

## Auditors' Report to the Members

We have audited the annexed balance sheet of The Bank of Punjab (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 (hereinafter referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 15 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by the 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:-

Reference is made to note 11.2 of the financial statements. Due to the limitation of the scope of the financial due diligence, it is not possible currently to determine the provision and its extent against the said advances.

- (a) in our opinion, proper books of account have been kept by the Bank as required by The Bank of Punjab Act, 1989, 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 Bank of Punjab Act, 1989, 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, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to ascertain the amount of provision required against the aforesaid advances, 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 Bank of Punjab Act, 1989, 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 profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore - February 28, 2008

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

## Balance Sheet

as at December 31, 2007

	Note	2007	2006
Rupees in '000			
<b>Assets</b>			
Cash and balances with treasury banks	7	14,210,302	14,054,859
Balances with other banks	8	1,927,662	3,722,089
Lendings to financial institutions	9	2,450,000	11,846,823
Investments	10	73,461,695	28,233,211
Advances	11	133,893,585	101,319,954
Operating fixed assets	12	3,252,759	2,068,744
Deferred tax assets		-	-
Other assets	13	5,778,192	3,609,457
		<b>234,974,195</b>	<b>164,855,137</b>
<b>Liabilities</b>			
Bills payable	15	937,647	856,448
Borrowings	16	17,842,915	6,989,424
Deposits and other accounts	17	191,968,909	137,727,606
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	18	40,321	40,988
Deferred tax liabilities	19	2,205,530	298,616
Other liabilities	20	2,983,079	2,816,341
		<b>215,978,401</b>	<b>148,729,423</b>
<b>Net Assets</b>		<b>18,995,794</b>	<b>16,125,714</b>
<b>Represented By</b>			
Share capital	21	4,230,379	2,902,490
Reserves		7,427,232	4,537,232
Unappropriated profit		3,452,842	3,219,246
		<b>15,110,453</b>	<b>10,658,968</b>
Surplus on revaluation of assets - net	22	3,885,341	5,466,746
		<b>18,995,794</b>	<b>16,125,714</b>
<b>Contingencies and Commitments</b>	23		

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

Chairman

President

Director

Director

Director

## Profit and Loss Account

for the year ended December 31, 2007

	Note	2007	2006
		Rupees in '000	
Mark-up/return/interest earned	24	17,539,094	11,579,036
Mark-up/return/interest expensed	25	13,939,377	7,508,795
Net mark-up/ interest income		3,599,717	4,070,241
Provision against non-performing loans and advances	11.5	1,616,421	340,626
Provision for diminution in the value of investments	10.3	24,479	33,000
Bad debts written off directly	11.6	246,869	100
		1,887,769	373,726
Net mark-up/ interest income after provisions		1,711,948	3,696,515
<b>Non Mark-up/interest Income</b>			
Fee, commission and brokerage income		653,512	473,212
Dividend income		1,804,878	1,385,875
Income from dealing in foreign currencies		377,233	239,804
Gain on sale and redemption of securities	26	2,039,535	389,063
Unrealized gain / (Loss) on revaluation of investments classified as held for trading		-	-
Other income	27	547,635	466,435
Total non-markup/interest income		5,422,793	2,954,389
		7,134,741	6,650,904
<b>Non Mark-up/interest Expenses</b>			
Administrative expenses	28	2,250,777	1,751,970
Provision against lending to financial institutions		-	130,000
Provision against off balance sheet items		292	175
Other charges	29	37,950	38
Total non-markup/interest expenses		2,289,019	1,882,183
		4,845,722	4,768,721
Extra ordinary/unusual items		-	-
<b>Profit Before Taxation</b>		4,845,722	4,768,721
Taxation - Current		169,252	880,997
- Prior years'		(19,921)	-
- Deferred		250,772	83,469
	30	400,103	964,466
<b>Profit After Taxation</b>		4,445,619	3,804,255
Unappropriated profit brought forward		3,219,246	169,817
Transfer from surplus on revaluation of fixed assets - net of tax		5,866	6,174
		3,225,112	175,991
Profit available for appropriation		7,670,731	3,980,246
<b>Basic Earnings per share - Rupees</b>	31	10.51	9.01
<b>Diluted Earnings per share - Rupees</b>	32	10.51	9.01

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

Chairman

President

Director

Director

Director

# Cash Flow Statement

for the year ended December 31, 2007

	Note	2007	2006
		Rupees in '000	
<b>Cash Flow From Operating Activities</b>			
Profit before taxation		4,845,722	4,768,721
Less: Dividend income		(1,804,878)	(1,385,875)
		<u>3,040,844</u>	<u>3,382,846</u>
Adjustments:			
Depreciation		142,553	130,779
Amortization		12,283	5,885
Provision against non-performing advances		1,616,421	340,626
Advances written-off		246,869	100
Provision for diminution in the value of investments		24,479	33,000
Provision against lendings to financial institutions		-	130,000
Provision for employee benefits		22,282	19,655
Provision against off-balance sheet items		292	175
Loss / (Gain) on sale of fixed assets		2,955	(1,088)
(Gain) on sale and redemption of securities		(2,039,535)	(389,063)
Finance charges on leased assets		3,760	4,368
		<u>32,359</u>	<u>274,437</u>
		<u>3,073,203</u>	<u>3,657,283</u>
(Increase)/ Decrease in operating assets			
Lendings to financial institutions		9,896,823	(4,383,142)
Held-for-trading securities		-	43,972
Advances		(35,284,680)	(38,036,975)
Others assets (excluding advance taxation)		(1,410,239)	(1,564,534)
		<u>(26,798,096)</u>	<u>(43,940,679)</u>
Increase/ (Decrease) in operating liabilities			
Bills Payable		81,199	378,447
Borrowings from financial institutions		10,594,265	198,417
Deposits		54,241,303	49,262,555
Other liabilities (excluding current taxation)		144,164	1,094,650
		<u>65,060,931</u>	<u>50,934,069</u>
		<u>41,336,038</u>	<u>10,650,673</u>
Income tax paid		(833,091)	(653,561)
<b>Net cash flow from operating activities</b>		<u>40,502,947</u>	<u>9,997,112</u>
<b>Cash Flow From Investing Activities</b>			
Net investments in available-for-sale securities		(43,253,018)	(13,513,343)
Net investments in held-to-maturity securities		69,936	2,193,053
Dividend income		1,804,878	1,381,520
Investments in operating fixed assets		(543,135)	(482,915)
Sale proceeds of property and equipment disposed-off		24,609	3,788
<b>Net cash used in investing activities</b>		<u>(41,896,730)</u>	<u>(10,417,897)</u>
<b>Cash Flow From Financing Activities</b>			
Payment of lease obligations		(4,427)	(28,915)
Issue of share capital		-	71,666
<b>Net cash used in / generated from financing activities</b>		<u>(4,427)</u>	<u>42,751</u>
Effects of exchange rate changes on cash and cash equivalents		-	-
<b>(Decrease) in cash and cash equivalents</b>		<u>(1,398,210)</u>	<u>(378,034)</u>
Cash and cash equivalents at beginning of the year	33	18,276,948	18,654,982
Cash and cash equivalents at end of the year	33	<u>16,878,738</u>	<u>18,276,948</u>

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

Chairman

President

Director

Director

Director

## Statement of Changes in Equity

for the year ended December 31, 2007

	Share capital	*Statutory reserve	Capital Reserve		Revenue Reserve		Total
			Share premium	For issue of bonus shares	General reserve	Unappropriated profit	
		Rupees		in	'000		
<b>Balance as at January 01, 2006</b>	2,349,719	1,243,000	2,049	-	1,695,350	1,486,755	6,776,873
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	6,174	6,174
Profit for the year ended December 31, 2006	-	-	-	-	-	3,804,255	3,804,255
Right issue	35,833	-	-	-	-	-	35,833
Premium on issue of shares	-	-	35,833	-	-	-	35,833
Transfer to statutory reserve	-	761,000	-	-	-	(761,000)	-
Transfer to reserve for issue of bonus shares	-	-	-	516,938	-	(516,938)	-
Issue of bonus shares	516,938	-	-	(516,938)	-	-	-
Transfer to general reserve	-	-	-	-	800,000	(800,000)	-
<b>Balance as at December 31, 2006</b>	<b>2,902,490</b>	<b>2,004,000</b>	<b>37,882</b>	<b>-</b>	<b>2,495,350</b>	<b>3,219,246</b>	<b>10,658,968</b>
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	5,866	5,866
Profit for the year ended December 31, 2007	-	-	-	-	-	4,445,619	4,445,619
Transfer to reserve for issue of bonus shares	-	-	-	1,327,889	-	(1,327,889)	-
Transfer to statutory reserve	-	890,000	-	-	-	(890,000)	-
Issue of bonus shares	1,327,889	-	-	(1,327,889)	-	-	-
Transfer to general reserve	-	-	-	-	2,000,000	(2,000,000)	-
<b>Balance as at December 31, 2007</b>	<b>4,230,379</b>	<b>2,894,000</b>	<b>37,882</b>	<b>-</b>	<b>4,495,350</b>	<b>3,452,842</b>	<b>15,110,453</b>

\* In accordance with the Banking Companies Ordinance, 1962, the bank is required to transfer twenty percent of its profit of each year to statutory reserve fund until the amount in such fund equals the paid up capital of the bank.

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

Chairman

President

Director

Director

Director

# Notes to the Financial Statements

for the year ended December 31, 2007

## 1. Status and nature of business

The Bank of Punjab was constituted pursuant to The Bank of Punjab Act, 1989. It was given the status of a scheduled bank by the State Bank of Pakistan (SBP) on September 19, 1994. It is principally engaged in commercial banking and related services with its registered office at 7-Egerton Road, Lahore. The Bank has 272 branches (2006: 266 branches) in Pakistan and Azad Jammu and Kashmir at the year end. The Bank is listed on Lahore, Karachi and Islamabad Stock Exchanges. The majority shares of the Bank are held by the Government of Punjab.

## 2. Basis of preparation

In accordance with the directives of the Government of Pakistan regarding the conversion of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate marked-up 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.

## 3. Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies ordinance, 1984, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, or directive issued by Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP). Wherever the requirements of the Commission of Pakistan and the State Bank of Pakistan (SBP) differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, The Bank of Punjab Act, 1989, the Banking Companies Ordinance, 1962, or the requirements of the said directives prevail.

The State Bank of Pakistan (SBP) as per BSD Circular No. 10, dated August 26, 2002 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 till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan vide BSD Circular No. 10, dated July 13, 2004.

## 4. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of land and building and valuation of certain investments and commitments in respect of forward exchange contracts at fair value and certain staff retirement benefits at present value.

## 5. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements in conformity with the Approved Accounting Standards and statutory requirements 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.

## **5.1 Held-to-maturity securities**

As described in note 6.5 held-to-maturity securities are investments where the management has positive intent and ability to hold to maturity. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity.

## **5.2 Provision against non-performing advances**

Apart from the provision determined on the basis of time-based criteria given in Prudential Regulations, the management also applies the subjective criteria of classification, accordingly, the classification of advances is downgraded on the basis of credit worthiness of the borrower, its cash flows, operations in account and adequacy of security in order to ensure accurate measurement of the provision.

## **5.3 Impairment of available-for-sale equity investments**

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. 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.

## **5.4 Useful life of operating fixed assets**

Estimates of useful life of operating fixed assets are based on management's best estimate.

## **5.5 Income taxes**

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

## **5.6 Employees' compensated absences**

The value of provision for employees' compensated absences is determined using actuarial valuation. The valuation involves making use of assumptions about discount rates, mortality, expected rate of salary increases, retirement rates, and average leave utilization per year. Due to the degree of subjectivity involved and long-term nature of these plans, such estimates are subject to significant uncertainty.

## **6. Summary of significant accounting policies**

### **6.1 Changes in accounting estimate**

The benefit of forced sale value of collateral under BSD Circular No. 7 dated October 12, 2007 has been withdrawn, with effect from December 31, 2007. Previously, this benefit was restricted to financing facilities of Rs. 10 million and above only. Further, the time period for classifying personal loans as loss has been reduced from one year to 180 days. This change in the provisioning requirements has been accounted for as a change in accounting estimate. Had the change not been made, specific provision against non-performing loans and advances would have been lower and consequently, profit before taxation and advances would have been higher by Rs. 480,324 (thousand).



## **6.2 Cash and Cash equivalents**

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lending less overdrawn nostro accounts and other overdrawn bank accounts.

## **6.3 Revenue recognition**

### **6.3.1 Markup/return/interest income**

Markup/return/interest on advances and return on investments are recognized in profit and loss account on accrual basis, except mark-up on classified loans and advances which is recognized when received.

### **6.3.2 Dividend income**

Dividend income is recognized when the Bank's right to receive the dividend is established.

### **6.3.3 Lease finance income**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease periods so as to produce a constant periodic rate of return on the outstanding net cash investment in lease. Unrealized lease income is suspended, where necessary, in accordance with the requirements of the State Bank of Pakistan. Gain/loss on termination of lease contracts, documentation charges and other lease income are recognized as income when these are realized.

### **6.3.4 Fees and commission income**

Fees and commission on letters of credit/guarantee are recognized on a receipt basis.

## **6.4 Advances including net investment in finance lease**

Loans and advances and net investments in finance lease are stated net of provision for doubtful debts. Provision for doubtful debts is made in accordance with the Prudential Regulations prescribed by the State Bank of Pakistan and is charged to profit and loss account.

Leases where risks and rewards incidental to ownership are substantially transferred to lessee are classified as finance lease. A receivable is recognized at an amount equal to present value of the lease payments including any guaranteed residual value.

## **6.5 Investments**

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

All regular way purchase/sale of investment are recognized on the trade date, i.e., the date the Bank commits to purchase/sell the investments. Regular way purchase or sale of investment requires 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 subsidiary, 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 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 (except for 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 break-up value. 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 yield method and taken to interest income.

On de-recognition 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.

Investment in subsidiary is stated at cost. Provision is made for any impairment in value.

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

## **6.6 Lending to/borrowing from financial institutions**

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

### **(a) Sale under repurchase obligations**

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counterparty liability is included in borrowings from financial institutions. The differential in sale and repurchase value is accrued using effective yield method and recorded as interest expense.

### **(b) Purchase under resale obligations**

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as interest income.

## **6.7 Operating fixed assets and depreciation**

### **Owned**

Property and equipment, other than land which is not depreciated, are stated at cost or revalued amounts less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount.

Depreciation on operating property and equipment is charged to income using the diminishing balance method so as to write off the historical cost or revalued amount of the asset over its estimated useful life, except motor vehicles and computer equipment on which depreciation is charged using the straight line basis. The rates at which the depreciation is charged are given in note 12.2 to these financial statements. Impairment loss or its reversal, if any, is charged to income. When an impairment loss is recognized, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount over estimated useful life.

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

Surplus on revaluation of operating fixed assets is credited to the "Surplus on Revaluation Account" shown below equity. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of operating fixed assets (net of deferred taxation) is transferred directly to un-appropriated profit.

### **Leased**

Property and equipment subject to finance lease are accounted for by recording the assets and the related liabilities. These are stated at fair value or present value of minimum lease payments whichever is lower at the inception of the lease less accumulated depreciation. 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. The property and equipment acquired under finance leasing contracts is depreciated over the useful life of the assets as per rates given in note 12.2 to these financial statements.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortization and impairment loss (if any). The cost of intangible assets is amortized over their useful lives, using the straight line method. Amortization on additions is charged from the month the assets are available for use while no amortization is charged in the month in which the assets are disposed.

### **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.

## **6.8 Taxation**

### **Current**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if

enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### **Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that the taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The Bank also recognizes deferred tax asset/liability on deficit/surplus on revaluation of fixed assets and securities which is adjusted against the related deficit/surplus in accordance with the requirements of International Accounting Standard 12, 'Income Taxes'.

## **6.9 Employee retirement and other benefits**

### **6.9.1 Defined contribution plan – Provident Fund**

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to income.

### **6.9.2 Employees' compensated absences**

The Bank makes annual provision in the accounts for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The most recent valuation was carried out at February 08, 2008 using the "Projected unit credit method". The principal assumptions used in the valuation at December 31, 2007 were as follows:

- Discount rate	10%
- Expected rate of eligible salary increase in future years	9%
- Average number of leaves utilized during the year	9 days
- Average number of leaves accumulated per annum by the employees	21days

The amount charged during the year is Rs. 22.282 million  
(2006: Rs. 19.655 million)

## **6.10 Foreign currencies**

Transactions in foreign currency are translated to Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities and commitments for letters of credit and acceptances in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date except assets and liabilities for which there are forward contracts which are translated at the contracted rates. Forward exchange contracts and foreign bills

purchased are valued at forward rates applicable to their respective maturities.

