



Financial Statements of

Askari Bank Limited

(formerly Askari Commercial Bank Limited)

for the year ended December 31, 2007

Statement of Compliance

with the Code of Corporate Governance
for the year ended December 31, 2007

This statement is being presented to comply with the Prudential Regulation No.XXIX, responsibilities of the Board of Directors, issued vide BSD Circular No.15, dated June 13, 2002 and the Code of Corporate Governance as contained in Listing Regulations of the stock exchanges where the Bank's shares are listed for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least 11 non-executive Directors of which 3 independent Directors represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Bank Limited (formerly, Askari Commercial Bank Limited), except Mr. Tariq Iqbal Khan who has been exempted for the purpose of this clause by the Securities and Exchange Commission of Pakistan (SECP).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, one casual vacancy occurred on the Board which was filled within the prescribed period.
5. The Bank has prepared a statement of ethics and business practices, which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members participated in orientation courses to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of 3 members who are non-executive Directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held in every quarter prior to approval of interim and final results of the Bank as required by the Code. The terms of reference of the Committee were fully complied with.
17. The Board has set-up an effective internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board



Chairman

Rawalpindi
February 21, 2008

Review Report to the Members

on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Askari Bank Limited (formerly, Askari Commercial Bank Limited) (the Bank) to comply with Prudential Regulation No. XXIX, Responsibilities of Board of Directors issued vide BSD Circular No. 15 dated June 13, 2002, Listing Regulation No. 37 of Karachi Stock Exchange, chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange where the Bank is Listed.

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

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

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

Islamabad
February 21, 2008



A.F. Ferguson & Co.
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Bank Limited (formerly Askari Commercial Bank Limited) (the Bank) as at December 31, 2007 and the related profit and loss account, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 15 branches which have been audited by us and 1 branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2007 and its true balance of the profit, its changes in equity and cash flows 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.

Islamabad
February 21, 2008


A.F. Ferguson & Co.
Chartered Accountants

Note:

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

Balance Sheet

as at December 31, 2007

(Rupees in thousand)	Notes	2007	2006
ASSETS			
Cash and balances with treasury banks	6	13,356,055	14,879,230
Balances with other banks	7	3,497,054	7,333,002
Lendings to financial institutions	8	14,444,143	8,392,950
Investments	9	39,431,005	28,625,915
Advances	10	100,780,162	99,179,372
Operating fixed assets	11	5,128,428	3,810,331
Deferred tax assets		–	–
Other assets	12	5,535,038	3,812,788
		182,171,885	166,033,588
LIABILITIES			
Bills payable	13	2,627,051	1,839,077
Borrowings	14	17,553,525	14,964,087
Deposits and other accounts	15	143,036,707	131,839,283
Sub-ordinated loans	16	2,997,300	2,998,500
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities	17	471,519	736,298
Other liabilities	18	3,219,796	2,603,113
		169,905,898	154,980,358
NET ASSETS		12,265,987	11,053,230
REPRESENTED BY			
Share capital	19	3,006,499	2,004,333
Reserves	20	6,948,336	5,814,754
Unappropriated profit		2,144,810	1,799,979
		12,099,645	9,619,066
Surplus on revaluation of assets - net of tax	21	166,342	1,434,164
		12,265,987	11,053,230
CONTINGENCIES AND COMMITMENTS			
	22		

The annexed notes 1 to 49 form an integral part of these financial statements.



