul Hafeez Khan 36302-3536321-7 Mr. Nadeem Razaq Khan 36302-6371531-5	Abdul Razaq Khan  Abdul Razaq Khan  Abdul Razaq Khan	3.438	7.131	0.432	11.001	2.352	-	7.497	9.849
31	Musawar Cotton Ginners 3-Km, Multan Road, Mouza Bahadar Baloch, Mailisi *	Ghulam Asghar 36602-0995871-3 Riaz Asghar 36602-0994429-3 Aftab Asghar 36602-6654232-3	Ahmad Hussain  Haji Ahmed Hussain  Haji ahmed Hussain	0.509	1.535	0.339	2.383	-	-	1.603	1.603
32	Noor Sons Industries 24-II, Industrial Estate, Multan *	Haji Noor Muhammad Khan 322-25-109020 Amin Khan 36302-6016769-1 Mst.Kalsoom Akhtar 322-55-581660	Abdul Ghafoor Khan  Noor Muhammad Khan  W/o Noor Mohd. Khan	1.113	3.274	0.146	4.533	0.019	-	3.420	3.439
33	Falcon Enterprises 2-B-I, Industrial Estate, Multan *	Abdul Waheed Qureshi 322-90-111685 Adil Rasheed Qureshi 36302-0998212-1 Abdul Aziz Qureshi 36302-0605138-9	Sh. Abdul Rasheed  Abdul Rasheed Qureshi	2.137	2.611	0.632	5.380	1.219	-	3.243	4.462
34	Al-Karim Cold Storage 4-Km Budhia Sant Road, Raza Town, Multan *	Sheikh Abdul Sattar 36302-0352745-3	Sheikh Muhammad Ibrahim	1.424	2.762	0.172	4.358	-	-	2.588	2.588
35	Danewal Textile Mills (Pvt) Ltd. Chak No.533-EB, Vehari Road, Burewala *	Muhammad Akram 324-34-006983 Muhammad Aslam 321-85-258666 Muhammad Riaz Aslam 321-85-258668 Nadeem Akram 324-65-006984 Mst Shehnaz Saleem 321-53-106251	Haji Fateh Muhammad  Haji Fateh Muhammad  Muhamamd Aslam  Muhammad Akram  Muhammad Aslam Anwar	5.826	15.085	0.065	20.976	3.602	-	15.150	18.752

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER  
FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR  
ABOVE PROVIDED DURING THE PERIOD 01.01.2007 TO 31.12.2007

Annexure - II as referred to in  
Note 10.7 to the Financial Statements

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
36	Noon Cotton Ginners Jalalpur Road, Shujabad *	Rana Muhammad Shafi 36304-0786191-1 Muhammad Yar 36304-4922916-3 Rana Muhammad Nasir 36304-1385679-5 Mst Allah Jawai 36304-1321892-8	Rana Gulbahar  Rana Gulbahar  Rana Gulbahar	1,147	1,685	0,198	3,030	-	-	1,398	1,398
37	Ahmed Quality Fabrics (Pvt) Limited 226-A, Shah Rukan-E-Alam Colony, Multan *	Abdul Salam 42101-1711383-9 Abdul Salam 36302-0392160-3 Mrs. Tahira Shakoor 36302-9548620-6 Haji Muhammad Yousaf 36302-0409444-3	Muhammad Ramzan  Muhammad Shafi  Sahakoor Ahmed  Haji Muhammd Amin	6,211	10,307	0,187	16,705	1,289	-	10,494	11,783
38	Bano Textile Mills Wapda Grid Road, Mouza Maddana, Khanewal Road Multan *	Muhammad Ali Zaffar 36302-6366914-5 Farida Zaffar 36302-0324941-2 Ahmad Ali Mazhar 36302-0418134-1	Mian Abdul Ghani  Muhammad Ali Zaffar  Abdul Ghani	4,160	6,306	0,683	11,149	3,436	-	6,989	10,425
39	City Medical Centre Neelam Road, Muzaffarabad	Mr. Shabbir Ahmed Awan 1715256-9 Dr. Ejaz Ahmed 710-88-215941 Mrs. Shugfa Ejaz 82203-8463328-2 Mr. Suleman Ejaz 82203-1730364-9 Mrs. Ujala Ejaz 82203-9553797-8	82203- Faqeer Ahmed  Bashir Ahmed  W/o Ejaz Ahmed  Ejaz Ahmed  D/o Ejaz Ahmed	2,374	3,080	0,003	5,457	0,363	-	3,083	3,446
40	Hotel Al-Rehmat New Bus Stand, Muzaffarabad	Sardar Tabarrak 82203-118494-5 Mrs. Khalid Tabarrak 82203-116976-4	Sardar Rehmatullah  W/o Sardar Tabarak Ali	2,427	2,169	0,002	4,598	-	-	2,897	2,897
41	Muhammad Ghulam Nawan Killi, Quetta	Muhammad Ghulam 54400-6012625-3	Rub Nawaz	-	0,406	0,128	0,534	-	-	0,534	0,534
42	Abdul Sattar Sattar Provision Store Kuchlaq	Abdul Sattar 602-42-234465	Haji Gul Baran	-	0,540	0,058	0,598	-	-	0,598	0,598
43	Jamil Ahmed C/o Bashier Ahmed Rani Bagh Quetta	Jamil Ahmed	Taj Muhammad	-	0,472	0,082	0,554	-	-	0,554	0,554
44	Muhammad Ibrahim Jaffar Near Mazar Sharif Pir Bukhari, Loralai.	Muhammad Ibrahim Jaffar 609-87- 265644	Allah Wasaya Jaffar	-	0,602	0,252	0,854	-	-	0,854	0,854
45	Chaghi Roller Flour Mills Pvt. Ltd. Nushki	Mir Maqbool Ahmed 42-010949	Haji Abdul Samad  Muhammad Panah	0,976	10,037	0,191	11,204	-	-	10,228	10,228
46	Attock Textile Mills Ltd. *	Ahsanullah Chaudhary 61101-1822750-5 Mrs. Rizwana Ahsan Chaudhary 61101-1760835-6 Rashid Ahmed 61101-1776669-9	Muhammad Sharif Chaudhry W/o Ahsanullah Chaudhry Badar-ud-din	4,211	49,558	0,168	53,937	0,735	-	49,726	50,461
47	Taymur Spinning Mills 1st Floor, 25-Commercial Area, Cavalary Ground Lahore Cantt. *	Ch. Ikramullah 37403-1908323-1 Faiz Ahmad Cheema 35202-2683522-7 Fawad Nasir Bajwa 38403-0240488-0 M. Shahbaz Bajwa 38403-8871969-5 Amar Atta Bajwa 38403-9128331-1 Iram Amar Bajwa 38403-8535421-6	Ch. Ali Muhammad  Ch. Hakim Khan Cheema  Ch. Ikramullah Baqwa  Ch. Hadyatula Bajwa  Ch. Attaullah Bajwa  Amar Atta Bajwa	37,631	160,761	-	198,392	24,881	160,761	-	185,642
48	Sampak Paper & Board 31-Km Lahore Sheikhpura Road, Lahore	Muhammad Maghfoor 35202-4811219-3 Shahina Gul 35202-4577293-4	Muhammad Hassan  Muhammad Maghfoor	89,634	137,152	-	226,786	79,634	137,152	-	216,786
49	Yasmeen Weaving Mills 1.9 Km, Raiwind Manga Road, Lahore	Siddique Muhammad Malid 35202-2413276-1 Tauseef Siddiq Malik 35202-2341970-6	Malik Nazir Ahmed  Siddiq Muhammad Malik	17,235	5,606	0,118	22,959	10,235	5,606	0,118	15,959
50	D.M. Brothers 2nd Floor, Uzma Court, Main Clifton Road, Karachi	Dharamdas 42301-3681581	Malu Gee (Hindu)	41,360	191,925	-	233,285	17,332	-	8,029	25,361
51	Saif Nadeem Kawasaki Motors Pvt. Ltd. 3rd Floor, Aziz Chambers-21 Queens Road, Lahore	Zakaria Ghani (Mr.) 42201-9883578-7	Muhammad Umar Haji Ghani (Mr.)	12,667	89,862	-	102,529	12,462	-	89,862	102,324
52	Associated Industries Garments Pakistan (Pvt) Limited IV-C/3-A, Nazimabad, Karachi *	Muhammad Abdul Wahid Jawad 42301-1067464-7 Muhammad Ahsan Jawad 42301-5565717-1	Mr. Muhammad Abdul Jawad  Mr. Muhammad Abdul Jawad	395,008	28,725	0,119	423,852	384,978	-	21,829	406,807

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Annexure - II as referred to in  
Note 10.7 to the Financial Statements

(Rupees in Millions)											
Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
53	Aziz Taraders Cotton Ginners, Grain Market, Haroodabad	Abdul Aziz 31104-2319305-1 Abdul Majeed 31101-1020183-7 Muhammad Hussain 31104-1672004-1 Muhammad Hanif 31101-6855874-3 Muhammad Saleem Akhtar 31104-9649051-9	Muhamamd Siddique  Muhammad Siddique  Allah Baksh Khan  Muhammad Siddique  Muhammad Sharif	1,031	0,889	0,025	1,945	-	-	0,889	0,889
54	Rainbow Oil Mill & Cold Storage Shafique Town, Okara	Muhammad Hussain 35302-1925303-9 Muhammad Asam 340-91-539401 Mst R ukhsana Kausar 340-91-216296	Muhammad Bux  Ahmed Ali  Ahmed Bux	0,066	4,004	0,035	4,105	-	-	4,035	4,035
55	Madni Cotton G&P Factory & Rice Mill Sahiwal Road Pakpattan	Maqbool Hussain 36402-6666972-1 Haji Nazir Ahmed Abid 36402-0776674-9 Rashid Ahmed 36402-0808174-5 Munir Ahmed (Late) Riaz Ahmed 36402-0829438-3 Ijaz Ahmed 36402-6366348-9	Muhammad Ibrahim  Muhammad Ibrahim  Ghulam Yasin  Ghulam Yasin  Maqbool Hussain  Maqbool Hussain	4,878	8,330	0,051	13,259	-	-	7,048	7,048
<b>Subtotal - NBP</b>				<b>664.881</b>	<b>845.945</b>	<b>7.457</b>	<b>1,518.282</b>	<b>555.961</b>	<b>303.519</b>	<b>346.645</b>	<b>1,206.125</b>
56	Al-Hasan Enterprises Ltd Village Bakhmandra,Dayalwala Road Tehsil & District Dera Ismail Khan. *	Saadullah Khan 33202-1413590-1 Khalid Amir Khan 33202-1191959-1 Mrs. Ghulam Zohra 33202-1140142-4	Muhammad Nawaz Khan  Haji Gahna Khan Baloch  Haji Gahna Khan Baloch	21,323	62,168	1,301	84,792	16,908	62,168	1,301	80,377
57	Frontier Pharmaceutical Lab W-10,Industrial Estate, Jamrud Road,Peshawar *	Ijaz Durrani 61101-6776085-7 Nilofar Shah 61101-1282394-2	Abbas Durrani  Ijaz Durrani	27,957	39,164	10,278	77,399	18,513	39,164	10,278	67,955
58	Spectrum Chemicals Ind Ltd 4-Park View, Morgah, Rawalpindi *	Asif Jabbar Khan 37405-7173733 Tariq Asghar Ali 37405-5695316-7	Abdul Gabbar Khan  Muhammad Asghar Ali	40,000	46,226	0,817	87,043	36,623	46,226	0,817	83,666
59	Techno Glass Ind Ltd 95-J Model Town, Lahore. *	Shaukat Hussain Bukhari 35202-2201905-3 Bushra Khatoon 35202-8003120-2 Syed Azhar Parvez 35404-4453985-1 S.Shakhawat H.Bukhari 35404-1409332-9	S.Talib Hussain Bukhari  Ch. Attaullah  Syed Muhammad Aslam  S. Talib Hussain Bukhari	70,747	105,741	45,380	221,868	64,063	105,741	45,380	215,184
60	Amtul Subhan Textile Limited 4 K.M. Okara - Depalpur Road, Okara *	Rao Inam Ali Khan 340-87-170250 Rana Irfan Gul 246-89-097270 Rao Khurram Ali Khan 340-88-174163 Rana Farooq Gul 246-88-097269	Rao Ikram Ali Khan  Rana Gulsher Khan  Rao Mukarram Ali Khan  Rana Gulsher Khan	5,340	10,115	0,452	15,907	-	8,155	0,452	8,607
61	Allied Plastic Industries (Pvt) Ltd, 411, 4th Floor, Progressive Centre, Beaumont Road, Civil Line, Near Dawood Centre, Karachi	Ifikharuddin 517-54-297254 Iqbal 511-91-035944	Shaikh Mumtazuddin Paracha Ismail Ahmad	1,112	0,807	22,722	24,641	-	-	22,722	22,722
62	Mehran Industries Ltd. Plot No.63-70, Quetta Industrial Estate, Quetta *	Abdun Nabi Zehri 401-88-087326 Hajiani Khabat Khatoon Mrs. 517-27-245790 Dur Muhammad Khan 421-40-198028 Fareeda Mrs. 421-52-198029 Taj Muhammad Magsi 421-60-198033	Haji Mir Muhammad Yousuf Mir Abdun Nabi Zehri  Haji Khan Muhammad Khan Magsi Dur Muhammad Khan Magsi Dur Muhammad Khan Magsi	9,900	1,900	12,105	23,905	9,900	-	13,628	23,528
63	Crescent Jute Products 306, 3rd Floor, Sadiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore	Mazhar Karim 33100-7443925-5 Humayun Mazhar 35201-2124933-9 Khalid Bashir 35202-2861653-5 Khurram Mazhar Karim 35201-1471781-3 Amir Hasnain Zaidi 33100-3953467-1 Ahmad Rashid 42201-2703256-3	Mian Fazal Karim  Mian Mazhar Karim  Mian Muhammad Bashir  Mian Mazhar Karim  Murad Hussain Zaidi  Muhammad Hanif	40,000	35,808	0,023	75,831	12,000	35,808	0,023	47,831
<b>Subtotal - Ex-NDFC</b>				<b>216.379</b>	<b>301.929</b>	<b>93.078</b>	<b>611.386</b>	<b>158.007</b>	<b>297.262</b>	<b>94.601</b>	<b>549.870</b>
64	Akber Ali Yousuf Ali Ram Bharti Street, Jodia Bazar, Karachi *	Mst. Kulsum Bai, Sirajuddin Jackwala Moizuddin Jackwala Miss Nafisa Jackwala Fazal Abbas Jackwala Ali Asghar Jackwala		3,648	3,985	0,489	8,122	2,383	-	4,474	6,857

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(Rupees in Millions)											
Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
65	Al-Asif Sugar Mills Pvt. Ltd. *	M. Amin A. Bawany Omer Amin Bawany Ismile E. Bawany Dawood E. Bawany Ishaque E. Bawany Ahmed E. Bawany Ilyas E. Bawany		5,446	19,143	0,586	25,175	1,649	-	19,729	21,378
66	Younus Habib Accounts (69 Accounts)	M. Younus Habib 501-37-045359	Mr. Abdul Habib	2,052.119	1,604.195	-	3,656.314	826.971	-	1,611.195	2,438.166
<b>Subtotal - Ex-MBL</b>				<b>2,061.213</b>	<b>1,627.323</b>	<b>1.075</b>	<b>3,689.611</b>	<b>831.003</b>	<b>-</b>	<b>1,635.398</b>	<b>2,466.401</b>
<b>TOTAL</b>				<b>2,942.473</b>	<b>2,775.197</b>	<b>101.610</b>	<b>5,819.279</b>	<b>1,544.971</b>	<b>600.781</b>	<b>2,076.644</b>	<b>4,222.396</b>

\* Accounts settled under SBP Circular 29 dated 15-10-2002

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**Consolidated Financial Statements of**  
**National Bank of Pakistan**  
**& it's Subsidiaries**

For the year ended December 31, 2007

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**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants  
6<sup>th</sup> Floor, Progressive Plaza  
Beaumont Road  
Karachi

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Cavish court, A-35, Block 7 & 8  
KCHSU, Shahrah e Faisal  
Karachi

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements of National Bank of Pakistan (the holding company) and its subsidiary companies (together, the Group) which comprise consolidated balance sheet as of December 31, 2007 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for sixty branches, which have been audited by us and twelve branches audited by auditors abroad.

These consolidated financial statements are responsibility of the Group's management. Our responsibility is to express our opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2007 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants  
Karachi

**M. Yousuf Adil Saleem & Co.**  
Chartered Accountants  
Karachi

Date: February 29, 2008

**PS:**

*In case of any discrepancy on a Bank's website, the auditors shall only be responsible in respect of the information contained in the hard copies of the audited financial statements available at the Bank's registered Office.*

**National Bank of Pakistan**  
**Consolidated Balance Sheet**  
As at December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
<b>ASSETS</b>					
1,271,978	<b>1,532,428</b>	Cash and balances with treasury banks	6	<b>95,010,514</b>	78,862,625
667,944	<b>616,391</b>	Balances with other banks	7	<b>38,216,263</b>	41,412,546
373,614	<b>349,293</b>	Lendings to financial institutions	8	<b>21,656,192</b>	23,164,082
2,270,001	<b>3,414,989</b>	Investments	9	<b>211,729,297</b>	140,740,067
5,104,126	<b>5,495,610</b>	Advances	10	<b>340,727,819</b>	316,455,800
157,096	<b>419,021</b>	Operating fixed assets	11	<b>25,979,302</b>	9,739,938
-	-	Deferred tax assets		-	-
444,736	<b>504,668</b>	Other assets	12	<b>31,289,403</b>	27,573,646
10,289,495	<b>12,332,400</b>			<b>764,608,790</b>	637,948,704
<b>LIABILITIES</b>					
171,059	<b>113,902</b>	Bills payable	13	<b>7,061,901</b>	10,605,662
204,555	<b>183,915</b>	Borrowings	14	<b>11,402,729</b>	12,682,412
8,097,044	<b>9,545,436</b>	Deposits and other accounts	15	<b>591,817,052</b>	502,016,711
-	-	Sub-ordinated loans		-	-
231	<b>544</b>	Liabilities against assets subject to finance lease	16	<b>33,739</b>	14,336
38,332	<b>82,243</b>	Deferred tax liabilities - net	17	<b>5,099,060</b>	2,376,606
438,488	<b>504,526</b>	Other liabilities	18	<b>31,280,663</b>	27,186,290
8,949,709	<b>10,430,566</b>			<b>646,695,144</b>	554,882,017
1,339,786	<b>1,901,834</b>	<b>NET ASSETS</b>		<b>117,913,646</b>	<b>83,066,687</b>
<b>REPRESENTED BY</b>					
114,366	<b>131,521</b>	Share capital	19	<b>8,154,319</b>	7,090,712
232,014	<b>264,168</b>	Reserves		<b>16,378,394</b>	14,384,857
526,186	<b>745,691</b>	Unappropriated profit		<b>46,232,813</b>	32,623,507
872,566	<b>1,141,380</b>			<b>70,765,526</b>	54,099,076
1,578	<b>1,770</b>	Minority Interest		<b>109,729</b>	97,827
874,144	<b>1,143,150</b>			<b>70,875,255</b>	54,196,903
465,642	<b>758,684</b>	Surplus on revaluation of assets - net	20	<b>47,038,391</b>	28,869,784
1,339,786	<b>1,901,834</b>			<b>117,913,646</b>	<b>83,066,687</b>

**CONTINGENCIES AND COMMITMENT** 21

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Consolidated Profit and Loss Account**  
For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in '000				Rupees in '000	
714,944	<b>820,036</b>	Mark-up / return / interest earned	23	<b>50,842,230</b>	44,326,510
226,386	<b>274,628</b>	Mark-up / return / interest expensed	24	<b>17,026,935</b>	14,035,962
488,558	<b>545,408</b>	Net mark-up / interest income		<b>33,815,295</b>	30,290,548
49,608	<b>76,179</b>	Provision against non-performing loans and advances	10.4	<b>4,723,084</b>	3,075,723
(11,405)	<b>(649)</b>	Reversal of provision for diminution in the value of investments	9.12	<b>(40,248)</b>	(707,105)
85	<b>644</b>	Bad debts written off directly	10.6.1	<b>39,899</b>	5,284
38,288	<b>76,174</b>			<b>4,722,735</b>	2,373,902
450,270	<b>469,234</b>	Net mark-up / interest income after provisions		<b>29,092,560</b>	27,916,646
<b>NON MARK-UP / INTEREST INCOME</b>					
100,830	<b>110,922</b>	Fee, commission and brokerage income		<b>6,877,152</b>	6,251,485
46,827	<b>52,886</b>	Dividend income		<b>3,278,917</b>	2,903,290
22,164	<b>17,225</b>	Income from dealing in foreign currencies		<b>1,067,958</b>	1,374,163
19,278	<b>37,974</b>	Gain on sale and redemption of securities	25	<b>2,354,390</b>	1,195,249
(72)	<b>(516)</b>	Unrealized loss on revaluation of investments classified as held-for-trading	9.13	<b>(31,964)</b>	(4,463)
2,085	<b>3,394</b>	Share of profits from joint ventures - net of tax		<b>210,445</b>	129,296
166	<b>500</b>	Share of profits from associates - net of tax		<b>30,988</b>	10,268
10,154	<b>2,470</b>	Other income	26	<b>153,110</b>	629,545
201,432	<b>224,855</b>	Total non-markup / interest income		<b>13,940,996</b>	12,488,833
651,702	<b>694,089</b>			<b>43,033,556</b>	40,405,479
<b>NON MARK-UP / INTEREST EXPENSES</b>					
220,092	<b>232,074</b>	Administrative expenses	27	<b>14,388,611</b>	13,645,699
(279)	<b>2,839</b>	Other provisions / write offs / (reversals)		<b>176,014</b>	(17,283)
3,360	<b>276</b>	Other charges	28	<b>17,141</b>	208,327
223,173	<b>235,189</b>	Total non-markup / interest expenses		<b>14,581,766</b>	13,836,743
428,529	<b>458,900</b>			<b>28,451,790</b>	26,568,736
-	<b>-</b>	Extra ordinary / unusual items		<b>-</b>	-
428,529	<b>458,900</b>	<b>PROFIT BEFORE TAXATION</b>		<b>28,451,790</b>	26,568,736
140,668	<b>134,419</b>	Taxation – Current	29	<b>8,333,955</b>	8,721,386
8,559	<b>6,285</b>	– Prior years		<b>389,684</b>	530,652
1,000	<b>5,209</b>	– Deferred		<b>322,986</b>	61,981
150,227	<b>145,913</b>			<b>9,046,625</b>	9,314,019
278,302	<b>312,987</b>	<b>PROFIT AFTER TAXATION</b>		<b>19,405,165</b>	17,254,717
(193)	<b>(192)</b>	Profit attributable to minority shareholders		<b>(11,902)</b>	(11,950)
278,109	<b>312,795</b>	Profit attributable to shareholders of the holding company		<b>19,393,263</b>	17,242,767
317,757	<b>526,186</b>	Unappropriated profit brought forward		<b>32,623,507</b>	19,700,932
662	<b>629</b>	Transfer from surplus on revaluation of fixed assets on account of incremental depreciation		<b>39,007</b>	41,060
596,528	<b>839,610</b>	Profit available for appropriation		<b>52,055,777</b>	36,984,759
<b>----- US Dollars -----</b>		<b>----- Rupees -----</b>			
0.34	<b>0.38</b>	Basic earnings per share for profit for the year attributable to the share holders of the holding Company	30	<b>23.78</b>	21.15
0.34	<b>0.38</b>	Diluted earnings per share for profit for the year attributable to the share holders of the holding Company	31	<b>23.78</b>	21.15

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director



**National Bank of Pakistan**  
**Consolidated Cash Flow Statement**  
For the year ended December 31, 2007

2006	2007		Note	2007	2006
US Dollars in ' 000				Rupees in ' 000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
428,528	<b>458,900</b>	Profit before taxator		<b>28,451,790</b>	26,568,736
(46,827)	<b>(52,886)</b>	Less: Dividend income		<b>(3,278,917)</b>	(2,903,290)
<u>381,701</u>	<u><b>406,014</b></u>			<u><b>25,172,873</b></u>	<u>23,665,446</u>
Adjustments:					
8,012	<b>9,104</b>	Depreciator	11.2	<b>564,470</b>	496,763
66	<b>77</b>	Amortization	11.3	<b>4,776</b>	4,074
49,608	<b>76,179</b>	Provision against non-performing loans and advance	10.4	<b>4,723,084</b>	3,075,723
(11,405)	<b>(649)</b>	Reversal of provision for diminution in the value of investmen	9.12	<b>(40,248)</b>	(707,105)
(145)	<b>(48)</b>	(Gain) on sale of fixed asset:	11.6	<b>(2,975)</b>	(9,010)
32	<b>149</b>	Financial charges on leased asset		<b>9,214</b>	1,994
85	<b>644</b>	Bad debts written off directly	10.6.1	<b>39,899</b>	5,284
(2,085)	<b>(3,394)</b>	Share of profits from joint ventures:		<b>(210,445)</b>	(129,296)
(166)	<b>(500)</b>	Share of profits from an associatk		<b>(30,988)</b>	(10,268)
(279)	<b>2,839</b>	Other provisions / write offs / (reversals		<b>176,014</b>	(17,283)
<u>43,723</u>	<u><b>84,401</b></u>			<u><b>5,232,801</b></u>	<u>2,710,876</u>
<u>425,424</u>	<u><b>490,415</b></u>			<u><b>30,405,674</b></u>	<u>26,376,322</u>
(Increase) / decrease in operating asset:					
(106,799)	<b>24,321</b>	Lendings to financial institution:		<b>1,507,890</b>	(6,621,536)
(2,609)	<b>(6,135)</b>	Held-for-trading securities:		<b>(380,393)</b>	(161,757)
(819,352)	<b>(468,306)</b>	Advances		<b>(29,035,002)</b>	(50,799,821)
(55,734)	<b>(44,955)</b>	Other assets (excluding advance tax		<b>(2,787,228)</b>	(3,455,515)
<u>(984,494)</u>	<u><b>(495,075)</b></u>			<u><b>(30,694,733)</b></u>	<u>(61,038,629)</u>
Increase / (decrease) in operating liability:					
142,976	<b>(57,157)</b>	Bills payable		<b>(3,543,761)</b>	8,864,507
56,763	<b>(27,661)</b>	Borrowings		<b>(1,714,990)</b>	3,519,282
626,135	<b>1,448,393</b>	Deposits and other accounts:		<b>89,800,341</b>	38,820,364
44,814	<b>66,389</b>	Other liabilities (excluding current taxator		<b>4,116,087</b>	2,778,482
<u>870,688</u>	<u><b>1,429,964</b></u>			<u><b>88,657,677</b></u>	<u>53,982,635</u>
(135,262)	<b>(157,684)</b>	Income tax paic		<b>(9,776,401)</b>	(8,386,228)
(32)	<b>(149)</b>	Financial charges paic		<b>(9,214)</b>	(1,994)
<u>(135,294)</u>	<u><b>(157,833)</b></u>			<u><b>(9,785,615)</b></u>	<u>(8,388,222)</u>
<u>176,324</u>	<u><b>1,267,471</b></u>	Net cash from operating activities:		<u><b>78,583,003</b></u>	<u>10,932,106</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
122,815	<b>(1,095,188)</b>	Net investments in / proceeds from available-for-sale securitie		<b>(67,901,649)</b>	7,614,555
(25,237)	<b>38,336</b>	Net proceeds from / investments in held-to-maturity securitie		<b>2,376,810</b>	(1,564,722)
46,827	<b>52,886</b>	Dividend income receiver		<b>3,278,917</b>	2,903,290
(11,813)	<b>(16,751)</b>	Investment in operating fixed asset:		<b>(1,038,547)</b>	(732,436)
(605)	<b>326</b>	Investment in associates and joint venture:		<b>20,196</b>	(37,500)
358	<b>214</b>	Sale proceeds of property and equipment disposed o	11.6	<b>13,261</b>	22,170
<u>132,345</u>	<u><b>(1,020,177)</b></u>	Net cash (used in) / from investing activities:		<u><b>(63,251,012)</b></u>	<u>8,205,357</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
(159)	<b>(237)</b>	Payments of lease obligation		<b>(14,667)</b>	(9,854)
(23,784)	<b>(45,676)</b>	Dividend paic		<b>(2,831,895)</b>	(1,474,605)
<u>(23,943)</u>	<u><b>(45,913)</b></u>	Net cash used in financing activities		<u><b>(2,846,562)</b></u>	<u>(1,484,459)</u>
(2,421)	<b>498</b>	Effects of exchange rate changes on cash and cash equivalent:		<b>30,870</b>	(150,098)
<u>282,305</u>	<u><b>201,879</b></u>	<b>Increase in cash and cash equivalent</b>		<u><b>12,516,299</b></u>	<u>17,502,906</u>
1,650,298	<b>1,932,603</b>	Cash and cash equivalents at beginning of the year	32	<b>119,821,386</b>	102,318,480
<u>1,932,603</u>	<u><b>2,134,482</b></u>	Cash and cash equivalents at end of the year	32	<u><b>132,337,685</b></u>	<u>119,821,386</u>

The annexed notes 1 to 45 form an integral part of these financial statements.