All exchange differences are charged to profit and loss account.

## **6.11 Provisions**

Provisions are recorded when the Bank has a present obligation as a result of a past event when it is probable that it will result in an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation.

### **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.

## **6.12 Dividend distribution and appropriations**

Dividend distributions and appropriation to reserves are recognized as a liability in the financial statements in the period in which these are approved. Transfer to statutory reserve and any of the mandatory appropriations as may be required by law are recognized in the period to which they relate.

## **6.13 Impairment**

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

## **6.14 Financial Instruments**

### **6.14.1 Financial assets and liabilities**

Financial instruments carried on the balance sheet include cash and bank balances, lending to financial institutions, investments, advances, certain receivables, borrowing from financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

### **6.14.2 Offsetting**

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

## **6.15 Standards, interpretations and amendments to published approved accounting standards that are 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 interpretation.



<b>Standards and Interpretations</b>	<b>Effective date (accounting periods beginning on or after)</b>
IAS1 - 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 - 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

The Bank expects that 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

## 7. Cash and Balances With Treasury Banks

	Note	2007	2006
		Rupees in '000	
<b>In hand</b>			
- Local currency	7.1	2,267,721	1,614,837
- Foreign currency		306,040	128,462
		<b>2,573,761</b>	1,743,299
<b>With State Bank of Pakistan in</b>			
- Local currency current account	7.2	9,531,986	9,580,437
- Foreign currency deposit account	7.3		
- Non remunerative		93,000	126,693
- Remunerative	7.4	93,000	380,657
		<b>9,717,986</b>	10,087,787
<b>With National Bank of Pakistan in</b>			
- Local currency current account		1,918,555	2,100,773
- Local currency deposit account		-	123,000
		<b>1,918,555</b>	2,223,773
		<b>14,210,302</b>	<b>14,054,859</b>

**7.1** This includes National Prize Bonds of Rs. 42,528 thousand ( 2006: Rs 32,520 thousand)

**7.2** This includes statutory liquidity reserves maintained with the SBP under Section 29 of the Banking Companies Ordinance, 1962.



**7.3** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the State Bank of Pakistan.

**7.4** These carry mark-up at rates as announced by SBP on a monthly basis. Profit rates during the year ranged from 3.71% to 4.72% per annum (2006: 3.39% to 4.35% per annum).

## 8. Balances With Other Banks

	Note	2007	2006
Rupees in '000			
In Pakistan			
- On current account		956,833	681,289
- On deposit account		-	1,900,000
- On saving account	8.1	60,699	213,338
		<b>1,017,532</b>	2,794,627
Outside Pakistan			
- On current account		104,130	135,632
- On deposit account	8.2	806,000	791,830
		<b>910,130</b>	927,462
		<b>1,927,662</b>	3,722,089

**8.1** These represent saving deposits maintained with various banks inside Pakistan at mark up rates ranging from 0.50% to 8.5% per annum (2006: 2.00% to 4.00% per annum).

**8.2** These represent short-term deposits maintained with various banks outside Pakistan at mark up rates ranging from 4.83% to 5.40% per annum (2006: 5.25% to 5.28% per annum).

## 9. Lendings To Financial Institutions

	Note	2007	2006
Rupees in '000			
Call money lendings	9.2	1,000,000	500,000
Repurchase agreement lendings (Reverse Repo)	9.3	-	9,281,823
Certificates of investment	9.4	500,000	1,700,000
Placements	9.5	950,000	365,000
		<b>2,450,000</b>	11,846,823
<b>9.1 Particulars Of Lending</b>			
In local currency		2,450,000	11,846,823
In foreign currencies		-	-
		<b>2,450,000</b>	11,846,823

**9.2** This represents funds placed with a commercial bank in inter bank money market, carrying mark up at the rate of 10.00% per annum (2006:10.00% per annum) with maturities upto March 12, 2008.

### 9.3 Securities held as collateral against lending to financial institutions

Note	2007			2006		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	Rupees		in	'000		
Pakistan Market Treasury Bills	-	-	-	6,641,823	-	6,641,823
Pakistan Investment Bonds	-	-	-	2,640,000	-	2,640,000
Term Finance Certificates	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,281,823</u>	<u>-</u>	<u>9,281,823</u>

9.4 This represents Certificate of Investment at profit rate of 12% per annum (2006: 12.19% to 22.00% per annum) maturing on January 14, 2009.

9.5 These represent placements carrying profit at rates ranging from 10.35% to 11.5% per annum (2006: 12.00% to 13.00% per annum) with maturities up to March 15, 2008.

## 10. Investments

### 10.1 Investments by types:

Note	2007			2006			
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total	
	Rupees		in	'000			
<b>Available-for-sale securities</b>							
Pakistan Market Treasury Bills	10.5	32,901,100	11,831,304	44,732,404	8,200,261	288,924	8,489,185
Pakistan Investment Bonds	10.5	732,097	-	732,097	788,678	-	788,678
Ordinary shares of listed companies and modarabas	10.6	147,920	-	147,920	147,920	-	147,920
Preference shares of listed companies	10.7	210,908	-	210,908	210,908	-	210,908
Ordinary shares of unlisted companies	10.8	25,000	-	25,000	25,000	-	25,000
Preference shares of unlisted companies		-	-	-	-	-	-
NIT Units	10.9	4,417,738	-	4,417,738	2,792,859	-	2,792,859
Investment in funds	10.10	12,317,033	-	12,317,033	4,382,541	-	4,382,541
Term Finance Certificates (TFCs)		3,109,818	-	3,109,818	3,664,887	-	3,664,887
<b>Held-to-maturity securities</b>							
Pakistan Market Treasury Bills		-	-	-	-	-	-
Pakistan Investment Bonds	10.11	2,886,233	-	2,886,233	2,955,518	-	2,955,518
WAPDA Bonds		100,987	-	100,987	101,638	-	101,638
<b>Subsidiary</b>							
Punjab Modaraba Services (Private) Limited	10.12	164,945	-	164,945	160,000	-	160,000
Add: Share deposit money		-	-	-	4,943	-	4,943
		<u>164,945</u>	<u>-</u>	<u>164,945</u>	<u>164,943</u>	<u>-</u>	<u>164,943</u>
<b>Total investments at cost</b>		<b>57,013,779</b>	<b>11,831,304</b>	<b>68,845,083</b>	<b>23,435,153</b>	<b>288,924</b>	<b>23,724,077</b>
Less: Provision for diminution in value of investments	10.3	6,525	-	6,525	33,400	-	33,400
<b>Investments - net of provisions</b>		<b>57,007,254</b>	<b>11,831,304</b>	<b>68,838,558</b>	<b>23,401,753</b>	<b>288,924</b>	<b>23,690,677</b>
Add: Surplus on revaluation of available-for-sale securities	22.2	4,623,137	-	4,623,137	4,542,534	-	4,542,534
<b>Total investments at market value</b>		<b>61,630,391</b>	<b>11,831,304</b>	<b>73,461,695</b>	<b>27,944,287</b>	<b>288,924</b>	<b>28,233,211</b>



## 10.2 Investments By Segments:

Note	2007			2006			
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total	
	Rupees			in '000			
<b>Federal government securities:</b>							
Market Treasury Bills	10.5	32,901,100	11,831,304	44,732,404	8,200,261	288,924	8,489,185
Pakistan Investment Bonds	10.5	3,618,330	-	3,618,330	3,744,196	-	3,744,196
<b>Fully paid up ordinary shares/units:</b>							
Listed companies	10.6	147,920	-	147,920	147,920	-	147,920
Unlisted companies	10.8	25,000	-	25,000	25,000	-	25,000
Shares -unlisted subsidiary company	10.12	164,945	-	164,945	160,000	-	160,000
Share deposit money - unlisted subsidiary company		-	-	-	4,943	-	4,943
NIT Units	10.9	4,417,738	-	4,417,738	2,792,859	-	2,792,859
Investment in funds	10.10	12,317,033	-	12,317,033	4,382,541	-	4,382,541
<b>Preference shares:</b>							
Listed companies	10.7	210,908	-	210,908	210,908	-	210,908
<b>Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:</b>							
Listed Term Finance Certificates	10.13	567,313	-	567,313	824,405	-	824,405
Unlisted Term Finance Certificates	10.14	2,542,505	-	2,542,505	2,840,482	-	2,840,482
WAPDA Bonds		100,987	-	100,987	101,638	-	101,638
<b>Total investments at cost</b>		<b>57,013,779</b>	<b>11,831,304</b>	<b>68,845,083</b>	23,435,153	288,924	23,724,077
Less: Provision for diminution in value of investment	10.3	6,525	-	6,525	33,400	-	33,400
<b>Investments - net of provisions</b>		<b>57,007,254</b>	<b>11,831,304</b>	<b>68,838,558</b>	23,401,753	288,924	23,690,677
Add: Surplus on revaluation of available-for-sale securities	22.2	4,623,137	-	4,623,137	4,542,534	-	4,542,534
<b>Total investments at market value</b>		<b>61,630,391</b>	<b>11,831,304</b>	<b>73,461,695</b>	27,944,287	288,924	28,233,211

Note      **2007**                  2006  
Rupees in '000

## 10.3 Provision for diminution in value of investments

Opening balance		33,400	400
Charge for the year		39,125	33,000
Reversal during the year		(14,646)	-
		24,479	33,000
Write off	11.5.3	57,879	33,400
		(51,354)	-
Closing balance		6,525	33,400

### 10.3.1 Particulars of provision in respect of type and segment

#### Available-for-sale securities

Term Finance Certificates (TFCs)	-	33,000
Ordinary Shares of unlisted Company	6,125	-

#### Held-to-maturity securities

WAPDA Bearer Bond	400	400
	6,525	33,400

## 10.4 Quality of available-for-sale securities

	2007		2006	
	Market value	Rating	Market value	Rating
	Rupees in '000		Rupees in '000	
<b>Federal government securities</b>				
Pakistan Investment Bonds	706,574	Un-rated	769,483	Un-rated
Market Treasury Bills	44,667,190	Un-rated	8,874,220	Un-rated
	<u>45,373,764</u>		<u>9,643,703</u>	
<b>Ordinary shares of listed companies</b>				
Trust Modaraba	2	Un-rated	2	Un-rated
Trust Leasing and Investment Bank	88,503	AA-	121,110	AA-, A1+
First National Bank Modaraba	8,313	A-	7,775	A-, A-2
Zephyr Textiles Limited	21,598	Un-rated	29,626	Un-rated
	<u>118,416</u>		<u>158,513</u>	
<b>Preference shares of listed companies</b>				
Pak Elektron Limited	105,000	A, A1	80,000	A, A1
Shakarganj Mills Limited	45,000	BBB+, A2	75,000	Un-rated
Azgard Nine Limited	86,851	A+, A1	43,271	A, A1
Trust Leasing & Investment Bank Limited	-	AA-, A1+	-	AA-, A1+
Fazal Cloth Mills Limited	25,000	Un-rated	25,000	Un-rated
	<u>261,851</u>		<u>223,271</u>	
<b>Listed Term Finance Certificates</b>				
Al-Zamin Leasing Modaraba	1,754	A	3,509	A
Ittehad Chemicals Limited	4,164	A	12,990	A
Jahangir Siddiqui Investment Company Limited	6,242	AA+	18,728	AA+
MCB Bank Limited	52,416	A1+	181,709	AA
Pharmagen Limited	-	A-	37,143	A-
United Bank Limited	49,943	AA	49,962	AA-
Sui Southern Gas Company Limited	-	AA	13,989	AA
Union Bank Limited	49,930	AAA	49,950	A
Bank AL Habib Limited	9,988	AA-	9,992	AA-
Trust Leasing and Investment Bank Limited	25,800	AA	38,700	AA
Trust Leasing and Investment Bank Limited	13,548	AA	18,064	AA
Nishat Mills Limited	35,964	A+, A1	71,928	A+, A1
JS ABAMCO Limited	69,416	AA+	69,430	AA-
Orix Leasing Pakistan Limited	221,956	AA+	222,000	AA+
World Call Communications Limited	34,486	AA-	34,500	AA-
Crescent Leasing Corporation Limited	20,400	A-	30,600	A-
	<u>596,007</u>		<u>863,194</u>	

	2007		2006	
	Cost	Rating	Cost	Rating
	Rupees in '000		Rupees in '000	
<b>Unlisted Term Finance Certificates</b>				
Dewan Mushtaq Textile Mills Limited	-	Un-rated	9,375	Un-rated
Dewan Textile Mills Limited	-	Un-rated	12,500	Un-rated
Orient Petroleum Limited	-	A, A-1	4,167	A, A-1
Pakistan International Airlines Corporation Limited	91,871	Un-rated	97,121	Un-rated
Pakistan Mobile Communications (Private) Limited	-	AA-	240,000	AA-, A1
Crescent Leasing Corporation Limited	-	A-	25,000	A-
Crescent Steel and Allied Products Limited	28,125	AA	46,875	AA-
Jamshoro Joint Venture Limited	37,500	AA-	62,500	A+
Pakistan Mobile Communications (Private) Limited	40,000	AA-	100,000	AA-, A1
Pakistan Mobile Communications (Private) Limited	50,000	AA-	50,000	AA-, A1
Security Leasing Corporation Limited	-	A-, A2	18,750	A-, A2
Azgard Nine Limited	-	AA-	37,500	A+
Crescent Standard Investment Bank Limited	-	Suspended	132,000	Suspended
Escorts Investment Bank Limited	99,920	A+	149,880	A+
Reliance Export Limited	-	Un-rated	180,000	Un-rated
Dewan Cement Limited	29,247	A	38,810	A, A1
Dewan Cement Limited	470	A	470	A, A1
Azgard Nine Limited	24,980	A1+	24,990	A+
Azgard Nine Limited (Dominion Fertilizer (Private) Limited)	910,416	Un-rated	950,000	Un-rated
Zaver Petroleum	249,500	Un-rated	250,000	Un-rated
Pakistan Mobile Communications (Private) Limited	-	AA-	129,974	AA-, A1
Jahangir Siddiqui Company Limited	24,990	AA+	25,000	AA+
First National Equities Limited	-	A-	75,000	A-
JS ABAMCO Limited	30,564	AA+	30,570	AA-
Syed Bhais (Private) Limited	150,000	Un-rated	150,000	Un-rated
Azgard Nine Limited	500,000	AA-1	-	
Azgard Nine Limited	25,000	AA-1	-	
Pakistan Mobile Communications (Private) Limited	120,000	AA-	-	
Pakistan Mobile Communications (Private) Limited	129,922	AA-	-	
	<b>2,542,505</b>		<b>2,840,482</b>	



	2007		2006	
	Market value	Rating	Market value	Rating
	Rupees in '000		Rupees in '000	
<b>Mutual Funds</b>				
<b>Open ended mutual funds</b>				
NIT Units	9,490,091	Un-rated	7,152,789	Un-rated
Pakistan Income Fund	958,990	4-Star	897,666	4-Star
Pakistan Stock Market Fund	131,797	5-Star	123,927	5-Star
Pakistan Capital Market Fund	84,246	3-Star	79,002	3-Star
Pakistan Int'l Element Islamic Fund	198,626	Un-rated	193,141	Un-rated
Unit Trust of Pakistan	302,598	5-Star	308,388	5-Star
Unit Trust of Pakistan - Income Fund	1,957,036	5-Star	549,468	5-Star
Unit Trust of Pakistan - Islamic Fund	89,039	5-Star	92,364	5-Star
UTP Fund of Funds	13,449	Un-rated	12,398	Un-rated
UTP Aggressive Asset Allocation Fund	48,695	5-Star	54,100	5-Star
UTP A30 + Fund	27,215	Un-rated	25,385	Un-rated
UTP Abamco Capital Protected Fund	103,479	Un-rated	50,000	Un-rated
JS-Aggressive Income Fund	248,657	Un-rated	-	-
JS-Capital Protected Fund II	49,559	Un-rated	-	-
JS-Capital Protected Fund III	9,944	Un-rated	-	-
Faysal Balanced Growth Fund	66,876	3-Star	62,135	3-Star
Faysal Saving Growth	1,000,247	Un-rated	-	-
Atlas Stock Market Fund	198,767	5-Star	20,262	5-Star
Atlas Islamic Fund	50,275	Un-rated	50,000	Un-rated
Atlas Income Fund	151,040	5-Star	-	-
AKD Opportunity Fund	100,916	Un-rated	95,300	Un-rated
AKD Income Fund	50,982	Un-rated	-	-
AMZ Plus Income Fund	801,953	5-Star	603,825	Un-rated
AMZ Plus Stock Market Fund	226,607	A (f)	241,442	A(f)
Askari Income Fund	288,264	5-Star	101,277	Un-rated
Askari Asset Allocation Fund	48,345	Un-rated	-	-
KASB Liquid Fund	118,720	Un-rated	26,323	Un-rated
KASB Stock Fund	96,465	Un-rated	-	-
KASB Balanced Fund	200,000	Un-rated	-	-
Meezan Islamic Fund	525,625	Un-rated	25,000	Un-rated
NAFA Cash Fund	255,351	MFR-5 Star	53,617	A(f)
NAFA Stock Fund	254,193	Un-rated	-	-
Reliance Income Fund	300,355	Un-rated	25,531	Un-rated
United Composite Islamic Fund	24,157	Un-rated	25,025	Un-rated
United Growth & Income Fund	25,046	A (f)	25,011	Un-rated
United Stock Advantage Fund	23,851	Un-rated	-	-
MCB Dynamic Cash Fund	190,307	Un-rated	-	-
MCB Dynamic Stock Fund	625,159	Un-rated	-	-
Alfalh GHP Multiplier Fund	125,208	Un-rated	-	-
Dawood Money Market Fund	100,129	5-Star	-	-
IGI Income Fund	25,036	Un-rated	-	-
First Habib Income Fund	125,143	Un-rated	-	-
HBL Income Fund	50,058	Un-rated	-	-
BMA Chundrigar Road Saving Fund	103,636	Un-rated	-	-
POBOP Advantage Fund	762,300	Un-rated	-	-
<b>Close ended mutual funds</b>				
Pakistan Strategic Allocation Fund	159,250	4-Star	148,750	5-Star
Pakistan Capital Protected Fund	400,000	Un-rated	-	-
UTP-Large Capital Fund (ABAMCO Composite Fund)	162,000	4-Star	160,000	4-Star
Atlas Fund of Funds	10,531	5-Star	10,030	4-Star
NAMCO Balance Fund	62,625	Un-rated	75,000	Un-rated
	<u>21,422,838</u>		<u>11,287,156</u>	

The above ratings represent instrument ratings for the respective securities. Wherever instrument ratings are not available, un-rated have been disclosed. Two ratings in one column represent long-term and short-term ratings of the entity respectively. The ratings have been obtained from Pakistan Credit Rating Agency (PACRA) and JCR-VIS.