President & Chief Executive



Director



Director



Chairman

Profit and Loss Account

for the year ended December 31, 2007

(Rupees in thousand)	Notes	2007	2006
Mark-up / return / interest earned	25	15,143,241	12,596,921
Mark-up / return / interest expensed	26	8,685,624	6,977,313
Net mark-up / interest income		6,457,617	5,619,608
Provision against non-performing loans and advances	10.4	3,920,240	1,128,137
Provision for impairment in the value of investments	9.2.1	1,501	376
Bad debts written off directly		–	–
		3,921,741	1,128,513
Net mark-up / interest income after provisions		2,535,876	4,491,095
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		1,072,868	1,013,660
Dividend income		137,079	109,326
Income from dealing in foreign currencies		655,761	584,344
Gain on sale of investments - net	27	2,361,251	112,474
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net		1,728	(2,308)
Other income	28	336,809	321,758
Total non-markup / interest income		4,565,496	2,139,254
		7,101,372	6,630,349
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	29	4,789,536	3,277,353
Other provisions / write offs		–	–
Other charges	30	12,051	6,141
Total non-markup / interest expenses		4,801,587	3,283,494
		2,299,785	3,346,855
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		2,299,785	3,346,855
Taxation – current year		98,535	983,875
– prior years'		(233,950)	–
– deferred		(245,812)	113,006
	31	(381,227)	1,096,881
PROFIT AFTER TAXATION		2,681,012	2,249,974
Unappropriated profit brought forward		1,799,979	1,617,597
Profit available for appropriation		4,480,991	3,867,571
Basic / diluted earnings per share - Rupees	32	8.92	7.48

The annexed notes 1 to 49 form an integral part of these financial statements.



President & Chief Executive



Director



Director



Chairman

Statement of Changes in Equity

for the year ended December 31, 2007

(Rupees in thousand)	Share capital	Capital reserve for issue of bonus shares	Statutory reserve	Revenue reserves		Un-appropriated profit	Total
				General reserve	Reserve for contingencies		
Balance as at January 1, 2006	1,507,018	-	1,849,269	2,311,261	310,000	1,617,597	7,595,145
Net profit for the year ended December 31, 2006	-	-	-	-	-	2,249,974	2,249,974
Transfer to:							
Statutory reserve	-	-	449,995	-	-	(449,995)	-
General reserve	-	-	-	894,229	-	(894,229)	-
Final dividend for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-	(226,053)	(226,053)
Bonus shares declared / issued subsequent to year ended December 31, 2005	497,315	-	-	-	-	(497,315)	-
Contingency reserve transferred to General reserve	-	-	-	310,000	(310,000)	-	-
Balance as at January 1, 2007	2,004,333	-	2,299,264	3,515,490	-	1,799,979	9,619,066
Net profit for the year ended December 31, 2007	-	-	-	-	-	2,681,012	2,681,012
Transfer to:							
Statutory reserve	-	-	536,202	-	-	(536,202)	-
General reserve	-	-	-	597,380	-	(597,380)	-
Final dividend for the year ended December 31, 2006 declared subsequent to year end	-	-	-	-	-	(200,433)	(200,433)
Bonus shares declared / issued subsequent to year ended December 31, 2006	1,002,166	-	-	-	-	(1,002,166)	-
Balance as at December 31, 2007	3,006,499	-	2,835,466	4,112,870	-	2,144,810	12,099,645

The annexed notes 1 to 49 form an integral part of these financial statements.



President & Chief Executive



Director



Director



Chairman

Cash Flow Statement

for the year ended December 31, 2007

(Rupees in thousand)	Note	2007	2006
Cash flow from operating activities			
Profit before taxation		2,299,785	3,346,855
Less: Dividend income		(137,079)	(109,326)
		2,162,706	3,237,529
Adjustments:			
Depreciation		400,230	339,606
Provision against non-performing advances (net)		3,920,240	1,128,137
Provision for impairment in the value of investments		1,501	376
Net profit on sale of property and equipment		(6,255)	(6,761)
Finance charges on leased assets		-	12
		4,315,716	1,461,370
		6,478,422	4,698,899
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,051,193)	1,299,292
Held for trading securities		(153,654)	229,901
Advances		(5,521,030)	(14,330,614)
Other assets (excluding advance taxation)		(831,246)	(1,143,032)
		(12,557,123)	(13,944,453)
Increase / (decrease) in operating liabilities			
Bills payable		787,974	523,397
Borrowings		2,589,438	4,401,749
Deposits		11,197,424	13,044,593
Other liabilities		617,958	554,966
		15,192,794	18,524,705
Cash flow before tax		9,114,093	9,279,151
Income tax paid		(743,711)	(923,125)
Net cash flow from operating activities		8,370,382	8,356,026
Cash flow from investing activities			
Net investments in available-for-sale securities		(11,682,052)	(1,098,213)
Net investments in held-to-maturity securities		(228,876)	(1,777,884)
Net investments in subsidiary/ associate		(40,789)	-
Dividend income		137,192	111,461
Investments in operating fixed assets - net of adjustment		(1,758,105)	(974,108)
Sale proceeds of operating fixed assets-disposed off		46,033	23,794
Net cash flow used in investing activities		(13,526,597)	(3,714,950)
Cash flow from financing activities			
Payments of sub-ordinated loans-net		(1,200)	(1,200)
Payments of lease obligations		-	(1,471)
Dividends paid		(201,708)	(223,246)
Net cash flow used in financing activities		(202,908)	(225,917)
(Decrease)/ increase in cash and cash equivalents		(5,359,123)	4,415,159
Cash and cash equivalents at beginning of the year	33	23,712,232	19,297,073
Cash and cash equivalents at end of the year	33	18,353,109	23,712,232