**National Bank of Pakistan**  
**Consolidated Statement of Changes in Equity**  
For the year ended December 31, 2007

	Attributable to the shareholders of the holding company						Total
	Share capital	Reserves		Unappropriated profit	Minority Interest		
		Exchange equalisation	Statutory				
	(Rupees in '000)						
<b>Balance as at January 1, 2006</b>	<b>5,908,927</b>	<b>3,754,297</b>	<b>8,352,214</b>	<b>521,338</b>	<b>19,700,932</b>	<b>85,877</b>	<b>38,323,585</b>
Exchange adjustments on translation of net assets of foreign branches, subsidiaries, associates and joint ventures	-	553,269	-	-	-	-	553,269
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	41,060	-	41,060
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>54,773</b>	<b>-</b>	<b>-</b>	<b>41,060</b>	<b>-</b>	<b>95,833</b>
Profit after taxation for the year ended December 31, 2006	-	-	-	-	17,242,767	11,950	17,254,717
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>54,773</b>	<b>-</b>	<b>-</b>	<b>17,283,827</b>	<b>11,950</b>	<b>17,350,550</b>
Issue of bonus shares 20%	1,181,785	-	-	-	(1,181,785)	-	-
Cash dividend (Rs.2.5 per share)	-	-	-	-	(1,477,232)	-	(1,477,232)
Transfer to statutory reserve	-	-	1,702,235	-	(1,702,235)	-	-
<b>Balance as at December 31, 2006</b>	<b>7,090,712</b>	<b>3,809,070</b>	<b>10,054,449</b>	<b>521,338</b>	<b>32,623,507</b>	<b>97,827</b>	<b>54,196,903</b>
<b>Balance as at January 1, 2007</b>	<b>7,090,712</b>	<b>3,809,070</b>	<b>10,054,449</b>	<b>521,338</b>	<b>32,623,507</b>	<b>97,827</b>	<b>54,196,903</b>
Exchange adjustments on translation of net assets of foreign branches, subsidiaries, associates and joint ventures	-	70,465	-	-	-	-	70,465
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	39,007	-	39,007
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>70,465</b>	<b>-</b>	<b>-</b>	<b>39,007</b>	<b>-</b>	<b>109,472</b>
Profit after taxation for the year ended December 31, 2007	-	-	-	-	19,393,263	11,902	19,405,165
<b>Total recognised income and expense for the year</b>	<b>-</b>	<b>70,465</b>	<b>-</b>	<b>-</b>	<b>19,432,270</b>	<b>11,902</b>	<b>19,514,637</b>
Issue of bonus shares 15%	1,063,607	-	-	-	(1,063,607)	-	-
Cash dividend (Rs.4 per share)	-	-	-	-	(2,836,285)	-	(2,836,285)
Transfer to statutory reserve	-	-	1,923,072	-	(1,923,072)	-	-
<b>Balance as at December 31, 2007</b>	<b>8,154,319</b>	<b>3,879,535</b>	<b>11,977,521</b>	<b>521,338</b>	<b>46,232,813</b>	<b>109,729</b>	<b>70,875,255</b>

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman & President

Director

Director

Director

**National Bank of Pakistan**  
**Notes to the Consolidated Financial Statements**  
For the year ended December 31,2007

**1. THE GROUP AND ITS OPERATIONS**

**1.1** The "Group" consists of:

Holding Company

- National Bank of Pakistan (the bank)

Subsidiary Companies

- NBP Capital Limited
- JSC Subsidiary Bank of NBP in Kazakhstan
- NBP Exchange Company Limited
- NBP Modaraba Management Company Limited
- Taurus Securities Limited
- National Agriculture & Storage Company Limited (Note 9.11)
- Cast-N-Link Products Limited (Note 9.11)

**Percentage Holding**

**2007**                      **2006**

**%**                              **%**

100.00	100.00
100.00	100.00
100.00	100.00
100.00	100.00
58.32	58.32
100.00	100.00
76.51	76.51

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing and discounting services. Brief profile of the holding company and subsidiaries is as follows:

**National Bank of Pakistan**

The bank was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I.Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,243 (2006: 1,232) branches in Pakistan and 18 (2006: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

In the years 1995 and 2001, the assets, liabilities and operations of former NDFC and Mehran Bank Limited, respectively are amalgamated into the bank in accordance with the decision of the Government of Pakistan.

During the year, the bank has increased its authorised share capital from Rs.7,500 million (750,000,000 ordinary shares of Rs.10/- each) to Rs.10,000 million (1,000,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on April 02, 2007.

**NBP Capital Limited, Pakistan**

NBP Capital Limited is a public unlisted company, incorporated in Pakistan on November 7, 1995 under the Companies Ordinance, 1984. The registered office of the company is at 4th Floor, P.I.C. Towers, M.T. Khan Road, Karachi. The principal activity of the company is to invest, discount, trade in negotiable instruments and undertaking leasing operations.

**JSC Subsidiary Bank of NBP in Kazakhstan**

JSC Subsidiary Bank of NBP in Kazakhstan is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. The bank conducts its business under license number 25 dated October 29, 2005 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of the bank is located at 105, Dostyk Ave, 050051, Almaty.

**NBP Exchange Company Limited, Pakistan**

NBP Exchange Company Limited is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the Companies Ordinance, 1984. The company obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of the company is situated at Shaheen Complex, M.R.Kiryani Road, Karachi. The company is engaged in Foreign currency remittances and exchange transactions.

The company has four branches, in Karachi, Islamabad, Rawalpindi and Mirpur, Azad Jammu Kashmir.

**NBP Modaraba Management Company Limited, Pakistan**

NBP Modaraba Management Company Limited is a public unlisted company, incorporated in Pakistan on August 6, 1992. Its registered office is 26 - Mclagon Road, Lahore. The principal purpose of the company is to float and manage modarabas. The company at present is managing First National Bank Modaraba.

**Taurus Securities Limited, Pakistan**

Taurus Securities Limited is a public unlisted company, incorporated in Pakistan on June 27, 1993 under the Companies Ordinance, 1984. The registered office of the company is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. It is a corporate member of the Karachi Stock Exchange (Guarantee) Limited.

**1.2 BASIS OF CONSOLIDATION**

- The consolidated financial statements include the financial statements of the bank (holding company) and its subsidiary companies together - "the Group".
- The financial statements of the subsidiaries are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Minority interest represents the portion of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the holding company.
- Material intra-group balances and transactions have been eliminated.

**2. BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the bank 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.

The financial results of the Islamic banking branches of the bank have been consolidated in these financial statements for reporting purposes, after eliminating intra-branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed note 42 to these financial statements.

**US Dollar equivalent**

The US Dollar amounts shown on the balance sheet, profit and loss account and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs.62.00 to one US Dollar has been used for both 2007 and 2006 as it was the prevalent rate as on December 31, 2007.

**3. STATEMENT OF COMPLIANCE**

- 3.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting 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, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

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

#### **4. BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings, valuation of certain investments and derivative financial instruments at fair value.

#### **5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **5.1 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 less overdrawn nostro accounts.

##### **5.2 Investments**

Investments other than those categorised as held for trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified at held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases/sales of investment are recognised on the trade date, i.e., the date the Group commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' portfolios as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus/(deficit) being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortized cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value with the surplus/(deficit) on revaluation taken to 'surplus/(deficit) on revaluation of assets' account below equity, except that available-for-sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (other than Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds) are stated at cost less provision for diminution in value of investments, if any. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to book value of the same. Provision for diminution in value of investments for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the Stock Exchanges.

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

On derecognition or impairment in quoted available-for-sale investments the cumulative gain or loss previously reported as "surplus / (deficit) on revaluation of assets" below equity is included in the profit and loss account for the period.

Gains and losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the income statement; its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint ventures - The Group has interests in joint ventures which are jointly controlled entities. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment at each balance sheet date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, provision for impairment is made through the profit and loss account.

### **5.3 Discounting of negotiable instruments**

These are stated at cost less provision for doubtful debts, if any. The provision is made in accordance with the SECP Prudential Regulations for Non-Banking Finance Companies.

### **5.4 Repurchase and resale agreements**

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the life of the reverse repo agreement using effective yield method.

### **5.5 Net investment in lease finance**

Leases where the Group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in lease finance is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any. The provision is made in accordance with the SECP Prudential Regulations for Non-Banking Finance Companies.

### **5.6 Derivative financial instruments**

Derivative financial instruments are initially recognised at fair value on the date of which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

### **5.7 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognized where (a) the right to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

## 5.8 Advances

Advances are stated net off specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of loans by the banks) for classification of non-performing loans and advances and computing provision / allowance thereagainst. Further, the SBP also requires the bank to maintain general provision / allowance against consumer advance at specified percentage of such portfolio. Provision in respect of overseas branches and subsidiaries are made in accordance with the respective central bank's requirements. Advances are written off where there are no realistic prospects of recovery.

## 5.9 Operating fixed assets and depreciation

### Property and equipment

#### Owned assets

Fixed assets except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing limit to executives, which are depreciated on straight-line method at the rates stated in note 11.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

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

Gains and losses on disposal of fixed assets are included in income currently.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet

Land and buildings' valuation are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of Assets account" shown below equity. The group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the requirements of in Companies Ordinance 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003:

- depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to accumulated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

#### Assets subject to finance lease

Assets subject to finance lease are accounted for by recording the assets and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

#### 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 recognised on accrual basis as and when the rental becomes due and relevant profit is recorded on time proportion basis by reference to the relevant profit rate.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.3.

Room and membership card are considered to have an indefinite useful life and are stated at acquisition cost.

**Capital work-in-progress**

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

**Impairment**

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to 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 assets.

**5.10 Taxation****Current**

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions or on one-half percent of the mark-up/return/interest earned, whichever is higher. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

**Deferred**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to the items recognized directly in equity are recognized in equity and not in the profit and loss account.

**5.11 Employee benefits****5.11.1 Defined benefit plans****Pension scheme**

The bank operates defined benefit approved funded pension scheme for its eligible employees. The bank's costs are determined based on actuarial valuation carried out using Projected Unit Credit Method. Net cumulative un-recognized actuarial gains/losses relating to previous reporting period in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated working lives of the employees. Where the fair value of plan assets exceeds the present value of defined benefit obligation together with unrecognized actuarial gains or losses and unrecognized past service cost, the Group reduces the resulting asset to an amount equal to the total of present value of any economic benefit in the form of reduction in future contributions to the plan and unrecognized actuarial losses and past service costs.



**Post retirement medical benefits**

The bank operates an un-funded defined post retirement medical benefits scheme for all of its employees. Provision is made in the consolidated financial statements for the benefit based on actuarial valuation carried out using the Projected Unit Credit Method. Actuarial gains/losses are accounted for in a manner similar to the pension scheme.

**Benevolent scheme**

The bank also operates an un-funded defined benefit benevolent scheme for its eligible employees. Provision is made in the consolidated financial statements based on the actuarial valuation using the Projected Unit Credit Method. Actuarial gains / (losses) are recognized in the period in which they arise.

**Gratuity scheme**

The bank operates an un-funded defined benefit gratuity scheme for all eligible contractual employees. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Cumulative net unrecognized actuarial gains and losses which exceeds 10% of the greater of present value of the bank's gratuity and 10% of the fair value of any plan assets is amortized over the average expected remaining working lives of the employees.

Transitional cost is recognised over a period of five years.

**5.11.2 Defined contribution plan**

The bank operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Company and employees to the fund in accordance with the fund rules.

**Retirement and other benefit obligations - In respect of JSC Subsidiary Bank of NBP in Kazakhstan (JSC)**

The JSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

**5.11.3 Other employee benefits****Employees' compensated absences**

The bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method.

**5.12 Revenue recognition**

Mark-up/return/interest on advances and return on investments are recognized on time proportion basis except in case of advances and investments classified under the Prudential Regulations on which mark-up is recognized on receipt basis.

Interest/mark-up on rescheduled/restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, commission and brokerage income, advisory fee income and remuneration for trustee services is recognized at the time of performance of services.

Management fee is recognized when accrued by managed Modaraba.

Dividend income on equity investments is recognized when right to receive the same is established. Dividend received on equity investments acquired after the announcement of dividend till the book closure date are not taken to income but reflected as reduction in the cost of investment.

Income on discounting of banker's acceptances, bills of exchange, invoices, lease receivable and promissory notes are recognized on time proportionate basis.

The Group follows the "Financing Method" in accounting for recognition of finance income on leases. Under this method the unearned finance income - that is, excess of aggregate lease rentals and the residual value over the cost of leased assets is deferred and then amortized to income over the term of the lease, applying the annuity method to produce a constant rate on the net investment in the lease finance.

**5.13 Foreign currencies translation**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in the Pak Rupees which is the bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and the assets / liabilities of foreign branches, and subsidiaries, net assets of associates and joint ventures are translated into Rupees at the rates of exchange prevailing at the balance sheet date.

Profit and loss account balances of foreign branches, subsidiaries are translated at average exchange rate prevailing during the year. Gains / losses on translation are included in the profit and loss account except net gains / losses arising on translation of net assets of foreign branches, subsidiaries, associates and joint ventures, which is credited to an exchange equalization reserve and reflected under reserves.

**5.14 Business combinations and goodwill**

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets acquired, the discount on acquisition is recognised directly in the income statement in the year of acquisition.

**5.15 Provision for off balance sheet obligations**

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

**5.16 Off setting**

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

**5.17 Fiduciary assets**

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated balance sheet.

**5.18 Dividend and other appropriations**

Dividend and appropriation to reserves, except appropriation which are required by the law after the balance sheet date, are recognised as liability in the Banks' financial statements in the year in which these are approved.

**5.19 Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing product 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.

**5.19.1 Business segments****Corporate finance**

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

**Trading and sales**

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

**Retail Banking**

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

**Commercial banking**

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, lending, guarantees, bills of exchange and deposits.

**Payment and settlement**

It includes payments and collections, funds transfer, clearing and settlement.

**Agency services**

It includes escrow, depository receipts, securities lending (customers), corporate actions, issuer and paying agents.

**5.19.2 Geographical segments**

The Group operates in following geographical regions:

Pakistan

Asia Pacific (including South Asia and Karachi Export Processing Zone)

Europe

United States of America and Canada

Middle East

**5.20 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2007.

**5.21 Accounting estimates and judgments**

The preparation of financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates/judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a Provision against non performing loans and advances**

The Group reviews its loan portfolio to assess amount of non performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower and requirements of prudential regulations are considered.

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations and SBP directives. During the year, the management has changed the method of computing provisioning against Non Performing Loans consequent upon the revision in prudential regulations as disclosed in note 10.4.2 and 10.4.3.

**b Fair value of derivatives**

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

**c Impairment of available-for-sale investments**

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

**d Held-to-maturity investments**

The Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

**e Income taxes**

In making the estimates for current and deferred income taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are various matters where Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

**f Employees retirement benefit plans**

The liabilities for employees retirement benefits is determined using actuarial valuation. The actuarial valuation involves assumptions about discount rates, expected rates of return on assets, future salary increases, and future pension increases as disclosed in note 34. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

**5.22 Accounting standards, interpretations and amendments to published approved accounting standards****5.22.1 Not-yet effective**

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

<b>Standards and Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS 1 Presentation of Financial Statements	January 01, 2009
IAS 23 Borrowings Costs	January 01, 2009
IAS 27 Consolidated and Separate Financial Statements	January 01, 2009
IFRS 3 Business Combinations	January 01, 2009
IFRIC 11 Group and Treasury Share Transactions	March 01, 2007
IFRIC 12 Service Concession Arrangements	January 01, 2008
IFRIC 13 Customer Loyalty Programs	July 01, 2008
IFRIC 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008
IAS 41 Agriculture	May 22, 2007

The Group expects that the adoption of the above standards and interpretations will have no material impact on the Group's financial statements in the period of initial application except to the extent of presentation and disclosure.

In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework:

IFRS 4	Insurance Contracts
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments

**5.22.2 Early adoption of a standard**

During the year the Securities and Exchange Commission of Pakistan notified that Islamic Financial Accounting Standard (IFAS 2) "Ijarah" issued by the Institute of Chartered Accountants of Pakistan shall be followed while accounting for ijarah transactions as defined by IFAS 2 for financial statements covering periods beginning on or after July 1, 2007. The Group has early adopted IFAS 2 and has applied the accounting principles stated therein in the preparation of these financial statements. The disclosures required under IFAS 2 are set out in note 11.5 of these financial statements. The related accounting policy is disclosed in note 5.7.

6. CASH AND BALANCES WITH TREASURY BANKS	Note	2007 Rupees in '000	2006
In hand			
Local currency		6,058,641	5,001,665
Foreign currency		1,738,623	1,540,702
		7,797,264	6,542,367
With State Bank of Pakistan in			
Local currency current account	6.1	56,865,314	34,314,554
Local currency deposit account		572	29
		56,865,886	34,314,583
Foreign currency current account	6.2	1,492,188	1,192,907
Foreign currency deposit account	6.2	1,182,316	3,578,722
Foreign currency collection account		488,669	193,307
Foreign currency placement accounts	6.3	24,571,600	30,442,750
		27,734,773	35,407,686
With other central banks in			
Foreign currency current accounts	6.4	1,434,686	1,448,110
Foreign currency deposit accounts	6.5	1,177,905	1,149,879
		2,612,591	2,597,989
		<u>95,010,514</u>	<u>78,862,625</u>
<b>6.1</b>	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
<b>6.2</b>	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.		
<b>6.3</b>	This represents US Dollar placements and carry interest rate at 6.5% per annum (2006: 6.71% to 7.46%) and maturities within six months.		
<b>6.4</b>	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central banks' regulatory requirements of respective countries.		
<b>6.5</b>	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry mark-up at the rate of 3.5% per annum (2006: 4.5% to 5.05% per annum).		
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		715,771	194,771
On deposit account		698,718	165,208
		1,414,489	359,979
Outside Pakistan			
On current accounts		6,447,178	1,029,343
On deposit accounts	7.1	30,354,596	40,023,224
		36,801,774	41,052,567
		<u>38,216,263</u>	<u>41,412,546</u>
<b>7.1</b>	These include various deposits with correspondent banks and carry mark-up rates ranging from 0.07% to 10% per annum (2006: 0.015% to 8% per annum)		
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.2	2,308,026	8,165,350
Repurchase agreement lendings (Reverse Repo)	8.3	19,348,166	14,998,732
	8.1	<u>21,656,192</u>	<u>23,164,082</u>

	2007	2006
	Rupees in '000	
<b>8.1 Particulars of lending</b>		
In local currency	21,656,192	23,164,082
In foreign currencies	-	-
	<u>21,656,192</u>	<u>23,164,082</u>

8.2 These carry mark-up at rates ranging from 9.9% to 10.5% per annum (2006: 10.05% to 11.25% per annum).

8.3 These carry mark-up at rates ranging from 8% to 19.79% per annum (2006: 8.5% to 9.4% per annum).

**8.3.1 Securities held as collateral against lendings to financial institutions**

	2 0 0 7			2 0 0 6		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	18,567,924	-	18,567,924	11,363,732	-	11,363,732
Pakistan Investment Bonds	590,000	-	590,000	3,635,000	-	3,635,000
Others	190,242	-	190,242	-	-	-
	<u>19,348,166</u>	<u>-</u>	<u>19,348,166</u>	<u>14,998,732</u>	<u>-</u>	<u>14,998,732</u>

8.3.2 Market value of the securities under repurchase agreement lendings amount to Rs.19,413 million (2006: Rs.14,868 million).

9. INVESTMENTS	Note	2007			2006		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		----- Rupees in '000 -----					
<b>9.1 Investments by types:</b>	9.14						
<b>Held-for-trading securities</b>							
Ordinary shares of listed companies		785,594	-	785,594	405,201	-	405,201
<b>Available-for-sale securities</b>							
Ordinary shares of listed companies		1,947,051	-	1,947,051	1,426,566	-	1,426,566
Ordinary shares of unlisted companies		304,119	-	304,119	331,641	-	331,641
Investment outside Pakistan	9.8	2,251,170	-	2,251,170	1,758,207	-	1,758,207
Market Treasury Bills		463,295	-	463,295	463,295	-	463,295
Preference shares		117,851,357	416,578	118,267,935	50,524,649	381,964	50,906,613
Pakistan Investment Bonds		305,000	-	305,000	398,184	-	398,184
Federal Investment Bonds		3,950,207	-	3,950,207	3,154,718	-	3,154,718
GoP Foreign Currency Bonds		940,000	-	940,000	940,000	-	940,000
Debentures, Bonds, Participation Term		850,853	-	850,853	-	-	-
Certificates and Term Finance Certificates		6,456,472	-	6,456,472	8,373,727	-	8,373,727
Investments in mutual funds		1,425,886	-	1,425,886	1,145,369	-	1,145,369
Foreign Government Securities		33,704	-	33,704	-	-	-
National Investment Trust Units	9.6	5,764,258	-	5,764,258	5,667,018	-	5,667,018
<b>Total Available-for-sale securities</b>		<u>140,292,202</u>	<u>416,578</u>	<u>140,708,780</u>	<u>72,425,167</u>	<u>381,964</u>	<u>72,807,131</u>
<b>Held-to-maturity securities</b>							
Government Compensation Bonds		2,331,182	-	2,331,182	2,331,182	-	2,331,182
Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds		11,773,316	-	11,773,316	11,974,039	-	11,974,039
Market Treasury Bills		413,745	-	413,745	381,473	-	381,473
GoP Foreign Currency Bonds		10,933,794	-	10,933,794	10,445,224	-	10,445,224
Foreign Government Securities		5,418,086	-	5,418,086	5,693,075	-	5,693,075
Debentures, Bonds, Participation Term		4,508,548	-	4,508,548	4,595,963	-	4,595,963
Certificates, Term Finance Certificates and Sukuk Bonds	9.7	800,000	-	800,000	3,172,000	-	3,172,000
<b>Total Held to maturity securities</b>	9.3	<u>36,215,184</u>	<u>-</u>	<u>36,215,184</u>	<u>38,629,469</u>	<u>-</u>	<u>38,629,469</u>
<b>Investments in associates</b>	9.9	1,143,581	-	1,143,581	1,132,790	-	1,132,790
<b>Investments in joint ventures</b>	9.10	2,200,668	-	2,200,668	1,950,628	-	1,950,628
<b>Investments in subsidiaries</b>	9.11	3,245	-	3,245	3,245	-	3,245
<b>Investments at cost</b>		<u>180,640,474</u>	<u>416,578</u>	<u>181,057,052</u>	<u>114,546,500</u>	<u>381,964</u>	<u>114,928,464</u>
<b>Less: Provision for diminution in value of Investments</b>	9.12	<u>(1,173,593)</u>	<u>-</u>	<u>(1,173,593)</u>	<u>(1,255,785)</u>	<u>-</u>	<u>(1,255,785)</u>
<b>Investments (net of provisions)</b>		<u>179,466,881</u>	<u>416,578</u>	<u>179,883,459</u>	<u>113,290,715</u>	<u>381,964</u>	<u>113,672,679</u>
Deficit on revaluation of							
Held-for-trading securities	9.13	(31,964)	-	(31,964)	(4,463)	-	(4,463)
Surplus/(deficit) on revaluation of Available-for-sale securities	20.2	31,879,205	(1,403)	31,877,802	27,072,030	(179)	27,071,851
<b>Total investments at market value</b>		<u>211,314,122</u>	<u>415,175</u>	<u>211,729,297</u>	<u>140,358,282</u>	<u>381,785</u>	<u>140,740,067</u>

	Note	2007 Rupees in '000	2006
<b>9.2 Investments by segment</b>	9.14		
<b>Federal Government Securities</b>			
Market Treasury Bills		118,681,680	51,288,086
Pakistan Investment Bonds	9.4	15,723,523	15,128,757
Federal Investment Bonds	9.5	940,000	940,000
Government Compensation Bonds		2,331,182	2,331,182
GoP Foreign Currency Bonds		11,784,647	10,445,224
		<u>149,461,032</u>	<u>80,133,249</u>
<b>Provincial Government Securities</b>		36,513	36,513
<b>Foreign Government Securities</b>		5,451,790	5,693,075
<b>Fully Paid up Ordinary Shares</b>			
- Listed Companies		2,732,645	1,831,767
- Unlisted Companies		304,119	331,641
		<u>3,036,764</u>	<u>2,163,408</u>
<b>Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds</b>			
- Listed		992,479	1,062,972
- Unlisted		9,972,541	11,906,718
		<u>10,965,020</u>	<u>12,969,690</u>
<b>Other Investments</b>			
- Investment outside Pakistan	9.8	463,295	463,295
- Investments in mutual funds		1,425,886	1,145,369
- National Investment Trust Units	9.6	5,764,258	5,667,018
- Preference Shares		305,000	398,184
- Certificates of Investment		800,000	3,172,000
<b>Investments in Associates</b>	9.9	1,143,581	1,132,790
<b>Investments in Joint Ventures</b>	9.10	2,200,668	1,950,628
<b>Investments in Subsidiaries</b>	9.11	3,245	3,245
<b>Total Investments at cost</b>		<u>181,057,052</u>	<u>114,928,464</u>
Less: Provision for Diminution in value of Investments	9.12	<u>(1,173,593)</u>	<u>(1,255,785)</u>
<b>Investments (Net of Provisions)</b>		179,883,459	113,672,679
Deficit on revaluation of Held-for-trading securities	9.13	(31,964)	(4,463)
Surplus on revaluation of Available-for-sale securities	20.2	31,877,802	27,071,851
<b>Total investments at market value</b>		<u>211,729,297</u>	<u>140,740,067</u>

**9.3** Market value of held-to-maturity investments is Rs.34,283 million (2006: Rs.36,558 million).

**9.4** These include Pakistan Investment Bonds amounting to Rs.75 million (2006: Rs.75 million) held by SBP as pledge against demand loans and TT / DD discounting facilities.

**9.5** These represents Federal Investment Bonds amounting to Rs.940 million (2006: Rs.940 million) provided to payoff liabilities relating to former Mehran Bank Limited.

**9.6 NIT Units**

**9.6.1** The bank's investment in NIT consists of 361,545,322 units (2006: 387,699,844 units), which includes 333,746,836 units (2006: 370,826,836 units) covered under Letter of Comfort (LoC) and 27,798,486 (2006: 16,873,008 units) as Non-LoC units.