10.5 Market Treasury Bills and Pakistan Investment Bonds are eligible for rediscounting with State Bank of Pakistan.

#### 10.6 Ordinary shares of listed companies and modarabas

Number of shares/Certificates		Name of company/modaraba	2007	2006
2007	2006		Rupees in '000	
<b>Available-for-sale</b>				
500	500	Trust Modaraba	6	6
3,105,381	3,105,381	Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation)	99,907	99,907
978,000	978,000	National Bank Modaraba	9,780	9,780
3,822,698	3,822,698	Zephyr Textile Limited	38,227	38,227
			<b>147,920</b>	<b>147,920</b>

#### 10.7 Preference shares of listed companies

Number of shares/Certificates		Name of company/modaraba	2007	2006
2007	2006		Rupees in '000	
8,000,000	8,000,000	Pak Elektron Limited (PEL)	80,000	80,000
7,500,000	7,500,000	Shakarganj Mills Limited	75,000	75,000
3,090,794	3,090,794	Azgard Nine Limited	30,908	30,908
2,500,000	2,500,000	Fazal Cloth Mills Limited	25,000	25,000
			<b>210,908</b>	<b>210,908</b>

Other particulars of preference shares are as follows:

Particulars	Nominal value per share	Profit rate per annum	Profit payment	Redemption terms
<b>Listed</b>				
Pak Elektron Limited (PEL)	10	Dividend of 9.50% per annum payable if and when declared by the company on a cumulative basis.	Annually	Call option subject to maximum of 75% and 100% of the issue size within 90 days of the end of each semi annual period commencing from 3rd & 5th anniversary respectively. Conversion option on the formula mentioned in the prospectus is exercisable after the 5th anniversary of the issue.
Shakarganj Mills Limited	10	Preferred right of dividend at 8.50% per annum on a cumulative basis.	Annually	Principal will be redeemed at the end of 5th year from the issue date. Conversion option is exercisable at the end of every financial year from the date of issue or in whole or in part or convertible by the company in whole or part through tender.
Azgard Nine Limited	10	Fixed dividends at 8.95% per annum to be declared within 3-months of close of financial year on a cumulative basis.	Annually	50% of the issue amount at the end of 5th year of issuance/ allotment and remaining 50% at the end of 6th year subject to the provisions of Section 85 of the Companies Ordinance, 1984.
Fazal cloth mills Limited	10	Fixed dividends at six month Kiboraskside +2.5% per annum,	Annually	Issuer may redeem at its option the whole or minimum 20% of the outstanding face value at any time after completion of three years from the date of issue by giving atleast 60 days .

#### 10.8 Ordinary shares of unlisted company

Number of shares / Certificates		Name of company	2007	2006
2007	2006		Rupees in '000	
2,000,000	2,000,000	Emirates Global Islamic Bank (Chief Executive Officer: Mr. Syed Tariq Hussain)	25,000	25,000

## 10.9 NIT Units

The bank's investment in NIT consists of units 158,829,978 (2006: 158,950,857 units)

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

As of April 1, 2007, fund has been split into two funds representing LoC and Non-LoC holders. The Bank's entire holding of NIT units is being managed by National Investment Trust Limited( NIT ) under LOC Holder Fund and accordingly these have been measured at separate NAV as announced by NIT on daily basis.

However notwithstanding the above, the Bank received another 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, in accordance with the provisions of Trust Deed.

During the year NIT vide its letter no. MDNIT/191/2007 dated February 23, 2007 intimated to the bank that the Government has decided to offer to all the Letter of Comfort (LoC) holders, including the bank, the following options in respect of their holding in NIT Units:

- (a) LoC holders may exercise their options of acquiring the right to manage their funds at the same terms as determined by a competitive bidding process for auction of the non-LoC management rights with no discount.
- (b) In the event the above option is not acceptable, the LoC holders may either choose:
  - (i) to enter into agreement with NIT for a staggered redemption spread over a period of several years with an initial payment from proceeds of sale of 'Pakistan Industrial Credit and Investment Corporation' and 'Pakistan State Oil' shares; or
  - (ii) exercise the redemption option before the expiry of current LoC date with immediate payment at a discount of 10% over and above the normal procedure. NIT would raise the requisite financing from normal banking channels.

The Bank has opted for the option b(i) mentioned above. However, there has been no further development on the matter.

## 10.10 Investment in funds

Number of Units		Name of fund	Note	2007	2006
2007	2006			Rupees in '000	
<b>Open ended mutual funds</b>					
18,249,097	17,033,515	Pakistan Income Fund		1,011,000	911,191
1,504,877	1,504,877	Pakistan Stock Market Fund		170,804	170,804
6,899,730	6,899,730	Pakistan Capital Market Fund		105,000	105,000
3,698,806	4,033,014	Pakistan Int'l Element Islamic Fund		200,000	200,000
2,091,500	41,830	Unit Trust of Pakistan	10.10.1	369,246	369,246
18,487,017	1,032,563	Unit Trust of Pakistan - Income Fund		2,065,037	565,037
159,061	159,061	Unit Trust of Pakistan - Islamic Fund		111,368	111,368
250,000	250,000	UTP Fund of Funds		12,500	12,500
500,000	1,000,000	UTP Aggressive Asset Allocation Fund		50,000	50,000
500,000	500,000	UTP A30 + Fund		25,000	25,000
501,000	500,000	UTP ABAMCO Capital Protected Fund		50,000	50,000
1,044,924	-	UTP Capital Protected Fund		100,000	-
2,486,573	-	JS - Aggressive Income Fund		250,000	-
100	-	JS Capital Protected Fund III		10,000	-
616,366	617,476	Faysal Balanced Growth Fund		68,547	62,223
9,512,578	-	Faysal Saving & Growth Fund		1,000,000	-
330,265	36,690	Atlas Stock Market Fund		221,963	13,334
287,958	-	Atlas Income Fund		150,000	-
97,567	100,000	Atlas Islamic Fund		50,000	50,000
1,673,570	2,000,000	AKD Opportunity Fund		100,000	100,000
966,316	-	AKD Income Value Fund		50,000	-
7,569,921	5,679,748	AMZ Plus Income Fund		800,000	600,000
2,120,000	2,487,045	AMZ Plus Stock Market Fund		200,000	250,000
2,727,452	953,107	Askari Income Fund		304,357	100,000
500,000	-	Askari Asset Allocation Fund		50,000	-
1,127,447	250,000	KASB Liquid Fund		125,000	24,648
1,776,522	-	KASB Stock Market Fund		100,000	-
4,000,000	-	KASB Balanced Fund		200,000	-
10,067,508	500,000	Meezan Islamic Fund		525,000	25,000
24,292,332	5,095,000	NAFA Cash Fund		255,021	50,000
18,671,591	-	NAFA Stock Fund		225,000	-
5,733,157	500,000	Reliance Income Fund		300,000	25,000
224,719	250,000	United Composite Islamic Fund		25,000	25,000
238,939	242,959	United Growth & Income Fund		25,000	25,000
217,146	-	United Stock Advantage Fund		25,000	-
1,785,494	-	MCB Dynamic Stock Fund		225,000	-
5,970,502	-	MCB Dynamic Cash Fund		625,000	-
2,380,834	-	Alfalh GHP Multiplier Fund		125,000	-
949,433	-	Dawood Money Market Fund		100,000	-
238,572	-	IGI Income Fund		25,000	-
1,194,458	-	First Habib Income Fund		125,000	-
478,744	-	HLB Income Fund		50,000	-
10,051,318	-	BMA Chundrigar Road Saving Fund		100,000	-
15,000,000	-	POBOP Advantage Fund		750,000	-
<b>Close ended mutual funds</b>					
17,500,000	17,500,000	Pakistan Strategic Allocation Fund		175,250	175,250
40,000,000	-	Pakistan Capital Protected Fund		400,000	-
20,000,000	20,000,000	UTP-Large Capital Fund (Formerly: ABAMCO Composite Fund)		200,000	200,000
1,253,700	1,253,700	Atlas Fund of Funds		11,940	11,940
7,500,000	7,500,000	NAMCO Balance Fund		75,000	75,000
				<b>12,317,033</b>	<b>4,382,541</b>



**10.10.1** In pursuance to 2<sup>nd</sup> supplemental trust deed of Unit Trust of Pakistan dated October 30, 2007, face value of units held by existing unit holders, have been changed from Rs. 5,000/- to Rs. 100/-, in consequence of which one (1) existing unit of par value Rs. 5,000/- has been sub-divided into fifty (50) units of par value Rs. 100/- each with effect from November 29, 2007.

**10.10.2 Core Investments in Mutual Funds**

Name of Fund	Retention upto	Core Investment
UTP A30 + Fund	10-Apr-08	25,000,000
UTP Fund of Funds	24-Jun-08	12,500,000
UTP Capital Protected Fund	14-Feb-09	50,000,000
UTP Capital Protected Fund II	14-May-09	50,000,000
JS Capital Protected Fund III	21-Aug-09	10,000,000
UTP Aggressive Asset Allocation Fund	27-Jun-08	50,000,000
Atlas Islamic Fund	14-Oct-08	25,000,000
AMZ Plus Stock Market Fund	4-May-08	200,000,000
AKD Opportunity Fund	21-Feb-08	20,000,000
KASB Stock Market Fund	27-Feb-08	25,000,000
AMZ Plus Income Fund	25-Feb-08	20,000,000
AKD Income Value Fund	23-Feb-08	10,000,000
BMA Chundrigar Road Saving Fund	04-Aug-08	100,000,000
POBOP Advantage Fund	07-Sep-08	250,000,000

**10.11** As per BSD 7/2006 dated May 30, 2006 securities classified as held to maturity can neither be sold nor used for entering into repo transactions in the interbank market or borrowing under SBP repo facility / discount window. Market value of held to maturity investments is Rs.2,570,923 thousand (2006: Rs.2,566,875 thousand)

**10.12 Subsidiary**

**Punjab Modaraba Services (Pvt.) Ltd**

16,495,100 (2006: 16,000,000) ordinary shares of Rs. 10 each

Holding: 100% (2006: 100%)

Period of financial statements - December 31, 2007

Break up value of investment based on last audited financial statements Rs.181,293 thousand (2006: Rs. 172,658 thousand).

**10.13 Term Finance Certificates-Listed**

Number of certificates		Nominal value per certificate	Name of company/modaraba	2007	2006
2007	2006	Rupees in '000		Rupees in '000	
1,032	1,032	5	Al-Zamin Leasing Modaraba	1,754	3,509
5,000	5,000	5	Atlas Investment Bank Limited	-	-
5,000	5,000	5	Ittehad Chemicals Limited	4,164	12,490
5,000	5,000	5	Jahangir Siddiqui Investment Company Limited	6,243	18,728
35,000	35,000	5	MCB Limited	52,416	174,720
13,000	13,000	5	Pharmagen Limited	-	37,143
10,000	10,000	5	United Bank Limited	49,942	49,962
750	750	100	Sui Southern Gas Company Limited	-	12,490
10,000	10,000	5	Union Bank Limited	49,930	49,950
2,000	2,000	5	Bank Al-Habib Limited	9,988	9,992
12,000	12,000	5	Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation )	24,000	36,000
4,516	4,516	5	Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation )	13,548	18,064
6,000	6,000	5	World Call Communication	29,988	30,000
40,000	40,000	5	Orix Leasing Pakistan Limited	199,960	200,000
13,883	13,886	5	JS ABAMCO	69,416	69,430
10,000	10,000	5	Crescent Leasing Corporation Limited	20,000	30,000
18,000	18,000	5	Nishat Mills Limited	35,964	71,928
				<u>567,313</u>	<u>824,406</u>

**Other particulars of listed TFCs are as follows:**

<b>Particulars</b>	<b>Profit rate per annum</b>	<b>Profit payment</b>	<b>Redemption terms</b>
Al-Zamin Leasing Modaraba	Minimum 8.00% per annum and if modaraba generates more profit that shall be distributable among TFC holders proportionately based on a certain formula.	Semi-annually	Principal amount relating to each redemption of TFC will be repaid amounting to Rs. 1,600, 1,700 and 1,700 for 3rd, 4th and 5th year respectively.
Ittehad Chemicals Limited	Floating, SBP discount rate + 250 bps. Floor: 12.00% p.a. & Cap: 16.00% p.a.	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 2 years from the issue date, subject to call option exercisable after a period of 24 months from issue date.
Jahangir Siddiqui Investment Company Limited	Floating cut-off yield of last 5-years PIBs SBP auction + 150 bps. Floor: 9.00% p.a. & Cap: 13.00% p.a.	Semi-annually	Principal to be repaid in four equal semi-annual installments commencing from 42nd month from the issue date.
MCB Limited	Floating last cut-off yield of 5-years PIBs + 150 bps. Floor: 11.75% p.a. & Cap: 15.75% p.a.	Semi-annually	Principal to be repaid in 54th, 60th and 66th month in proportion to 40%, 30% and 30% of issue amount respectively.
Pharmagen Limited	Floating weighted average of last 3 cut-off rates of 5-year PIBs + 250 bps. Floor 8.50% p.a. & Cap: 11.50% p.a.	Semi-annually	18 months grace period. Principal will be redeemed semi-annually starting from 24th month of issue date. Callable, fully or partially, after 2-years of issue.
United Bank Limited	Fixed at 100 pbs + trading yield of 8-year PIBs as quoted on Reuters page 'PKRV'	Semi-annually	The instrument is structured to redeem 0.25% of principal in the first 78 months and remaining principal in 3 semi-annual installments of 0.20% each of the issue amount respectively, starting from 84th month.
Union Bank Limited	Floating last cut-off yield of 5-year PIBs auction + 75 bps. Floor: 5.00% p.a. & Cap: 10.75% p.a.	Semi-annually	A nominal amount i.e. 0.16% of the total issue amount will be repaid equally in each of the redemption periods of first 4 years and after that 5% of total issue amount each in 54th and 60th month, 19.92% of total issue amount each in 66th and 72nd month and 25% of total issue amount in 78th and 84th month.
Bank Al-Habib Limited	Floating Average 6-months KIBOR + 150 pbs. Floor: 3.50% p.a. & Cap: 10.00% p.a.	Semi-annually	0.02% of principal to be redeemed in 13 equal semi-annual installments starting from 6th month of issue and 3 equal semi annual installments of 33.25% of principal amount after 84th month.
Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation Limited)	Floating 6-month KIBOR + 300 bps. Floor: 6.00% p.a. & Cap: 10.00% p.a.	Semi-annually	Principal to be repaid in 10 equal semi-annual installments commencing 6th month from the issue date. Callable at any time after 36 months from the issue date.
Trust Leasing and Investment Bank Limited (Formerly Trust Leasing Corporation Limited)	Floating 6-month KIBOR + 200 bps with no floor or cap.	Semi-annually	Principal to be repaid in 10 equal semi-annual installments commencing 6th month from the issue date.
World Call Communication	Floating 6-month KIBOR + 2.75% with no floor or cap.	Semi-annually	Principal to be repaid in equal semi-annual installments commencing after a grace period of 2 years.
Orix Leasing Pakistan Limited	Floating 6-month KIBOR + 1.50% with no floor or cap.	Semi-annually	.08% of the principal amount to be redeemed during first two years in four equal semi-annual installments in arrears and the remaining 99.92% to be redeemed during last three years in 6 equal semi annual installments in arrears.
Js Abamco	Floating 6-month KIBOR + 2.00%. Floor: 8.00% & Cap: 16.00%.	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 1 year.
Crescent Leasing Corporation Limited	Floating cut-off yield of last successful SBP auction of 5-year PIBs + 200 bps. Floor: 12.00% & Cap: 15.75%.	Semi-annually	Principal to be redeemed in 10 equal semi-annual installments commencing from the 6th month of issue date. Callable anytime in full after 18th month of issue.
Nishat Mills Limited	Floating weighted average cut-off yield of last three auctions of 6-months TBs + 170 bps with no floor or cap.	Semi-annually	Principal to be repaid in 5 equal semi-annual installments after grace period of 30 months from issue date. Call option may be used after 12 months from the date of issue with 3 months notice.