The annexed notes 1 to 49 form an integral part of these financial statements.



President & Chief Executive



Director



Director



Chairman

Notes to the Financial Statements

for the year ended December 31, 2007

1. STATUS AND NATURE OF BUSINESS

Askari Bank Limited (formerly Askari Commercial Bank Limited) (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 150 branches (2006: 122 branches); 149 in Pakistan and Azad Jammu and Kashmir, including 14 Islamic Banking branches and an Offshore Banking Unit (OBU) in the Kingdom of Bahrain.

The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

2. BASIS OF PRESENTATION

2.1 These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions/ balances. Key figures of the Islamic Banking branches are disclosed in Annexure 2 to these financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property are not applicable to Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

a) Standards, amendments and interpretations effective in 2007

Requirements of IAS 1 - Presentation of Financial Statements in respect of capital disclosures are applicable for the Bank's accounting periods beginning on or after January 1, 2007. Such disclosures have been given in note 19 to the financial statements. IFRS 7 (Financial Instruments: Disclosures) has been adopted by the Institute of Chartered Accountants of Pakistan but has not yet been adopted by the Securities and Exchange Commission of Pakistan.

b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2007 but they are not relevant to the Bank's operations:

IFRS 4	Insurance contracts
IFRIC 7	Applying the restatement approach under IAS 29, Financial reporting in hyper inflationary economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Re-assessment of imbedded derivatives
IFRIC 10	Interim financial reporting and impairment

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following new standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2008, but the Bank has not early adopted them:

IAS 1	Presentation of financial statements in respect of changes in the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive income statement. Adoption of IAS 1 is not expected to have an impact on the Bank's financial statements.
IAS 23	Borrowing Cost (Amendment) requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be withdrawn. Adoption of IAS 23 is not expected to have an impact on the Bank's financial statements.
IFRS 8	Operating segments (effective from January 1, 2009) requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of IFRS 8 is not expected to have an impact on the Bank's financial statements.
IFRIC 13	Customer loyalty programmes, clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. Adoption of IFRIC 13 is not expected to have an impact on the Bank's financial statements.
IFRIC 14	The limit on a defined benefit assets, minimum funding requirements and their interactions', provides guidance on assessing the limit in IAS 19 (Employee benefits) on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Adoption of IFRIC 14 is not expected to have an impact on the Bank's financial statements.

d) Interpretations to existing standards that are not yet effective and not relevant to Bank's operations

IFRIC 11	Group and treasury share transaction, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
IFRIC 12	Service concession arrangements', applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified for certain investments which are shown at revalued amounts.

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 43.

Notes to the Financial Statements

for the year ended December 31, 2007

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.

5.2 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.3 Investments

Investments are classified as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet.

Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

Investments in subsidiary and associates are carried at cost.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Bank commits to purchase or sell the investments.

5.4 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.4.2.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.5 Capital work-in-progress, operating fixed assets and depreciation

Capital work-in-progress is stated at cost.