The LoC holding represents those units in respect of which the GoP had issued a Letter of Comfort dated June 20, 2006 stating that on bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit.

During the year, the bank received letter from GoP, letter no. F.4(2)INV.III/2000 dated December 13, 2007 stating that NIT will be facilitated to redeem 10% of total units under LoC outstanding in their books on or before December 31, 2007, subject to the extension of LoC upto December 31, 2008, at the redemption price prevailing on the date of such redemption.

Accordingly the bank has redeemed 10% of its LoC holdings at the prevalent redemption price which resulted in realization of capital gain amounting to Rs.1,775 million.

**9.6.2** Rating of NIT mutual fund is 4 star (2006: 4 star) by PACRA.

**9.7** Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.653 million (2006: Rs.705 million) which are considered non-performing.

**9.8 Bank Al-Jazira**

The bank holds 13,125,000 (2006: 6,562,500) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 5.83% (2006: 5.83%) holding in total equity of BAJ, including 6,562,500 ordinary shares issued as bonus shares during the year. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. (Rating: BBB+ by Fitch Rating)

	Number of shares	Percentage holding	Note	2007 Rupees in '000	2006
<b>9.9 Investments in associates</b>			9.10.3		
<b>Un-quoted</b>					
Pakistan Emerging Venture Limited	12,500,000	33.33		51,415	64,415
First Credit and Investment Bank Limited	5,979,085	50.00	9.10.4	250,964	224,777
Information System Associates Limited	2,300,000	21.89		1,719	1,719
National Fructose Company Limited	1,300,000	39.50		6,500	6,500
Pakistan Insulation Limited	494,500	24.79		695	695
Ali Textile (Jhang) Limited	719,500	25.21		-	7,195
Venture Capital Fund Management	33,333	33.33		-	-
Ashraf Sugar Mills Limited	2,059,271	20.44		-	-
Kamal Enterprises Limited	11,000	20.37		-	-
Mehran Industries Limited	37,500	32.05		-	-
Qurell Cassettes Limited	46,250	30.83		-	-
Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
Youth Investment Promotion Society	644,508	25.00		-	-
Khushhali Bank	400	23.45	9.9.4	400,000	400,000
Dadabhoy Energy Supply Company Limited	9,900,000	23.11		32,105	32,105
K-Agricole Limited	5,000	20.00		-	-
New Pak Limited	200,000	20.00		-	-
Prudential Fund Management	150,000	20.00		-	-
				743,398	737,406
<b>Quoted</b>					
National Fibres Limited	17,119,476	20.19		-	-
Taha Spinning Mills Limited	833,800	20.59		2,501	2,501
Land Mark Spinning Mills Limited	3,970,960	32.75		39,710	39,710
S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
Nina Industries Limited	4,906,000	20.27		49,060	49,060
First National Bank Modaraba	7,500,000	30.00	9.10.4	90,377	85,578
			9.9.1	400,183	395,384
				1,143,581	1,132,790
Less: Provision for diminution in value of investments			9.12.1	(402,240)	(422,435)
				741,341	710,355



- 9.9.1** Aggregate value of investments in associates (quoted) on the basis of latest available quoted prices amounts to Rs.275.359 million (2006: Rs.245.702 million). Management considers that there is no active market for these quoted investments and therefore provision for impairment has been made against the same
- 9.9.2** Associates with zero carrying amount, represent the investment acquired from former NDFC which have negative equity or whose operations are closed at the time of amalgamation
- 9.9.3** The details of break-up value based on latest available financial statements of un-quoted investment in associates are as follows:

	Year ended	Break-up value of bank's share Rs. in '000
Pakistan Emerging Venture Limited	June 30, 2007	1,962
First Credit and Investment Bank Limited (FCIBL)	June 30, 2007	258,247
Information System Associates Limited	June 30, 2007	3,788
Pakistan Insulation Limited	June 30, 2001	2,630
Ali Textile (Jhang) Limited	September 30, 2001	10,049
Ashraf Sugar Mills Limited	September 30, 2004	(17,199)
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank	December 31, 2006	439,343
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	79,318

- 9.9.4** During the year, the Government of Pakistan, Finance Division (Investment Wing) vide their letter no. 4(3) Inv-I/2006 dated June 5, 2007 has advised the bank to divest its shareholding in Khushhali Bank through public announcement. Accordingly, the bank has initiated the process for such sale.

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>9.10 Investment in joint ventures</b>			
United National Bank Limited (UNBL)	9.10.1 & 9.10.3	2,120,341	1,892,148
National Fullerton Asset Management (NAFA)	9.10.2 & 9.10.3	80,327	58,480
		<u>2,200,668</u>	<u>1,950,628</u>

- 9.10.1** Under a joint venture agreement, the bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

- 9.10.2** The company has been set up for the purpose of providing asset management services with a paid-up capital of Rs.250 million (2006: Rs.250 million) as a joint venture between the bank, NIB Bank Limited (Formerly NDLC-IFIC Bank Limited) and Alexandra Fund Management PTE Limited. The bank has 27% (2006: 27%) holding as at December 31, 2007

- 9.10.3** Investments of the Group in associated companies, First Credit & Investment Bank Limited (FCIBL), First National Bank Modaraba (FNBM) and Joint Venture companies, United National Bank Limited and National Fullerton Asset Management have been accounted for under equity method of accounting as at December 31, 2007 in accordance with the treatment specified in International Accounting Standard 28 "Investments in Associates" and International Accounting Standard 31 "Interests in Joint Ventures"

**9.10.4 Movement Schedule for Associate and Joint Ventures**

	2007				2006			
	Associate		Joint Venture		Associate		Joint Venture	
	FCIBL	FNBM	NAFA	UNBL	FCIBL	FNBM	NAFA	UNBL
	----- Rupees in '000 -----				----- Rupees in '000 -----			
Opening Balance	224,776	85,577	58,480	1,892,148	214,508	85,827	30,000	1,548,961
Addition	-	-	-	-	-	-	37,500	-
Share of profit/ (loss) for the year	26,188	4,800	21,847	188,598	10,268	(250)	(9,020)	138,316
Exchange	-	-	-	39,595	-	-	-	204,871
Closing Balance	<u>250,964</u>	<u>90,377</u>	<u>80,327</u>	<u>2,120,341</u>	<u>224,776</u>	<u>85,577</u>	<u>58,480</u>	<u>1,892,148</u>

**9.11 Investments in subsidiaries**

	Percentage holding	Note	2007 Rupees in '000	2006
National Agriculture & Storage Company Limited	100.00		2,000	2,000
Cast-N-Link Products Limited	76.51		1,245	1,245
			<u>3,245</u>	<u>3,245</u>
Less: Provision for diminution in value of investments			<u>(3,245)</u>	<u>(3,245)</u>
			<u>-</u>	<u>-</u>

9.11.1 The above subsidiaries have not been consolidated as the investments are considered as fully impaired.

**9.12 Particulars of provision for diminution in value of investments**

Opening balance			1,253,429	1,965,003
Charge for the year			-	2,356
Reversals			(40,248)	(709,461)
			(40,248)	(707,105)
Amount written off			(39,588)	(2,113)
Closing Balance			<u>1,173,593</u>	<u>1,255,785</u>

**9.12.1 Particulars of provision in respect of type and segment**

<b>Available-for-sale securities</b>				
Ordinary shares of unlisted companies			115,514	125,390
<b>Held-to-maturity securities</b>				
Debentures, Bonds, Participation Term Certificates, Term Finance Certificates and Sukuk Bonds			652,594	704,715
<b>Associates</b>		9.9	402,240	422,435
<b>Subsidiaries</b>		9.11	3,245	3,245
			<u>1,173,593</u>	<u>1,255,785</u>

**9.13 Unrealized loss on revaluation of investments classified as held for trading**

Ordinary shares of listed companies			<u>(31,964)</u>	<u>(4,463)</u>
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9.14 Detailed information relating to investments in shares of listed and unlisted companies, Preference Shares, Mutual Funds, Government Securities, Bonds, Debentures, Term Finance Certificates, Certificates of investments etc. including quality of available-for-sale securities is given in Annexure-I to the financial statements.

**10. ADVANCES**

Loans, cash credits, running finances, etc.

In Pakistan		10.10	324,749,094	304,164,016
Outside Pakistan			29,737,559	26,421,169
			<u>354,486,653</u>	<u>330,585,185</u>
Net investment in finance lease				
In Pakistan		10.2	527,867	558,883
Outside Pakistan			-	-
			527,867	558,883
Bills discounted and purchased (excluding Government treasury bills)				
Payable in Pakistan			2,673,256	2,502,819
Payable outside Pakistan			16,144,430	14,881,699
			<u>18,817,686</u>	<u>17,384,518</u>
Margin Financing / Continuous Funding System		10.9	1,308,715	187,266
Advances - gross		10.1	<u>375,140,921</u>	<u>348,715,852</u>
Less: Provision against non-performing advances		10.4	<u>(34,413,102)</u>	<u>(32,260,052)</u>
Advances - net of provision			<u>340,727,819</u>	<u>316,455,800</u>

10.1 Particulars of advances - gross	Note	2007	2006
		Rupees in '000	
10.1.1 In local currency		329,258,932	307,412,984
In foreign currencies		45,881,989	41,302,868
		<u>375,140,921</u>	<u>348,715,852</u>
10.1.2 Short term ( for upto one year)		249,493,001	202,063,151
Long term ( for over one year)		125,647,920	146,652,701
		<u>375,140,921</u>	<u>348,715,852</u>

## 10.2 Net investment in finance lease

	2007				2006			
	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	365,705	122,671	-	488,376	218,927	350,936	-	569,863
Residual value	-	115,451	-	115,451	-	95,212	-	95,212
Minimum lease payments	365,705	238,122	-	603,827	218,927	446,148	-	665,075
Financial charges for future periods	30,215	45,745	-	75,960	57,154	49,038	-	106,192
Present value of minimum lease payments	<u>335,490</u>	<u>192,377</u>	<u>-</u>	<u>527,867</u>	<u>161,773</u>	<u>397,110</u>	<u>-</u>	<u>558,883</u>

These leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintained financial ratios, as required under the SECP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 10.75% to 18% and KIBOR + 2% (2006: 10.75% to 18% and KIBOR + 2%) per annum.

10.3 Advances include Rs.38,318 million (2006: Rs.36,260 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	565,889	-	565,889	-	-	-	-	-	-
Substandard	4,483,776	37,641	4,521,417	1,097,813	9,410	1,107,223	1,097,813	9,410	1,107,223
Doubtful	2,916,347	1,656	2,918,003	1,453,829	828	1,454,657	1,453,829	828	1,454,657
Loss	29,745,438	566,805	30,312,243	29,718,461	71,474	29,789,935	29,718,461	71,474	29,789,935
	<u>37,711,450</u>	<u>606,102</u>	<u>38,317,552</u>	<u>32,270,103</u>	<u>81,712</u>	<u>32,351,815</u>	<u>32,270,103</u>	<u>81,712</u>	<u>32,351,815</u>

## 10.4 Particulars of provision against non-performing advances

	Note	2007			2006		
		Specific	General	Total	Specific	General	Total
		Rupees in '000					
Opening balance		29,528,672	2,731,380	32,260,052	28,388,730	2,195,302	30,584,032
Exchange adjustments		809	13,387	14,196	2,851	19,282	22,133
Charge for the year		9,437,007	286,210	9,723,217	5,225,418	622,648	5,848,066
Reversal during the year		(4,030,443)	(969,690)	(5,000,133)	(2,772,343)	-	(2,772,343)
		5,406,564	(683,480)	4,723,084	2,453,075	622,648	3,075,723
Amounts written off	10.6	(1,525,294)	-	(1,525,294)	(705,125)	-	(705,125)
Other adjustments	10.5	(1,058,936)	-	(1,058,936)	(610,859)	(105,852)	(716,711)
Closing balance		<u>32,351,815</u>	<u>2,061,287</u>	<u>34,413,102</u>	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>

## 10.4.1 Particulars of provisions against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	32,270,103	1,818,856	34,088,959	29,469,042	2,493,782	31,962,824
In foreign currencies	81,712	242,431	324,143	59,630	237,598	297,228
	<u>32,351,815</u>	<u>2,061,287</u>	<u>34,413,102</u>	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>

**10.4.2** During the year, the SBP vide its BSD Circular No. 7 dated October 12, 2007, has amended Prudential Regulation in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2007, prohibit consideration of forced sale value of collateral held by the bank in determining the amount of provision against non-performing advances except in case of housing finance. Accordingly, the above change in regulation has resulted in additional provisioning of Rs.3,052 million against non-performing advances and a consequent decrease in profit before tax for the same amount.

Further, the time period for classifying personal loans under consumer financing as "loss" has been reduced from 1 year to 180 days. This change has no material effect on these financial statement

**10.4.3** In accordance with the directives of the SBP, the bank is required to maintain general provision against consumer portfolio equivalent to 1.5% in respect of secured advances and 5% in respect of unsecured advance. However, during the period, the SBP vide its letter No. BRD-04 (121-06)/2007/3707 dated April 19, 2007 has allowed the bank to maintain general provision for the Advance Salary Product at 3% instead of 5%. This has resulted in reversal of general provision against the said product amounting to Rs.824.839 million during the year. The effect on current year is to increase the net advances and profit before tax by Rs.824.839 million and to increase the deferred tax liability by Rs.288.694 million.

**10.5** This represents amount charged off against loans and advances in respect of certain old schemes or where the bank holds no tangible security and principal amount disbursed was upto Rs.500,000. However, the bank reserve the right to recover such amount in the normal course of business

	Note	2007	2006
		Rupees in '000	
<b>10.6 Particulars of write offs:</b>			
<b>10.6.1</b> Against Provisions	10.4	1,525,294	705,125
Directly charged to Profit & Loss account		39,899	5,284
		<u>1,565,193</u>	<u>710,409</u>
<b>10.6.2</b> Write Offs of Rs. 500,000 and above		1,544,971	687,167
Write Offs of Below Rs. 500,000	10.7	20,222	23,242
		<u>1,565,193</u>	<u>710,409</u>

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

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs.500,000 or above allowed to a person(s) during the year ended December 31, 2007 is given in Annexure-II.

**10.8 Particulars of loans and advances to Directors, Associated Companies, etc**

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

Balance at beginning of year	13,316,110	11,340,452
Loans granted during the year	4,284,598	2,401,776
Repayments	(3,274,131)	(426,118)
Balance at end of year	<u>14,326,577</u>	<u>13,316,110</u>

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

Balance at beginning of year	222,759	119,319
Loans granted during the year	-	222,759
Repayments	(23,368)	(119,319)
Balance at end of year	<u>199,391</u>	<u>222,759</u>

Debts due by controlled firms, managers, modarabas and other related parties

Balance at beginning of year	1,600,070	1,970,002
Loans granted during the year	-	38,755
Repayments	(84,950)	(408,687)
Balance at end of year	<u>1,515,120</u>	<u>1,600,070</u>

**10.9** These are secured against shares of listed companies, market value of which amounted to Rs.1,309 million (2006: Rs.67 million) at the balance sheet date. These carry mark-up at the rate of 10.7% to 18% (2006: 3 months KIBOR + 3%).

**10.10** This includes Rs.67.722 million (2006: Rs.138.187 million) on account of discounting of negotiable instruments.

**11. OPERATING FIXED ASSETS**

Capital work-in-progress	11.1	463,146	378,917
Property and equipment	11.2	25,492,561	9,330,976
Intangible assets	11.3	23,595	30,045
		<u>25,979,302</u>	<u>9,739,938</u>

**11.1 Capital work-in-progress**

Civil works	374,511	326,066
Equipments	11,820	4,419
Advances to suppliers and contractor:	76,815	48,432
	<u>463,146</u>	<u>378,917</u>

## 11.2 Property and equipment

	Cost/revalued amount				Accumulated depreciation				Book Value at December 31, 2007	Rate of depreciation	
	At January 1, 2007	Revaluation surplus/ (deficit)	Additions/ (deletions)	Adjustment	At December 31, 2007	At January 1, 2007	Charge for the year/ (deletions)	Adjustment			At December 31, 2007
----- Rupees in '000 -----											
<b>Owned</b>											
Land											
- freehold	2,781,313	7,798,804	4,258	470,664 *	11,055,039	-	-	-	-	11,055,039	Nil
- leasehold	2,798,186	6,372,800	-	330,751 *	9,501,737	-	-	-	-	9,501,737	Nil
Buildings on land:											
- freehold	1,773,312	1,217,359	148,018	(35,000) (721,580) *	2,382,109	482,973	75,362	(7,000) *	551,335	1,830,774	5% on book value
- leasehold	1,312,416	386,338	135,333	(79,835) *	1,754,252	357,434	51,702	-	409,136	1,345,116	5% on book value
Furniture and fixtures	1,229,608	-	84,871 (3,854)	-	1,310,625	808,080	57,691 (2,472)	-	863,299	447,326	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives.
Computer & peripheral equipments	1,285,023	-	177,240 (790)	-	1,461,473	953,953	156,759 (774)	-	1,109,938	351,535	33% on cost
Electrical & office equipments	1,460,644	-	198,034 (3,975)	-	1,654,703	981,052	137,302 (2,993)	-	1,115,361	539,342	20% on book value
Vehicles	411,988	-	105,906 (23,391)	2,687	497,190	186,560	73,274 (16,838)	(3,369)	239,627	257,563	20% on cost
	13,052,490	15,775,301	853,660 (32,010)	(32,313)	29,617,128	3,770,052	552,090 (23,077)	(10,369)	4,288,696	25,328,432	
<b>Assets held under finance lease</b>											
Vehicles	131,090	-	34,070 (1,244)	(785)	163,131	83,818	10,899 (719)	(680)	93,318	69,813	20% on cost
Office equipment	2,249	-	(1,429)	-	820	983	272 (600)	-	655	165	
<b>Assets held under Ijarah</b>											
	-	-	95,358	-	95,358	-	1,207	-	1,207	94,151	
<b>2007</b>	13,185,829	15,775,301	983,088 (34,683)	(33,098)	29,876,437	3,854,853	564,468 (24,396)	(11,049)	4,383,876	25,492,561	

\* Upto December 31, 2006 due to non availability of breakdown of cost components of land and buildings relating to certain properties, the entire amount was shown under the head of buildings. During the year, these assets have been bifurcated into land and buildings on the basis of revaluation.

## Property and equipment

	Cost/revalued amount			Accumulated depreciation			Book Value at December 31, 2006	Rate of depreciation
	At January 1, 2006	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
Rupees in '000								
<b>Owned</b>								
Land								
- freehold	2,781,313	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	31,404	2,798,186	-	-	-	2,798,186	Nil
Buildings on land:								
- freehold	1,746,793	26,519	1,773,312	449,538	33,435	482,973	1,290,339	5% on book value
- leasehold	1,241,553	70,863	1,312,416	266,505	90,929	357,434	954,982	5% on book value
Furniture and fixtures	1,137,620	94,707 (2,719)	1,229,608	760,639	49,048 (1,607)	808,080	421,528	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives.
Computer & peripheral equipments	1,063,803	221,328 (108)	1,285,023	825,203	128,804 (54)	953,953	331,070	33% on cost
Electrical & office equipments	1,324,807	141,391 (5,554)	1,460,644	863,416	121,912 (4,276)	981,052	479,592	20% on book value
Vehicles	370,902	71,448 (30,362)	411,988	158,147	47,708 (19,295)	186,560	225,428	20% on cost
	12,433,573	657,660 (38,743)	13,052,490	3,323,448	471,836 (25,232)	3,770,052	9,282,438	
<b>Assets held under finance lease</b>								
Vehicles	128,921	2,169	131,090	59,289	24,529	83,818	47,272	20% on cost
Office equipment	2,249	-	2,249	585	398	983	1,266	
<b>Assets held under Ijarah</b>								
	-	-	-	-	-	-	-	
<b>2006</b>	<b>12,564,743</b>	<b>659,829 (38,743)</b>	<b>13,185,829</b>	<b>3,383,322</b>	<b>496,763 (25,232)</b>	<b>3,854,853</b>	<b>9,330,976</b>	

**11.3 Intangible assets**

	Cost/revalued amount			Accumulated amortisation			Book Value at December 31, 2007	Rate of amortisation
	At January 1, 2007	Additions/ (deletions)/ (adjustments)	At December 31, 2007	At January 1, 2007	Charge for the year/ (deletions)	At December 31, 2007		
----- Rupees in '000 -----								
Computer Software	27,760	5,299 (6,973)	26,086	10,918	4,231	15,149	10,937	33.33% on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33% on cost
Room & Membership Card	12,591	-	12,591	-	-	-	12,591	
Others	2,601	-	2,601	1,989	545	2,534	67	20% on cost
<b>2007</b>	<b>43,993</b>	<b>5,299 (6,973)</b>	<b>42,319</b>	<b>13,948</b>	<b>4,776</b>	<b>18,724</b>	<b>23,595</b>	

	Cost			Accumulated amortisation			Book Value at December 31, 2006	Rate of amortisation
	At January 1, 2006	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
----- Rupees in '000 -----								
Computer Software	15,023	12,737	27,760	7,309	3,609	10,918	16,842	33.33% on cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33% on cost
Room & Membership Card	12,591	-	12,591	-	-	-	12,591	
Others	2,601	-	2,601	1,524	465	1,989	612	20% on cost
<b>2006</b>	<b>31,256</b>	<b>12,737</b>	<b>43,993</b>	<b>9,874</b>	<b>4,074</b>	<b>13,948</b>	<b>30,045</b>	

**11.4 Revaluation of domestic properties**

The bank as part of its policy to revalue land and building on cyclical basis has revalued properties during the year. However, few properties are in process of revaluation. These properties are revalued by independent professional valuers and the results of the revaluation exercise were incorporated in the financial statements as at December 31, 2007. The revaluation was carried out by M/s Younus Mirza & Co., M/s Dimen Associates (Private) Limited and M/s Arch-e-Decon (Private) Limited on the basis of professional assessment of present market values and resulted in surplus of Rs.15,775 million. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2007 would have been as follows:

	Rupees in '000
Freehold land	284,179
Leasehold land	369,986
Buildings on freehold land	104,421
Buildings on leasehold land	102,329

**11.5** The Islamic Banking Branches of the bank have entered into ijarah transactions with customers during the year. The significant ijarah transactions have been entered in respect of heavy duty earth moving machinery. The rate of profit is 6 months KIBOR + 1.5% per annum.

The ijarah payments receivable from customers for each of the following periods under the terms of the respective agreements are given below:

Not later than one year	34,210
Later than one year but not later than five years	68,420
Later than five years	-

**11.6 Details of disposals of fixed assets**

Details of assets whose original cost or the book value exceeds rupees one million or two hundred fifty thousand rupees, whichever is lower are given below:

Particulars of assets	Original cost	Book value	Sale proceeds	Profit/ (loss)	Mode of Disposal	Particulars of Purchaser
	..... Rupees in '000 .....					
Motor Vehicle	969	598	598	-	As per service rules on retirement	Mr. Muhammad Naeemuddin - EVP
Motor Vehicle	849	382	382	-	As per service rules on retirement	Mr. Muhammad Aslam Chisti - SVP
Motor Vehicle	849	325	325	-	As per service rules on retirement	Syed Israr Ali - SVP
Motor Vehicle	969	549	549	-	As per service rules on retirement	Mr. Abid Hussain Awan - EVP
Motor Vehicle	969	581	581	-	As per service rules on retirement	Mr. Fazl-ur-Rahman - EVP
Motor Vehicle	849	340	700	360	Insurance Claim	M/s National Insurance Company
Motor Vehicle	1,530	-	535	535	Auction	M/s Pakistan Auction Mart
Motor Vehicle	849	396	396	-	As per service rules on retirement	Syed Najmuddin - SVP
Motor Vehicle	1,285	-	129	129	As per service rules	Syed Ali Raza - President
Motor Vehicle	879	571	571	-	As per service rules on death	Mr. Aftab A. Mehakri - SVP (late)
Other assets (having book value of less than Rs.250,000 or cost of less than Rs.1,000,000)	24,686	6,544	8,495	1,951	As per Service Rules on retirement / auction	Various
	<u>34,683</u>	<u>10,286</u>	<u>13,261</u>	<u>2,975</u>		



12. OTHER ASSETS	Note	2007 Rupees in '000	2006
Income/mark-up accrued in local currency		7,159,932	7,685,121
Income/mark-up accrued in foreign currencies		1,740,892	1,490,816
Advances, deposits, advance rent and other prepayments	12.1	2,545,597	804,086
Advance taxation (payments less provisions)		9,854,942	8,802,180
Receivable from GoP	12.2	278,501	278,501
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	12.3	786,453	817,667
Branch Adjustment Account		-	128,552
Un-realized gain on forward foreign exchange contracts		431,763	126,371
Un-realized gain on derivative financial instruments		71,813	-
Commission receivable		1,822,685	1,791,556
Stationery and stamps on hand		319,053	220,939
Barter trade balances		195,399	182,503
Receivable on account of Government transactions	12.4	323,172	323,172
Receivable from Government under VHS scheme	12.5	416,355	412,561
Less: amount charged/provision		(416,355)	(412,561)
		-	-
Receivable from pension fund	34.1.2	3,676,345	2,951,933
Prize bonds on hand		281,595	320,023
Receivable from brokers		33,686	-
Others		3,663,415	3,421,833
		<u>33,185,243</u>	<u>29,345,253</u>
Less: Provision held against other assets			
Income/mark-up accrued in local currency/foreign currencies		296,592	296,592
Stationery and stamps on hand		51,200	51,200
Barter trade balances		195,399	182,503
Receivable on account of Government transactions		323,172	323,172
Others		1,029,477	918,140
	12.6	<u>1,895,840</u>	<u>1,771,607</u>
		<u>31,289,403</u>	<u>27,573,646</u>

**12.1** This includes Rs.1,155 million (2006: Rs. Nil) advance against Pre-IPO placement of Term Finance Certificates of United Bank Limited, NIB Bank Limited and Kunjah Textile Mills Limited.

**12.2** Upon dissolution of CIRC and take over by the bank with effect from September 22, 2006, the said amount represents receivable from GoP.

**12.3** During the year 2006, the bank has acquired non-performing assets from CIRC, consequent upon its dissolution with effect from September 22, 2006 vide Corporate and Industrial Restructuring Corporation (Dissolution) Order 2006 dated September 11, 2006. The book value of non-performing assets after adjustment of down payment of Rs.150 million shall be repayable in three annual installments of Rs.222.555 million each upto September 2009. Further the bank under fiduciary duty shall collect the sale proceeds of disposal of units, the sale proceed of which is approved between CIRC and obligors of non-performing assets, amounting to Rs.471.307 million and transfer them to GoP on expiry of each quarter subject to adjustments / reimbursements for reasonable expenses incurred in relation to steps and legal action taken.

**12.4** This represents amount receivable from Government of Pakistan on account of encashment of various instruments handled by the bank for Government of Pakistan as an agent of SBP.

**12.5** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from Government of Pakistan. Due to uncertainty about its recoverability, although a claim being lodged, full amount has been provided for.