## 10.14 Term Finance Certificates-Unlisted

Number of certificates		Nominal value per certificate	Name of company/modaraba	2007	2006
2007	2006	Rupees in '000		Rupees in '000	
20,000	20,000	5	Dewan Mushtaq Textile Mills Limited	-	9,375
20,000	20,000	5	Dewan Textile Mills Limited	-	12,500
5,000	5,000	5	Orient Petroleum Limited	-	4,167
21,000	21,000	5	Pakistan International Airlines Corporation	91,871	97,121
60,000	60,000	5	Pakistan Mobile Communication (Private) Limited	120,000	240,000
5,000	5,000	5	Crescent Leasing Corporation Limited	-	25,000
5,000	5,000	5	Azgard Nine Limited	24,980	24,990
15,000	15,000	5	Crescent Steel & Allied Products Limited	28,125	46,875
13,686	13,686	5	Jamshoro Joint Venture Limited	37,500	62,500
20,000	20,000	5	Pakistan Mobile Communication (Private) Limited	40,000	100,000
10,000	10,000	5	Pakistan Mobile Communication (Private) Limited	50,000	50,000
5,000	5,000	5	Security Leasing Corporation	-	18,750
10,000	10,000	5	Azgard Nine Limited	25,000	37,500
66,000	66,000	5	Crescent Standard Investment Bank	-	132,000
5,000	5,000	30	Escorts Investment Bank	99,920	149,880
18	18	10,000	Reliance Export Limited	-	180,000
			Dewan Cement Limited (Formerly Pakland Cement Limited)	29,247	38,810
2	2	60,036/ 4,000	Dewan Cement Limited (Formerly Pakland Cement Limited)	470	470
1	1	1,078	Azgard Nine Limited (Dominion Fertilizer (Private) Limited)	910,416	950,000
950	950	1,000	Pakistan Mobile Communication (Private) Limited	129,922	129,974
26,000	26,000	5	First National Equities	-	75,000
15,000	15,000	5	Jahangir Siddiqui Investment Company	24,990	25,000
5,000	5,000	5	Zaver Petroleum Limited	249,500	250,000
50,000	50,000	5	JS ABAMCO	30,564	30,570
6,114	6,114	5	Syed Bhais (Private) Limited	150,000	150,000
10	10	15,000	Azgard Nine Limited	500,000	-
				<b>2,542,505</b>	<b>2,840,482</b>

Other particulars of unlisted TFCs are as follows:

Particulars	Profit rate per annum	Profit payment	Redemption terms
Dewan Mushtaq Textile Mills Limited (Chief Executive Officer: Mr. Dewan Muhammad Ayub Khalid)	Floating SBP discount rate + 150 bps. Floor: 7.50% p.a. & Cap: 12.50% p.a.	Quarterly	Redemption will be made through equal quarterly installments, the first commencing from the 3rd month from the date of issue. Callable in part or full after 1st year of the issue date.
Dewan Textile Mills Limited (Chief Executive Officer: Mr. Zouhair Abdul Khaliq)	Floating SBP discount rate + 150 bps. Floor: 7.50% p.a. & Cap: 12.50% p.a.	Quarterly	Redemption will be made through equal quarterly installments, the first commencing from the 3rd month from the date of issue. Callable in part or full after 1st year of the issue date.
Crescent Commercial Bank Limited (Chief Executive Officer: Mr. Shehzad Naqvi)	Weighted average of last 3 cut-off of 3-years PIBs + 3%. Floor: 7.00% p.a. & Ceiling: 13.00% p.a.	Semi-annually	Principal to be repaid in 4 equal semi-annual installments with 1 year grace period. Callable in full after 1st year of the issue date.
Orient Petroleum Limited (Chief Executive Officer: Mr. Sadruddin Hashwani)	Floating SBP discount rate + 100 bps. Floor: 8.00% p.a. & Cap: 13.00% p.a.	Semi-annually	Equal semi-annual installments.
Pakistan International Airlines Corporation (Chief Executive Officer: Mr. Zafar A. Khan)	Floating SBP discount rate + 50 bps. Floor: 8.00% p.a. & Cap: 12.50% p.a.	Semi-annually	2.50% of principal to be redeemed in 6 equal semi-annual installments starting from 24th month of issue date and 6 equal semi annual installments of 14.17% of issue amount.
"Pakistan Mobile Communication (Private) Limited (Chief Executive Officer: Zouhair Abdul Khaliq)"	Floating average 6-months KIBOR on start of every six months + 1.60% p.a. Floor: 4.95% p.a. & Cap: 12.00% p.a.	Semi-annually	Principal to be repaid in 5 equal semi-annual installments first of which will fall due 36th month after disbursement. Call option in part or whole of the outstanding issue amount can be exercisable by the issuer from the 36th month till 45th month from the issue date.

Particulars	Profit rate per annum	Profit payment	Redemption terms
Crescent Leasing Corporation Limited (Chief Executive Officer: Mr. Javaid Ahmad Khaliq)	Floating Ask Side of the 6-months KIBOR on Reuters + 175 bps with no floor or cap.	Semi-annually	Principal will be redeemed in 10 equal installments commencing from 6th month from the issue date with call option exercisable, in full or partial, at anytime after 18th month from the issue date.
Azgard Nine Limited (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Floating 6-month KIBOR + 2.40% with no floor or cap.	Semi-annually	Principal to be repaid in 10 unequal semi-annual installments starting from 30th month of the issue date. Conversion option which allows the TFC holder the right to convert upto 25% of the value of these TFCs into ordinary shares (non-voting).
Crescent Steel & Allied Products Limited (Chief Executive Officer: Mr. Ahsan Saleem)	Cut off yield 6-month TB rate of last SBP auction + 250 BPS with no floor and cap of 9.00% p.a.	Semi-annually	Principal will be redeemed in 8 equal installments commencing from 18th month from the issue date with call option exercisable at anytime after the 18th month from the issue date with 60 days notice period.
Jamshoro Joint Venture Limited (Chief Executive Officer: Mr. Iqbal Z Ahmed)	Floating 3 month +450 bps	Semi-annually	Principal will be redeemed in 16 quarterly installments commencing from 18th month from the first draw down of funds or 12 months from the last draw down of funds, whichever is earlier.
Pakistan Mobile Communication (Private) Limited (Chief Executive Officer: Mr. Zouhair Abdul Khaliq)	Floating average 6-months KIBOR on start of every six months + 1.60% p.a. Floor: 4.95% p.a. & Cap: 12.00% p.a.	Semi-annually	Principal to be repaid in 5 equal semi-annual installments first of which will fall due 36th month after disbursement. Call option in part or whole of the outstanding issue amount can be exercisable by the issuer from the 36th month till 45th month from the issue date.
Pakistan Mobile Communication (Private) Limited (Chief Executive Officer Mr. Zouhair Abdul Khaliq)	Floating SA of last three 6-month TBs cut-off rates + 2.25% p.a. Floor: 6.50% p.a. & Cap: 12.00% p.a.	Semi-annually	Principal to be repaid in 5 equal semi-annual installments, the first such installment falling due 36th month after disbursement.
Security Leasing Corporation (Chief Executive Officer: Mr. Muhammad Rasheed Khan)	Floating Average 6-months KIBOR Ask Rate + 190 bps.	Semi-annually	Principal will be redeemed in 4 equal semi-annual installments commencing from 30th month from the issue date, after the grace period of 24 months. Call option exercisable in part or full after 18th month of the issue date.
Azgard Nine Limited (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Floating 6-month KIBOR as quoted on Reuters page at 11:30 am + 175 bps.	Semi-annually	Principal to be repaid in 8 equal semi-annual installments starting from 18th month of the issue date.
Crescent Standard Investment Bank Limited (Administrator: Mr. Badr-Ud-Din Khan)	Floating average 6-months KIBOR Ask Side + 250 bps. Floor: 6.50% p.a. & no cap/ceiling.	Semi-annually	Principal shall be retired through 5 semi-annual installments each of Rs 66 million, first repayment will be due on February 7, 2005.
Escorts Investment Bank (Chief Executive Officer: Mr. Rashid Mansur)	Floating average 6-months KIBOR Ask Side + 275 bps. Floor: 5.00% p.a. & Cap: 10.00% p.a.	Semi-annually	2 years grace period, principal redemption in six equal semi-annual installments starting from 30th month subject to call option exercisable at any time after 3 years in whole or in part at 60 days notice at a premium of 1% on outstanding value.
Reliance Export Limited (Chief Executive Officer: Mr. Arif Habib)	Floating 6-month KIBOR Ask side + 250 bps with no floor or cap.	Semi-annually	Principal to be repaid in 12 stepped up semi-annual installments starting from 18th month of the issue date.
Dewan Cement Limited (Chief Executive Officer: Mr. Farrukh Viqaruddin Junaidy)	Floating 6-month KIBOR Ask side + 2.50%.	Semi-annually	Principal to be repaid in 12 equal semi-annual installments starting from June 2006.
Dewan Cement Limited (Chief Executive Officer: Mr. Farrukh Viqaruddin Junaidy)	NIL	-	Principal to be repaid in 4 equal semi-annual installments commencing from June 2012.
Azgard Nine Limited (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Floating 6-month KIBOR Ask side + 3.25% with no floor or cap	Quarterly	Principal to be repaid in 24 equal installments starting from 15th month of the issue date.

Particulars	Profit rate per annum	Profit payment	Redemption terms
"Pakistan Mobile Communication (Private) Limited (Chief Executive Officer: Mr. Zouhair Abdul Khaliq)"	Floating 6-month KIBOR Ask side + 2.85% p.a. & no floor or cap	Semi-annually	Principal to be repaid in semi-annual installments starting from 54th month of the issue date.
First National Equities Limited (Chief Executive Officer: Mr. Amjad Pervaiz)	Floating 6-month KIBOR Ask side + 2.5% p.a. with no floor and cap of 15%	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 6 months, commencing from date of initial disbursement.
Jahangir Saddiqui Company Limited (Chief Executive Officer: Mr. Najam Ali)	Floating 6-month KIBOR Ask side + 2.5% with floor 6.00% and cap 16.00%	Semi-annually	0.18 % of the principle to be repaid from 6th to 54th month, 49.9 % in 60th month and remaining 49.9 % in 66th month from date of first issue.
Zaver Petroleum Limited (Chief Executive Officer: Mr. Sadruddin Hashwani)	Floating 6-month KIBOR Ask side + 3.25% with no floor or cap	Semi-annually	Principal to be repaid in 8 semi-annual installments starting from 18th month of the issue date.
JS ABAMCO (Chief Executive Officer: Mr. Najam Ali)	Floating 6-month KIBOR + 2.00%. Floor: 8.00% & Cap: 16.00%.	Semi-annually	Principal to be repaid in equal semi-annual installments with a grace period of 3 years.
Syed Bhais (Private) Limited (Chief Executive Officer: Mr. Zamir Ahmed Khan)	Average Ask rate of 3-months KIBOR + 300 bps with no floor and no cap.	Quarterly	Principal to be repaid in 16 quarterly installments after the grace period of 2 years.
Azgard Nine Limited (Chief Executive Officer: Mr. Ahmad H. Shaikh)	Six month KIBOR +2.25% with no floor no cap	Semi-annually	0.08% of capital in first 24 months and remaining principal in 10 equal semi-annual installment of 9.992% each of the issued amount starting from 30th month.

Note **2007** 2006  
Rupees in '000

## 11. ADVANCES

Loans, cash credits, running finances etc.

In Pakistan

Outside Pakistan

11.2

**125,685,191**

88,533,343

-

-

**125,685,191**

88,533,343

Net investment in finance lease

In Pakistan

Outside Pakistan

**4,254,233**

3,828,382

-

-

**4,254,233**

3,828,382

Financing in respect of Continuous Funding System

11.7

**769,813**

-

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan

Payable outside Pakistan

**3,730,205**

8,058,451

**2,090,561**

2,050,544

**5,820,766**

10,108,995

Advances - (Gross)

11.1

**136,530,003**

102,470,720

Less: Provision for non-performing advances

Specific

General

**(2,500,058)**

(1,058,717)

**(136,360)**

(92,049)

Advances - net of provision

**133,893,585**

101,319,954

### 11.1 Particulars of advances (Gross)

11.1.1 In local currency

In foreign currencies

**136,530,003**

102,470,720

-

-

**136,530,003**

102,470,720

11.1.2 Short-term advances upto one year

Long-term advances for over one year

**82,880,230**

68,612,018

**53,649,773**

33,858,702

**136,530,003**

102,470,720

**11.2** Advances include Rs. 8,620,866(thousands) due from three companies which were restructured for a period of seven years including two years grace period. The management also caused a legal and financial due diligence by a legal counsel and an independent firm of chartered accountants, respectively. Management considers that the amount is fully secured / collateralized and recoverable hence no provision there against is required in terms of time based criteria as stated in prudential regulation of State Bank of Pakistan.

### 11.3 Net Investment In Finance Lease

	2007				2006			
	Later than Not later than one year	one and less than five years	Over five years	Total	Later than Not later than one year	one and less than five years	Over five years	Total
	Rupees	in	'000'		Rupees	in	'000'	
Lease rentals receivable	856,997	4,213,475	72,788	5,143,260	764,003	4,003,444	-	4,767,447
Residual value	-	-	-	-	-	-	-	-
Minimum lease payments	856,997	4,213,475	72,788	5,143,260	764,003	4,003,444	-	4,767,447
Less: Financial charges for future periods	272,045	613,877	3,105	889,027	294,505	644,560	-	939,065
Present value of minimum lease payments	584,952	3,599,598	69,683	4,254,233	469,498	3,358,884	-	3,828,382

**11.4** Advances include Rs. 3,349,891 (thousand) (2006: Rs. 2,345,754 (thousand)) which have been placed under non-performing status as detailed below:-

Category of Classification	2007								
	Rupees in '000								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned	151,204	-	151,204	-	-	-	-	-	-
Substandard	256,610	-	256,610	56,267	-	56,267	56,267	-	56,267
Doubtful	977,805	-	977,805	485,080	-	485,080	485,080	-	485,080
Loss	1,964,272	-	1,964,272	1,958,711	-	1,958,711	1,958,711	-	1,958,711
	<u>3,349,891</u>	<u>-</u>	<u>3,349,891</u>	<u>2,500,058</u>	<u>-</u>	<u>2,500,058</u>	<u>2,500,058</u>	<u>-</u>	<u>2,500,058</u>

### 11.5 Particulars of provisions against non-performing advances

Note	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000			Rupees in '000		
Opening balance	1,058,717	92,049	1,150,766	732,673	97,130	829,803
Charge for the year	1,724,054	65,000	1,789,054	467,133	-	467,133
Less: Amounts written off	(130,769)	-	(130,769)	(19,664)	-	(19,664)
Reversals	(151,944)	(20,689)	(172,633)	(121,425)	(5,081)	(126,506)
Closing balance	<u>2,500,058</u>	<u>136,360</u>	<u>2,636,418</u>	<u>1,058,717</u>	<u>92,049</u>	<u>1,150,766</u>

#### 11.5.1 Particulars of provisions against non-performing advances

In local currency	2,500,058	136,360	2,636,418	1,058,717	92,049	1,150,766
In foreign currencies	-	-	-	-	-	-
	<u>2,500,058</u>	<u>136,360</u>	<u>2,636,418</u>	<u>1,058,717</u>	<u>92,049</u>	<u>1,150,766</u>

**11.5.2** General provision includes provision against consumer loans maintained at an amount equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by Prudential Regulations issued by State Bank of Pakistan. This also includes Rs. 65 million against the leased portfolio acquired in respect of the settlement agreement as explained in note 11.5.3 to these financial statements.