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold/ leasehold land which is not depreciated. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets,

renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

Assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

5.6 Taxation

Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable for previous years.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date, expected to be applicable at the time of its reversal. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realized.

Deferred tax, on revaluation of investments, if any, is recognised as an adjustment to surplus / (deficit) arising on such revaluation.

5.7 Staff retirement benefits

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The Actuarial gains/losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the expected remaining working life of its employees.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

Compensated absences

The Bank grants compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

5.8 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

Fees, commission and brokerage income is recognized at the time of performance of service.

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

Gain and losses on sale of investments are included in income currently.

5.9 Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupees at the exchange rates prevailing on the date of transaction.

Notes to the Financial Statements

for the year ended December 31, 2007

Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the balance sheet date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in profit and loss account currently.

Foreign operation

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

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupees at the rates of exchange ruling on the balance sheet date.

5.10 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

5.11 Off-setting

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

5.12 Related party transactions

Transactions between the Bank and its related parties are carried out on arm's length basis determined in accordance with the generally accepted methods.

5.13 Appropriations subsequent to balance sheet date

Appropriations subsequent to year end are recognised during the year in which those appropriations are made.

5.14 Segment reporting

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

5.14.1 Business segment

Corporate financing

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

Trading and sales

Trading and sales includes the Bank's treasury and money market activities classified as held for trading.

Retail banking

Retail banking segment provides services to small borrowers and includes loans, deposits and other transactions with retail customers and credit card business.

Commercial banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

Agency service

Agency service includes income from rent of lockers provided to customers.

Subordinated loans

It represents subordinated Term Finance Certificates issued by the Bank.

5.14.2 Geographical segments

The Bank operates in two geographic regions; Pakistan and Middle East.

5.15 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The financial statements are presented in Pakistan rupees, which is the Bank's functional currency.

(Rupees in thousand)	Notes	2007	2006
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		1,937,577	1,897,556
Foreign currencies		571,861	504,108
		2,509,438	2,401,664
National Prize Bonds		12,722	15,439
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	8,493,467	7,799,986
Foreign currency current account	6.1	1,002,742	1,070,976
Foreign currency deposit account	6.2	973,201	3,256,304
		10,469,410	12,127,266
With National Bank of Pakistan in :			
Local currency current accounts		364,485	334,861
		13,356,055	14,879,230

6.1 Deposits are maintained with the State Bank of Pakistan to comply with their requirements issued from time to time.

6.2 This represents statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate of one month London Inter Bank Offered Rate (LIBOR) less 1% service charges.

(Rupees in thousand)	Note	2007	2006
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		250,629	843,755
On deposit accounts		448,669	370,114
Outside Pakistan			
On current accounts		549,305	470,222
On deposit accounts	7.1	2,248,451	5,648,911
		3,497,054	7,333,002

Notes to the Financial Statements

for the year ended December 31, 2007

7.1 These represents overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 2.37% to 4.69% (2006: 2.34% to 5.23%) per annum receivable on maturity.

(Rupees in thousand)	Notes	2007	2006
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	1,500,000	1,500,000
Repurchase agreement lendings (reverse repo)	8.2	8,836,151	2,250,210
Purchase under resale arrangement of listed equity securities	8.3	449,992	640,000
		9,286,143	2,890,210
Trade related deals	8.4	558,000	852,740
Others	8.5	3,100,000	3,150,000
		14,444,143	8,392,950

8.1 These carry mark-up rates ranging from 9.65% to 10% (2006: 10.40% to 10.70%) per annum.

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up/return/interest earned. These carry mark-up rates ranging from 9.25% to 9.95% (2006: 8.67% to 9.40%) per annum and maturities of upto 2 months (2006: upto 1 month).

8.3 This represents shares of a listed company purchased under resale agreement at mark-up rates ranging from 11.20% to 12.50% (2006: 13.75% to 14.5%) per annum with maturity of upto 1 month (2006: upto 3 months).

8.4 These are trade related risk participation deals made by Bank's Offshore Banking Unit with returns ranging from 6.55% to 7.76% (2006: 6.62% to 8.93%) per annum with maturities of upto 8 months (2006: upto 6 months).