**12.6 Provisions against other assets**

Opening balance	1,771,607	1,792,875
Charge for the year	130,374	17,732
Reversals	(6,141)	(39,000)
Closing balance	<u>1,895,840</u>	<u>1,771,607</u>

	Note	2007 Rupees in '000	2006
<b>13. BILLS PAYABLE</b>			
In Pakistan		6,922,716	10,549,446
Outside Pakistan		139,185	56,216
		<u>7,061,901</u>	<u>10,605,662</u>
<b>14. BORROWINGS</b>			
In Pakistan		8,804,668	11,069,740
Outside Pakistan		2,598,061	1,612,672
	14.1 & 14.2	<u>11,402,729</u>	<u>12,682,412</u>
<b>14.1 Particulars of borrowings with respect to currencies</b>			
In local currency		8,804,667	11,069,740
In foreign currencies		2,598,062	1,612,672
	14.2	<u>11,402,729</u>	<u>12,682,412</u>
<b>14.2 Details of borrowings secured / unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan:			
Under Export Refinance Scheme		3,213,430	2,470,235
Long Term Financing under Export Oriented Project (LTF-EOP)		4,143,885	5,109,810
Under Locally Manufactured Machinery (LMM) scheme		-	1,160
Finance to payoff liabilities relating to former MBL	14.2.1	376,000	564,000
Others		-	66,907
		7,733,315	8,212,112
Repurchase agreement borrowings		383,886	504,710
		<u>8,117,201</u>	<u>8,716,822</u>
<b>Unsecured</b>			
Call borrowings		2,258,970	3,441,005
Overdrawn nostro accounts		889,092	453,785
Others	14.2.3	137,466	70,800
		<u>3,285,528</u>	<u>3,965,590</u>
		<u>11,402,729</u>	<u>12,682,412</u>

**14.2.1** This comprises of balance of loan of Rs.940 million obtained in 1999. The loan is interest free and is repayable in five equal annual installments after an initial grace period of five years.

**14.2.2** Mark-up/interest rates and other terms are as follows:

- The bank has entered into agreements with the SBP for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the date of maturity of finances by directly debiting the current account maintained by the bank with SBP. Export refinance loans from SBP are at the rate of 7.5% per annum (2006: 6.5% per annum).
- Locally Manufactured Machinery Loans from SBP are at the rate of 11% per annum (2006: 11% per annum).
- Secured borrowings "Others" from SBP are interest free.
- Call borrowings carry interest ranging from 8.0% to 10.25% per annum (2006: 7.75% to 10.2% per annum).
- Overdrawn Nostro accounts carry interest at the rate of 1% to 5% per annum (2006: 1% to 5% per annum).
- Repurchase agreement borrowings carry mark-up at the rate of 8.10% per annum (2006: 8.5% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% and six month average KIBOR plus 1% per annum (2006: 10% per annum).

**14.2.3** The group has obtained facilities under long-term loan from other banks amounting to Rs.133.333 million. Against these borrowings carrying amounts of assets kept as collateral are as follow

	2007	2006
Note	Rupees in '000	
Charge on lease receivable	129,016	155,102
Promissory note	276,970	276,970
Term finance certificates	73,951	101,987

## 15. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	128,417,463	100,054,476
Savings deposits	188,655,146	170,234,938
Current accounts - remunerative	76,708,609	54,352,618
Current accounts - non-remunerative	139,795,683	119,604,794
	<u>533,576,901</u>	<u>444,246,826</u>

### Financial Institutions

Remunerative deposits	31,180,729	39,196,100
Non-remunerative deposits	27,059,422	18,573,785
	<u>58,240,151</u>	<u>57,769,885</u>
15.1	<u>591,817,052</u>	<u>502,016,711</u>

### 15.1 Particulars of deposits

In local currency	486,653,011	390,575,413
In foreign currencies [including deposits of foreign branches of Rs.81,489 million (2006: Rs.86,816 million)]	105,164,041	111,441,298
	<u>591,817,052</u>	<u>502,016,711</u>

## 16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2007			2006		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- Rupees in '000 -----					
Not later than one year	18,869	3,451	15,418	9,314	1,260	8,054
Later than one year and not later than five years	20,410	2,089	18,321	7,187	905	6,282
Over five years	-	-	-	-	-	-
	<u>39,279</u>	<u>5,540</u>	<u>33,739</u>	<u>16,501</u>	<u>2,165</u>	<u>14,336</u>

The Group has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 11.59% to 12.94% and KIBOR + 2.25%. (2006: 12% to 16% and KIBOR + 2%). At the end of lease term, the Group has the option to acquire the assets subject to adjustment of security deposits.

## 17. DEFERRED TAX LIABILITIES - net

	2007	2006
Note	Rupees in '000	
<b>Deferred tax (assets) arising in respect of</b>		
Provision for diminution in the value of investment	(228,408)	(246,650)
Provision against advances - general provisor	(636,600)	(872,824)
Other provisor	(103,806)	(103,806)
Charge against defined benefits plan	(289,333)	(291,768)
Difference between accounting book value of fixed assets and tax bas	-	(12,145)
Provision against off-balance sheet obligatio	<u>(115,222)</u>	<u>(115,222)</u>
	(1,373,369)	(1,642,415)
<b>Deferred tax liabilities arising in respect of</b>		
Excess of accounting book value of leased assets over lease liabiliti	3,196	2,026
Difference between accounting book value of fixed assets and tax bas	85,259	-
Revaluation of securities	5,382,510	3,570,166
Revaluation of fixed asset:	986,846	446,556
Others	14,618	273
	<u>6,472,429</u>	<u>4,019,021</u>
Net deferred tax liability:	<u>5,099,060</u>	<u>2,376,606</u>

**17.1** Through Finance Act 2007, a new section 100A read with the Seventh Schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008)

The Schedule does not contain transitory provisions to deal with the disallowances made upto the year ended December 31, 2007. This issue has been taken up with the tax authorities through Pakistan Banks Association for formulation of transitory provisions to deal with the items which were previously treated differently under the then applicable provision

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007 is being kept as an asset as the bank is confident that transitory provisions would be introduced to set out the mechanism of claim where benefit of these allowances can be claimed.

	Note	2007 Rupees in '000	2006
<b>18. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		4,305,639	3,372,024
Mark-up/ return/ interest payable in foreign currencies		1,108,424	1,064,216
Unearned commission and income on bills discounted		106,817	72,207
Accrued expenses		1,587,408	1,543,832
Advance payments		149,853	105,062
Unclaimed dividends		12,649	8,259
Un-realized loss on forward foreign exchange contracts		514,452	35,500
Un-realized loss on derivative financial instruments		77,954	240,525
Provision against off-balance sheet obligations	18.1	425,824	425,824
Branch adjustment account - net		3,433,226	-
Employment benefits:			
Post retirement medical benefits	34.1.3	2,582,476	2,276,587
Compensated absences	34.2.1	1,662,930	1,639,708
Benevolent fund	34.1.4	759,957	802,937
Gratuity Scheme	34.1.5	66,708	33,409
Staff welfare fund		659,336	686,401
Liabilities relating to:			
Bangladesh (former East Pakistan)		227,089	227,089
Barter trade agreement:		8,775,910	8,660,061
Special separation packages		78,422	78,422
Payable to GoP for acquisition of assets from CIRC	12.2	638,772	673,282
Payable on account of Government transactions		-	34,246
Payable to brokers		17,491	89,665
Others [(including provision of Rs.178 million (2006: Rs.178 million) for contingencies)]		4,089,326	5,117,034
		<u>31,280,663</u>	<u>27,186,290</u>
<b>18.1 Provision against off balance sheet obligations</b>			
Opening balance		425,824	425,824
Charge for the year		-	-
Closing balance	18.1.1	<u>425,824</u>	<u>425,824</u>

**18.1.1** This represents provision against non-funded exposure of borrowers where the bank feels the borrower will not be able to meet its contractual obligations at the time of amount becoming due.

**19. SHARE CAPITAL****19.1 Authorized Capital**

2006	2007		2007	2006
Number of shares			Rupees in '000	
<u>750,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>7,500,000</u>

**19.2 Issued, subscribed and paid up**

140,388,000	140,388,000	Ordinary shares of Rs.10 each	1,403,880	1,403,880
<u>568,683,295</u>	<u>675,043,989</u>	Fully paid in cash	<u>6,750,439</u>	<u>5,686,832</u>
<u>709,071,295</u>	<u>815,431,989</u>	Issued as fully paid bonus shares	<u>8,154,319</u>	<u>7,090,712</u>

The Federal Government and the SBP held about 75.60% shares of the bank as at the year ended December 31, 2007 (2006: 75.60%).

	Note	2007	2006
		Rupees in '000	
<b>20. SURPLUS ON REVALUATION OF ASSETS - net</b>			
<b>20.1 Surplus on revaluation of fixed assets - net of tax</b>	20.3	20,543,099	5,368,099
<b>20.2 Surplus / (deficit) on revaluation of available-for-sale securities - net of tax</b>			
Federal Government Securities		(70,186)	47,663
Term Finance Certificates		33,612	60,310
Quoted Shares		2,565,998	1,748,937
Overseas GoP Bonds		(73,531)	-
NIT Units		15,801,458	11,721,554
Investment outside Pakistan		13,620,451	13,493,387
		31,877,802	27,071,851
Deferred tax liability recognized	17	(5,382,510)	(3,570,166)
		<u>47,038,391</u>	<u>28,869,784</u>
<b>20.3 Movement in surplus on revaluation of fixed assets - net of tax</b>			
Surplus on revaluation on January 1,		5,814,655	5,877,824
Net surplus on revaluation of bank's properties during the year		15,775,301	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax		(39,007)	(41,060)
Related deferred tax liability		(21,004)	(22,109)
		(60,011)	(63,169)
		<u>21,529,945</u>	<u>5,814,655</u>
Less: Related deferred tax liability on:			
Revaluation as at January 1,		446,556	468,665
Revaluation of bank's properties during the year		561,294	-
Incremental depreciation charged during the year transferred to profit and loss account		(21,004)	(22,109)
	17	986,846	446,556
Surplus on revaluation of fixed assets on December 31,		<u>20,543,099</u>	<u>5,368,099</u>

2007                      2006  
Rupees in '000

## 21. CONTINGENCIES AND COMMITMENTS

### 21.1 Direct credit substitutes

Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favor of:

- Government	15,096,694	345,847
- Financial institutions	6,898,062	4,885,235
- Others	17,271,257	24,807,965
	39,266,013	30,039,047

### 21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:

- Government	17,235,612	18,138,591
- Financial institutions	6,041,812	30,735
- Others	7,502,582	5,484,271
	30,780,006	23,653,597

### 21.3 Trade-related contingent liabilities

Letters of credit  
Issued in favour of

- Government	139,367,158	128,295,046
- Financial institutions	187,561	522,542
- Others	59,601,103	31,725,396
	199,155,822	160,542,984

### 21.4 Other Contingencies

**21.4.1** Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs.170 million (2006: Rs.164 million) and claims relating to former MBL amounting to Rs.965 million (2006: Rs.1,053 million)].

9,263,526                      11,544,592

#### 21.4.2 Taxation

The income tax assessments of the bank for global operations have been finalized upto and including the Tax year 2005 (accounting year ended December 31, 2004) and for Azad Kashmir have been finalized upto Tax year 2006. The income tax returns for the Tax year 2007 (accounting year ended December 31, 2006) have been filed for global operations and Azad Kashmir and the same are deemed assessed under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years are pending before various appellate forums/court of law. The major issues involved include taxability of interest credited to suspense account, disallowances of cost incurred in respect of employees' special separation scheme, disallowed/added provision against bad & doubtful debts, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements.

During the year, the Taxation Officer has further amended assessments for the Tax Year 2003 and 2004 and has disallowed allocation of expenses relating to exempt income and reversal of charge against Benevolent Fund, the tax impact of which amounts to Rs.922 million

In the event that the above matters are decided against the bank, a further tax liability of Rs.9,643 million (December 31, 2006: Rs. 8,721 million) may arise in addition to amount for which provision has already been made in these financial statements.

Contingencies in respect of tax amounting to Rs.28.676 million (2006: Rs.28.67 million) relates to subsidiaries. These mainly pertain to disallowed expenses and additional tax.

No provision has been made in these financial statements for the above as the management, based on the opinion of tax lawyers and consultants, expects that it will get relief in the appeals.

#### 21.4.3 Provident Fund

In 1977, in accordance with the GoP policy, the bank's employees benefits were changed from the Provident Fund to an enhanced Pension Scheme and an option was given to the employees either to opt for the new scheme or retain the existing benefits. Almost all employees opted for the new scheme. The bank considered that in accordance with the policy decision of the Banking Council and Finance Division of GoP, the balance of bank's contribution lying in the members' account in the Provident Fund upto that date should have been transferred to the Pension Fund to partially cover the additional cost of the enhanced benefits.

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal interpretation obtained, has commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977.

For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield through the year of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and upto date of payment in case of serving employees.

Some Ex-Employees not being satisfied with the payment filed contempt against the Bank in 2004. This case in the form of Criminal Original No. 7/2004 is pending before Supreme Court of Pakistan in which the petitioners claimed that the amount being paid to them against Bank's contribution is far less than that due to them. The Bank filed a reply and submitted before the Honorable Court that the rate of the interest which the petitioners are claiming is far high than that due to them and the payment being made is in accordance with Provident Funds Rules. Pending outcome of the said contempt appeal, the Bank has decided not to claim excess fund lying in Provident Fund Account although as per legal opinion it would be lawful to the Bank to adjust the Banks Books of Accounts regarding excessive interest paid or accrued.

On one of the dates of hearing the Court had already observed that the contempt proceedings are not meant to cover the amount, if according to petitioners the amount falls short of their expectations. Under contempt proceedings their jurisdiction is only confined to punishing for disobedience of the order. The Court also put a direct question to the counsel for the petitioners to pinpoint the portion of the Order of Supreme Court which according to him, was disobeyed. The learned Counsel of the petitioners was unable to do so. The Court therefore expressed the view that proceedings of contempt were not competent. However, the matter is still awaiting the decision of Honorable Supreme Court of Pakista

Pending outcome of the said application, the bank has decided not to claim excess fund lying in the Provident Fund account although the management is confident that the payments being made are in accordance with the Supreme Court's decision. The additional liability which may arise in case of different interpretation of the Supreme Court's decision cannot be estimated until such interpretation is made.

	<b>2007</b>	<b>2006</b>
	<b>Rupees in '000</b>	
<b>21.5 Commitments in respect of forward lending</b>		
Forward call lending	-	1,000,000
<b>21.6 Commitments in respect of forward exchange contracts</b>		
Purchase	49,819,478	33,055,235
Sale	38,137,569	15,352,480
<b>21.7 Commitments in respect of trading of government securities</b>		
Sale	-	22,500
Purchase	-	10,000,000
<b>21.8 Commitments for the acquisition of operating fixed assets</b>	475,088	590,073
<b>21.9 Other commitments</b>		
- Equity futures sold	289,299	602,497
- Interest rates swaps	8,852,500	8,905,000
- Cross currency swaps	9,317,886	-
<b>21.10 Commitments to inject capital in the following companies under share-holders agreement</b>		
- Nishat Power Limited	300,000	-
- Nishat (Chunian) Limited	300,000	-

Provided that if the maximum limit of Rs.300 million referred above has been reached but the associated capital is less than 10% of the permitted equity, then the bank may increase its commitment subject to internal and regulatory approvals.

## 22. DERIVATIVE INSTRUMENTS

22.1 The bank is involved in derivative transactions including interest rate swaps, cross currency swaps and equity futures.

The Asset Liability Committee regularly reviews the bank's risk profile in respect of derivatives. Performance trends, forecasts, as well as actual performance against budgets and prior periods are closely monitored. Operations procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The bank has established trading limits, allocation process, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are described in note 5.6.

## 22.2 Product Analysis

Counterparties	2007							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		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)	No. of Contracts	Notional Principal (Rupees in '000)
<b>With Banks for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-	-	-
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	7	4,452,500	9	9,317,886	-	-	-	-
<b>Total</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	13	8,852,500	9	9,317,886	-	-	-	-
	13	8,852,500	9	9,317,886	-	-	-	-

Counterparties	2006							
	Interest Rate Swaps		Cross Currency Swaps		Forward Rate Agreements		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)	No. of Contracts	Notional Principal (Rupees in '000)
<b>With Banks for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-	-	-
<b>With FIs other than banks</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
<b>With other entities for</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	7	4,505,000	-	-	-	-	-	-
<b>Total</b>								
Hedging	-	-	-	-	-	-	-	-
Market Making	13	8,905,000	-	-	-	-	-	-
	13	8,905,000	-	-	-	-	-	-



## 22.2 Maturity Analysis

## Interest Rate Swaps

2007

----- Rupees in '000 -----

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	8	6,642,772	56,574	8,281	(48,293)
6 month to 1 Year	5	2,209,728	31,776	2,115	(29,661)
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

2006

----- Rupees in '000 -----

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	13	8,905,000	249,498	8,973	(240,525)
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

## Cross Currency Swaps

2007

----- Rupees in '000 -----

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	9	9,317,886	334,095	405,908	71,813
Above 10 Years	-	-	-	-	-

----- Rupees in '000 -----

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

	Note	2007	2006
		Rupees in '000	
<b>23. MARK-UP/RETURN/INTEREST EARNED</b>			
On loans and advances to:			
Customers and financial institutions		33,279,319	29,726,818
On Investments in:			
Available-for-sale securities		8,543,874	5,471,554
Held-to-maturity securities		2,428,035	3,840,682
		10,971,909	9,312,236
On deposits with financial institutions		4,825,324	4,042,198
On securities purchased under resale agreements		1,496,717	1,029,828
On interest rate SWAP		268,961	215,430
		<u>50,842,230</u>	<u>44,326,510</u>
<b>24. MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		15,927,487	13,038,151
Securities sold under repurchase agreements		207,355	299,551
Short term borrowings		655,240	463,039
Long-term borrowings		23,192	19,791
Interest rates SWAP		213,661	215,430
		<u>17,026,935</u>	<u>14,035,962</u>
<b>25. GAIN / (LOSS) ON SALE AND REDEMPTION OF SECURITIES</b>			
Federal Government Securities			
Market Treasury Bills		(3,925)	(2,341)
Pakistan Investment Bonds		23,941	(2,307)
		20,016	(4,648)
NIT Units	25.1	1,775,003	-
Shares - listed		559,206	855,221
- un-listed		-	344,676
		559,206	1,199,897
Term Finance Certificates - Unlisted		165	-
		<u>2,354,390</u>	<u>1,195,249</u>
<b>25.1</b>		This represents gain on redemption on 10% of bank's LoC holdings.	
<b>26. OTHER INCOME</b>			
Rent on property		30,483	24,974
Profit on sale of property and equipment	11.6	2,975	9,010
Others		119,652	595,561
		<u>153,110</u>	<u>629,545</u>
<b>27. ADMINISTRATIVE EXPENSES</b>			
Salaries and allowances		9,073,198	8,641,775
Charge for defined benefit plans		335,925	717,016
One time special award to staff		-	259,180
Non-executive directors' fee, allowances and other expenses	35	2,993	1,795
Rent, taxes, insurance, electricity, etc.		861,383	703,690
Legal and professional charges		264,653	127,968
Communications		321,629	289,006
Repairs and maintenance		239,194	237,001
Financial charges on leased assets		9,214	1,994
Stationery and printing		387,484	302,746
Advertisement and publicity		294,967	210,716
Donations	27.1	395	1,850
Auditors' remuneration	27.2	58,945	55,368
Depreciation	11.2	564,470	496,763
Amortization	11.3	4,776	4,074
Conveyance		93,022	83,312
Entertainment		33,571	30,807
Traveling		245,550	239,385
Security services		593,239	515,958
Outsourcing		266,102	156,361
Others		737,901	568,934
		<u>14,388,611</u>	<u>13,645,699</u>

	2007	2006
	Rupees in '000	
<b>27.1 Donations include following amounts exceeding Rs. 0.1 million.</b>		
Q.M. Fareed Memorial Library, Department of Economics - University of Karachi	200	-
Friends of Layton Rehmatullah Benevolent Trust	-	1,000
Auj International Karachi	-	200
Institute of Technology Pakistan Aeronautical Complex Kamra	-	650
	<u>200</u>	<u>1,850</u>

None of the directors/executives or their spouses have any interest in the donee.

27.2 Auditors' remuneration	Ford Rhodes		2007 Total	2006 Total
	M. Yousuf Adil Saleem & Co.	Sidat Hyder & Co.		
Audit fee	2,854	2,854	5,708	4,756
Review of interim financial statements	1,584	1,584	3,168	2,640
Fee for audit of domestic branches	2,990	2,990	5,980	4,984
Fee for special certifications and sundry advisory services	211	43	254	2,591
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	150	-	36,867	34,173
Fee for audit of subsidiaries	-	-	4,452	2,264
Fee for audit of pension and other funds	1,316	1,200	-	1,185
Out-of-pocket expenses			2,516	2,775
	<u>9,105</u>	<u>8,671</u>	<u>58,945</u>	<u>55,368</u>

**27.3** The Salaries and allowance includes charge for staff welfare fund which is based on estimated payments to be made out of current year's profits.

	Note	2007	2006
		Rupees in '000	
<b>28. OTHER CHARGES</b>			
Penalties imposed by SBP		<u>17,141</u>	<u>208,327</u>
<b>29. TAXATION</b>			
For the year			
Current		8,333,955	8,721,386
Deferred		322,986	61,981
	29.1	8,656,941	8,783,367
For prior years			
Current		389,684	530,652
Deferred		-	-
		<u>389,684</u>	<u>530,652</u>
		<u>9,046,625</u>	<u>9,314,019</u>

Current taxation includes Rs.543 million (2006: Rs.504 million) of overseas branches.

The tax provision for 2007 has been made on estimated taxable income after charging provision against non-performing advances for which certificates from SBP, as required by the taxation authorities, are yet to be received.

		2007	2006
		Rupees in '000	
<b>29.1 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		<u>28,451,790</u>	<u>26,568,736</u>
Income tax at statutory rate @ 35% (2006: 35%)		9,892,050	9,299,058
Increase / (decrease) in taxes resulting from:			
Inadmissible differences		255,408	222,751
Income taxed at reduced rate		(939,118)	(219,312)
Income exempt from tax		(801,399)	(1,069,228)
Overseas taxation		<u>250,000</u>	<u>550,098</u>
Tax charge for current year		<u>8,656,941</u>	<u>8,783,367</u>
<b>30. BASIC EARNINGS PER SHARE</b>			
Profit attributable to shareholders of the holding compar	<b>Rupees '000</b>	<u>19,393,263</u>	<u>17,242,767</u>
Weighted average number of ordinary share	<b>Numbers '000</b>	<u>815,432</u>	<u>815,432</u>
Basic earnings per share	<b>Rupees</b>	<u>23.78</u>	<u>21.15</u>
<b>30.1</b> Earnings per share for the year 2006 has been restated for the effect of bonus shares issued during the year.			
<b>31. DILUTED EARNINGS PER SHARE</b>			
Basic and diluted earnings per share are same.			
<b>32. CASH AND CASH EQUIVALENTS</b>			
		2007	2006
		Rupees in '000	
Cash and balances with treasury banks		95,010,514	78,862,625
Balance with other banks		38,216,263	41,412,546
Overdrawn nostros		<u>(889,092)</u>	<u>(453,785)</u>
		<u>132,337,685</u>	<u>119,821,386</u>
<b>33. STAFF STRENGTH</b>			
		2007	2006
		Number	
Permanent		13,335	13,431
Temporary/on contractual basis		<u>877</u>	<u>736</u>
Bank's own staff strength at the end of the year		<u>14,212</u>	<u>14,167</u>
Outsourced		<u>2,360</u>	<u>1,359</u>
Total Staff Strength		<u>16,572</u>	<u>15,526</u>
<b>33.1</b> In addition to the above, the bank is utilizing the services of security guard companies. The number of security guards deployed by such companies as at year end are 5,192 (2006: 5,192).			

**34. EMPLOYEE BENEFITS****34.1 Defined benefit plans - National Bank of Pakistan****34.1.1 General description**

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.11 to the financial statements.

**Principal actuarial assumptions**

The financial assumptions used in actuarial valuation at December 31, 2007 of pension fund, post retirement medical benefits, benevolent fund and gratuity schemes are as follows:

	2007	2006
	Rupees in '000	
Salary increase	10% per annum	9% per annum
Discount rate	10% per annum	9% per annum
Expected rate of return on plan assets	10% per annum	9% per annum
Pension indexation rate	6% per annum	5% per annum
Rate of inflation in the cost of medical benefits	7% per annum	7% per annum
Number of employees covered under retirement benefit plan	12,999	13,084

**34.1.2 Reconciliation of (recoverable from) pension fund**

Present value of defined benefit obligations	12,704,049	12,069,249
Fair value of plan assets	(19,503,391)	(17,333,982)
Net actuarial gains not recognized	3,122,997	2,312,800
	<u>(3,676,345)</u>	<u>(2,951,933)</u>

The recognized amount has been restricted to present value of any economic benefits available in the form of refunds from the plan or reduction in future contribution to the plan.