	Note	2007	2006
Rupees in '000			
<b>11.6 PARTICULARS OF WRITE OFFS:</b>			
11.6.1 Against Provisions	11.5	130,769	19,664
Directly charged to Profit & Loss account	11.6.3	246,869	100
		<u>377,638</u>	<u>19,764</u>
11.6.2 Write Offs of Rs. 500,000 and above	11.7	309,185	17,247
Write Offs of Below Rs. 500,000		68,453	2,517
		<u>377,638</u>	<u>19,764</u>

**11.6.3** The Bank of Punjab entered in to settlement agreement with Crescent Standard Investment Bank Limited through the Administrator appointed by SECP on May 10, 2007 for settlement of its outstanding Certificate of Investments, Term Finance certificate and advances by acquiring seven floor of Crescent standard Tower and lease portfolio. The detail of the transactions are as follows.

**Outstanding exposure of the bank**

Certificates of investments	1,130,000
Term Finance Certificats	132,000
Advances	406,184
	<u>1,668,184</u>

**Assets acquired in lieu of settlement**

Crescent Standard Tower	823,280
Leased portfolio	323,306

**Write off during the year:**

**Against provision**

Certificate of investments	130,000
Term finance certificares	51,354
Advances	93,524

	274,878
Directly charged to Profit and loss account	246,720
	<u>1,668,184</u>

**Basis of valuation**

Crescent Standard Tower: Fair value based on valuation carried out by M/S Iqbal A. Nanjee & Co. The management has used the forced sale value, being conservative, as fair value of the asset.

Leased portfolio: Book Value

**11.7 Details Of Loan Write Off Of Rs. 500,000/- And Above**

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2007 is given at Annexure-1.

**11.8** These are secured against CFS eligible securities having maturities up to January 22, 2008 at the rate of interest ranging from 10.25% per annum to 16.75% per annum.







	Note	2007	2006
Rupees in '000			
<b>11.9 Particulars Of Loans And Advances To Directors, Associated Companies, Etc.</b>			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		995,795	1,130,400
Loans granted during the year		178,533	228,157
Less: Repayments		(254,143)	(362,762)
Balance at end of year	11.9.1	920,185	995,795
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		2,603,547	703,360
Loans granted during the year		6,268,524	25,000
Less: Repayments		(2,732,714)	(164,103)
Balance at end of year	11.9.2	6,139,357	564,257
		<u>7,059,542</u>	<u>1,560,052</u>

**11.9.1** These represent staff loans given to executives and officers in accordance with their terms of employment and advances given under consumer finance schemes of the Bank.

**11.9.2** Due to change in the directorship of the bank during the year, the opening balance includes Rs 2,039,495 (thousands) relating to the related parties as explained in Note 39.

## 12. Operating Fixed Assets

	Note	2007	2006
Rupees in '000			
Capital work-in-progress	12.1	1,129,088	177,991
Property and equipment	12.2	2,105,488	1,860,287
Intangible assets	12.3	18,183	30,466
		<u>3,252,759</u>	<u>2,068,744</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		142,094	162,198
Equipments		16,207	13,084
Premises	12.1.1	911,748	-
Software		7,925	-
Advances to suppliers and contractors		51,114	2,709
		<u>1,129,088</u>	<u>177,991</u>

**12.1.1** This includes Crescent Tower acquired under settlement agreement entered into between The Bank of Punjab and Crescent Standard Investment Bank Limited as explained in note 11.6.3 to these financial statements. The said premises is under renovation and accordingly has been classified as CWIP.



## 12.2 Property and equipment

	COST			DEPRECIATION			Book value as at December 31 2007	Rate of depreciation %	
	Opening balance as at January 01, 2007	Additions	Deletions/ Transfer	Closing balance as at December 31, 2007	Opening balance as at January 01, 2007	Charge for the year			Deletions/ Transfer
Rupees in '000									
<b>2007</b>									
Free hold land	1,104,097	108,572	-	1,212,669	-	-	-	1,212,669	-
Building on free hold land	468,269	85,818	-	554,087	30,798	24,467	55,265	498,822	5
Furniture, fixture and office equipment	581,270	190,448	(10,289)	761,429	306,730	106,994	(8,263)	405,461	10-33.33
Vehicles	21,134	5,228	(9,594)	16,768	18,510	273	(4,640)	14,143	20
	<u>2,174,770</u>	<u>390,066</u>	<u>(19,883)</u>	<u>2,544,953</u>	<u>356,038</u>	<u>131,734</u>	<u>(12,903)</u>	<u>474,869</u>	<u>2,070,084</u>
<b>Assets held under finance lease</b>									
Furniture, fixture and office equipment	71,790	-	(66,593)	5,197	47,508	1,040	(47,979)	569	20
Vehicles	40,956	25,252	(2,478)	63,730	23,683	9,779	(508)	32,954	20
	<u>112,746</u>	<u>25,252</u>	<u>(69,071)</u>	<u>68,927</u>	<u>71,191</u>	<u>10,819</u>	<u>(48,487)</u>	<u>33,523</u>	<u>35,404</u>
	<u>2,287,516</u>	<u>415,318</u>	<u>(88,954)</u>	<u>2,613,880</u>	<u>427,229</u>	<u>142,553</u>	<u>(61,390)</u>	<u>508,392</u>	<u>2,105,488</u>

	COST			DEPRECIATION			Book value as at December 31 2006	Rate of depreciation %	
	Opening balance as at January 01, 2006	Additions	Deletions/ Transfer	Closing balance as at December 31, 2006	Opening balance as at January 01, 2006	Charge for the year			Deletions/ Transfer
Rupees in '000									
<b>2006</b>									
Free hold land	1,096,335	7,762	-	1,104,097	-	-	-	1,104,097	-
Building on free hold land	348,056	120,213	-	468,269	12,074	18,724	30,798	437,471	5
Furniture, fixture and office equipment	431,110	155,550	(5,390)	581,270	220,900	89,704	(3,874)	306,730	10-33.33
Vehicles	23,353	2,750	(4,969)	21,134	21,696	795	(3,981)	18,510	20
	<u>1,898,854</u>	<u>286,275</u>	<u>(10,359)</u>	<u>2,174,770</u>	<u>254,670</u>	<u>109,223</u>	<u>(7,855)</u>	<u>356,038</u>	<u>1,818,732</u>
<b>Assets held under finance lease</b>									
Furniture, fixture and office equipment	71,790	-	-	71,790	34,322	13,186	-	47,508	20
Vehicles	30,824	12,155	(2,023)	40,956	17,140	8,370	(1,827)	23,683	20
	<u>102,614</u>	<u>12,155</u>	<u>(2,023)</u>	<u>112,746</u>	<u>51,462</u>	<u>21,556</u>	<u>(1,827)</u>	<u>71,191</u>	<u>41,555</u>
	<u>2,001,468</u>	<u>298,430</u>	<u>(12,382)</u>	<u>2,287,516</u>	<u>306,132</u>	<u>130,779</u>	<u>(9,682)</u>	<u>427,229</u>	<u>1,860,287</u>

### 12.2.1 Detail of disposal of operating fixed assets

Particulars	Cost	Book value	Sale price	(Loss)/Profit	Mode of disposal	Particulars of purchasers
	Rupees	Rupees	Rupees	Rupees		
Toyota Camry	2,750	2,475	-	(2,475)	As per policy	Mr. Hamesh Khan - President
Toyota Corolla (Altis)	1,309	1,178	-	(1,178)	As per policy	Mr. Shahzad Hassan Pervaiz -Ex Chairman
Suzuki Cultus	555	1	163	162	As per policy	Mr. M. Aslam - Executive
Toyota Corolla	814	1	225	224	As per policy	Mr. Javaid Khawaja - Ex Executive
Toyota Corolla	814	1	225	224	As per policy	Mr. Shaheen Nazir Qureshi-Executive
Toyota Corolla	814	1	225	224	As per policy	Mr. Mehmood Sadiq Khan - Executive
Suzuki Cultus	555	1	150	149	As per policy	Mr. Raza Saeed - Executive
Toyota Corolla	814	1	250	249	As per policy	Mr. Anees Iqbal - Ex Executive
	<u>8,425</u>	<u>3,659</u>	<u>1,238</u>	<u>(2,422)</u>		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	11,262	2,720	2,391	(329)		
Minor Write Offs	196	99	-	(99)		
<b>2007</b>	<u>19,883</u>	<u>6,478</u>	<u>3,629</u>	<u>(2,850)</u>		
2006	<u>4,640</u>	<u>1,050</u>	<u>1,509</u>	<u>459</u>		

**12.2.2** Freehold land and buildings were revalued on June 30, 2005 by M/s Indus Surveyors (Private) Limited, an independent valuer, on the basis of fair market value. This valuation resulted in a surplus of Rs.801,869 thousand and Rs.194,851 thousand in respect of freehold land and buildings respectively.

Rupees in '000

Total revalued amount of land	1,096,335
Total revalued amount of buildings	334,723

Had the land and buildings not been revalued, their carrying amounts would have been as follows:

	2007	2006
	Rupees in '000	
Land	340,228	340,228
Buildings	145,976	153,659

**12.2.3** The carrying amount of fully depreciated assets that are still in use is Rs.150 (2006: Rs.1,214).

### 12.3 Intangible assets

#### 2007

	COST			AMORTIZATION			Book value as at December 31, 2007	Rate of amortization %
	Opening balance as at January 01, 2007	Additions	Closing balance as at December 31, 2007	Opening balance as at January 01, 2007	for the year	Closing balance as at December 31, 2007		
	Rupees In '000			Rupees In '000				
License	35,100	-	35,100	5,850	11,866	17,716	17,384	33.33
Software	1,251	-	1,251	35	417	452	799	33.33
	<u>36,351</u>	<u>-</u>	<u>36,351</u>	<u>5,885</u>	<u>12,283</u>	<u>18,168</u>	<u>18,183</u>	

#### 2006

	COST			AMORTIZATION			Book value as at December 31, 2006	Rate of amortization %
	Opening balance as at January 01, 2006	Additions	Closing balance as at December 31, 2006	Opening balance as at January 01, 2006	for the year	Closing balance as at December 31, 2006		
	Rupees In '000			Rupees In '000				
License	-	35,100	35,100	-	5,850	5,850	29,250	33.33
Software	-	1,251	1,251	-	35	35	1,216	33.33
	<u>-</u>	<u>36,351</u>	<u>36,351</u>	<u>-</u>	<u>5,885</u>	<u>5,885</u>	<u>30,466</u>	

	Note	2007	2006
Rupees in '000			
<b>13. Other Assets</b>			
Income/mark-up accrued in local currency		4,736,400	3,353,800
Advances, deposits, advance rent and other prepayments		159,438	102,571
Advance taxation (payments less provisions)		758,497	-
Non-banking assets acquired in satisfaction of claims	13.1	49,742	49,742
Suspense account		45	112
Excise duty recoverable		16,365	16,365
Recoverable from NIT		36,790	36,790
Claim for recovery of shares		18,570	18,570
Others		74,070	103,232
		<b>5,849,917</b>	<b>3,681,182</b>
Less provision against:			
Excise duty recoverable		(16,365)	(16,365)
Recoverable from NIT		(36,790)	(36,790)
Claim for recovery of shares	13.2	(18,570)	(18,570)
	13.3	<b>(71,725)</b>	<b>(71,725)</b>
Other assets - net of provision		<b>5,778,192</b>	<b>3,609,457</b>

**13.1** This represents the market value of residential property and shop, acquired in satisfaction of claims, amounting to Rs. 45,240 thousand and Rs. 4,502 thousand (2006: Rs. 45,240 thousand and Rs. 4,502 thousand) as per the latest valuation carried out on October 06, 2006 and March 21, 2005 respectively.

**13.2** This amount represents the cost of 2,785,074 shares of Sui Northern Gas Pipelines Limited (SNGPL) net of subsequent recoveries handed over in the previous years to M/s S. H. Bukhari Securities (Private) Limited (SHB), an ex-member of Lahore Stock Exchange (Guarantee) Limited for the transfer into their account with the Central Depository Company Limited (CDC). After transferring the shares to CDC, the said member fraudulently and unlawfully withdrew the same from the CDC account. The Bank, however, had never instructed or authorized the member to trade in these shares. The matter was reported to LSE and also to the Securities and Exchange Commission of Pakistan (SECP) for recovery of the said 2,785,074 shares from the member etc.

Apart from reporting the matter to LSE and SECP, the Bank also registered an FIR with Federal Investigation Agency (FIA) to initiate criminal proceedings against the directors, employees / agents of the said member. Subsequent to the investigation proceedings by FIA the case was transferred to National Accountability Bureau (NAB). As a result of investigation proceedings at NAB authorities are in the process of recovery. Meanwhile the Defaulters Committee of the Lahore Stock Exchange (LSE) has also paid an amount of Rs. 7,726 thousand out of the amount realized from assets of the SHB held by LSE and NAB authorities have so far paid to the Bank recoveries of Rs. 12,434 thousand under plea bargain arrangements with the accused. This amount has also been accounted for as partial payment towards the total amount agreed under plea bargain arrangements. As a matter of prudence though without prejudice to the bank's claim against M/s S.H. Bukhari Securities (Private) Limited at various forums and the court of law, the balance claim amount has already been fully provided for by the bank.



	Note	2007	2006
Rupees in '000			
<b>13.3 PROVISION AGAINST OTHER ASSETS</b>			
Opening balance		71,725	71,725
Charge for the year		-	-
Reversals		-	-
Amount Written off		-	-
Closing balance		<u>71,725</u>	<u>71,725</u>
<b>14. CONTINGENT ASSETS</b>			
Contingent assets		Nil	Nil
<b>15. BILLS PAYABLE</b>			
In Pakistan		937,647	856,448
Outside Pakistan		-	-
		<u>937,647</u>	<u>856,448</u>
<b>16. BORROWINGS</b>			
In Pakistan		17,586,527	6,989,424
Outside Pakistan		256,388	-
		<u>17,842,915</u>	<u>6,989,424</u>
<b>16.1 Particulars of borrowings with respect to Currencies</b>			
In local currency		17,586,527	6,989,424
In foreign currencies		256,388	-
		<u>17,842,915</u>	<u>6,989,424</u>
<b>16.2 Details of borrowings Secured / Unsecured</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
-Under export refinance scheme	16.2.1	4,014,026	4,041,620
-Under LTF - EOP scheme	16.2.2	1,985,393	1,958,880
Repurchase agreement borrowings	16.2.2	10,834,270	288,924
		<u>16,833,689</u>	<u>6,289,424</u>
<b>Unsecured</b>			
Call borrowings	16.2.3	750,000	700,000
Overdrawn nostro accounts		256,388	-
Other overdrawn bank accounts		2,838	-
		<u>17,842,915</u>	<u>6,989,424</u>

**16.2.1** These are secured against bank's cash and security balances held by SBP. Mark-up on these borrowings is payable quarterly at rates ranging from 6.50% to 7.50% per annum (2006: 6.5% to 7.50% per annum). Maturity of the borrowing is upto June 2008.

**16.2.2** These are secured against Market Treasury Bills and carry mark-up at rates ranging from 9.25% to 10% per annum (2006: 8.75% per annum) maturing on various dates latest by April 26, 2008.

**16.2.3** This represents funds borrowed from scheduled bank in the inter bank money market, which carry markup at a rate of 9.50% per annum (2006: 10.50% per annum) maturing on March 10, 2008.