**Movement in (recoverable from) pension fund**

Opening net assets	(2,951,933)	(2,523,668)
Charge for the year	(197,568)	1,866
Contribution to the fund made during the year	(526,844)	(430,131)
	<u>(3,676,345)</u>	<u>(2,951,933)</u>

**Charge for pension fund**

Current service cost	324,541	319,588
Interest cost	1,086,232	907,656
Expected return on plan assets	(1,560,058)	(1,225,378)
Actuarial (gains) / losses recognized	(48,283)	-
	<u>(197,568)</u>	<u>1,866</u>

**Actual return on plan assets**

	<u>2,060,092</u>	<u>1,454,739</u>
--	------------------	------------------

**34.1.2.1 Components of fair value of plan assets as a percentage of total fair value of plan assets**

	2007	2006
	%	%
Bonds	59.89	64.38
Equities	29.40	17.86
Cash and net current assets	10.71	17.75

**Reconciliation of (recoverable from) pension fund for the five years are as follows:**

	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligations	12,704,049	12,069,249	10,085,072	8,889,166	7,721,627
Fair value of plan assets	(19,503,391)	(17,333,982)	(13,615,308)	(10,953,151)	(10,900,651)
Net actuarial gains not recognized	3,122,997	2,312,800	1,006,568	16,126	1,506,095
	<u>(3,676,345)</u>	<u>(2,951,933)</u>	<u>(2,523,668)</u>	<u>(2,047,859)</u>	<u>(1,672,929)</u>

**34.1.3 Reconciliation of payable to medical benefit plan**

	Note	2007	2006
		Rupees in '000	
Present value of defined benefit obligations		2,726,617	2,595,291
Fair value of plan assets		(144,141)	(318,705)
Net actuarial losses not recognized	18	<u>2,582,476</u>	<u>2,276,586</u>

**Movement in net liability recognized**

Opening net liability	2,276,586	2,001,749
Charge for the year	323,543	289,469
Benefits paid	(17,653)	(14,632)
	<u>2,582,476</u>	<u>2,276,586</u>

**Charge for medical benefit plan**

Current service cost	85,036	73,187
Interest cost	233,576	207,334
Expected return on plan assets	-	-
Actuarial (gains) / losses recognized	4,931	8,948
	<u>323,543</u>	<u>289,469</u>

**Reconciliation of payable to medical benefit plan for the five years are as follows:**

	2007	2006	2005	2004	2003
	Rupees in '000				
Present value of defined benefit obligations	2,726,617	2,595,291	2,303,706	2,212,279	1,937,958
Fair value of plan assets	-	-	-	-	-
Net actuarial losses not recognized	(144,141)	(318,705)	(301,957)	(440,381)	(358,054)
	<u>2,582,476</u>	<u>2,276,586</u>	<u>2,001,749</u>	<u>1,771,898</u>	<u>1,579,904</u>

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>34.1.4 Movement in net liability recognized for benevolent fund</b>			
Opening net liability		802,937	729,725
Charge for the year		22,756	129,185
Benefits paid		(65,736)	(55,973)
	18	<u>759,957</u>	<u>802,937</u>
<b>Charge for benevolent fund</b>			
Current service cost		19,567	19,407
Interest cost		72,264	65,675
Actuarial (gains) / losses recognized		(69,075)	44,103
		<u>22,756</u>	<u>129,185</u>

Reconciliation of net liability recognized for benevolent fund for the five years are as follows:

	2007	2006	2005	2004	2003
	----- Rupees in '000 -----				
Opening net liability	802,937	729,725	733,572	638,103	832,015
Net charge for the year	22,756	129,185	56,242	162,032	(122,722)
Benefits paid	(65,736)	(55,973)	(60,089)	(66,563)	(71,190)
	<u>759,957</u>	<u>802,937</u>	<u>729,725</u>	<u>733,572</u>	<u>638,103</u>

	Note	2007 Rupees in '000	2006 Rupees in '000
<b>34.1.5 Reconciliation of payable to gratuity benefit plan</b>			
Present value of defined benefit obligations		82,098	58,205
Net actuarial losses not recognized		(4,309)	(2,635)
Unrecognized Past Service Cost		(11,081)	(22,161)
	18	<u>66,708</u>	<u>33,409</u>
<b>Movement in net liability recognized</b>			
Opening liability		33,409	-
Charge for the year		33,299	33,409
Benefits paid		-	-
		<u>66,708</u>	<u>33,409</u>
<b>Charge for gratuity benefit plan</b>			
Current service cost		16,980	7,272
Interest cost		5,238	2,080
Past service cost to be recognized		11,081	24,057
		<u>33,299</u>	<u>33,409</u>

### 34.2 Other employee benefits

#### 34.2.1 Movement in net liability recognized for compensated absences

	Note	2007 Rupees in '000	2006 Rupees in '000
Opening net liability		1,639,708	1,521,326
Charge for the year		23,222	118,382
	18	<u>1,662,930</u>	<u>1,639,708</u>

Reconciliation of net liability recognized for compensated absences for the five years are as follows:

	2007	2006	2005	2004	2003
	----- Rupees in '000 -----				
Opening net liability	1,639,708	1,521,326	1,219,566	1,281,741	1,196,698
Net charge for the year	23,222	118,382	301,760	(62,175)	85,043
	<u>1,662,930</u>	<u>1,639,708</u>	<u>1,521,326</u>	<u>1,219,566</u>	<u>1,281,741</u>

### 34.3 Expected contributions to be paid to the funds in the next financial year

	2 0 0 8			
	Pension funds	Benevolent Scheme	Medical Scheme	Gratuity Scheme
	----- Rupees in '000 -----			
Contribution to be paid	(230,680)	94,588	380,083	42,423

### 34.4 Effect of 1% movement in assumed medical cost trend rate

	2 0 0 7		2 0 0 6	
	Increase	Decrease	Increase	Decrease
	----- Rupees in '000 -----			
Impact on obligations	145,588	(111,073)	191,642	(143,547)
Impact on cost	23,191	(17,363)	29,773	(21,797)

**35. COMPENSATION OF DIRECTORS AND EXECUTIVES**

	President		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	----- Rupees in '000 -----					
Fees	-	-	2,993	1,116	-	-
Managerial remuneration	7,800	6,600	-	-	196,553	122,997
Charge for defined benefit plan	-	-	-	-	38,825	48,467
Rent and house maintenance	5,265	3,192	-	-	93,303	58,424
Utilities	1,029	598	-	-	19,719	12,227
Medical	1,061	1,631	-	-	28,200	8,131
Conveyance	-	-	-	-	46,450	24,709
Leave fare assistance	3,000	3,000	-	-	-	-
Bonus & others	25,812	17,369	-	-	84,388	53,474
	<u>43,967</u>	<u>32,390</u>	<u>2,993</u>	<u>1,116</u>	<u>507,438</u>	<u>328,429</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>7</u>	<u>239</u>	<u>135</u>

The president and certain executives are also provided with free use of bank's cars, household equipments and fee membership of clubs.

Executives mean officers, other than the chief executive and directors, whose basic salary exceeds five hundred thousand rupees in the financial year

This note does not include particulars of directors, chief executive, and executives of subsidiaries.

**36. FAIR VALUE OF FINANCIAL INSTRUMENTS****36.1 On-balance sheet financial instruments**

	2007		2006	
	Book value	Fair value	Book value	Fair value
	----- Rupees in '000 -----			
<b>Assets</b>				
Cash and balances with treasury banks	95,010,515	95,010,515	78,862,625	78,862,625
Balances with other banks	38,216,263	38,216,263	41,412,546	41,412,546
Lending to financial institutions	21,656,192	21,656,192	23,164,082	23,164,082
Investments	211,729,297	210,355,236	140,740,067	138,758,810
Advances	340,727,819	340,727,819	316,455,800	316,455,800
Other assets	15,455,687	15,455,687	14,712,257	14,712,257
	<u>722,795,773</u>	<u>721,421,712</u>	<u>615,347,377</u>	<u>613,366,120</u>
<b>Liabilities</b>				
Bills payable	7,061,901	7,061,901	10,605,662	10,605,662
Borrowings	11,402,729	11,402,729	12,682,412	12,682,412
Deposits and other accounts	591,817,053	591,817,053	502,016,711	502,016,711
Liabilities against assets subject to finance lease	33,739	33,739	14,336	14,336
Other liabilities	20,284,270	20,284,270	20,919,030	20,919,030
	<u>630,599,692</u>	<u>630,599,692</u>	<u>546,238,151</u>	<u>546,238,151</u>

**36.2 Off-balance sheet financial instruments**

Forward purchase of foreign exchange	<u>49,819,478</u>	<u>52,819,753</u>	<u>33,055,235</u>	<u>33,147,690</u>
Forward sale of foreign exchange	<u>38,137,569</u>	<u>38,601,982</u>	<u>15,352,480</u>	<u>15,354,064</u>
Cross currency swaps and interest rate swaps	<u>18,170,386</u>	<u>18,092,432</u>	<u>8,905,000</u>	<u>4,264,475</u>
Equity futures sold	<u>289,299</u>	<u>279,270</u>	<u>602,497</u>	<u>339,017</u>
Forward call lending	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Forward Purchases of trading government securities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
Forward Sales of trading government securities	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>

All quoted and unquoted investments have been valued in accordance with the accounting policy stated in note 5.2.

Fair value of loans and advances cannot be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these 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 deposits are frequently repriced.

## 37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
Rupees in '000									
<b>2007</b>									
Total income	311,422	10,073,097	11,376,127	21,979,092	1,052,772	2,840,489	19,862	103,430	-
Total expenses	1,455	432,233	6,549,071	9,399,696	610,926	2,239,189	7,614	64,317	-
Net income	309,967	9,640,864	4,827,056	12,579,396	441,846	601,300	12,248	39,113	-
Segment Assets (Gross)	-	319,173,618	123,134,052	321,602,707	-	-	153,798	544,617	-
Segment Non Performing Loans	-	-	2,351,296	35,966,256	-	-	-	-	-
Segment Provision Required	-	-	994,931	31,356,884	-	-	-	-	-
Segment Liabilities	-	9,708,553	121,426,879	515,364,382	-	-	0.152	195.180	-
Segment Return on net Assets (ROA) (%)	0.00%	3.43%	4.07%	4.17%	0.00%	0.00%	7.96%	7.18%	0.00%
Segment Cost of funds (%)	0.00%	5.90%	1.81%	3.02%	0.00%	0.00%	0.00%	0.65%	0.00%
<b>2006</b>									
Total income	168,813	11,521,284	11,707,918	16,138,851	592,940	2,554,070	-	95,503	-
Total expenses	1,439	(359,089)	7,221,922	6,277,953	504,351	2,503,560	-	60,503	-
Net income	167,374	11,880,373	4,485,996	9,860,898	88,589	50,510	-	35,000	-
Segment Assets (Gross)	-	272,897,093	93,292,013	305,717,946	-	-	-	623,379	-
Segment Non Performing Loans	-	-	1,458,278	34,801,608	-	-	-	-	-
Segment Provision Required	-	-	473,902	29,054,770	-	-	-	-	-
Segment Liabilities	-	8,518,257	128,818,479	417,138,461	-	-	-	406,369	-
Segment Return on net Assets (ROA) (%)	0.00%	4.49%	3.48%	2.36%	0.00%	0.00%	0.00%	16.13%	0.00%
Segment Cost of funds (%)	0.00%	0.00%	1.07%	3.19%	0.00%	0.00%	0.00%	0.00%	0.00%



**38. TRUST ACTIVITIES****38.1 National Investment Trust (NIT)**

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale/purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately 1.4 billion (2006:1.3 billion) shares with market value of Rs 95,687 million (2006: Rs.72,832 million) in safe custody/Central Depository Company on behalf of NIT.

**38.2 Long Term Credit Fund (LTCF)**

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs.36 billion on December 31, 2007 (2006: Rs.38 billion). However, the bank is in process of negotiating the charge of fee in consideration of administrative services to the LTCF.

**38.3 Qarz-e-Hasna Fund**

The work relating to Qarz-e-Hasna Scheme was attended by Pakistan Banking Council (PBC) since inception. PBC was dissolved in January 1997. In order to fill the void created by the dissolution of PBC and in order to continue the scheme, SBP decided to entrust all funds and transfer all record relating to Qarz-e-Hasna scheme for education to the bank with the instructions to perform all work relating to the Fund.

Till December 31, 2007 SBP had transferred Rs.244 million (2006: Rs.244 million) to the bank. Assets and liabilities relating to the Fund have been treated as off-balance sheet item in the financial statements.

**39. RELATED PARTY TRANSACTIONS**

The group has related party relationship with its associated undertakings, joint ventures, employee benefit plans, and its key management personnel (including their associates). The details of investments in associated undertakings are stated in note 9 to these financial statements.

Transactions between the group and its related parties are carried out under normal course of business except employee staff loans, provident fund and loan given to NBP Exchange Company Limited, that are as per agreement.

Detail of loan 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 10.8 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approval in respect of staff retirement and other benefit plans as disclosed in note 34 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 35 and 11.6 to the financial statements.

	2007	2006
	Rupees in '000	
<b>Balance outstanding at year end</b>		
<b>Advances to:</b>		
Associates	1,515,120	1,600,070
Key management executives *	89,102	65,225
Debts due by company in which a director of the bank is interested as director	199,391	222,759
<b>Placements with:</b>		
Joint venture	759,343	349,550
Associates	27,331	27,331

\* This includes loans extended to certain key management executives in accordance with the terms of employment.

**Deposits from:****Pension fund**

Opening balance	3,077,536	2,598,358
Received during the year	1,990,643	479,178
Repaid during the year	(2,979,203)	-
Closing Balance	<u>2,088,976</u>	<u>3,077,536</u>

**Provident fund**

Opening balance	7,397,487	6,665,252
Received during the year	1,325,349	732,235
Repaid during the year	(644,441)	-
Closing Balance	<u>8,078,395</u>	<u>7,397,487</u>

**Income for the year****On advances/placements with:**

Associates	37,726	46,105
Joint venture	23,160	9,619
Debts due by company in which a director of the bank is interested as director	5,965	9,102
Interest on money market transactions from associates	-	16,520

**Expenses for the year**

Remuneration to key management executives	77,208	66,157
Charge for defined benefit plan	5,605	14,577
Fiance cost paid to associates	-	1,867

**On deposits of:**

Provident fund **	943,205	976,870
Gratuity fund	-	981
Other receivables	30,259	23,284
Other payables	11,154	144

\*\* Had the interest on deposits from provident fund paid at the average rate of twenty years Government paper, interest would have been lower by Rs.201 million (2006: Rs.306 million).

**39.1** Although the Federal Government and the SBP held about 75.60% shares of the bank (2006: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

## 40. CAPITAL ADEQUACY

### 40.1 Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank operates;
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for others stakeholders; and
- To maintain a strong capital base to support the development of its business.

Through BSD Circular No. 6 dated 28 October 2005 the State Bank of Pakistan has raised the minimum paid-up capital requirement for locally incorporated banks to Rs. 6 billion (net of losses) to be achieved in a phased manner by 31 December 2009. The minimum paid-up capital requirement to be achieved by 31 December 2007 was Rs. 4 billion. Further, the amount of capital required to be maintained by all banks/DFIs carrying on business in Pakistan should at least be equivalent to 8 percent of the risk weighted assets.

The State Bank of Pakistan's regulatory capital as managed by the bank is analyzed into following tiers

- Tier I capital, which comprise of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which include general reserve for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debts.
- Tier III capital, which include short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluations reserves are eligible upto 50 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Undisclosed reserves, despite being unpublished, are eligible if they appear in the internal account of the bank. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect more contingent nature of potential losses.

Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

There have been no material changes in the Bank's management of capital during the year.

**40.2 Capital Adequacy Ratio**

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

	2007		2006		
	Rupees in '000				
<b>Regulatory Capital Base</b>					
<b>Tier I Capital</b>					
Shareholders Capital		8,154,319		7,090,712	
Reserves		12,498,859		10,575,787	
Unappropriated profits		46,232,813		32,623,507	
Minority interest		109,729		97,827	
		<u>66,995,720</u>		<u>50,387,833</u>	
<b>Total Tier I Capital</b>					
<b>Tier II Capital</b>					
Subordinated Debt (upto 50% of total Tier I Capital)		-		-	
General Provisions (subject to 1.25% of Total Risk Weighted Assets)		1,656,163		2,162,008	
Exchange equalization reserve		3,879,535		3,809,070	
Revaluation Reserve (upto 50%)		23,327,423		14,395,186	
		<u>28,863,121</u>		<u>20,366,264</u>	
<b>Total Tier II Capital</b>					
		-		-	
<b>Eligible Tier III Capital</b>		-		-	
<b>Total Regulatory Capital</b>	(a)	<u>95,858,841</u>		<u>70,754,097</u>	
<b>Risk-Weighted Exposures</b>					
		2007		2006	
		Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
		----- Rupees in '000 -----			
<b>Credit Risk</b>					
Balance Sheet Items:-					
Cash and other liquid Assets		133,226,777	7,644,533	120,275,171	8,282,509
Money at call		21,656,192	624,805	23,164,082	1,796,270
Investments		211,729,297	50,806,772	140,740,067	49,364,989
Loans and Advances		338,928,676	260,517,473	312,418,520	244,527,684
Fixed Assets		25,979,302	25,979,302	9,739,938	9,739,938
Other Assets		31,289,403	20,428,120	27,573,646	18,077,586
		<u>762,809,647</u>	<u>366,001,005</u>	<u>633,911,424</u>	<u>331,788,976</u>
Off Balance Sheet items					
Loan Repayment Guarantees		39,266,013	18,650,869	30,039,047	15,510,825
Purchase and Resale Agreements		-	-	-	-
Performance Bonds etc		30,772,496	4,354,721	23,653,597	8,340,146
Revolving underwriting Commitments		-	-	-	-
Stand By Letters of Credit		199,155,822	29,819,308	160,542,984	16,745,802
Outstanding Foreign Exchange Contracts					
- Purchase		49,819,478	287,072	33,055,235	232,166
- Sale		38,137,569	155,255	15,352,480	131,394
Cross currency SWAP		9,317,886	37,272	-	-
Single currency Interest Rate SWAP		4,452,500	35,620	4,505,000	36,040
		<u>370,921,764</u>	<u>53,340,117</u>	<u>267,148,343</u>	<u>40,996,373</u>
Credit risk-weighted exposures			<u>419,341,122</u>		<u>372,785,349</u>
<b>Market Risk</b>					
General market risk			44,301,305		43,220,066
Specific market Risk			785,594		405,201
Market risk-weighted exposures			<u>45,086,899</u>		<u>43,625,267</u>
<b>Total Risk-Weighted exposures</b>	(b)		<u>464,428,021</u>		<u>416,410,616</u>
<b>Capital Adequacy Ratio [ (a) / (b) x 100 ]</b>			<u>20.64%</u>		<u>16.99%</u>

**41. RISK MANAGEMENT****41.1 Credit risk**

Credit risk exposure in respect of earning assets and off-balance sheet financial instruments represents carrying values of assets and contingencies which could be impacted as a result of failure by the Group's counter-parties to discharge their obligations under financial instruments and cause the Group to incur financial loss.

Concentration of credit risk arises from exposures to customers having similar characteristics in terms of industry in which they are engaged, geographical location in which they operate such that their ability to discharge contractual obligations may be similarly affected by change in political, economical and other conditions. Significant concentrations of bank's risk assets by industrial and geographical sectors are set out below.

Credit risk is managed in terms of lending policy, approved by the board of directors and other laid down procedures outlined in the Standard Procedures Manual and related circulars. Credit limits are established for all counter-parties after a careful assessment of their credit worthiness. An effective credit granting procedure, which requires pre-sanction evaluation of credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Credit Management Group (CMG) at Head Office. Where possible, all loans and advances are secured by acceptable form of collateral to mitigate credit risk. The CMG is also responsible for continuing review and monitoring of borrowers' accounts and effective compliance of Prudential Regulations.

The Group maintains advances portfolio diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sector.

Cross border exposures are controlled by the Group by considering country/sovereign risk and these are updated on regular basis.

Special Assets Management Group (SAMG) of the bank is responsible for monitoring the stuck up advances. It negotiates with the borrowers and takes legal actions against the delinquent borrowers.

**41.1.1 SEGMENTAL INFORMATION****41.1.1.1 Segments by class of business**

	2007					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	2,657,289	0.71	1,066,632	0.18	13,451,526	5.00
Agribusiness	22,039,921	5.88	11,753,867	1.99	184,218	0.07
Textile	57,239,248	15.26	1,647,032	0.28	8,611,672	3.20
Cement	9,700,961	2.59	1,164,714	0.20	3,348,457	1.24
Sugar	7,891,294		249,386	0.04	566,551	0.21
Flour	826,041	0.22	75,142	0.01	41,909	0.02
Rice processing	10,786,315	2.88	205,833	0.03	-	-
Shoes & leather garments	656,006	0.17	146,301	0.02	72,859	0.03
Automobile and transportation equipment	5,655,043	1.51	501,837	0.08	989,499	0.37
Financial	13,530,582	3.61	58,240,151	9.84	8,520,218	3.16
Insurance	-	-	1,620,777	0.27	-	-
Transportation	15,091,830	4.02	3,171,234	0.54	369,148	0.14
Real estate construction	7,363,131	1.96	4,627,290	0.78	732,341	0.27
Electronics and electrical appliances	13,627,351	3.63	2,013,074	0.34	19,878,950	7.38
Production and transmission of energy	13,880,606	3.70	3,143,770	0.53	16,234,959	6.03
Food and tobacco	1,813,831	0.48	304,016	0.05	130,477	0.05
Fertilizer	3,238,541	0.86	250,168	0.04	1,454,092	0.54
Metal products	2,823,582	0.75	209,905	0.04	1,164,511	0.43
Oil, gas, petroleum and energy	22,813,472	6.08	12,292,966	2.08	19,749,290	7.34
Telecommunication	7,789,703	2.08	15,010,063	2.54	2,985,474	1.11
Hotel and services	6,300,379	1.68	13,474,475	2.28	1,111,400	0.41
Public sector commodity operations	15,882,415	4.23	7,189,309	1.21	1,195,782	0.44
Individuals	83,971,629	22.38	264,674,653	44.72	5,245,993	1.95
General traders	15,475,908	4.13	12,594,240	2.13	3,407,025	1.27
Others	34,085,843	9.09	176,190,217	29.77	159,755,490	59.34
	<b>375,140,921</b>	<b>100.00</b>	<b>591,817,052</b>	<b>100.00</b>	<b>269,201,841</b>	<b>100.00</b>

**41.1.1.2 Segment by sector**

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public / Government	67,502,893	17.99	249,531,928	42.16	171,699,464	63.78
Private	307,638,028	82.01	342,285,124	57.84	97,502,377	36.22
	<b>375,140,921</b>	<b>100.00</b>	<b>591,817,052</b>	<b>100.00</b>	<b>269,201,841</b>	<b>100.00</b>

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

	2007		2006	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
----- Rupees in '000 -----				
Chemical and pharmaceuticals	1,528,242	1,496,988	1,553,889	1,484,888
Agribusiness	1,698,478	709,774	1,102,793	263,248
Textile	14,555,983	12,571,994	11,883,548	10,067,133
Cement	1,192,930	1,192,930	2,182,965	1,479,413
Sugar	1,340,425	1,340,425	1,523,504	1,256,677
Flour	169,787	144,113	102,895	80,434
Rice processing	818,768	600,694	321,257	180,805
Shoes & leather garments	107,908	106,609	178,190	154,602
Automobile and transportation equipment	361,852	328,000	317,633	273,066
Financial	60,235	60,235	66,404	39,019
Transportation	69,818	68,836	223,215	223,215
Real estate construction	334,860	254,511	138,071	105,164
Electronics and electrical appliances	168,013	148,225	146,289	142,543
Food and tobacco	968,742	867,133	1,073,901	1,020,411
Fertilizer	210,856	206,091	190,795	160,680
Metal products	1,993,805	1,989,868	1,922,181	1,578,470
Oil, gas, petroleum and energy	1,215,650	1,067,101	978,385	626,507
Hotel and services	56,624	34,057	9,306	9,306
Individuals	896,420	528,512	355,485	210,654
General traders	1,661,610	1,484,882	3,880,361	3,429,779
Others	8,906,546	7,150,837	8,108,819	6,742,658
	<u>38,317,552</u>	<u>32,351,815</u>	<u>36,259,886</u>	<u>29,528,672</u>

**41.1.1.4 Details of non-performing advances and specific provisions by sector**

Public / Government	908,750	908,750	1,137,579	926,431
Private	37,408,802	31,443,065	35,122,307	28,602,241
	<u>38,317,552</u>	<u>32,351,815</u>	<u>36,259,886</u>	<u>29,528,672</u>

**41.1.1.5 Geographical Segment Analysis**

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
----- Rupees in '000 -----				
Pakistan	26,891,039	646,761,878	108,022,688	251,273,306
Asia Pacific (including South Asia)	667,044	20,078,564	5,937,808	5,216,137
Europe	1,663	8,667,946	1,853,556	6,450,977
United States of America and Canada	290,741	12,843,044	1,430,281	6,261,421
Middle East	601,303	76,257,358	669,313	-
	<u>28,451,790</u>	<u>764,608,790</u>	<u>117,913,646</u>	<u>269,201,841</u>

**41.2 Market risk**

Market risk refers to the risk to an institution resulting from movements in market variables, in particular, changes in interest rates, foreign exchange rates, and equity and commodity prices.

Market risk management strategy states the risk tolerance level, which the institution is prepared to assume, and the business goals it plans to achieve. NBP market risk office makes sure that Bank's Market risk exposure, i.e. exposure in Money Market, Foreign Exchange Market and Equity Market, adheres with the risk tolerance level and matches with overall business goals set by Board of Directors (BOD), Risk Management Committee (RMC) and Assets & Liability Committee (ALCO). Various risk management reports are generated e.g. 'Exception reports', 'Limit reports', 'Stress Testing reports', 'Money market and FX Gap reports', 'Counterparty limit report', 'CRR', and 'SLR' etc for the purpose of market risk measurement and monitoring.

**41.2.1 Foreign exchange risk**

	2007			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- Rupees in '000 -----			
Pakistan Rupee	631,066,092	511,614,213	(15,047,124)	104,404,754
United States Dollar	104,316,906	102,828,844	10,550,695	12,038,757
Great Britain Pound	5,541,137	5,539,994	2,802,727	2,803,870
Euro	8,423,899	10,054,724	2,374,939	744,114
Japanese Yen	3,598,198	5,124,545	(653,834)	(2,180,181)
Other currencies	11,662,558	11,532,824	(27,403)	102,331
	133,542,698	135,080,931	15,047,124	13,508,891
	<u>764,608,790</u>	<u>646,695,144</u>	<u>-</u>	<u>117,913,645</u>

Currency risk arises where the value of financial instrument changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot, forward and swap transactions with the SBP and in the inter bank market.

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with banks abroad, foreign placements with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by the SBP. Counter-parties limits are also fixed to limit risk concentration. Appropriate segregation of duties exist between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

The liabilities in foreign currencies include a sum of Rs.658 million (2006: Rs.787 million) being deposits in foreign currencies of local branches against which the bank has obtained forward cover through SBP.

**41.2.2 Equity position risk**

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risk from various factors that include, but are not limited to:

- Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and /or economy in general.
- Mismanagement of the investee company, third party liability whether through class action or otherwise or occurrence of other events such as strikes, fraud, etc. in the company in which investment is made.
- Fluctuation in the shares prices resulting from their dependence on market sentiment, speculative activity, supply and demand of shares and liquidity in the market.
- The possibility of defaults by participant or failure of the stock exchanges, the depositories, the settlement or the clearing system is discharging their fiduciary responsibilities.
- Any government or court order restraining payment of dividend by a company to its shareholders.

The bank mitigates the aforesaid risk as follows:

- Through diversification and capping maximum exposure in a single sector/company. Additionally continuous follow up of these sectors and companies through self monitoring and fundamentals research from reputable brokerage houses.
- Compliance with SECP Corporate Governance Rules by the investee company prudent investing practices (focus on dividend payout history).
- The bank will refrain from speculative trading and the investment will be made as per the guidelines on liquidity and growth as per investment policy manual or set by the Board of Directors.
- The bank follows a delivery versus payment settlement system thereby minimizing risk available in relation to settlement risk.

## 41.2.3 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark-up based assets and liabilities that mature or re-price in a given period. The Group manages this risk by matching/re-pricing of assets and liabilities. The Group is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are re-priced frequently. The Assets and Liabilities Committee (ALCO) of the Group monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Group.