	2007	2006
	Rupees in '000	
<b>17. Deposits And Other Accounts</b>		
<b>Customers</b>		
Fixed deposits	71,545,152	54,115,307
Savings deposits	65,394,990	51,699,612
Current Accounts - Non-remunerative	22,197,621	18,652,922
Sundry deposits, margin accounts, etc.	1,398,852	1,138,856
	<b>160,536,615</b>	125,606,697
<b>Financial Institutions</b>		
Remunerative deposits	31,117,878	11,947,282
Non-remunerative deposits	314,416	173,627
	<b>31,432,294</b>	12,120,909
	<b>191,968,909</b>	137,727,606
<b>17.1 Particulars of deposits</b>		
In local currency	190,135,032	135,264,964
In foreign currencies	1,833,877	2,462,642
	<b>191,968,909</b>	137,727,606

## 18. 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	13,456	3,769	9,687	20,908	3,090	17,818
Later than one year and not later than five years	35,904	5,270	30,634	27,039	3,869	23,170
	<b>49,360</b>	<b>9,039</b>	<b>40,321</b>	47,947	6,959	40,988

Financial charges, included in the lease rentals, are determined on the basis of discount factors applied at the rates ranging from 6.75% to 12.22% per annum (2006: 6.75% to 13.15% per annum). The bank has an option to purchase the assets upon completion of lease term and has the intention to exercise the option.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	2007	2006
	Rupees in '000	
<b>Year</b>		
2007	-	20,908
2008	13,456	9,459
2009	13,665	9,720
2010	8,892	4,737
2011	7,110	3,123
2012	6,237	-
	<b>49,360</b>	47,947
Less: Finance charge for the future periods	9,039	6,959
	<b>40,321</b>	40,988



	Note	2007	2006
Rupees in '000			
<b>19. Deferred Tax Liabilities</b>			
<b>Deferred tax liabilities arising in respect of</b>			
-Accelerated depreciation		518,889	267,634
-Revaluation surplus		1,719,309	63,650
<b>Deferred tax (asset) arising in respect of</b>			
-Others		(32,668)	(32,668)
<b>Net deferred tax liabilities</b>		<b>2,205,530</b>	<b>298,616</b>
<b>20. OTHER LIABILITIES</b>			
Mark-up/ return/ interest payable in local currency		2,470,894	1,873,671
Mark-up/ return/ interest payable in foreign currency		7,180	4,814
Accrued expenses		57,077	8,272
Unclaimed dividends		2,755	2,831
Branch adjustment account		115,891	85,229
Provision for taxation		-	501,516
Provision for employees compensated absences		115,594	93,804
Provision against off-balance sheet obligations	20.1	1,488	1,196
Payable to banks against ATM		6,667	-
Others		205,533	245,008
		<b>2,983,079</b>	<b>2,816,341</b>
<b>20.1 Provision against off-balance sheet obligations</b>			
Opening balance		1,196	1,021
Charge for the year		292	175
Closing balance		<b>1,488</b>	<b>1,196</b>
<b>21. Share Capital</b>			
<b>21.1 Authorized Capital</b>			
		2007	2006
		Number	Number
			Rupees in '000
		<b>1,000,000,000</b>	1,000,000,000
	Ordinary shares of Rs. 10 each	<b>10,000,000</b>	10,000,000





## 21.2 Issued, subscribed and paid up

### Ordinary shares of Rs.10 each

2007	2006		2007	2006
Number	Number		Rupees in '000	
		<b>Balance as at January 01</b>		
19,333,340	15,750,000	Fully paid in cash	193,333	157,500
270,915,660	219,221,860	Issued as bonus shares	2,709,157	2,192,219
<b>290,249,000</b>	234,971,860		<b>2,902,490</b>	2,349,719
		<b>Issued during the year</b>		
-	3,583,340	Fully paid in cash	-	35,833
132,788,901	51,693,800	Bonus shares	1,327,889	516,938
<b>132,788,901</b>	55,277,140		<b>1,327,889</b>	552,771
		<b>Closing balance</b>		
19,333,340	19,333,340	Fully paid in cash	193,333	193,333
403,704,561	270,915,660	Issued as bonus shares	4,037,046	2,709,157
<b>423,037,901</b>	290,249,000		<b>4,230,379</b>	2,902,490

21.3 Government of Punjab (GoP) held shares in the bank 51.000 % as at the year ended December 31, 2007 (2006: 51.575 %)

	Note	2007	2006
		Rupees in '000	
<b>22. Surplus On Revaluation Of Assets</b>			
Surplus on revaluation of fixed assets	22.1	921,504	924,212
Surplus on revaluation of Available-for-sale securities	22.2	2,963,837	4,542,534
		<b>3,885,341</b>	5,466,746
<b>22.1 Surplus on revaluation of fixed assets</b>		<b>996,720</b>	996,720
-Opening balance		(9,340)	(3,166)
-Transferred to un-appropriated profit in respect of incremental depreciation charged during the year-net of tax		(5,866)	(6,174)
-Accumulated incremental depreciation-net of tax		(15,206)	(9,340)
		<b>981,514</b>	987,380
Less: Related deferred tax liability			
-Opening balance		(63,168)	(68,198)
-Deferred tax liability recorded during the year		3,158	5,030
-Closing balance		(60,010)	(63,168)
		<b>921,504</b>	924,212
<b>22.2 Surplus on revaluation of Available-for-sale securities</b>			
Federal and Provincial Government securities		(88,821)	365,840
Quoted securities		(3,561)	26,046
Other securities		4,715,519	4,150,648
		<b>4,623,137</b>	4,542,534
Less:			
Deferred Tax		(1,659,300)	-
		<b>2,963,837</b>	4,542,534

## 23. CONTINGENCIES AND COMMITMENTS

### 23.1 Direct Credit Substitutes

These include general guarantees of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of;

	2007	2006
	Rupees in '000	
- Government	-	-
- Financial institutions	-	-
- Others	7,425,344	10,799,599
	<u>7,425,344</u>	<u>10,799,599</u>

### 23.2 Transaction-related Contingent Liabilities

These include performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions issued in favour of;

- Government	274,488	5,361,747
- Financial institutions	17,217	50,000
- Others	20,815,572	4,744,689
	<u>21,107,277</u>	<u>10,156,436</u>

### 23.3 Trade-related Contingent Liabilities

These include letter of credit issued in favour of ;

- Government	1,396,221	2,039,822
- Financial institutions	58,828	-
- Others	27,319,056	16,225,594
	<u>28,774,105</u>	<u>18,265,416</u>

### 23.4 Income tax related contingency

The Income Tax Department has filed an appeal with the Honorable Income Tax Appellate Tribunal (ITAT) against the order of Commissioner of Income Tax (Appeals) disallowing add-back of charge for the year 2003 to 2006 in respect of provision for doubtful debts. The stated appeal is currently in process in the ITAT. Further the ITAT while adjudicating the department appeal for the year 2000, 2001 and 2002 has remanded the case for fresh adjudication on the part of assessing officer. The bank has filed a reference with Honorable Lahore High Court and is confident of favourable outcome of the case. In the event that the appeals are decided against the Bank, a further tax liability of Rs. 1,052 million may arise, which includes Rs. 532 million in relation to the provision against doubtful debts of Rs. 1,521 million for the current year. However, the management of the Bank, based on the opinion of tax advisors, is confident of a favorable outcome of the decision and has therefore, not made any provision in these financial statements.

### 23.5 Other Contingencies

Claims against bank not acknowledge as debt	<u>1,425,999</u>	<u>428,812</u>
---	------------------	----------------

### 23.6 Commitments in respect of forward exchange contracts

Purchase	627,392	783,998
Sale	2,597,353	2,101,934
Call Borrowing	1,000,000	-
	<u>4,224,745</u>	<u>2,885,932</u>

23.7 Commitments for the acquisition of operating fixed assets	<u>31,825</u>	<u>8,597</u>
--	---------------	--------------

	Note	2007 Rupees in '000	2006
<b>24. Mark-up/Return/Interest earned</b>			
a) On loans and advances to:			
i) Customers		13,015,742	9,523,894
ii) Financial institutions		205,291	93,293
b) On Investments in:			
i) Available for sale securities		3,276,738	960,091
ii) Held to maturity securities		268,114	228,519
c) On Deposits with financial institutions		242,234	327,631
d) On securities purchased under resale agreements		530,975	445,608
		<u>17,539,094</u>	<u>11,579,036</u>
<b>25. Mark-up/Return/Interest expensed</b>			
Deposits		13,490,398	7,275,220
Securities sold under repurchase agreements		404,504	6,053
Other short term borrowings		44,475	227,522
		<u>13,939,377</u>	<u>7,508,795</u>
<b>26. Gain on sale and redemption of securities</b>			
Federal government securities			
Pakistan Investment Bonds		-	389,063
NIT Units		1,623,313	-
Mutual funds units		415,552	-
Listed securities		670	-
		<u>2,039,535</u>	<u>389,063</u>
<b>27. Other Income</b>			
Rent on lockers		9,573	4,258
Net profit on sale of property and equipment		-	1,088
Service charges		258,167	242,413
Others		279,895	218,676
		<u>547,635</u>	<u>466,435</u>
<b>28. Administrative Expenses</b>			
Salaries, allowances, etc.		1,353,948	1,023,485
Contribution to defined contribution plan		34,937	29,801
Provision against compensated absences		22,282	19,655
Non-executive directors' fees, allowances and other expenses	36	23	32
Rent, taxes, insurance, electricity, etc.		213,664	175,524
Legal and professional charges		16,658	6,920
Communications		48,690	30,782
Repairs and maintenance		36,648	35,971
Finance charges on leased assets		3,760	4,368
Stationery and printing		41,593	37,364
Advertisement and publicity		22,282	12,566
Auditors' remuneration	28.1	4,258	2,302
Depreciation	12.2	142,553	130,779
Amortization	12.3	12,283	5,885
Traveling		38,716	28,511
Vehicle expenses		81,940	73,179
Cash remittance charges		15,802	14,605
Bank charges		59,012	62,695
Others		101,728	57,546
		<u>2,250,777</u>	<u>1,751,970</u>



	Note	2007	2006
		Rupees in '000	
<b>28.1 Auditors' remuneration</b>			
Audit fee		1,293	1,175
Special certifications, half yearly review and others		1,965	618
Out-of-pocket expenses		1,000	509
		<u>4,258</u>	<u>2,302</u>
<b>29. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		34,995	38
Net loss on disposal of property and equipment		2,955	-
		<u>37,950</u>	<u>38</u>
<b>30. TAXATION</b>			
<b>For the year</b>			
Current		169,252	880,997
Deferred		250,772	83,469
		<u>420,024</u>	<u>964,466</u>
<b>For the prior year</b>			
Current		(19,921)	-
Deferred		-	-
		<u>(19,921)</u>	<u>-</u>
		<u>400,103</u>	<u>964,466</u>
<b>30.1 Relationship between tax expense and accounting profit</b>			
Profit before tax		<u>4,845,722</u>	<u>4,768,721</u>
		<u>%</u>	<u>%</u>
Applicable tax rate		35	35
<b>Tax effect of</b>			
- Inadmissible expenses		0.94	0.93
- Separate block income		(11.18)	(8.72)
- Income exempt from tax & others		(14.76)	(2.86)
- Computation adjustments		(1.31)	(4.13)
- Prior year provision effect		(0.43)	-
Effective tax rate		<u>8.26</u>	<u>20.22</u>
<b>31. Basic Earnings Per Share</b>			
<b>31.1 Basic earnings per share - pre tax</b>			
Profit for the year - Rupees in thousand		<u>4,845,722</u>	<u>4,768,721</u>
Weighted average number of ordinary shares - Number		<u>423,037,901</u>	<u>422,391,266</u>
Basic earnings per share - pre tax - Rupees		<u>11.45</u>	<u>11.29</u>



Note      **2007**      2006  
Rupees in '000

**31.2 Basic earnings per share - after tax**

Profit for the year - Rupees in thousand	<b>4,445,619</b>	3,804,255
Weighted average number of ordinary shares - Number	<b>423,037,901</b>	422,391,266
Basic earnings per share - after tax - Rupees	<b>10.51</b>	9.01

**31.3** The comparative figure of weighted average number of shares outstanding has been restated to include bonus shares issued by the bank during the year.

**32. Diluted earnings per share**

Basic and diluted earnings per share are same.

**33. Cash and cash equivalents**

Cash and Balance with Treasury Banks	<b>14,210,302</b>	14,054,859
Balance with other banks	<b>1,927,662</b>	3,722,089
Call money lending	<b>1,000,000</b>	500,000
Overdrawn nostro accounts	<b>(256,388)</b>	-
Other overdrawn bank accounts	<b>(2,838)</b>	-
	<b>16,878,738</b>	18,276,948

**2007**      2006  
Number

**34. Staff strength**

Permanent	<b>2,900</b>	2,854
Temporary/on contractual basis	<b>958</b>	825
Deputed staff	<b>1</b>	2
Bank's own staff strength at the end of the year	<b>3,859</b>	3,681
Outsourced	34.1 <b>38</b>	130
Total Staff Strength	<b>3,897</b>	3,811

**34.1** Outsourced staff includes gunmen and janitorial staff hired by the Bank.

**35. Employees benefits**

**35.1 Defined benefit plan**

**35.1.1 General description**

The Bank makes annual provision in the financial statements for its liabilities towards vested compensated absences accumulated by its employees on the basis of actuarial valuation. The actuary has used Projected Unit Credit actuarial cost method for calculations. The employees of the Bank are entitled to take the leave as Leave Preparatory to Retirement (LPR) immediately before retirement. These leaves are subject to retirees' un-utilized privilege leave balance with an upper limit of 180 days. Alternatively, the retiree may receive a lump-sum cash amount equal to 180 days gross salary at the time of retirement in lieu of LPR of 180 days. Privilege leave accrues at the rate of 30 days per year. Moreover, any unutilized privilege leaves over 180 days is ignored.

There being no specific asset earmarked for the payment of this benefit, consequently, the fair value of plan assets is Nil.

Note **2007** 2006  
Rupees in '000

### 35.1.2 Principal actuarial assumptions

The principal actuarial assumptions have been given in note 6.9.2 to these financial statements.

### 35.1.3 Reconciliation of payable to defined benefit plan

Present value of defined benefit obligations	<b>115,594</b>	93,804
Fair value of any plan assets	-	-
Net actuarial gains or losses not recognized	-	-
Past service cost not yet recognized	-	-
Any amount not recognized as an asset	-	-
	<b>115,594</b>	93,804

### 35.1.4 Movement in payable to defined benefit plan

Opening balance	<b>93,804</b>	74,149
Charge for the year	<b>22,282</b>	19,655
Benefit paid	<b>(492)</b>	-
Closing balance	<b>115,594</b>	93,804

### 35.1.5 Charge for defined benefit plan

Current service cost	<b>15,605</b>	9,855
Interest cost	<b>9,380</b>	6,673
Actuarial gains and losses recognised	<b>(2,703)</b>	3,127
	<b>22,282</b>	19,655

### 35.1.6 Actual return on plan assets

	<b>-</b>	-
--	----------	---

### 35.2 Defined contribution plan

The Bank operates an approved Provident Fund Scheme, covering all permanent employees. Contributions are made monthly by the Bank and the employees at the rate of 8.33% of basic salary. Contributions by the Bank are charged to profit and loss account.

## 36. Compensation of directors and executives

The aggregate amount charged in the financial statements for remuneration, including benefits to the Chairman, President/Managing Director, Directors and Executives of the Bank was as follows:

	Chairman *		President/ Chief Executive		Directors**		Executives	
	2007	2006	2007	2006	2007	2006	2007	2006
	Rupees in '000							
Fees	-	-	-	-	23	32	-	-
Managerial remuneration	381	704	12,131	9,916	-	-	26,810	16,164
Bonus	153	352	39,594	27,089	-	-	18,191	10,514
Contribution to defined contribution plan	-	-	-	-	-	-	-	598
Rent and house maintenance	-	-	301	270	-	-	10,724	6,705
Utilities	97	240	462	414	-	-	2,681	1,676
Medical	-	-	-	-	-	-	2,681	1,676
Other allowances	49	149	400	-	-	-	2,466	361
	<b>680</b>	1,445	<b>52,888</b>	37,689	<b>23</b>	32	<b>63,553</b>	37,694
Number of persons	<b>1</b>	1	<b>1</b>	1	<b>7</b>	7	<b>40</b>	30

\* This represents remuneration paid to the Ex-Chairman who left the office on completion of his term. No remuneration has been paid to the new Chairman.

\*\* This represents the fee paid to non-executive directors for attending the Board meetings.

President/Managing Director and Executives are provided with free use of the Bank's maintained cars.