	Effective Yield/ Interest rate	Total	2007								Non-interest bearing financial instruments	
			Exposed to Yield / Interest risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<u>Assets</u>												
Cash and balances with treasury banks	3.05%	95,010,515	3,305,551	14,744,115	10,889,486	-	-	-	-	-	-	66,071,363
Balances with other banks	5.43%	38,216,263	16,690,863	13,052,263	950,870	338,118	1,600	-	-	-	-	7,182,549
Lending to financial institutions	5.07%	21,656,192	15,862,579	1,444,431	4,349,182	-	-	-	-	-	-	-
Investments	8.56%	211,729,297	24,718,088	29,581,770	35,350,436	47,908,671	14,689,731	2,013,422	5,193,435	8,670,159	940,090	42,663,495
Advances	11.08%	340,727,819	94,699,095	78,517,308	65,106,386	82,344,884	5,739,696	10,884,531	2,045,963	1,380,787	-	9,169
Other assets	0.00%	15,455,687	-	-	-	-	-	-	-	-	-	15,455,687
		<u>722,795,773</u>	<u>155,276,176</u>	<u>137,339,887</u>	<u>116,646,360</u>	<u>130,591,673</u>	<u>20,431,027</u>	<u>12,897,953</u>	<u>7,239,398</u>	<u>10,050,946</u>	<u>940,090</u>	<u>131,382,263</u>
<u>Liabilities</u>												
Bills payable	0.00%	7,061,902	-	-	-	-	-	-	-	-	-	7,061,902
Borrowings	3.93%	11,402,729	2,126,189	7,940,648	-	-	-	-	70,800	-	-	1,265,092
Deposits and other accounts	3.00%	591,817,053	394,806,712	9,291,403	20,511,104	129,231	-	-	-	-	-	167,078,603
Liabilities against assets subject to finance lease		33,739	-	4,297	4,482	8,113	12,735	4,112	-	-	-	-
Other liabilities	0.00%	20,284,270	-	-	-	-	-	-	-	-	-	20,284,270
		<u>630,599,693</u>	<u>396,932,901</u>	<u>17,236,348</u>	<u>20,515,586</u>	<u>137,344</u>	<u>12,735</u>	<u>4,112</u>	<u>70,800</u>	<u>-</u>	<u>-</u>	<u>195,689,867</u>
<b>On-balance sheet gap</b>		<u>92,196,080</u>	<u>(241,656,725)</u>	<u>120,103,539</u>	<u>96,130,774</u>	<u>130,454,329</u>	<u>20,418,292</u>	<u>12,893,841</u>	<u>7,168,598</u>	<u>10,050,946</u>	<u>940,090</u>	<u>(64,307,604)</u>
<b>Off-balance sheet financial instruments</b>												
Interest rate swaps and cross currency swap		18,170,386	-	-	6,669,022	2,183,478	-	-	-	9,317,886	-	-
Equity futures sold		289,299	-	289,299	-	-	-	-	-	-	-	-
Forward call lending		-	-	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange		49,819,478	15,459,204	11,073,536	12,940,963	10,345,775	-	-	-	-	-	-
Forward sale of foreign exchange		38,137,569	17,018,360	7,820,977	12,891,619	406,613	-	-	-	-	-	-
Forward purchases of trading Government securities		-	-	-	-	-	-	-	-	-	-	-
Forward sales of trading Government securities		-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>			<u>32,477,564</u>	<u>19,183,812</u>	<u>32,501,604</u>	<u>12,935,866</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,317,886</u>	<u>-</u>	<u>-</u>
<b>Total Yield / Interest Risk Sensitivity Gap</b>		198,612,812	<u>(209,179,161)</u>	<u>139,287,351</u>	<u>128,632,378</u>	<u>143,390,195</u>	<u>20,418,292</u>	<u>12,893,841</u>	<u>7,168,598</u>	<u>19,368,832</u>	<u>940,090</u>	<u>(64,307,604)</u>
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>			<u>(209,179,161)</u>	<u>(69,891,810)</u>	<u>58,740,568</u>	<u>202,130,763</u>	<u>222,549,055</u>	<u>235,442,896</u>	<u>242,611,494</u>	<u>261,980,326</u>	<u>262,920,416</u>	<u>198,612,812</u>

	Effective Yield/Interest rate	Total	2006								Non-interest bearing financial instruments	
			Exposed to Yield / Interest risk									
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		Above 10 Years
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	3.05%	78,862,625	5,328,059	18,265,650	13,212,181	-	-	-	-	724	-	42,056,011
Balances with other banks	5.43%	41,412,546	31,493,350	5,844,885	2,391,174	470,287	119	-	-	-	-	1,212,731
Lending to financial institutions	5.07%	23,164,082	-	3,797,529	16,747,792	2,618,761	-	-	-	-	-	-
Investments	8.56%	140,740,067	5,722,061	35,704,315	20,237,585	13,577,494	6,264,525	15,132,315	2,274,244	8,794,060	574,707	32,458,761
Advances	10.08%	316,455,800	62,590,392	52,488,983	97,332,079	48,669,198	46,882,213	158,300	2,055,574	1,541,900	4,736,285	876
Other assets	0.00%	14,712,257	-	16,694	-	1,876	-	-	522	-	-	14,693,165
		615,347,377	105,133,862	116,118,056	149,920,811	65,337,616	53,146,857	15,290,615	4,330,340	10,336,684	5,310,992	90,421,544
<b>Liabilities</b>												
Bills payable	0.00%	10,605,662	-	-	-	-	-	-	-	-	-	10,605,662
Borrowings	3.78%	12,682,412	1,610,623	9,706,697	109,600	66,666	-	-	204,133	-	-	984,693
Deposits and other accounts	2.73%	502,016,711	277,664,090	57,459,492	26,417,526	2,326,660	-	-	-	-	-	138,148,943
Liabilities against assets subject to finance lease		14,336	116	-	879	-	-	13,238	103	-	-	-
Other liabilities	0.00%	20,919,030	-	19,946	-	23,030	-	-	95,212	-	-	20,780,842
		546,238,151	279,274,829	67,186,135	26,528,005	2,416,356	-	13,238	299,448	-	-	170,520,140
<b>On-balance sheet gap</b>		<b>69,109,226</b>	<b>(174,140,967)</b>	<b>48,931,921</b>	<b>123,392,806</b>	<b>62,921,260</b>	<b>53,146,857</b>	<b>15,277,377</b>	<b>4,030,892</b>	<b>10,336,684</b>	<b>5,310,992</b>	<b>(80,098,596)</b>
<b>Off-balance sheet financial instruments</b>												
Interest rate swaps and cross currency swap		8,905,000	-	-	-	-	8,905,000	-	-	-	-	-
Equity futures sold		602,497	-	-	602,497	-	-	-	-	-	-	-
Forward call lending		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Forward purchase of foreign exchange		33,055,235	5,210,218	6,954,697	10,168,736	10,721,584	-	-	-	-	-	-
Forward sale of foreign exchange		15,352,480	4,011,439	2,532,404	3,510,552	5,298,085	-	-	-	-	-	-
Forward purchases of trading Government securities		10,000,000	10,000,000	-	-	-	-	-	-	-	-	-
Forward sales of trading Government securities		22,500	22,500	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<b>68,937,712</b>	<b>20,244,157</b>	<b>9,487,101</b>	<b>14,281,785</b>	<b>16,019,669</b>	<b>8,905,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Yield / Interest Risk Sensitivity Gap</b>		<b>138,046,938</b>	<b>(153,896,810)</b>	<b>58,419,022</b>	<b>137,674,591</b>	<b>78,940,929</b>	<b>62,051,857</b>	<b>15,277,377</b>	<b>4,030,892</b>	<b>10,336,684</b>	<b>5,310,992</b>	<b>(80,098,596)</b>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<b>(153,896,810)</b>	<b>(95,477,788)</b>	<b>42,196,803</b>	<b>121,137,732</b>	<b>183,189,589</b>	<b>198,466,966</b>	<b>202,497,858</b>	<b>212,834,542</b>	<b>218,145,534</b>	<b>138,046,938</b>





	2 0 0 6									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
----- Rupees in '000 -----										
<b>Assets</b>										
Cash and balances with treasury banks	78,862,625	47,149,657	18,265,650	13,209,920	236,674	-	-	-	724	-
Balances with other banks	41,412,546	32,434,384	5,541,734	2,391,174	1,045,135	119	-	-	-	-
Lending to financial institutions	23,164,082	-	3,797,529	16,747,792	2,618,761	-	-	-	-	-
Investments	140,740,067	3,854,699	31,219,315	9,280,763	30,698,923	21,737,459	20,723,117	8,782,231	11,369,974	3,073,586
Advances	316,455,800	42,973,488	38,641,582	46,047,045	74,401,036	29,867,599	30,681,841	39,197,210	14,127,166	518,833
Operating fixed assets	9,739,938	-	-	-	-	-	-	20,858	9,719,080	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	27,573,646	5,127,879	6,188,713	3,500,789	497,050	3,033,699	8,896,418	329,098	-	-
	<u>637,948,704</u>	<u>131,540,107</u>	<u>103,654,523</u>	<u>91,177,483</u>	<u>109,497,579</u>	<u>54,638,876</u>	<u>60,301,376</u>	<u>48,329,397</u>	<u>35,216,944</u>	<u>3,592,419</u>
<b>Liabilities</b>										
Bills payable	10,605,662	10,605,662	-	-	-	-	-	-	-	-
Borrowings	12,682,412	2,064,408	9,794,698	109,600	254,666	254,907	-	204,133	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	502,016,711	391,728,528	69,631,553	14,454,044	7,796,143	4,055,681	2,386,141	2,954,218	4,081,889	4,928,514
Liabilities against assets subject to finance lease	14,336	-	116	-	886	-	13,231	103	-	-
Deferred tax liabilities	2,376,606	-	-	-	30	-	-	2,823,131	(446,555)	-
Other liabilities	27,186,290	8,492,615	728,728	3,714,835	465,207	10,322,820	-	2,079,689	-	1,382,396
	<u>554,882,017</u>	<u>412,891,213</u>	<u>80,155,095</u>	<u>18,278,479</u>	<u>8,516,932</u>	<u>14,633,408</u>	<u>2,399,372</u>	<u>8,061,274</u>	<u>3,635,334</u>	<u>6,310,910</u>
<b>Net assets</b>	<u>83,066,687</u>	<u>(281,351,106)</u>	<u>23,499,428</u>	<u>72,899,004</u>	<u>100,980,647</u>	<u>40,005,468</u>	<u>57,902,004</u>	<u>40,268,123</u>	<u>31,581,610</u>	<u>(2,718,491)</u>
Share capital	7,090,712									
Reserves	14,384,857									
Unappropriated profit	32,623,507									
Minority interest	97,827									
Surplus on revaluation of assets	28,869,784									
	<u>83,066,687</u>									

Savings and current deposits have been classified as due upto one months. However, the bank does not expect these deposits to fall below their current level.

#### 41.4 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events

In terms of Road map set forth by the National Regulators all banks in Pakistan are mandated to implement BII Basic Indicator approach for Operational Risk for calculation of Minimum Capital Requirement (MCR) from Jan 1, 2008. Parallel run for which has started from July 1, 2006. However AMA approach is not being offered by SBP for the time being. With the strengthening of operational Risk management department the bank plans to move towards standardized approach for Operational Risk Management. Time lines for adopting this approach shall be determined once the bank's road map of BII is finalized. The bank has thus embarked upon Basic Indicator Approach for the time being.

The bank is in the process of setting up separate operational Risk management unit that will analyze the existing data for developing key risk indicators, assess additional data required for testing and strengthening controls. The bank is also working on Business continuity and disaster recovery plan under the supervision of Operations Group.

**42. ISLAMIC BANKING BUSINESS**

The bank is operating 3 Islamic banking branches at the end of current year as compared to 1 Islamic banking branch at the end of prior year.

	2007	2006
	Rupees in '000	
<b>ASSETS</b>		
Cash and Balances with Treasury Banks	22,536	4,724
Balances with and due from Financial Institutions	-	99,000
Investments	355,000	-
Financing and Receivables		
- Murahaba	-	-
- Ijarah	95,358	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
- Other Islamic Modes	-	-
Fixed Assets	76	-
Other Assets	10,626	-
<b>Total Assets</b>	<b>483,596</b>	<b>103,724</b>
<b>LIABILITIES</b>		
Bills payable	268	800
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	26,895	2,911
- Saving Accounts	-	-
- Term Deposits	-	-
- Others	-	-
- Deposits from Financial Institutions - Remunerative	-	-
- Deposits from Financial Institutions - Non-Remunerative	-	-
Due to Head Office	338,141	-
Other Liabilities	9,536	11
<b>Total Liabilities</b>	<b>374,840</b>	<b>3,722</b>
<b>NET ASSETS</b>	<b>108,756</b>	<b>100,002</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	100,000	100,000
Reserves	-	-
Unappropriated / Unremitted profit	8,756	2
	108,756	100,002
Surplus on Revaluation of Assets	-	-
	<b>108,756</b>	<b>100,002</b>

**43. SUBSEQUENT EVENT**

The Board of Directors of the holding company has proposed a cash dividend of Rs.7.5 per share (2006: Rs.4 per share) amounting to Rs. 6,116 million (2006: Rs.2,836 million) and bonus shares in the proportion of 10 ordinary shares per 100 ordinary shares held (2006: 15) amounting to Rs. 815 million (2006: Rs. 1,064 million) at its meeting held on February 29, 2008 for approval of the members at the annual general meeting to be held on March 31, 2008. These financial statements do not reflect this appropriation as explained in note 5.18.

**44. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**45. DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on February 29, 2008 by the Board of Directors of the holding company.

**Chairman & President****Director****Director****Director**

**Details of Investments**  
**As at December 31, 2007**

**1.1 Government Compensation Bonds**

Investee	Terms of Redemption		Rate of Interest %	2007	2006
	Principal	Interest		Cost	
				-----Rupees in '000-----	
Govt. Bond (Public Sector Enterprises)	1-Jun-09	Annually	6%	755,859	755,859
Govt. Bond (Heavy Mechanical Complex)	1-Mar-09	Annually	6%	385,996	385,996
Govt. Bond (Shah Nawaz Bhutto Sugar Mills)	30-Sep-09	Annually	6%	56,364	56,364
Govt. Bond (Public Sector Enterprises)	1-Jul-10	Annually	9%	1,132,963	1,132,963
				<b>2,331,182</b>	<b>2,331,182</b>

**1.2 Particulars of investments held in listed companies and modarabas**

**1.2.1. Ordinary shares**

Investee	No. of shares held		Market Value			
	2007	2006	2007	2006		
			-----Rupees in '000-----			
<b>Held for trading</b>						
Askari Commercial Bank	-	200,000	-	21,000		
Adamjee Insurance Company Ltd	50,000	-	17,918	-		
Bank Al - Falah	275,000	250,000	14,768	10,462		
Bank of Punjab	-	723,500	-	73,269		
Century Insurance Co Ltd	53,000	-	3,726	-		
DG Khan Cement	250,000	56,990	23,675	3,598		
Engro Chemicals Ltd	500,000	-	132,875	-		
Fauji Fertilizer Bin Qasim	526,000	100,000	22,118	2,860		
Faysal Bank	-	200,000	-	12,110		
Hub Power Company Limited	-	1,297,000	-	35,029		
Lucky Cement	433,300	65,500	50,479	3,933		
Maple Leaf Cement	300,000	-	5,760	-		
Mezan Bank Ltd	50,000	-	1,925	-		
MCB Bank	-	130,000	-	32,008		
Nishat Mills Ltd	385,200	-	40,523	-		
Oil & Gas Development Corporation	370,000	150,000	44,197	17,220		
Pakistan Oil Fields	290,000	100,000	96,976	34,985		
Pakistan Petroleum Limited	680,000	95,000	166,634	22,050		
Pakistan State Oil	300,000	180,000	121,980	52,930		
Pakistan Telecommunication Company Limited	200,000	150,000	8,410	6,655		
	<b>4,662,500</b>	<b>3,697,990</b>	<b>751,964</b>	<b>328,109</b>		
<b>Available-for-sale</b>						
	JCRVIS	PACRA				
Al-Ghazi Tractors Limited	Unrated	Unrated	30,900	32,900	8,512	7,189
Al-Noor Sugar Mills Limited	Unrated	Unrated	-	43,300	-	1,310
Askari Leasing Limited	Unrated	A+	-	8,500	-	230
Allied Bank Ltd	A1+	AA	50,000	25,000	6,508	2,338
Attock Cement Pakistan Ltd	Unrated	Unrated	-	100,000	-	6,610
Attock Petroleum Ltd	Unrated	Unrated	-	178,000	-	69,055
Baig Spinning Mills Limited	Unrated	Unrated	662,050	662,050	1,688	2,350
Bank Al Falah Ltd	A1+	AA	-	1,354,033	-	56,599
Bank Islami Pakistan Ltd	A2	A-	387,700	1,900,700	6,281	19,577
Bawany Sugar Mills Ltd	Unrated	Unrated	35,200	35,200	155	-
BOC Pakistan	Unrated	Unrated	22,957	61,957	5,801	8,745
Bolan Casting Limited	Unrated	Unrated	785,730	714,300	60,226	51,430
Brother Textile Mills Ltd	Unrated	Unrated	134,146	134,146	248	335
BRR Gardian Modarba	Unrated	Unrated	138,776	-	985	-
Cherat Cement	Unrated	Unrated	-	28,750	-	1,179
Cherat Papersack Limited	Unrated	Unrated	126,000	190,800	23,883	8,157
Colony Textile Mills	Unrated	Unrated	384,520	1,451,166	7,671	12,625
Clariant Pakistan Limited	Unrated	Unrated	9,898	36,498	2,177	7,373
Dandot Cement Limited	Unrated	Unrated	160,000	160,000	3,840	1,936
Dadabhoj Cement Industries	Unrated	Unrated	5,004,500	137,400	33,780	824
Dewan Automotive Engg. (formerly: Allied Motors Limited)	Unrated	Unrated	1,001,333	1,001,333	5,908	-
Dewan Hattar Cement Limited (formerly Saadi Cement Limited)	Unrated	Unrated	-	254,000	-	2,540
Dewan Cement	Unrated	A	1,502,000	1,502,000	24,708	15,771
Dewan Salman Fibres Limited	Unrated	Unrated	1,300,000	1,300,000	9,750	9,945
Escort Investment Bank Limited	A	Unrated	1,184,092	1,184,092	20,011	16,104
Engro Chemical ( Pak) Limited	A	Unrated	460,400	-	122,351	-
Fauji Fertilizer Company Limited	Unrated	Unrated	3,207,908	4,619,908	380,939	487,631
Fauji Cement Industries Ltd	Unrated	Unrated	41,691	41,691	621	630
FFC Bin Qasim	Unrated	Unrated	284,000	477	11,942	14
Frontier Ceramics Limited	Unrated	Unrated	1,371,000	1,371,000	5,621	4,456
Faysal Bank Ltd	AA	AA	-	367,355	-	22,225
First Dawood Investment Bank Limited (formerly: General Leasing Modaraba 1st.)	Unrated	A+	-	2,507	-	40
First National Equity	BBB	Unrated	-	1,400,000	-	53,900
Balance carried forward					<b>743,606</b>	<b>871,118</b>

	JCRVIS	PACRA	No. of shares held		Market Value	
			2007	2006	2007	2006
					-----Rupees in '000-----	
Balance brought forward					743,606	871,118
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	99,500	103,683	19,144	16,366
Guardian Leasing Modaraba	BBB+	Unrated	-	631,300	-	5,050
Ghribwal Cement	Unrated	Unrated	1,339,000	1,339,000	21,089	13,524
Habib Bank Modaraba 1st.	Unrated	Unrated	-	265,420	-	2,256
Haji Mohammad Ismail Mills	Unrated	Unrated	1,594,650	1,683,150	3,907	5,049
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	3,279	-
Habib Bank Limited	AA+	Unrated	50,000	-	11,995	-
Harum Textile	Unrated	Unrated	-	128,000	-	-
Hub Power Company Limited	Unrated	Unrated	8,684,005	9,891,005	264,862	267,057
ICI Pakistan	Unrated	Unrated	50,000	-	9,833	-
Ibrahim Fibers	Unrated	Unrated	78,000	-	4,263	-
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	50	-
Junaid Cotton Mills Limited	Unrated	Unrated	32,800	32,800	-	-
Kaisar Arts & Krafts	Unrated	Unrated	850,000	850,000	-	-
KASB Bank Limited	Unrated	A-	760	760	15	12
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	12,815	-
Kohinoor Mills Ltd	Unrated	Unrated	-	374,727	-	9,012
Khurshed Spinning Mills	Unrated	Unrated	53,900	60,400	100	-
Kohinoor Textile Mills Limited	Unrated	Unrated	306,900	306,900	9,913	6,997
Kohinoor Industries Ltd	Unrated	Unrated	-	88,558	-	961
Kohat Cement	Unrated	A-	322,575	280,500	16,548	8,920
Kohat Textile Mills	Unrated	Unrated	2,906,900	2,906,900	9,447	10,756
Kot Addu Power Co	Unrated	Unrated	100,000	494,100	4,845	20,110
Lucky Cement	Unrated	Unrated	-	58,449	-	3,501
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	288	-
Mehran Modaraba 1st. (Face value: Rs.5 each)	Unrated	Unrated	1,000	1,000	5	2
Millat Tractors Limited	Unrated	Unrated	407,160	407,160	110,137	114,819
Mirza Sugar Mills Limited	Unrated	Unrated	-	627,740	-	1,789
Mohib Textile	Unrated	Unrated	425,600	425,600	-	-
MCB Bank	Unrated	AA+	-	89,491	-	22,024
Muhammad Farooq Textile	Unrated	Unrated	-	41,008	-	232
NIB (NDLC-IFI Bank)	Unrated	A+	-	174,373	-	4,255
Nishat Mills	Unrated	A+	424,700	400,180	44,679	35,136
Nishat Chunian	Unrated	Unrated	357,000	332,000	13,209	12,666
Oil & Gas Development Corporation	Unrated	Unrated	1,911,355	185,655	228,311	21,295
Orix Leasing Pakistan Limited	Unrated	AA(p)	182,735	182,735	4,961	4,477
Pace Pakistan	Unrated	A+	500,000	-	18,275	-
Packages Limited	Unrated	AA	213,975	168,167	77,844	35,315
Pakistan Engineering Company Limited	Unrated	Unrated	135,240	135,240	45,982	13,254
Pakistan Tobacco	Unrated	Unrated	10,000	-	1,555	-
Pakistan Synthetic	Unrated	Unrated	-	22,500	-	158
PTA Pakistan Limited	Unrated	Unrated	-	70,296	-	344
Pakistan State Oil Company Limited	Unrated	AAA	310,467	161,567	126,236	47,501
Pakistan Petroleum	Unrated	Unrated	410,700	25,472	100,642	5,910
Pangrio Sugar	Unrated	Unrated	-	800	-	-
Pakistan International Airlines Corporation "A-class"	Unrated	Unrated	20,122,813	20,122,813	126,774	141,866
Pakistan National Shipping Corporation	Unrated	Unrated	386,236	399,636	38,604	16,625
Pakistan Telecommunication Company Limited	Unrated	Unrated	1,800,440	1,766,240	75,709	87,104
Pakistan Oil fields	Unrated	Unrated	250,000	-	83,600	-
Pak Suzuki Motors	Unrated	Unrated	128,100	-	42,228	-
Pioneer Cement Limited	Unrated	Unrated	500,000	-	15,800	-
Punjab Oil Mills Limited	Unrated	Unrated	307,850	307,850	15,393	8,081
Prime Commercial Bank	Unrated	A+	-	56,562	-	2,746
Redco Textile Mills Limited	Unrated	Unrated	1,300	1,300	3	-
Saif Textile Mills Limited	A-	Unrated	-	6,000	-	93
Sahrish Textile Ltd	Unrated	Unrated	10,043	107,543	68	-
Sakrand Sugar Mills Limited	Unrated	Unrated	3,896,000	3,896,000	10,714	12,272
Saudi Pak Commercial Bank Limited	BBB+	Unrated	-	20,410	-	346
Searle Pakistan Limited	BBB	Unrated	46,251	76,909	2,102	1,969
Shell Pakistan Limited	Unrated	Unrated	183,202	257,202	74,435	102,379
Siemens (Pakistan) Engineering Company Limited	Unrated	Unrated	200,000	200,000	339,800	220,000
Sitara Chemicals Industries Limited	Unrated	Unrated	77,000	118,894	25,872	12,722
Southern Electric power	Unrated	Unrated	-	111,148	-	661
Standard Chartered Modarba 1st	Unrated	AA+	1,332,403	1,268,956	16,722	19,288
Sui Northern Gas Pipeline Company Limited	Unrated	AA	6,426,429	6,426,429	421,252	420,931
Sunshine Cloth Mills	Unrated	Unrated	150,000	150,000	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	281,250	281,250	197	-
SME Leasing	A-	Unrated	1,230,477	1,230,477	13,535	13,535
Taj Textile Mills Limited	Unrated	Unrated	44,775	44,775	60	123
Twakkal Garments Industries Limited	Unrated	Unrated	112,500	112,500	-	-
United Bank Limited	AA+	Unrated	611,500	-	105,728	-
Unilever (Pakistan) Limited (Face value: Rs.50 each)	Unrated	Unrated	139,740	139,740	318,614	279,478
Unity Modaraba	Unrated	Unrated	1,000,000	1,000,000	1,600	-
World Call Telecom	Unrated	A+	-	1,081,259	-	11,624
Yousuf Weaving Mills	Unrated	Unrated	21,711	21,711	105	119
<b>Total</b>					<b>3,636,750</b>	<b>2,911,840</b>

All shares have a face value of Rs.10 each unless otherwise mentioned.

Cost of the above held-for-trading and available-for-sale investments amounted to Rs.786 million (2006: Rs.331 million) and Rs. 1,947 (2006: Rs. 1,426 million) respectively.

1.2.2 Particulars of Investments held in un-listed companies

1.2.2.1 Ordinary Shares - Holding 10% and above

Investee	Rating		Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA			2007	2006			
Avari Hotel Limited	Unrated	Unrated	12.7%	9,459,200	-	-	(6,338)	June 30 200	Mr. Byram D. Avari
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	Sep 30,1999	Mr. Naveed Ahmad Javeri
Engine System	Unrated	Unrated	16.5%	788,500	-	-	(10,132)	June 30,1998	Mr. Javed Burki
First Women Bank Limited	Unrated	BBB+	10.6%	-	-	21,100	83,430	Dec. 31. 2006	Ms. Zareen Aziz
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	..... Not Available.....		Mr. Hassan Zaidi
Investment Corporation of Pakistan	Unrated	Unrated	19.9%	398,000	-	-	262,317	June 30, 2005	Mr. Tariq Iqbal Khan
Pakistan Agriculture Storage Service Corporation	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	March 31,2003	Maj. General Fahim Akhter Khan
(Face value: Rs.1,000 each)									
Pakistan Textile City	Unrated	Unrated		5,000,000	-	50,000	51,159	June 30,2006	Not available
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	..... Not Available.....		Mr. Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	..... Not Available.....		Mr. Pervaiz Alam
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	
					<b>14,228</b>	<b>85,328</b>			

1.2.2.2 Ordinary Shares - Holding below 10%

Investee	Rating	Percentage of holding	No. of Shares held	Cost of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
				2007	2006			
Al Ameen Textile	Unrated	Unrated	32,800	328	328	.....	Not Available.....	
Al Zamin Modarba Management	Unrated	Unrated	140,000	1,000	1,000	2,048	June 30, 2006	Mr. Bashir A. Chaudhry
Attock Textile Mills Limited	Unrated	Unrated	100,000	200	948	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-	.....	Not Available.....	
Equity Participation Fund	Unrated	Unrated	28,000	2,800	2,800	15,410	June 30, 2006	Mr. Muhammad Akhter
(Face value: Rs.100 each)								
F.T.C. Management	Unrated	Unrated	50,000	250	250	366	June 30, 2005	Mr. Rehan-ul Ambia Riaz
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	22,541	June 30, 2006	Col ( R) Ali Abbas
First Women Bank Limited	Unrated	BBB+	2,532,000	21,100	-	83,430	Dec. 31. 2006	Ms. Zareen Aziz
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	4,917	June 30, 2006	Mr. Kamran Ahmed Khalili
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sept. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200	.....	Not Available.....	
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Indus Sugar	Unrated	Unrated	-	-	5,948	(4,829)	Sep 30,2003	Not available
Kashmir Textile	Unrated	Unrated	-	-	825	.....	Not Available.....	
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778	.....	Not Available.....	
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-	.....	Not Available.....	
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	1,810	.....	Not Available.....	
Myflip Video Industries	Unrated	Unrated	537,300	5,373	5,373	.....	Not Available.....	
National Construction Limited	Unrated	Unrated	50,000	250	250	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,825)	June 30, 2000	Mr. Sajjad Haider
National Institute of Banking and Finance	Unrated	Unrated	200,000	-	20,000	-	June 30, 2005	Mr. Kazi Abdul Muktadir
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	10	-	-	.....	Not Available.....	
National Institution of Facilitation Technology (Pvt) Limited	Unrated	Unrated	440,094	1,526	1,526	19,867	June 30, 2006	Mr. M. M. Khan
National Investment Trust	Unrated	Unrated	52,800	100	100	130,081	June 30, 2006	Mr. Tariq Iqbal Khan
(Face value: Rs.100 each)								
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183	.....	Not Available.....	
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz khan
Newshehra Engineering Works Limited	Unrated	Unrated	4,950	41	41	.....	Not Available.....	
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373	.....	Not Available.....	
Pakistan Textile City	Unrated	Unrated	5,000,000	50,000	-	51,159	June 30,2006	Not available
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	9,721	Dec 31, 2003	Not available
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276	.....	Not Available.....	
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	500	.....	Not Available.....	
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589	.....	Not Available.....	
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	5,799	June 30,2006	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750	.....	Not Available.....	
South Asia Regional Fund	Unrated	Unrated	5,000	287	287		Dec 31,04	Mr.Kandia Balendra
Shoaib Capital	Unrated	Unrated	100,000	272	272	544	June 30,2000	Not available
SME Bank Limited	Unrated	BBB	4,590,936	26,950	26,950	72,032	June 30, 2006	Mr. Mansur Khan
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267	.....	Not Available.....	
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-	.....	Not Available.....	
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Ltd.	Unrated	Unrated	247,100	256	256	.....	Not Available.....	
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330	.....	Not Available.....	
				<b>289,892</b>	<b>246,313</b>			
				<b>304,120</b>	<b>331,641</b>			

All shares have a face value of Rs.10 unless otherwise mentioned.