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

### 37. Fair Value Of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

	2007		2006	
	Book value	Fair value	Book value	Fair value
	Rupees in '000		Rupees in '000	
<b>Assets</b>				
Cash and balances with treasury banks	14,210,302	14,210,302	14,054,859	14,054,859
Balances with other banks	1,927,662	1,927,662	3,722,089	3,722,089
Lendings to financial institutions	2,450,000	2,450,000	11,846,823	11,846,823
Investments	73,461,695	73,877,992	28,233,211	28,723,492
Advances	133,893,585	133,893,585	101,319,954	101,319,954
Other assets	4,810,515	4,810,515	3,609,457	3,609,457
	<u>230,753,759</u>	<u>231,170,056</u>	<u>162,786,393</u>	<u>163,276,674</u>
<b>Lendings</b>				
Bills payable	937,647	937,647	856,448	856,448
Borrowings	17,842,915	17,842,915	6,989,424	6,989,424
Deposits and other accounts	191,968,909	191,968,909	137,727,606	137,727,606
Liabilities against assets subject to finance lease	40,321	40,321	40,988	40,988
Other liabilities	2,867,188	2,867,188	2,816,341	2,816,341
	<u>213,656,980</u>	<u>213,656,980</u>	<u>148,430,807</u>	<u>148,430,807</u>

#### Investments

All quoted investments have been stated at their market values except securities classified as held-to-maturity, which have been valued at their amortized cost. These held-to-maturity securities have market value of Rs.2,469,936 thousand (2006: Rs.2,465,237 thousand). All unquoted investments have been stated at cost less provision for impairment if any, being their estimated fair values.

#### Loans and advances

Fair value of loans and advances can not be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently at market rates and are reduced for any impairment against non-performing advances determined in accordance with prudential regulations.

#### Deposits and other accounts

The fair value of long term fixed deposits of over one year can not be calculated with sufficient reliability due to non-availability of relevant active market. Deposits other than long term fixed deposits reflect carrying values approximates their fair values as they are short term in nature or are frequently repriced.



### Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book value as they are short-term in nature.

### 38. Segment Details with respect to business activities

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

	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services
Rupees in '000					
<b>2007</b>					
Total income	8,944,035	1,390,557	12,434,345	161,947	31,003
Total expenses	(6,115,258)	(1,273,609)	(10,702,664)	(20,676)	(3,958)
Net income	2,828,777	116,948	1,731,681	141,271	27,045
Segment Assets (Gross)	60,601,069	10,737,873	97,214,886	-	-
Segment Non Performing Loans	25,400	238,079	3,111,812	-	-
Segment Provision Required	6,525	558,218	2,078,200	-	-
Segment Liabilities	60,601,069	10,737,873	97,214,886	-	-
Segment Return on net Assets (ROA) (%)	14.76	12.95	12.79	N/A	N/A
Segment Cost of funds (%)	10.09	11.86	11.01	N/A	N/A
<b>2006</b>					
Total income	4,057,006	1,296,283	9,078,373	150,200	16,490
Total expenses	(2,875,515)	(983,299)	(6,902,222)	(29,791)	(3,270)
Net income	1,181,491	312,984	2,176,151	120,409	13,220
Segment Assets (Gross)	29,650,127	9,780,425	71,327,122	-	-
Segment Non Performing Loans	1,262,400	506,827	1,838,927	-	-
Segment Provision Required	163,400	309,494	841,272	-	-
Segment Liabilities	29,650,127	9,780,425	71,327,122	-	-
Segment Return on net Assets (ROA) (%)	13.68	13.25	12.73	N/A	N/A
Segment Cost of funds (%)	9.70	10.05	9.68	N/A	N/A

#### Mapping criteria

Return on net assets has been calculated on the basis of weighted average of segment-wise assets deployed during the year.

Cost of funds has been calculated on the basis of weighted average of segment-wise liabilities outstanding during the year.

Income and expenses have been pro-rated on the basis of management's professional judgment and mapping policy of the same has been approved by the Assets and Liabilities Committee (ALCO).

Common expenses have been allocated to segments on the basis of total income.

### 39. Related Party Transactions

Related parties comprise subsidiary, key management personnel and entities in which key management personnel are office holders/members. The Bank in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables. Amounts due from key management personnel are shown under receivables and remuneration of key management personnel is disclosed in Note 36.

	2007	2006
	Rupees in '000	
<b>Punjab Modaraba Services (Private) Limited</b> <b>(wholly owned subsidiary of the Bank)</b>		
Deposits in current account	537	61
<b>First Punjab Modaraba</b> <b>(Modaraba floated by the wholly owned subsidiary of the Bank)</b>		
Advances		
Outstanding at beginning of the year	564,979	703,360
Made during the year	3,969,298	1,437,838
Repaid/matured during the year	(4,082,067)	(1,576,219)
Outstanding at the end of the year	<u>452,210</u>	<u>564,979</u>
Provision for doubtful debts	-	-
Mark-up/return earned	30,031	64,882
Deposits in current account	1,215	2,732
Lease liability		
Outstanding at beginning of the year	34,975	15,808
Lease contracts entered into during the year	19,398	32,496
Repayments of lease rentals	(14,052)	(13,329)
Outstanding at the end of the year	<u>40,321</u>	<u>34,975</u>
Security deposit receivable in respect of leases	-	7,402
<b>Bankers Avenue Co-operative Housing Society</b> <b>(A co-operative society managed by key management personnel of the Bank)</b>		
Deposits in saving account	42,731	17,948
<b>AMTEX (Private) Limited</b> <b>(Common directorship)</b>		
Advances		
Outstanding at beginning of the year	1,939,290	-
Made during the year	3,931,754	-
Repaid/matured during the year	(2,233,175)	-
Outstanding at the end of the year	<u>3,637,869</u>	<u>-</u>



	2007	2006
	Rupees in '000	
Mark-up/return earned	215,978	-
Deposits in current account	4,876	-
<b>Faisalabad Industrial Estate Development and Management Company</b>		
<b>(Common directorship)</b>		
Deposits in saving account	956,411	-
<b>Colony Mills Limited</b>		
<b>(Common directorship)</b>		
Advances		
Outstanding at beginning of the year	100,000	-
Made during the year	2,336,770	-
Repaid/matured during the year	<u>(386,770)</u>	-
Outstanding at the end of the year	<u>2,050,000</u>	-
Mark-up/return earned	108,610	-
Deposits in current account	175,363	-

#### 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 October 28, 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 December 31, 2009. The minimum paid-up capital requirement to be achieved by December 31, 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 sub-ordinated 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.

The bank has complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the year.

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

	Note	2007	2006
		Rupees in '000	
<b>Regulatory Capital Base</b>			
Tier I Capital			
Shareholders Capital		4,230,379	2,902,490
Reserves		6,537,232	4,537,232
Unappropriated profits		4,342,842	3,219,246
		<b>15,110,453</b>	10,658,968
Less: Adjustments		<b>(753,433)</b>	(183,103)
<b>Total Tier I Capital</b>		<b>14,357,020</b>	10,475,865
<b>Tier II Capital</b>			
Sub-ordinated Debt (upto 50% of total Tier I Capital)		-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets		136,360	92,049
Revaluation Reserve (upto 50%)		2,167,802	2,489,891
<b>Total Tier II Capital</b>		<b>2,304,162</b>	2,581,940
<b>Eligible Tier III Capital</b>		-	-
<b>Total Regulatory Capital</b>	(a)	<b>16,661,182</b>	13,057,805

## 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	16,137,964	769,243	17,776,948	1,189,172
Money at call	2,450,000	1,650,000	500,000	100,000
Investments	73,296,749	20,144,290	28,233,211	13,747,263
Loans and Advances	133,893,585	110,229,757	101,319,954	87,256,638
Fixed Assets	3,252,759	3,252,759	2,068,744	2,068,744
Assets deducted from capital	164,945	-	164,943	-
Other Assets	5,778,192	4,971,228	3,988,938	3,920,366
	<u>234,974,194</u>	<u>141,017,277</u>	<u>154,052,738</u>	<u>108,282,183</u>
Off Balance Sheet items				
Loan Repayment Guarantees	7,275,730	7,275,730	10,799,599	10,710,788
Performance Bonds	20,277,862	10,005,675	10,156,436	2,231,593
Stand By Letters of Credit	28,398,805	13,514,667	18,265,416	8,029,694
Outstanding Foreign Exchange Contracts				
-Purchase	627,392	2,492	783,998	2,959
-Sale	2,597,353	10,389	2,101,934	8,408
	<u>59,177,142</u>	<u>30,808,953</u>	<u>42,107,383</u>	<u>20,983,442</u>
Credit risk-weighted exposures		<b>171,826,230</b>		129,265,625
<b>Market Risk</b>				
General market risk		-		-
Specific market risk		170,961		198,489
Market risk-weighted exposures		<u>170,961</u>		<u>198,489</u>
Total Risk-Weighted exposures	(b)	<b>171,997,191</b>		129,464,114
Capital Adequacy Ratio [ (a) / (b) x 100]		<b>9.69</b>		10.09

### 41. Risk Management

The principal risks associated with the banking business are credit risk, market risk, liquidity risk and operational risk.

#### 41.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligations and cause the other party to incur a financial loss. The Bank manages its exposure to credit risk by pursuing an effective credit policy approved by the Board of Directors and undertaking all lending activities in accordance with standard practices and procedures as laid down in the Credit Policy Manual. The Bank's credit process currently entails assessment of credit worthiness of potential customers, pre-sanction evaluation of credit proposal, adequacy and quality checks over collateral and examination of charge documents before disbursements. The Bank will also continue to keep its focus on expansion through diversified exposure. Further, to strengthen the portfolio and as a matter of prudence, adequate provisions against non-performing advances are accounted for in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Out of total financial assets of Rs.230,753,759 thousand (2006: Rs.162,544,481 thousand), the financial assets which were subject to credit risk amount to Rs. 154,718,303 thousand (2006: Rs.137,980,014 thousand). The Bank's major credit risk in the case of loans and advances is concentrated in the textile, construction/real estate and trading and commerce sectors. Investments in Market Treasury Bills, Pakistan Investment Bonds (PIBs), Federal Investment Bonds (FIBs) are guaranteed by the Government of Pakistan.

#### 41.1.1 Segments by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agribusiness	6,691,029	4.90	352,304	0.18	-	-
Textile and ginning	36,165,620	26.49	884,742	0.46	9,216,859	16.08
Cement	5,287,746	3.87	56,392	0.03	2,457,692	4.29
Sugar	6,869,695	5.03	178,555	0.09	635,166	1.11
Financial	1,503,147	1.10	30,988,551	16.14	76,379	0.13
Construction and real estate	16,812,138	12.31	7,345,864	3.83	4,196,324	7.32
Oil and gas	-	-	-	-	7,089,064	12.37
Auto & allied	-	-	-	-	1,014,951	1.77
Food and allied	-	-	-	-	462,832	0.81
Chemical and pharmaceuticals	2,177,198	1.59	1,165,589	0.61	617,207	1.08
Fertilizers	-	-	-	-	-	-
Cable, electrical and engineering	3,110,166	2.28	181,786	0.09	8,717,670	15.21
Production and transmission of energy	2,374,178	1.74	312,012	0.16	190,755	0.33
Transport, Storage and Communication	1,016,330	0.74	7,934,020	4.13	3,150,629	5.50
Government	-	-	-	-	-	-
- Public Sector Enterprises	7,045,032	5.16	92,326,960	48.09	5,966,596	10.41
- Federal and Provincial Governments	-	-	-	-	1,704,252	2.97
Individuals	2,935,990	2.15	20,545,309	10.70	-	-
Trading and commerce	19,571,436	14.33	5,100,138	2.66	5,450,862	9.51
Services	3,958,567	2.90	3,400,697	1.77	1,629,579	2.84
Others	21,011,731	15.41	21,195,990	11.06	4,729,909	8.27
	<b>136,530,003</b>	<b>100.00</b>	<b>191,968,909</b>	<b>100.00</b>	<b>57,306,726</b>	<b>100.00</b>

#### 41.1.2 Segment by sector

Public/ Government	7,045,032	5.16	92,326,960	48.09	7,670,848	13.39
Private	129,484,971	94.84	99,641,949	51.91	49,635,878	86.61
	<b>136,530,003</b>	<b>100.00</b>	<b>191,968,909</b>	<b>100.00</b>	<b>57,306,726</b>	<b>100.00</b>

#### 41.1.3 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		Rupees in '000	
Agribusiness	476,075	154,854	306,295	75,681
Textile and ginning	729,577	697,727	693,597	273,885
Chemical and pharmaceuticals	383,625	194,507	6,839	6,839
Footwear and leather garments	123,927	123,927	3,027	4,609
Cables and electrics	22,291	22,291	22,272	22,272
Construction	115,954	77,000	26,791	3,555
Power and transmission of energy	89,196	89,196	89,195	89,195
Retail and wholesale trade	590,024	473,620	320,306	194,757
Financial	-	-	248,948	62,387
Rice and paddy	73,221	51,822	42,353	28,372
Wheat	37,757	37,757	19,821	18,321
Sugar	-	-	211,068	-
Food and allied	37,141	33,842	20,038	20,038
Services	189,548	103,625	9,545	8,808
Individuals	185,389	152,123	136,739	96,392
Others	296,166	287,767	188,920	153,606
	<b>3,349,891</b>	<b>2,500,058</b>	<b>2,345,754</b>	<b>1,058,717</b>

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

Public/ Government	-	-	-	-
Private	3,349,891	2,500,058	2,345,754	1,058,717
	<b>3,349,891</b>	<b>2,500,058</b>	<b>2,345,754</b>	<b>1,058,717</b>

#### 41.1.5 Geographical segment analysis

A geographical segment analysis has not been presented since the Bank's operations are restricted to Pakistan only.

#### 41.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The Bank's market risk can be further classified into interest rate risk, foreign exchange risk and equity position risk.

##### 41.2.1 Interest rate risk management

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to yield/interest rate risk for its investing and/or financing activities where any major fluctuation in the market interest rate/yield can affect both the value of the financial instrument as well as the profitability of the Bank. To minimize this risk the Bank's Assets and Liabilities Committee (ALCO) keeps a constant watch on the interest rate scenario in the country and on regular intervals reviews pricing mechanism for assets and liabilities of the Bank.

##### 41.2.2 Foreign exchange risk management

The bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with banks abroad, foreign currency placements with foreign commercial banks and foreign currency deposits. The bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and nostro balances are managed within the statutory limits, as fixed by State Bank of Pakistan. Counter parties limits are also fixed to limit risk concentration.

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency
	Rupees in '000			
Pakistan rupee	234,672,727	213,888,135	2,607,270	23,391,862
United States dollar	1,103	1,846,019	(2,311,049)	(4,155,965)
Great Britain pound	69,364	115,843	(11,920)	(58,399)
Japanese yen	13,770	-	(11,070)	2,700
Euro	214,214	128,404	(273,231)	(187,421)
Others	3,017	-	-	3,017
	<u>234,974,195</u>	<u>215,978,401</u>	<u>-</u>	<u>18,995,794</u>

##### 41.2.3 Equity position risk

Equity position risk arises from exposure to securities that represent an ownership interest in a company in the form of ordinary shares or other equity-linked instruments. The instruments held by the Bank that would lead to this exposure include, but are not limited to, the following:

- Shares of listed and unlisted companies
- Preference shares falling on equity criteria
- Equity-based mutual funds

These investments are carried at fair market value with regular revaluations. The Bank prefers to hold long-term exposures for securities held in 'available for sale' category to avoid seasonal or cyclical downturns in the prices of such securities. Equity position risk in 'held-to-trading' category is managed by simultaneous execution of future sale contracts.