1.3 Particulars of Investments held in units of mutual funds

	Rating		No. of certificates held		Market value/cost	
	JCRVIS	PACRA	2007	2006	2007	2006
..... Rupees in '000 .....						
<b>Listed:</b>						
AKD Income Fund	Unrated	Unrated	2,500,000	-	131,897	-
AKD Index Tracker Fund	Unrated	Unrated	4,159,350	4,159,350	55,153	41,178
AMZ Plus Income Fund	Unrated	Unrated	141,590	141,423	15,000	15,019
Alfalah GHP Income Multiplier Fund	Unrated	Unrated	390,150	-	20,000	-
Askari Income Fund	Unrated	Unrated	549,970	495,540	58,126	52,616
Atlas Fund of Fund	Unrated	Unrated	1,159,500	1,159,500	9,740	9,276
Atlas Income Fund	Unrated	5-Star	-	50,000	-	26,220
Atlas Islamic Fund	Unrated	Unrated	100,000	100,000	51,529	50,000
Atlas Stock Market Fund	Unrated	5-Star	143,927	100,000	86,621	55,288
BSJS Balanced Fund	Unrated	5-Star	1,247,500	1,237,500	28,543	14,108
Dawood Money Market Mutual Fund	Unrated	5-Star	189,643	190,518	20,000	20,085
Faysal Balance Growth Fund	Unrated	Unrated	694,353	792,354	75,337	79,846
Faysal Income & Growth Fund	Unrated	Unrated	47,304	46,874	5,000	4,985
Faysal Saving Growth Fund	Unrated	Unrated	100,000	-	10,515	-
First Dawood Mutual Fund	Unrated	4-Star	5,842,809	5,842,809	77,801	37,102
First Habib Income Fund	Unrated	Unrated	253,750	-	26,585	-
HBL Income Fund	Unrated	Unrated	500,000	-	52,280	-
HBL Stock Fund	Unrated	Unrated	250,000	-	25,600	-
Meezan Balanced Fund	Unrated	5-Star	5,928,500	5,928,500	68,949	50,985
Meezan Islamic Fund-Type-A Series (nominal value: Rs.50 each)	5-Star	5-Star	2,415,502	1,475,772	152,273	89,638
NAFA Cash Fund	A(f)	Unrated	8,285,356	12,500,000	87,092	131,500
NAFA Islamic Income Fund	Unrated	Unrated	7,500,000	-	75,979	-
NAFA Islamic Multi Asset Fund	Unrated	Unrated	7,500,000	-	73,022	-
NAFA Multi Asset Fund	Unrated	Unrated	12,946,411	7,500,000	162,786	75,000
NAFA Stock Fund	Unrated	Unrated	13,294,133	7,500,000	180,985	75,000
NAMCO Balanced Fund	Unrated	Unrated	2,000,000	2,000,000	21,380	20,000
Pakistan Capital Market Fund	Unrated	3-Star	4,628,163	4,628,163	56,510	52,992
Pakistan International Element Islamic Fund	Unrated	Unrated	357,931	300,000	19,221	14,361
Pakistan Premier Fund	Unrated	4-Star	-	416,025	-	5,409
Pakistan Strategic Allocation Fund	Unrated	4-Star	4,500,000	4,500,000	40,950	38,250
PICIC Energy Fund	Unrated	Unrated	1,380,520	1,380,520	15,766	10,630
PICIC Growth Fund (formerly: Investment Corporation of Pakistan - SEMF)	2-Star	Unrated	7,103,051	7,703,051	315,802	216,841
PICIC Income Fund	Unrated	Unrated	524,500	524,500	6,923	7,605
PICIC Investment Fund	3-Star	Unrated	65,277	137,277	1,311	1,991
Reliance Income Fund	Unrated	Unrated	320,954	300,000	16,799	15,312
UTP Growth Fund	Unrated	Unrated	352,754	352,754	6,477	4,586
UTP Large Capital Fund	Unrated	4-Star	3,466,500	3,466,500	39,054	27,732
J.S. ABAMCO Limited Formerly UTP ABAMCO Limited-(nominal value: Rs.100 each (2006: Rs.5,000 each)	Unrated	AM 2+	1,681,460	26,427	243,274	194,687
					2,334,280	1,438,242

Cost of the above investment amounted to Rs.1,312 million (2006: Rs.1,028 million).

All certificates have a nominal value of Rs.100 per unit unless otherwise metioned.

1.4 Particulars of Investments held in Preference shares

	Rating	PACRA	Cumulative/ Non- cumulative	Rate	No. of certificates held		Market Value / Cost	
					2007	2006	2007	2006
-----Rupees in '000-----								

**Listed:**

Chenab Limited	Unrated	Unrated	Cummulative	9.25%	10,000,000	10,000,000	70,700	71,500
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Cost of the above investment amounted to Rs.100 million (2006: Rs.100 million)

Dalda Food	Unrated	Unrated	Cummulative	8.75%	-	9,300,000	-	93,000
Jamshoro Joint Venture limited	Unrated	Unrated	Cummulative	15%	2,500,000	2,500,000	25,000	25,000
Pak Elektron Limited	Unrated	Unrated	Cummulative	9.5%	13,000,000	13,000,000	130,000	130,000
South Asia Regional Fund (Face value: USD 1 each)	Unrated	Unrated	Cummulative	8%	-	3	-	184
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	10,000,000	10,000,000	50,000	50,000
							205,000	298,184
							275,700	369,684



1.5 Debentures, Bonds, Participation Term Certificates and Term finance certificates

1.5.1 Term finance certificates

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value		
					2007	2006	2007	2006	
Listed									
-----Rupees in '000-----									
AI - Zamin Leasing Modoraba	* 9.5%	Overdue	02.06.2008	BBB+	1,902	1,902	9,510	9,510	
AI - Zamin Leasing Modoraba	* 12.60%	Annually	31.05.2010		1,903	1,903	9,515	9,515	
Azgard Nine Ltd.	* 12.40% 6 month Kibor + 2.4 %	Half yearly	17.08.2012	A	20,000	20,000	110,092	99,960	
Azgard Nine Ltd.	* 2.40% above 6 month KIBOR	Semi Annually	20.09.2012		4,000	4,000	22,018	19,992	
Bank Al-falah Limited	* 1.35% above the cut of yield of the last SBP Auction of five year PIBs with 10% as Floor & 15% as Ceiling	Semi Annually	19.12.2008		6,422	6,422	32,446	33,880	
Bank Al-Habib Limited	* 10.55% 6 month Kibor + 1.5 %	Half yearly	28.06.2012	AA	39,984	39,984	199,760	199,840	
Bank Al-Habib Limited	* 0.65% above cut of yield of last successful 5 year PIBs with 4.50% as Floor 9.50% as Ceiling	Semi Annually	15.07.2012		3,000	3,000	14,982	14,988	
Crescent Leasing Corp. Ltd. 2nd Issue	* 2% above the cut of yield of the last SBP Auction of five year PIBs with 12% as Floor & 15.75% as Ceiling	Semi Annually	05.09.2007		1,030	1,030	5,271	5,272	
Crescent Standard Investment Bank Ltd. (Formerly First Standard Investment Bank Ltd.)	* 2% above SBP's Discount Rate with 10.50% as Floor & 13.50% as Ceiling	Semi Annually	08.07.2007		1,000	1,000	-	-	
First International Investment Bank	* 2.25% above six month KIBOR	Semi Annually	11.07.2011		1,190	1,190	6,145	6,000	
First Dawood Investment Bank Limited (Formerly Dawood Leasing Co. Ltd.) 2nd Issue	* 1.75% above SBP's Discount Rate with 12.25% as Floor & 16.25% as Ceiling	Semi Annually	27.07.2007		-	1,000	-	5,011	
Pakistan Services Limited	* 2.2% above SBP's Discount Rate with 9.75% as Floor & 13.75% as Ceiling	Semi Annually	12.11.2008		3,318	3,318	4,759	9,489	
Balance carried forward							414,498	413,457	

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value	
					2007	2006	2007	2006
							-----Rupees in '000-----	
Listed								
Balance brought forward							414,498	413,457
Sui Southern Gas Co. Limited 2nd Issue	* 1.1% above SBP's Discount Rate With 11.50% as Floor & 16% as Ceiling	Semi Annually	04.06.2007		-	5,001	-	4,658
Soneri Bank Limited	* 11.60% 6 month Kibor + 1.6 %	Half yearly	31.3.2013	A+	26,995	26,995	141,655	134,919
United Bank Limited	* 11.20% 8 year PIB Reuter Page PKRV@10.20%	Half yearly	16.06.2012	AA+	16,903	16,903	82,107	84,480
Sitara Chemical Industries Limited SUKUK	* 11.57% 3 month Kibor + 1.65%	Quarterly	30.06.2011	AA-	80,000	80,000	319,041	456,000
Sitara Chemical Industries Limited	* 12%	Semi Annually	20.06.2007		-	1	-	2
Trust Leasing Limited	* 2% above SBP's Discount Rate with 9% as Floor & 14% as Ceiling	Semi Annually	03.06.2008		2,379	2,379	4,504	9,098
Tele Card Limited	* 3.75% 6 month KIBOR with no Floor no CAP	Semi Annually	22.04.2011		7,000	7,000	24,102	32,799
World Card Telecom	* 2.75% above six month KIBOR	Semi Annually	28.11.2011		3,000	3,000	15,189	17,250
Financial Receivable Securitization Co. Ltd.	* 12.00% 2%	Half yearly	27.12.2013	AA-	5,000	5,000	24,995	25,000
							<u>1,026,091</u>	<u>1,177,663</u>

All term finance certificates have a face value of Rs.5,000 each unless otherwise mentioned.

#### Term finance certificates - Unlisted

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2007	2006	2007	2006
							-----Rupees in '000-----	
Al Abbas Holding Co Ltd	** 12.25% 6 month Kibor + 2.25%	Half yearly	22.08.2014	Unrated	-	-	575,000	-
Agro Dairies Limited	22.00%	Overdue	Overdue	Unrated	20	20	4,237	4,237
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,549	4,160
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Azeem Tapes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	34	34	-	2,279
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	104,449	104,449
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Bosicor Pakistan Ltd	* 13.00% 6 month Kibor + 6.79 %	Half yearly	12.2.2010	Unrated	20	20	57,143	86,190
Brother Steel Limited	22.00%	Overdue	Overdue	Unrated	17	17	3,094	3,094
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chaudhry Wire Rope Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,565	1,565
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Chiragh Sun Engg Limited	22.00%	Quarterly	Overdue	Unrated	6	6	1,399	1,865
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	3,283
Balance carried forward							838,166	295,569

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2007	2006	2007	2006
							-----Rupees in '000-----	
Balance brought forward							838,166	295,569
Development Securitization Trust	4% above 90 days average of ask rate 6 month KIBOR for 1st Semi Annual payment Subsequently 30 days average of 3 month KIBOR with 7.5% as Floor and no Cap	Quarterly			-	3,000	-	3,000
Faruki Pulp Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	17,550	17,550
Frontier Ceramics Limited	22.00%	Overdue	Overdue	Unrated	46	46	3,517	3,517
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	927	927
Gypsum Corporation Limited	22.00%	Overdue	Overdue	Unrated	10	10	900	900
Ghani Holding Co.Ltd.	** * 12.25%	Half yearly	22.08.2014	Unrated			575,000	-
	6 month Kibor + 2.25 % 3.75% above T Bills cut of Rate of last						-	-
Grays Leasing Limited	*	Semi Annually	13.01.2008	Unrated	4,000	4,000	2,475	7,500
	one year with 5% has Floor and 9% as Cap							
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	16	16	511	511
Indus Sugar Mills	22.00%	Overdue	Overdue	Unrated	-	-	-	1,015
Jamshoro Joint Venture	13.92%	Quarterly	15.4.2009	Unrated	9	9	16,875	28,125
	3 month Kibor + 4 %							
(Face value of Rs. 5,000,000)	*							
Jahangir Siddiqui & Company Limited	* 11.50%	Half yearly	17.05.2014	AA+	39,960	39,960	199,720	199,800
	6 month Kibor + 1.50 %							
Javedan Cement Ltd.	** * 12.25%	Half yearly	10.11.20.14	Unrated	-	-	250,000	1,400,000
	6 month Kibor + 2.25 %						-	-
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kashmir Polytex Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	1,483
Khairpur Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	-	5,128
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,056	8,706
Larr Sugar Mills Limited	22.00%	Yearly	Overdue	Unrated	14	14	8,273	9,929
Latif Bawany Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	38	38	-	2,380
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	2,472	2,472
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,350	7,350
Munalisa Fruit Juices	-	-	-	Unrated	2	2	1,500	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	1,306	2,043
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	1,113	1,113
National Fructose Company Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	1,450
Nishat Mills Limited	* 10.95%	Half yearly	29.08.2008	Unrated	149,880	149,880	299,700	599,400
	Weighted Average of last 3 cut off rate 6 month T-Bills 9.2523% + 1.7%							
Novelty Fabric Processing Limited	22.00%	Overdue	Overdue	Unrated	38	38	-	12,896
Pak Pattan Dairies Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,762	2,954
Pakistan International Airlines Corp. Limited	* 10.50%	Half yearly	26.02.2011	Unrated	647,424	647,424	3,062,378	3,237,371
	SBP Discount Rate + 50 bps 0.5% above SBP Discount Rate							
Pakistan International Airlines Corp. Limited	* with 8% as Floor and 12.50% has Cap	Semi Annually	20.02.2011	Unrated	25,000	25,000	108,277	115,112
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	1	1	95	95
	2% above Average of the last three 6 month							
Pakistan Mobile Communication (Pvt.) Ltd.	* 22.00%	Semi Annually	16.09.2008	Unrated	5,000	5,000	9,950	20,600
Balance carried forward							5,422,461	5,995,984

Investee	Rate of interest	Profit payment	Maturity	Long Term Rating	No. of certificates held		Market value/cost	
					2007	2006	2007	2006
							-----Rupees in '000-----	
Balance brought forward							5,422,461	5,995,984
Pakistan Services Limited	T Bills cut of yield with 4.95% as Floor and 12% as Cap * 12.25% BR + 2.25% SBP Discount Rate	Half yearly	16.09.2008	Unrated	19,074	19,074	47,686	95,371
Dewan Cement (Pakland Cement)	* 12.50% 6 month Kibor + 2.5 %	Half yearly	15.7.2013	Unrated	16	16	209,291	261,172
Pangrio Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,683	1,683
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	403	403
ABN Amro Prime Bank	* 11.90% 6 month Kibor + 1.9 %	Half yearly	08.12.2012	A	21,991	21,991	109,890	109,956
(Formerly Prime Commercial Bank Limited)	* 11.32% 3 month Kibor + 1.40 %	Quarterly	22.02.2011	AAA	150,000	150,000	750,000	750,000
Pak kuwait Investment Bank Ltd. F	* 11.32% 3 month Kibor + 1.40 %	Quarterly	23.03.2011	AAA	100,000	100,000	500,000	500,000
Pak kuwait Investment Bank Ltd. G	* 11.32% 3 month Kibor + 1.40 %	Quarterly	23.03.2011	AAA	100,000	100,000	500,000	500,000
Qand Ghar (Pvt) Limited	22.00%	Outstanding	Overdue	Unrated	2	2	2,706	2,706
Qand Ghar Sugar Mills Limited	22.00%	Outstanding	Overdue	Unrated	14	14	7,915	7,915
Raja Weaving Mills Limited		Overdue	Overdue	Unrated	14	14	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,081	6,081
Rehman Sharif Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	563	702
Reliance Pak Arab fertilizar Co.Ltd	* 13.15% 6 month Kibor + 2.5 %	Half yearly	13.7.2013	Unrated	120	120	-	1,200,000
(Face value of Rs. 10,000,000)								
Dewan Hattar Cement (Saadi Cement)	* 12.50% 22.00%	Half yearly	15.7.2013	Unrated	32	32	648,884	810,461
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,749	6,749
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	17	17	774	774
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,423	5,423
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	104	104
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,202	2,202
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	2,320	2,320
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,650	1,650
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	748
Taj Syringes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	36	36	-	4,917
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	1,150	1,315
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	23,332	23,332
Transport Securitization Trust	3.75% above T Bills cut of Rate of last one year with 7.50% has Floor and no Cap	Quarterly			-	2,000	-	833
Trubo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	122	122
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,211	1,211
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
Zaver Petroleum Corporation Ltd.	13.25% 6 month kibor + 3.25%	Half yearly	10.07.2011	Unrated	10,000	10,000	49,900	50,000
							<b>7,831,096</b>	<b>9,871,982</b>

\* Cost of the above TFCs amounted to Rs.7,839 million (2006: Rs.10,457 million)

\*\* Not yet held by the bank, due to delievery in process.

## 1.5.2 Debentures

	Investee	Terms of Redemption		Rate of Interest	2007	2006
		Principal	Interest		Cost	
-----Rupees in '000-----						
1	Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
2	Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
3	Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
4	Ajax Industries Limited	Overdue	Overdue	14%	269	269
5	Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
6	Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
7	Allied Ghee Industries Limited	Overdue	Overdue	16%	1,141	1,141
8	Allied Ghee Industries Limited	Overdue	Overdue	Interest free	572	572
9	Allied Marbles Industries	Overdue	Overdue	14%	23	23
10	Allied Marbles Industries	Overdue	Overdue	Interest free	15	15
11	Aslo Electrical Industries	Outstanding	Outstanding	11%	-	2,270
12	Aslo Electrical Industries	Outstanding	Outstanding	14%	-	6
14	Corporation	Overdue	Overdue	12%	3,286	3,286
15	Corporation	Overdue	Overdue	14%	1,998	1,998
16	Corporation	Overdue	Overdue	12.5%	2,336	2,336
17	Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
18	Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
19	Chillya Corrugated Board	Overdue	Overdue	14%	318	318
20	Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
21	Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
22	Daaman Oil Mills	Overdue	Overdue	14%	204	204
23	Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
24	Effef Industries Limited	Overdue	Not Applicable	Interest free	3,828	3,828
25	Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
26	Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
27	Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
28	Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
29	Hazara Woolen Mills.	Overdue	Overdue	14%	1,148	1,148
30	Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
31	Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
32	Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
33	Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	470
34	Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
35	Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
36	Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
37	Mansoor Textile Mills	Overdue	Overdue	14%	510	510
38	Morgah Valley Limited	Overdue	Overdue	11%	400	400
39	Morgah Valley Limited	Overdue	Overdue	14%	160	160
40	National Woolen Mills	Overdue	Overdue	14%	66	66
41	Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
42	Pakistan Polypropylene Packages Limited	Outstanding	Outstanding	14%	-	-
43	Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
44	Qadri Textile Mills Limited	Overdue	Overdue	14%	489	489
45	Regal Ceramics Limited	Overdue	Overdue	14%	105	105
46	Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
47	Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
48	Saleem Tanneries Project 1	Outstanding	Outstanding	12.5%	-	1,302
49	Sarhad Bricks Limited	Outstanding	Outstanding	11%	543	543
50	Sarhad Bricks Limited	Outstanding	Outstanding	14%	102	102
51	SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
52	SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
53	SDA-A/C Cold Storage Mardan -1	Regular	Regular	12%	-	204
54	SDA-A/C Cold Storage Mardan -2	Regular	Regular	12.5%	-	108
55	Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	11%	368	368
56	Shafaq Lamp Manufacturing Corporation	Outstanding	Outstanding	14%	83	83
57	Shahdin Limited	Overdue	Overdue	14%	163	163
58	Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
59	Spinzer Towel Industries Limited	Oustanding	Oustanding	12.5%	200	200
60	Spinzer Towel Industries Limited	Oustanding	Oustanding	14%	175	175
61	Sun Publications Limited	Overdue	Overdue	13.5%	178	178
62	Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
					<b>191,067</b>	<b>194,956</b>

### 1.5.3 Participation Term Certificate

Investee	Number of certificate(s)	Rate of interest	Paid - up value per certificate Rupees	2007	2006
				Cost -----Rupees in '000-----	
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	448	1,250
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Balochistan Clay Products	17	17%	227,176	2,504	2,504
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Bela Ghee Mills Limited	14	17%	191,214	-	1,066
Calcium Limited	1	17%	300,000	300	300
Cotex Industries Limited	14	17%	16,357	-	229
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	7,303	10,863
Delta Tyre & Rubber Co.	7	17%	268,714	1,118	1,881
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gem Industries Limited	12	17%	126,417	-	1,518
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	6,761	6,761
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	727	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	3,215	6,060
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	11,551	11,551
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Sampak Paper Board Mills	11	17%	14,909	165	165
Sarela Cement Limited	35	17%	406,629	14,232	14,232
Sethi Industries Limited	15	17%	240,667	2,997	3,260
Shafi Woolen Industries Limited	11	17%	89,455	490	490
Sindh Glass Industries Limited	17	17%	598,765	9,457	9,457
Star Silica Industries Limited	15	17%	137,467	1,803	1,803
Suhail Jute Mills Limited	13	17%	80,769	-	673
United Wood (Veener) Limited	15	17%	51,000	727	727
Waziristan Oil Industries Limited	13	17%	88,385	1,094	1,094
Zafar Oil Industries Limited	11	17%	65,455	720	720
				<b>110,878</b>	<b>122,597</b>

### 1.5.4 Government of Pakistan-Guaranteed bonds

Investee	Terms of Redemption		Rate of Interest %	2,007	2,006
	Principal	Interest		Cost -----Rupees in '000-----	
WAPDA Sukuk (2nd Issue)	Bi-Annual	Bi-Annual	6 months KIBOR less 25 basis points (9.75%)	1,711,500	-
WAPDA Bonds (10th Issue)	Bi-Annual	Bi-Annual	9.25%	100,000	100,000
Rice Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	575,420
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	380,000
Trading Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	-	309,153
Saindak Metals Limited - Bonds	Annual	Bi-annual	15%	-	254,485
Shahnawaz Bhutto Sugar Mills	Lumpsum	Lumpsum	6%	16,762	16,762
Public Sector Enterprises	Lumpsum	Lumpsum	11%	-	12,167
				<b>1,828,262</b>	<b>1,647,987</b>

**1.5.5 OTHERS GOVT. BOND INVESTMENT**

Investee	Terms of Redemption		Rate of Interest %	2006	2005
	Principal	Interest		Cost	
				-----Rupees in '000-----	
CIRC Bond	Regular	Regular	Six month's T-Bill auction rate on the day preceeding the date of payment of return 8.8142%	11,242	11,242
				<u>11,242</u>	<u>11,242</u>

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER  
FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR  
ABOVE PROVIDED DURING THE PERIOD 01.01.2007 TO 31.12.2007

Annexure - II as referred to in  
Note 10.7 to the Financial Statements

Sr. No.	Name & Address of the borrower.	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others.	Total.				
1	Rao Associates (Private) Ltd. Qaimpur. *	Rao Tariq Mehmood, 31203-1734265-7 Muhammad Aslam Farooq 31203-1729617-1 Haji Nazir Ahmed Bhatti, 31204-1023816-3 Gohar Azim, 31203-1733957-1	Rao Ilyas Ahmed.  Rao Ilyas Ahmed.  Ghulam Muhammad.  Muhammad Azim	5.000 1.526	6.000 4.951	7.000 0.331	8.000 6.808	9.000 0.689	10.000 -	11.000 5.282	12.000 5.971
2	M.Z.Textile Industries Bye Pass Road, Rahimyar Khan.	Muhammad Sarwar 31303-2391521-7 Mian Muhammad Arif 271-45-045271	Khuda Bukhsh Haji Muhammad Siddique	-	2.085	0.091	2.176	-	-	1.931	1.931
3	Tanveer Imran Cotton, Alipur Road Rohillanwali Tehsil & Distt: Muzaffargarh *	Tanveer Rasool Qureshi 315-86-402710 Imran Rasool Qureshi 315-88-402711 Mst.Rashida Begum 315-90-402706	Atta Muhammad Qureshi -- do -- -- do --	0.022	3.627	-	3.649	-	-	2.181	2.181
4	Mr. Javed Aslam Bajwa Chak No.226/RB Faisalabad	Mr. Javed Aslam Bajwa 33100-90144116-7	Muhammad Aslam	0.494	0.066	-	0.560	0.494	-	0.066	0.560
5	Bhawaish Kumar Village Mano Mali Para P.O. Taluka: Umerkot	Bhawaish Kumar 473-89-101654	Manga Ram	1.493	2.417	0.278	4.188	0.150	-	2.695	2.845
6	Friged Fish, C-6, Fish Harbour, West Wharf, Karachi	Akbar Y. Masti Khan A. Sattar Masri Khan M. Khan Baloch		1.246	12.260	0.036	13.542	1.226	-	12.296	13.522
7	Muhammad Taufiq 53-S, Sector 5/E, New Karachi.	Muhammad Taufiq 42201-0337436-5	Ibrahim	0.297	0.547	0.014	0.858	0.297	-	0.561	0.858
8	Karachi Bulk Storage & Terminals (Pvt) Ltd. Kiran, Karachi *	Nadeem Maqbool 42000-2238564-7 Zahid Bashir 42301-9092735-5	Maqbool Ahmed  Mian M. Bashir	1.207	5.730	-	6.937	-	-	5.657	5.657
9	Fasih ud din 202 Neelam Block Allama Iqbal Town, Lahore.	Fasih ud din 272-62-291918	Zahoor ud din	0.620	0.477	0.055	1.152	0.620	-	0.532	1.152
10	Muhammad Amer Saleem - House No.82 St.No.1 Block2 Bhawal City.	Muhammad Amer Saleem 233-64-520372	Rana M. Saleem Akhtar.	0.318	0.205	0.046	0.569	0.271	-	0.251	0.522
11	Gulzar Ahmed House No.287, Block-A Gugar Colony Amar Sidhur, Lahore.	Gulzar Ahmed 270-89-336373	Nizam Din	0.290	0.337	-	0.627	0.290	-	0.337	0.627
12	Sajjad Ahmed House No.225 Block No.14 Sector B 1 Township, Lahore.	Sajjad Ahmed 270-88-007151	Ijaz Ahmed	0.261	0.283	-	0.544	0.261	-	0.283	0.544
13	Muhammad Younas Near Madina Masjid, Rasool Park Behind General Hospital, Lahore.	Muhammad Younas 422265	270-86- Muhammad Hussain	0.304	0.353	-	0.657	0.304	-	0.353	0.657
14	Ch. Javaid Iqbal Samra House B-Block Al Faisal Town, Lahore Cantt.	Ch. Javaid Iqbal 081778	269-88- Ch. Ghulam Rasool	0.661	0.894	-	1.555	0.661	-	0.894	1.555
15	Syed Muhammad Jawad 1/A Cavalary Ground, Lahore Cantt.	Syed Muhammad Jawad 90-669470	261- Sed Haider Shah	0.413	0.780	-	1.193	0.413	-	0.780	1.193
16	Sadaqat Ali Awan 468-P LCCHS, Lahore.	Sadaqat Ali Awan 67-152124	329- Malik Maqsood Ali Awan	0.626	0.941	-	1.567	0.626	-	0.941	1.567
17	Farhat Shoes (Pvt) Ltd. 38-A Davis Road, Lahore.	Bashir Muhamamad, 274-38-115400 Abid Khan, 274-25-359505 Babar Abid, Shahzad Bashir	Bakhtiar Ahmed  Mukhtar Ahmed	3.195	6.921	0.284	10.400	-	-	5.405	5.405
18	Omer Apparels (Pvt) Ltd. 16 KM Multan Road, Lahore. *	Mian Muhammad Arshad 35502-4404688-9 Akhtar Sagoo 2931992 Saeed Akhtar 35202-2584375-6	Mehmood 35202- Mian Mohammed Ibrahim Chiragh Ali Sagoo Mehmood Akhtar Sagoo	0.925	23.031	0.241	24.197	0.497	-	23.272	23.769
19	Ashfaq Flour Mills	Allah Ditta 24-051310	274- Mian Chiragh Din	0.028	0.979	0.010	1.017	-	-	0.989	0.989
20	X.L Sports 54-Shadman Market, Lahore.	Khalil Ahmed Mir 276-93-401593	Saeed Ahmed Mir	0.120	0.616	0.078	0.814	0.075	-	0.694	0.769
21	National Tecno Commercial Services PVT.Ltd. Shalimar Town, Sultan Mehmood Road Lahore.	1. Dewan Sarfraz Ul-Haq 34402-1715194-5 Dewan Saleem Ul-Haq 34402-1715194-5 Ms.Uzma Rizwan 34402-1631040-8 Dewan Ikhtiaq Ahmed 34402-2892762-3	Dewan Zia Ul Haq  Dewan Zia Ul Haq  Dewan Khurram Zia  Dewan Munammad Ishaq	-	6.888	0.248	7.136	-	-	5.017	5.017
22	Sharia Habib Corporation 104 M.M.Alam Road Gulberg III,Lahore.	Mr.Amir Nawar Sheikh 42000-5834612-9	Sheikh Bhag Din	1.844	5.584	0.927	8.355	-	-	2.510	2.510



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				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
23	Farooq Hameed & Family 38 Empress Road Lahore. *	Farooq Hameed 35201-1452075-5 Mrs. Majeeda Hameed 35201-5636772-0 Ijaz Hameed 35200-1510400-1 Mrs. Safia Hameed 35200-1469698-0 Aamir Hameed 35200-1510260-9 Mrs. Siddiqua Liaqat 35201-6911321-4 Mrs. Sajida Karamat 35202-2433150-8 Asad Hameed 315060-121048-7 Sara Hameed 35201-479850-6 Saad Hameed 35202-6998419-5 Uzma Hameed 35200-1449804-8	Ch.Muhammad Saeed  W/O Mumtaz Hameed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Ch.Muhammad Saeed  Mumtaz Hameed  Mumtaz Hameed  Mumtaz Hameed  W/O Mumtaz Hameed	8,503	7,501	0,147	16,151	2,652	-	7,648	10,300
24	Tasa International 11/224 Neka Pura, Sialkot. *	Tariq Javed 35201-1554623-5	Sh.Muhammad Saleem Javed.	-	1,027	0,175	1,202	-	-	0,825	0,825
25	House Hold International Pvt.Ltd. 147-A/3,Ittehad Colony Multan Road Lahore & 86-87 Chahurji Park,Multan Road Lahore.	Maqbool Alam 35202- 1386045-3	Mahboob Alam	0,541	2,254	0,168	2,963	0,293	-	1,961	2,254
26	Rawal Industrial Works Ltd. 6 K.M. Sheikhpura, Faisalabad Road, Sheikhpura	Ghafoor Ahmed Ch. 35202-8941615-3 Syed Muhammad Maghfoor. 35202-4811219-3 Mrs. Shaheena Gul 35202-4577293-4 S.Yasir Ali Shah 35202-4547204-5 Mrs. Shafiqat Fatima 35202-6802962-8 Mrs. Bilquees Fatima 35202-2189979-4 S.Muhammad Umair 35202-4546254-5	Alim Uddin Ch.  Muhammad Hassan  Muhammad Mughfoor  Syed Muhammad Maghfoor  Syed Zameer Ali Shah  Dildar Hussain Shah  Syed Muhammad Maghfoor	0,156	7,757	0,107	8,020	-	-	7,864	7,864
27	Tufail Transport Company 8-Rehman Plaza, 132 Temple Road, Lahore	Muhammad Tufail 274-86-065800 Bhatti Muhammad 274-63056718 Asfaq Muhammad 271-65-198722 Ifthikhar Muhammad 274-63-056716 Ijaz Muhammad Imtiaz 274-63-339065	Mian Fazal Din Muhammad Tufail Bhatti Muhammad Tufail Bhatti Muhammad Tufail	2,060	1,516	-	3,576	2,060	-	1,516	3,576
28	Khurshid Ahmad Chak No.3-AH, Tehsil Kabirwala Distt. Khanewal	Khurshid Ahmad 328-39-006392	Abdul Ghafoor	0,654	0,274	-	0,928	0,654	-	0,274	0,928
29	Khalid Munir Oil Mills & Solvent Plant Suraj Kund Road, Chowk Shahabbas, Multan	Khalid Munir 36302-5418441-9 Ruby Sarwar Khan 36302-6667659-4	Ch. Jamal Ud Din  Khalid Munir	1,614	0,830	0,134	2,578	0,891	-	0,964	1,855
30	Raza Textile Industries Peoples Colony Near General Bus Stand Old Makhdoom Rashid Road Multan	Abdul Waheed Khan 36302-2825475-3 Mr. Abdul Hafeez Khan 36302-3536321-7 Mr. Nadeem Razaq Khan 36302-6371531-5	Abdul Razaq Khan  Abdul Razaq Khan  Abdul Razaq Khan	3,438	7,131	0,432	11,001	2,352	-	7,497	9,849
31	Musawar Cotton Ginners 3-Km, Multan Road, Mouza Bahadar Baloch, Mailsi *	Ghulam Asghar 36602-0995871-3 Riaz Asghar 36602-0994429-3 Aftab Asghar 36602-6654232-3	Ahmad Hussain  Haji Ahmed Hussain  Haji ahmed Hussain	0,509	1,535	0,339	2,383	-	-	1,603	1,603
32	Noor Sons Industries 24-II, Industrial Estate, Multan *	Haji Noor Muhammad Khan 322-25-109020 Amin Khan 36302-6016769-1 Mst.Kalsoom Akhtar 322-55-581660	Abdul Ghafoor Khan  Noor Muhammad Khan  W/o Noor Mohd. Khan	1,113	3,274	0,146	4,533	0,019	-	3,420	3,439
33	Falcon Enterprises 2-B-I, Industrial Estate, Multan *	Abdul Waheed Qureshi 322-90-111685 Adil Rasheed Qureshi 36302-0998212-1 Abdul Aziz Qureshi 36302-0605138-9	Sh. Abdul Rasheed  Abdul Rasheed Qureshi	2,137	2,611	0,632	5,380	1,219	-	3,243	4,462
34	Al-Karim Cold Storage 4-Km Budhia Sant Road, Raza Town, Multan *	Sheikh Abdul Sattar 36302-0352745-3	Sheikh Muhammad Ibrahim	1,424	2,762	0,172	4,358	-	-	2,588	2,588
35	Danewal Textile Mills (Pvt) Ltd. Chak No.533-EB, Vehari Road, Burewala *	Muhammad Akram 324-34-006983 Muhammad Aslam 321-85-258666 Muhammad Riaz Aslam 321-85-258668 Nadeem Akram 324-65-006984 Mst Shehnaz Saleem 321-53-106251	Haji Fateh Muhammad  Haji Fateh Muhammad  Muhamamd Aslam  Muhammad Akram  Muhammad Aslam Anwar	5,826	15,085	0,065	20,976	3,602	-	15,150	18,752

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				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
36	Noon Cotton Ginners Jalalpur Road, Shujabad *	Rana Muhammad Shafi 36304-0786191-1 Muhammad Yar 36304-4922916-3 Rana Muhammad Nasir 36304-1385679-5 Mst Allah Jawai 36304-1321892-8	Rana Gulbahar  Rana Gulbahar  Rana Gulbahar	1,147	1,685	0,198	3,030	-	-	1,398	1,398
37	Ahmed Quality Fabrics (Pvt) Limited 226-A, Shah Rukan-E-Alam Colony, Multan *	Abdul Salam 42101-1711383-9 Abdul Salam 36302-0392160-3 Mrs. Tahira Shakoor 36302-9548620-6 Haji Muhammad Yousaf 36302-0409444-3	Muhammad Ramzan  Muhammad Shafi  Sahakoor Ahmed  Haji Muhammd Amin	6,211	10,307	0,187	16,705	1,289	-	10,494	11,783
38	Bano Textile Mills Wapda Grid Road, Mouza Maddina, Khanewal Road Multan *	Muhammad Ali Zaffar 36302-6366914-5 Farida Zaffar 36302-0324941-2 Ahmad Ali Mazhar 36302-0418134-1	Mian Abdul Ghani  Muhammad Ali Zaffar  Abdul Ghani	4,160	6,306	0,683	11,149	3,436	-	6,989	10,425
39	City Medical Centre Neelam Road, Muzaffarabad	Mr. Shabbir Ahmed Awan 1715256-9 Dr. Ejaz Ahmed 710-88-215941 Mrs. Shugfta Ejaz 82203-8463328-2 Mr. Suleman Ejaz 82203-1730364-9 Mrs. Ujala Ejaz 82203-9553797-8	82203- Faqeer Ahmed  Bashir Ahmed  W/o Ejaz Ahmed  Ejaz Ahmed  D/o Ejaz Ahmed	2,374	3,080	0,003	5,457	0,363	-	3,083	3,446
40	Hotel Al-Rehmat New Bus Stand, Muzaffarabad	Sardar Tabarrak 82203-118494-5 Mrs. Khalid Tabarrak 82203-116976-4	Sardar Rehmatullah  W/o Sardar Tabarak Ali	2,427	2,169	0,002	4,598	-	-	2,897	2,897
41	Muhammad Ghulam Nawan Killi, Quetta	Muhammad Ghulam 54400-6012625-3	Rub Nawaz	-	0,406	0,128	0,534	-	-	0,534	0,534
42	Abdul Sattar Sattar Provision Store Kuchlaq	Abdul Sattar 602-42-234465	Haji Gul Baran	-	0,540	0,058	0,598	-	-	0,598	0,598
43	Jamil Ahmed C/o Bashier Ahmed Rani Bagh Quetta	Jamil Ahmed	Taj Muhammad	-	0,472	0,082	0,554	-	-	0,554	0,554
44	Muhammad Ibrahim Jaffar Near Mazar Sharif Pir Bukhari, Loralai.	Muhammad Ibrahim Jaffar 609-87- 265644	Allah Wasaya Jaffar	-	0,602	0,252	0,854	-	-	0,854	0,854
45	Chaghi Roller Flour Mills Pvt. Ltd. Nushki	Mir Maqbool Ahmed  Bashir Ahmed 42-010949	Haji Abdul Samad  602 Muhammad Panah	0,976	10,037	0,191	11,204	-	-	10,228	10,228
46	Attock Textile Mills Ltd. *	Ahsanullah Chaudhary 61101-1822750-5 Mrs. Rizwana Ahsan Chaudhary 61101-1760835-6 Rashid Ahmed 61101-1776669-9	Muhammad Sharif Chaudhry W/o Ahsanullah Chaudhry Badar-ud-din	4,211	49,558	0,168	53,937	0,735	-	49,726	50,461
47	Taymur Spinning Mills 1st Floor, 25-Commercial Area, Cavalary Ground Lahore Cantt. *	Ch. Ikramullah 37403-1908323-1 Faiz Ahmad Cheema 35202-2683522-7 Fawad Nasir Bajwa 38403-0240488-0 M. Shahbaz Bajwa 38403-8871969-5 Amar Atta Bajwa 38403-9128331-1 Iram Amar Bajwa 38403-8535421-6	Ch. Ali Muhammad  Ch. Hakim Khan Cheema  Ch. Ikramullah Baqwa  Ch. Hadyatula Bajwa  Ch. Attaullah Bajwa  Amar Atta Bajwa	37,631	160,761	-	198,392	24,881	160,761	-	185,642
48	Sampak Paper & Board 31-Km Lahore Sheikhpura Road, Lahore	Muhammad Maghfoor 35202-4811219-3 Shahina Gul 35202-4577293-4	Muhammad Hassan  Muhammad Maghfoor	89,634	137,152	-	226,786	79,634	137,152	-	216,786
49	Yasmeen Weaving Mills 1.9 Km, Raiwind Manga Road, Lahore	Siddique Muhammad Malid 35202-2413276-1 Tauseef Siddiq Malik 35202-2341970-6	Malik Nazir Ahmed  Siddiq Muhammad Malik	17,235	5,606	0,118	22,959	10,235	5,606	0,118	15,959
50	D.M. Brothers 2nd Floor, Uzma Court, Main Clifton Road, Karachi	Dharamdas 42301-3681581	Malu Gee (Hindu)	41,360	191,925	-	233,285	17,332	-	8,029	25,361
51	Saif Nadeem Kawasaki Motors Pvt. Ltd. 3rd Floor, Aziz Chambers-21 Queens Road, Lahore	Zakaria Ghani (Mr.) 42201-9883578-7	Muhammad Umar Haji Ghani (Mr.)	12,667	89,862	-	102,529	12,462	-	89,862	102,324
52	Associated Industries Garments Pakistan (Pvt) Limited IV-C/3-A, Nazimabad, Karachi *	Muhammad Abdul Wahid Jawad 42301-1067464-7 Muhammad Ahsan Jawad 42301-5565717-1	Mr. Muhammad Abdul Jawad  Mr. Muhammad Abdul Jawad	395,008	28,725	0,119	423,852	384,978	-	21,829	406,807

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				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
53	Aziz Taraders Cotton Ginners, Grain Market, Haroodabad	Abdul Aziz 31104-2319305-1 Abdul Majeed 31101-1020183-7 Muhammad Hussain 31104-1672004-1 Muhammad Hanif 31101-6855874-3 Muhammad Saleem Akhtar 31104-9649051-9	Muhamamd Siddique  Muhammad Siddique  Allah Baksh Khan  Muhammad Siddique  Muhammad Sharif	1,031	0,889	0,025	1,945	-	-	0,889	0,889
54	Rainbow Oil Mill & Cold Storage Shafique Town, Okara	Muhammad Hussain 35302-1925303-9 Muhammad Asam 340-91-539401 Mst R ukhsana Kausar 340-91-216296	Muhammad Bux  Ahmed Ali  Ahmed Bux	0,066	4,004	0,035	4,105	-	-	4,035	4,035
55	Madni Cotton G&P Factory & Rice Mill Sahiwal Road Pakpattan	Maqbool Hussain 36402-6666972-1 Haji Nazir Ahmed Abid 36402-0776674-9 Rashid Ahmed 36402-0808174-5 Munir Ahmed (Late) Riaz Ahmed 36402-0829438-3 Ijaz Ahmed 36402-6366348-9	Muhammad Ibrahim  Muhammad Ibrahim  Ghulam Yasin  Ghulam Yasin  Maqbool Hussain  Maqbool Hussain	4,878	8,330	0,051	13,259	-	-	7,048	7,048
<b>Subtotal - NBP</b>				<b>664.881</b>	<b>845.945</b>	<b>7.457</b>	<b>1,518.282</b>	<b>555.961</b>	<b>303.519</b>	<b>346.645</b>	<b>1,206.125</b>
56	Al-Hasan Enterprises Ltd Village Bakhmandra,Dayalwala Road Tehsil & District Dera Ismail Khan. *	Saadullah Khan 33202-1413590-1 Khalid Amir Khan 33202-1191959-1 Mrs. Ghulam Zohra 33202-1140142-4	Muhammad Nawaz Khan  Haji Gahna Khan Baloch  Haji Gahna Khan Baloch	21,323	62,168	1,301	84,792	16,908	62,168	1,301	80,377
57	Frontier Pharmaceutical Lab W-10,Industrial Estate, Jamrud Road,Peshawar *	Ijaz Durrani 61101-6776085-7 Nilofar Shah 61101-1282394-2	Abbas Durrani  Ijaz Durrani	27,957	39,164	10,278	77,399	18,513	39,164	10,278	67,955
58	Spectrum Chemicals Ind Ltd 4-Park View, Morgah, Rawalpindi *	Asif Jabbar Khan 37405-7173733 Tariq Asghar Ali 37405-5695316-7	Abdul Gabbar Khan  Muhammad Asghar Ali	40,000	46,226	0,817	87,043	36,623	46,226	0,817	83,666
59	Techno Glass Ind Ltd 95-J Model Town, Lahore. *	Shaukat Hussain Bukhari 35202-2201905-3 Bushra Khatoon 35202-8003120-2 Syed Azhar Parvez 35404-4453985-1 S. Shakhawat H. Bukhari 35404-1409332-9	S. Talib Hussain Bukhari  Ch. Attaullah  Syed Muhammad Aslam  S. Talib Hussain Bukhari	70,747	105,741	45,380	221,868	64,063	105,741	45,380	215,184
60	Amtul Subhan Textile Limited 4 K.M. Okara - Depalpur Road, Okara *	Rao Inam Ali Khan 340-87-170250 Rana Irfan Gul 246-89-097270 Rao Khurram Ali Khan 340-88-174163 Rana Farooq Gul 246-88-097269	Rao Ikram Ali Khan  Rana Gulsher Khan  Rao Mukarram Ali Khan  Rana Gulsher Khan	5,340	10,115	0,452	15,907	-	8,155	0,452	8,607
61	Allied Plastic Industries (Pvt) Ltd, 411, 4th Floor, Progressive Centre, Beaumont Road, Civil Line, Near Dawood Centre, Karachi	Ifikharuddin 517-54-297254 Iqbal 511-91-035944	Shaikh Mumtazuddin Paracha Ismail Ahmad	1,112	0,807	22,722	24,641	-	-	22,722	22,722
62	Mehran Industries Ltd. Plot No.63-70, Quetta Industrial Estate, Quetta *	Abdun Nabi Zehri 401-88-087326 Hajiani Khabat Khatoon Mrs. 517-27-245790 Dur Muhammad Khan 421-40-198028 Fareeda Mrs. 421-52-198029 Taj Muhammad Magsi 421-60-198033	Haji Mir Muhammad Yousuf Mir Abdun Nabi Zehri  Haji Khan Muhammad Khan Magsi Dur Muhammad Khan Magsi Dur Muhammad Khan Magsi	9,900	1,900	12,105	23,905	9,900	-	13,628	23,528
63	Crescent Jute Products 306, 3rd Floor, Sadiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore	Mazhar Karim 33100-7443925-5 Humayun Mazhar 35201-2124933-9 Khalid Bashir 35202-2861653-5 Khurram Mazhar Karim 35201-1471781-3 Amir Hasnain Zaidi 33100-3953467-1 Ahmad Rashid 42201-2703256-3	Mian Fazal Karim  Mian Mazhar Karim  Mian Muhammad Bashir  Mian Mazhar Karim  Murad Hussain Zaidi  Muhammad Hanif	40,000	35,808	0,023	75,831	12,000	35,808	0,023	47,831
<b>Subtotal - Ex-NDFC</b>				<b>216.379</b>	<b>301.929</b>	<b>93.078</b>	<b>611.386</b>	<b>158.007</b>	<b>297.262</b>	<b>94.601</b>	<b>549.870</b>
64	Akber Ali Yousuf Ali Ram Bharti Street, Jodia Bazar, Karachi *	Mst. Kulsum Bai, Sirajuddin Jackwala Moizuddin Jackwala Miss Nafisa Jackwala Fazal Abbas Jackwala Ali Asghar Jackwala		3,648	3,985	0,489	8,122	2,383	-	4,474	6,857

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				Principal	Interest/ mark-up	Others.	Total.				
1	2	3	4	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000
65	Al-Asif Sugar Mills Pvt. Ltd. *	M. Amin A. Bawany Omer Amin Bawany Ismile E. Bawany Dawood E. Bawany Ishaque E. Bawany Ahmed E. Bawany Ilyas E. Bawany		5,446	19,143	0,586	25,175	1,649	-	19,729	21,378
66	Younus Habib Accounts (69 Accounts)	M. Younus Habib 501-37-045359	Mr. Abdul Habib	2,052.119	1,604.195	-	3,656.314	826.971	-	1,611.195	2,438.166
<b>Subtotal - Ex-MBL</b>				<b>2,061.213</b>	<b>1,627.323</b>	<b>1.075</b>	<b>3,689.611</b>	<b>831.003</b>	<b>-</b>	<b>1,635.398</b>	<b>2,466.401</b>
<b>TOTAL</b>				<b>2,942.473</b>	<b>2,775.197</b>	<b>101.610</b>	<b>5,819.279</b>	<b>1,544.971</b>	<b>600.781</b>	<b>2,076.644</b>	<b>4,222.396</b>

\* Accounts settled under SBP Circular 29 dated 15-10-2002

NATIONAL BANK OF PAKISTAN

PATTERN OF SHAREHOLDING  
AS OF 31 DECEMBER 2007

NO. OF SHAREHOLDERS	<-- HAVING SHARES-->		SHARES HELD	PERCENTAGE
	FROM	TO		
1615	1	100	84151	.0103
2151	101	500	668417	.0819
1560	501	1000	1363994	.1672
3686	1001	5000	8930568	1.0951
411	5001	10000	3001323	.3680
136	10001	15000	1654289	.2028
84	15001	20000	1460146	.1790
66	20001	25000	1493655	.1831
24	25001	30000	671077	.0822
28	30001	35000	926288	.1135
28	35001	40000	1074692	.1317
16	40001	45000	690814	.0847
25	45001	50000	1240641	.1521
17	50001	55000	891787	.1093
8	55001	60000	461170	.0565
8	60001	65000	505243	.0619
6	65001	70000	408698	.0501
12	70001	75000	879816	.1078
6	75001	80000	466903	.0572
7	80001	85000	583375	.0715
6	85001	90000	535200	.0656
2	90001	95000	183083	.0224
18	95001	100000	1791360	.2196
10	100001	105000	1018529	.1249
4	105001	110000	429813	.0527
2	110001	115000	224300	.0275
11	115001	120000	1297938	.1591
1	120001	125000	125000	.0153
6	125001	130000	760558	.0932
2	130001	135000	263250	.0322
1	135001	140000	138000	.0169
4	140001	145000	568402	.0697
7	145001	150000	1046843	.1283
1	150001	155000	154155	.0189
4	160001	165000	648196	.0794
3	165001	170000	503495	.0617
2	170001	175000	350000	.0429
3	175001	180000	533226	.0653
2	180001	185000	361380	.0443
1	185001	190000	187000	.0229
5	195001	200000	1000000	.1226
2	200001	205000	404326	.0495
1	205001	210000	205950	.0252
2	210001	215000	423620	.0519
1	215001	220000	216500	.0265
2	220001	225000	445600	.0546
3	230001	235000	703427	.0862
4	235001	240000	950431	.1165

NATIONAL BANK OF PAKISTAN

PATTERN OF SHAREHOLDING  
AS OF 31 DECEMBER 2007

NO. OF SHAREHOLDERS	<-- HAVING SHARES-->		SHARES HELD	PERCENTAGE
	FROM	TO		
2	245001	250000	499194	.0612
2	260001	265000	523210	.0641
2	265001	270000	530600	.0650
1	270001	275000	270500	.0331
2	275001	280000	554711	.0680
1	290001	295000	292500	.0358
1	300001	305000	301100	.0369
1	315001	320000	318100	.0390
2	320001	325000	649650	.0796
2	325001	330000	654085	.0802
3	330001	335000	996900	.1222
1	340001	345000	344600	.0422
4	345001	350000	1392998	.1708
1	355001	360000	357000	.0437
2	360001	365000	728000	.0892
2	365001	370000	738235	.0905
2	370001	375000	741739	.0909
3	380001	385000	1148300	.1408
1	385001	390000	385820	.0473
3	395001	400000	1200000	.1471
1	410001	415000	413700	.0507
1	415001	420000	417000	.0511
1	420001	425000	421642	.0517
2	455001	460000	915625	.1122
1	460001	465000	462500	.0567
1	465001	470000	468280	.0574
1	475001	480000	475050	.0582
1	480001	485000	484366	.0593
3	495001	500000	1499550	.1838
1	505001	510000	507000	.0621
1	520001	525000	524500	.0643
1	545001	550000	548898	.0673
1	560001	565000	563713	.0691
1	565001	570000	566750	.0695
1	585001	590000	589700	.0723
2	600001	605000	1202619	.1474
1	625001	630000	625700	.0767
2	645001	650000	1292100	.1584
1	650001	655000	650625	.0797
1	655001	660000	660000	.0809
1	695001	700000	700000	.0858
1	710001	715000	712500	.0873
1	795001	800000	800000	.0981
1	805001	810000	809239	.0992
1	810001	815000	811460	.0995
1	840001	845000	842100	.1032
1	875001	880000	875802	.1074
1	880001	885000	881900	.1081

NATIONAL BANK OF PAKISTAN

PATTERN OF SHAREHOLDING  
AS OF 31 DECEMBER 2007

NO. OF SHAREHOLDERS	<-- HAVING SHARES-->		SHARES HELD	PERCENTAGE
	FROM	TO		
2	915001	920000	1831100	.2245
1	925001	930000	927141	.1136
1	980001	985000	984061	.1206
2	995001	1000000	2000000	.2452
1	1000001	1005000	1000500	.1226
1	1020001	1025000	1023357	.1254
1	1035001	1040000	1036074	.1270
1	1040001	1045000	1045000	.1281
1	1070001	1075000	1072747	.1315
1	1100001	1105000	1101550	.1350
1	1120001	1125000	1122000	.1375
1	1215001	1220000	1217500	.1493
1	1230001	1235000	1234865	.1514
1	1255001	1260000	1258800	.1543
1	1270001	1275000	1270500	.1558
1	1285001	1290000	1285320	.1576
1	1295001	1300000	1298600	.1592
1	1395001	1400000	1395613	.1711
1	1505001	1510000	1509900	.1851
2	1550001	1555000	3105706	.3808
1	1595001	1600000	1598700	.1960
1	1650001	1655000	1654300	.2028
2	1860001	1865000	3726577	.4570
1	1945001	1950000	1945521	.2385
1	1980001	1985000	1983050	.2431
1	2035001	2040000	2037500	.2498
1	2150001	2155000	2151600	.2638
1	2170001	2175000	2171100	.2662
1	2300001	2305000	2301300	.2822
2	2390001	2395000	4785621	.5868
1	2425001	2430000	2426700	.2975
1	2560001	2565000	2561500	.3141
1	2635001	2640000	2639268	.3236
1	2715001	2720000	2715200	.3329
1	3265001	3270000	3267950	.4007
1	4060001	4065000	4062452	.4981
1	4845001	4850000	4850000	.5947
1	5875001	5880000	5877950	.7208
1	12515001	12520000	12517100	1.5350
1	14680001	14685000	14683814	1.8007
1	20290001	20295000	20290294	2.4882
1	613185001	613190000	613187968	75.1979
10122			815431989	100.0000

NATIONAL BANK OF PAKISTAN

CATEGORIES OF SHAREHOLDERS  
AS OF 31 DECEMBER 2007

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
GOVERNMENT OF PAKISTAN	2	2651660	.3251
THE PRESIDENT OF PAKISTAN	2	635014	.0778
STATE BANK OF PAKISTAN	1	613187968	75.1979
ASSOCIATED COMPANIES	2	5289	.0006
NIT & ICP	3	4505038	.5524
BANKS, DFI & NBFI	62	24984366	3.0639
INSURANCE COMPANIES	25	22144518	2.7156
MODARABAS & MUTUAL FUNDS	74	35953400	4.4091
GENERAL PUBLIC (LOCAL)	9355	31317730	3.8406
GENERAL PUBLIC (FOREIGN)	241	1064441	.1305
OTHERS	301	21405133	2.6250
FOREIGN COMPANIES	54	57577432	7.0609
COMPANY TOTAL	10122	815431989	100.0000