41.2.4 Mismatch of Interest Rate Sensitive Assets and Liabilities

2007

	Effective yield / interest rate	Exposed to Yield / Interest risk									Non-interest bearing financial instruments	
		Total	Upto 1 month	Over and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	Over 3 and upto 5 years	Over 5 and upto 10 years		Above 10 years
Rupees in '000												
<b>On-balance sheet financial instruments</b>												
<b>Assets</b>												
Cash and balances with treasury banks	3.36%	14,210,302	93,000	-	-	-	-	-	-	-	-	14,117,302
Balances with other banks	3.08%	1,927,662	556,699	310,000	-	-	-	-	-	-	-	1,060,963
Lending to financial institutions	13.87%	2,450,000	700,000	1,750,000	-	-	-	-	-	-	-	-
Investments	14.64%	73,461,695	4,992,888	22,525,534	23,316,048	5,656,316	196,397	586,083	615,999	1,773,452	634,641	13,164,336
Advances	11.26%	133,893,585	371,098	121,617,325	11,820,185	-	-	-	-	-	-	84,977
Other assets	11.00%	5,778,192	-	-	-	-	8,250	8,250	8,500	-	-	5,753,192
		231,721,436	6,713,685	146,202,859	35,136,233	5,656,316	204,647	594,333	624,499	1,773,452	634,641	34,180,770
<b>Liabilities</b>												
Bills payable	-	937,647	-	-	-	-	-	-	-	-	-	937,647
Borrowings	9.28%	17,842,915	9,866,346	1,717,924	5,999,419	-	-	-	-	-	-	259,226
Deposits and other accounts	8.02%	191,968,909	15,597,400	118,289,871	12,151,461	18,669,592	1,496,919	1,462,991	389,785	-	-	23,910,889
Liabilities against assets subject to finance lease	12.43%	40,321	40,321	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,983,079	-	-	-	-	-	-	-	-	-	2,983,079
		213,772,870	25,504,067	120,007,795	18,150,880	18,669,592	1,496,919	1,462,991	389,785	-	-	28,090,841
<b>On-balance sheet gap</b>		<u>17,948,565</u>	<u>(18,790,382)</u>	<u>26,195,064</u>	<u>16,958,353</u>	<u>(13,013,276)</u>	<u>(1,292,272)</u>	<u>(868,658)</u>	<u>243,214</u>	<u>1,773,452</u>	<u>634,641</u>	<u>6,089,929</u>
<b>Off-balance sheet financial instruments</b>												
Forward foreign exchange contracts												
- purchase		629,080	505,061	119,529	4,490	-	-	-	-	-	-	-
- sale		2,597,353	222,057	2,000,515	374,781	-	-	-	-	-	-	-
- call borrowings		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>		<u>4,226,433</u>	<u>1,727,119</u>	<u>2,120,044</u>	<u>379,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Yield/Interest Risk Sensitivity Gap</b>			<u>(17,063,263)</u>	<u>28,315,108</u>	<u>17,364,623</u>	<u>(13,013,276)</u>	<u>(1,292,272)</u>	<u>(868,658)</u>	<u>243,214</u>	<u>1,773,452</u>	<u>634,641</u>	<u>6,089,929</u>
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>			<u>(17,063,263)</u>	<u>11,251,845</u>	<u>28,616,468</u>	<u>15,603,192</u>	<u>14,310,920</u>	<u>13,442,262</u>	<u>13,676,976</u>	<u>15,450,428</u>	<u>16,085,069</u>	<u>22,174,997</u>

41.3 Liquidity Risk

41.3.1 Liquidity Risk

Liquidity Risk is the potential for loss to an institution arising from either its inability to meet its obligations or to fund increase in assets as they fall due without incurring unacceptable cost or losses. The Bank's ALCO is primarily responsible to ensure adequate maintenance and monitoring of liquidity and minimization of liquidity risk. The Bank manages its liquidity risk by continuous monitoring of the maturity profiles of its assets and liabilities, strengthening of its credit recovery procedures by focusing on retail and medium-sized customers and managing open positions through effective treasury operations. Allocation of funds towards various business prepositions and pricing of assets and liabilities of the Bank are given significant importance.

41.3.2 Maturities of Assets and Liabilities

2007

	Total	Upto 1 month	Over 1 and upto 3 months	Over 3 and upto 6 months	Over 6 months and upto 1 year	Over 1 and upto 2 years	Over 2 and upto 3 years	over 3 and upto 5 years	Over 5 and upto 10 years	Over 10 years
Cash and balances with treasury banks	14,210,302	14,210,302	-	-	-	-	-	-	-	-
Balances with other banks	1,927,662	1,617,662	310,000	-	-	-	-	-	-	-
Lending to financial institutions	2,450,000	700,000	1,750,000	-	-	-	-	-	-	-
Investments	73,461,695	4,992,888	12,945,350	21,627,058	5,935,321	707,796	1,154,345	23,151,988	2,147,362	799,586
Advances	133,893,585	41,802,105	13,722,789	20,323,338	11,276,089	3,569,391	6,354,364	17,225,012	17,447,468	2,173,029
Operating fixed assets	3,252,759	11,879	23,759	35,638	71,277	142,553	142,553	285,106	712,765	1,827,229
Other assets	5,778,192	3,265,421	1,621,343	63,814	802,614	8,250	8,250	8,500	-	-
	234,974,195	66,600,257	30,373,242	42,049,848	18,085,301	4,427,990	7,659,512	40,670,606	20,307,595	4,799,844
<b>Liabilities</b>										
Bills payable	937,647	937,647	-	-	-	-	-	-	-	-
Borrowings	17,842,915	10,125,572	1,717,924	5,999,419	-	-	-	-	-	-
Deposits and other accounts	191,968,909	32,572,180	51,113,250	23,775,725	31,287,780	11,279,517	11,330,010	11,632,708	9,488,869	9,488,869
Liabilities against assets subject to finance lease	40,321	733	1,488	2,290	5,195	11,076	7,326	12,213	-	-
Deferred tax liabilities	2,205,530	-	-	-	-	-	-	2,205,530	-	-
Other liabilities	2,983,079	2,865,997	-	1,488	-	-	-	115,594	-	-
	215,978,401	46,502,129	52,832,662	29,778,922	31,292,975	11,290,593	11,337,336	13,966,045	9,488,869	9,488,869
<b>Net assets</b>	<u>18,995,794</u>	<u>20,098,128</u>	<u>(22,459,420)</u>	<u>12,270,926</u>	<u>(13,207,674)</u>	<u>(6,862,603)</u>	<u>(3,677,824)</u>	<u>26,704,561</u>	<u>10,818,726</u>	<u>(4,689,025)</u>
Share capital	4,230,379									
Reserves	10,880,074									
Surplus on revaluation of assets	3,885,341									
	<u>18,995,794</u>									

**41.33** Deposit account without contractual maturities have been classified by taking into account historical trend of their withdrawal pattern, which shows that 15% of such deposits mature in each of the first two categories mentioned above and 10% mature in each of the remaining seven categories.

#### **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. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage operational risk. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and appraisal procedures, including the use of internal audit. The Bank has established a comprehensive business continuity plan to deal with the risk of financial loss and damage to reputation arising from operational risk factors.

In terms of guidance laid down by the State Bank of Pakistan (SBP), all commercial banks in Pakistan are mandated to implement Basel 2 - Basic Indicator Approach for operational risk for calculation of minimum capital requirement with effect from January 01, 2008. The Bank is in the process of establishing an operational risk management framework that is expected to develop and analyze Key Risk Indicators (KRIs) to manage the operational risk faced by the Bank.

#### **42. Date of authorization for issue**

These financial statements were authorized for issue on February 28, 2008 by the Board of Directors of the Bank.

#### **43. Events after the balance sheet date**

The Board of Directors have proposed a final dividend for the year ended December 31, 2007 of Rs. 2.50 per share, amounting to Rs. 1,057,595 (thousands) at their meeting held on February 28, 2008, for approval of the members at the Annual General Meeting to be held on March 31, 2008.

#### **44. General**

**44.1** These financial statements have been prepared in accordance with the revised forms of annual financial statements of commercial banks issued by the State Bank of Pakistan (SBP) vide BSD Circular No. 04 dated February 17, 2006.

**44.2** Figures have been rounded off to the nearest thousand rupees.

**44.3** Corresponding figures have been reclassified, wherever necessary. However, no significant reclassification has been made during the year except for the following;

Head of account	Note	From	To
Premium paid on Pakistan Investment Bonds.	25	markup/return/interest expensed	markup/return/interest earned

Chairman

President

Director

Director

Director

**Statement showing written-off loans or any other financial relief  
of five hundred thousand rupees or above provided  
during the year ended December 31, 2007**

Annexure-I

Rs in '000

S. No.	Name and address of the borrower	Name of individual/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year						Interest /Mark up /Other Charges capitalized written-off	Principal	Interest /Mark up /Other Charges capitalized written-off	Other financial relief provided	Total	
				Branch Name	Region	Principal	Interest/ /Other charges capitalized	Interest/ markup	Others						Total
1	Noor Jehan Dying Mills 24-Kilometres, Ferozpur Road, Lahore	"1- Zulfiqar Ahmed Khan 271-46-058000 2- Nisar Ahmed Khan 272-34-270207 3- Mrs. Qaisar Adeeb Baig 272-43-249150"	"1- S/O Sardar Ahmed Khan 2- S/O Sardar Ahmed Khan 3- W/O Shaukat Mehmood Baig"	LHR-Main	LHR-Main	10,173	-	4,589	-	-	14,762	3,373	4,589	-	7,962
2	"Charm Style 17-C, 1st Floor, Phase-IV, Sunset Commercial Street, DHA, Karachi"	Choudhry Abdul Haq 514-47-147735"	S/O Choudhry Rahim Bux	Shahrah-E- Faisal Branch Karachi	Karachi	5,782	-	-	-	-	5,782	5,782	-	-	5,782
3	"Barex Ltd. 41-Jail Road, Lahore"	1- Mujeeb-ur-Rehman Shami 35202-9809346-1 2- Mrs. Khurshid Tahira 35202-8561870-2 3- Ms. Savera Mujib Shami 35202-0544250-0 4- Ali Mujib Shami 35202-5239793-7 5- Sahibzada Zib-ur-Rehman Shami 42201-0539519-7 6- Hammad Raza Shami 61101-9097800-5"	1- S/O Sheikh Faiz-ur-Rehman 2- W/O Mujeeb-ur-Rehman Shami 3- D/O Mujeeb-ur-Rehman Shami 4- S/O Mujeeb-ur-Rehman Shami 5- S/O Sheikh Faiz-ur-Rehman 6- S/O Raza-ur-Rehman Shami"	LHR-Main	LHR-Main	5,286	-	158	-	-	5,444	3,732	158	-	3,890
4	"Abdul Haq Brothers Cotton Factory(PVT) LTD. Chak #.03/W.B. Tehsil & Distt. Vehari"	1- Malik Muhammad Tariq 324-88-078659 2- Malik Sajid Mahmood 324-68-078895 3- Mst. Baiqeess Khannum 324-61-492876 4- M/s. Naseem Akhtar 253-90-443952"	"1- S/O Umer Din 2- S/O Umer Din 3- W/O Abdul Haq 4- W/O Muhammad Tariq"	Vehari	Multan	9,781	-	-	-	-	9,781	2,981	-	-	2,981

Rs in '000

S. No.	Name and address of the borrower	Name of Individuals/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year						Principal written off	Interest /Mark up /Other Charges capitalized written-off	Interest /Markup written-off	Other financial relief provided	Total
				Branch Name	Region	Principal	Interest/Mark up /Other charges capitalized	Interest/markup	Others					
5	"Masood Ahmad Aziz & Asad Ahmad Aziz 71-L, Gulberg-III, Lahore"	1-Masood Ahmad Aziz 270-25-263430 2-Asad Ahmad Aziz 270-48-160584	"1-S/O Khawaja Aziz-ud-Din Ahmad 2-S/O Masood Ahmad Aziz"	Corporate, Lahore	Lahore	3,057	-	-	-	3,057	-	-	-	3,057
6	Cresent Standard Investment Bank Ltd. 04th Floor, Cresent Tower, 10-B, Block-E-2, Gulberg-III, Lahore.	Mr. Mehmood Ahmed 35201-438204-3 Mr. Shahid Anwar 42201-0442011-5 Mr. Manzoor-ul-Haq 35201-128071-1 Mr. Shazi Naqvi Mr. Tariq Naqvi 35200-1474204-5 Mr. Razak Rranite Dr. Wasim Azhar 35201-1692215-1 Mr. Khuram Mazhar Karim 35201-1471781-3 Mr. Rohi Raees Khan 35201-1461491-2	S/O Dr. Shafe-Ul Huda S/O Abdul Reman S/O Riaz-Ul-Haq S/O Sarder Moula Bukhash S/O F.A. Naqvi S/O M. Akeem-Ud-Din S/O D.D. Rantra S/O Muhammad Azhar S/O Mazhar Karim S/O Raees Ahmad Khan	LHR-Main	LHR-Main	587,536	-	13,296	-	600,832	-	13,296	-	288,174
7	Shamkey Steel (Pvt) Ltd 15 Kilometer G. T. Road, Kala Shah Kaku	1- Muhammad Zahid 267-90-346709 2- Amir Siddique 3- Waqar Riaz 35201-8851131-5"	1- S/O Muhammad Siddique 2- S/O Muhammad Siddique 3-S/O Mian Muhammad Riaz"	LHR-Main	Multan	4,881	-	-	-	4,881	-	-	-	2,886
8	"Camslid Equipment (Pvt) Ltd. Flat No.28, 3rd Floor, Auriga Complex, Gulberg-II, Lahore."	"1- Mohsin Rafique 270-63-254065 2- Mst. Avesha Zafar 213-59-038693 3- Ismail Rafique 270-85-254067"	"1- S/O Muhammad Rafiq 2- D/O Zafar-ul-Islam 3- S/O Muhammad Rafiq" Muhammad Nazir	LHR-Main	LHR-Main	3,968	-	-	-	3,968	-	-	-	2,863
9	"British Company Machinery & Bearing Qaddafi Market, Brand-erth Road, Lahore."	"Sh. Arshad Mahboob 275-98-124655"	S/O Sheikh Muhammad Nazar	Bank Square, Lahore	Lahore	2,233	-	-	-	2,233	-	-	-	2,233
10	"Noor Hayat Industries (Pvt) Ltd. Kabinwala Road, Salawahan, Kabinwala Dist."	1- Malik Niaz Ahmad 36302-38193353-3 2- Falek Sher	"1-S/O Malik Muhammad Baksh 2-S/O Manzoor Hussain"	Multan Main	Multan	4,999	-	-	-	4,999	-	-	-	2,099
11	"A. N. S. W Enterprises 42-3rd Floor Sadiq Plaza, Shahrah-e-Quaid-Azam, Lahore"	1- Sheikh Anjad Iqbal 300-52-024220 2- Mrs. Shameen Kausar 324-54-402904"	"1-S/O Sheikh Muhammad Nazir 2- W/O Sheikh Anjad Iqbal"	Bank Square Branch, Lahore	Lahore	1,793	-	-	-	1,793	-	-	-	1,793

Rs in '000

S. No.	Name and address of the borrower	Name of Individuals/partners/directors with NIC No.	Father's/Husband's name	Outstanding liabilities at beginning of year						Principal written off	Interest /Mark up /Other Charges capitalized written-off	Interest /Mark up /Markup written-off	Other financial relief provided	Total
				Branch Name	Region	Principal	Interest/Mark up /Other charges capitalized	Interest/markup	Others					
12	"Iran Textile Plot #33, St.#3, Room #3, 4.2nd floor Chudary Market Mangumary Bazar Faisalabad 376-A Ghulam Muhammadabad, Faisalabad"	Irfan Ali 246-85-283931"	S/O Atta Ullah	Railway Road, Faisalabad	Faisalabad	3,179	-	-	-	1,760	-	-	-	1,760
13	"Indus Cotton & Oil Industries (Pvt) Ltd. Mouza Nawab Shehar Shumali, Choti Zareen, D. G. Khan"	1- Imtiaz Khan Legari 32102-9068029-9 2- Sardar Ejaz Ahmad Khan 32102-2380130-1 3- Khalida Legari 54400-6334920-8"	"1- S/O Tuffail Ahmed Khan 2- S/O Sardar Ahmed Ali 3- W/O Zia-ud-Din Legari"	Kutchery Road, D. G. Khan	Multan	4,665	-	1,483	-	-	945	-	-	945
14	"Haji Fateh Muhammad & Sons Ghallah Mandi, Sheikhpura"	"Haji Muhammad Iqbal 35404-8115186-7"	S/O Fateh Muhammad	Railway Road, Sheikhpura	Gujranwala	1,436	-	257	-	673	-	257	-	930
15	"Khalid Steel Mills Hameedpura, Fatehgarh (Behind Mint) G. T. Road, Lahore."	"Shabbir Hussain Butt 262-28-103387"	S/O Bashir Ahmad	LHR-Main	LHR-Main	612	-	161	-	612	-	161	-	773
16	"Rehmat Rice Mills Talwandi Mussa Khan, Tehsil & District. Gujranwala."	"Khalid Pervaiz Cheema (Deceased) 34101-6316500-7"	S/O Manzoor Ahmad Cheema	Trust Plaza, Gujranwala	Gujranwala	3,526	-	872	-	-	763	-	-	763
17	Niaz Rice Mills Chak No.219/RB Dairama, Tehsil & Distt. Faisalabad	"M. Niaz Shahzad 33102-1760183-9"	S/O Ghulam Qadir	Railway Road, Faisalabad	Faisalabad	2,972	-	206	87	272	-	206	87	566
18	"Sh. Mohd Aslam Shop No 76, New Toiletinon Market, Shadman, Lahore."	"Sh. Mohd Aslam 272-41-014711"	S/O Sheikh Qudrat-ul-Allah	Bank Square, Lahore	Lahore	614	-	-	-	524	-	-	-	524
19	"Safia Tahir House # 47, Javed Street, Siddique Colony, Behind Timber Market, Ravi Road Lahore"	"Safia Tahir 276-87-391003"	W/O Tahir Shah	Ravi Road, Lahore	Lahore	285	-	222	-	285	-	222	-	506
						<b>656,798</b>	<b>-</b>	<b>21,243</b>	<b>87</b>	<b>309,802</b>	<b>-</b>	<b>20,595</b>	<b>87</b>	<b>330,484</b>