8.5 This represents lendings to various financial institutions at mark-up rates ranging from 9.65% to 10.30% (2006: 10.35% to 11.90%) per annum with maturities of upto 3 months (2006: upto 3 months).

(Rupees in thousand)	2007	2006
8.6 Particulars of lending		
In local currency	13,886,143	7,540,210
In foreign currencies	558,000	852,740
	14,444,143	8,392,950

8.7 Securities held as collateral against lendings to financial institutions

(Rupees in thousand)	2007			2006		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	8,536,151	–	8,536,151	740,210	–	740,210
Pakistan Investment Bonds	300,000	–	300,000	1,510,000	–	1,510,000
Purchase under resale arrangement of listed shares	449,992	–	449,992	640,000	–	640,000
	9,286,143	–	9,286,143	2,890,210	–	2,890,210

9. INVESTMENTS

(Rupees in thousand)	Notes	2007			2006		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types:							
Held for trading securities							
Fully paid ordinary shares		465,640	–	465,640	316,022	–	316,022
Available for sale securities							
Market Treasury Bills		20,195,793	5,868,488	26,064,281	15,880,231	389,256	16,269,487
Pakistan Investment Bonds		1,884,256	1,194,000	3,078,256	2,772,739	44,000	2,816,739
Fully paid ordinary shares		1,597,170	–	1,597,170	1,231,386	–	1,231,386
Fully paid preference shares		125,000	–	125,000	125,000	–	125,000
Askari Income Fund Units	9.7	450,000	–	450,000	250,000	–	250,000
Term Finance Certificates (TFCs)		1,565,358	–	1,565,358	745,840	–	745,840
National Investment Trust (NIT) Units		46,955	–	46,955	–	–	–
Sukuk Certificates	9.8	400,000	–	400,000	–	–	–
Foreign securities	9.9	98,034	–	98,034	304,550	–	304,550
		26,362,566	7,062,488	33,425,054	21,309,746	433,256	21,743,002
Held to maturity securities							
Term Finance Certificates (TFCs)		1,248,571	–	1,248,571	1,893,700	–	1,893,700
Pakistan Investment Bonds		1,706,824	–	1,706,824	1,747,296	–	1,747,296
Government of Pakistan Sukuk Bonds	9.2.4	743,232	–	743,232	550,989	–	550,989
Government of Pakistan Euro Bonds	9.2.4	744,999	–	744,999	732,765	–	732,765
Sukuk Certificates	9.11	400,000	–	400,000	–	–	–
Credit Linked Notes	9.12	310,000	–	310,000	–	–	–
		5,153,626	–	5,153,626	4,924,750	–	4,924,750
Investment in associate							
Askari General Insurance Company Limited	9.10	11,182	–	11,182	11,182	–	11,182
Investment in subsidiaries							
Askari Investment Management Limited	9.4	100,000	–	100,000	100,000	–	100,000
Askari Securities Limited	9.4	40,789	–	40,789	–	–	–
Investment at cost		32,133,803	7,062,488	39,196,291	26,661,700	433,256	27,094,956
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,388)	–	(3,388)	(1,887)	–	(1,887)
Investments (net of provision)		32,130,415	7,062,488	39,192,903	26,659,813	433,256	27,093,069
Add / (less):							
Surplus / (deficit) on revaluation of held for trading securities - net		1,728	–	1,728	(2,308)	–	(2,308)
Surplus on revaluation of available for sale securities - net		136,136	100,238	236,374	1,529,242	5,912	1,535,154
Total investments at market value		32,268,279	7,162,726	39,431,005	28,186,747	439,168	28,625,915

Notes to the Financial Statements

for the year ended December 31, 2007

(Rupees in thousand)	Notes	2007	2006
9.2 Investments by segments:			
Federal Government Securities	9.2.3		
Market Treasury Bills		26,064,281	16,269,487
Pakistan Investment Bonds		4,785,080	4,564,035
Government of Pakistan Sukuk Bonds	9.2.4	743,232	550,989
Government of Pakistan Euro Bonds	9.2.4	744,999	732,765
		32,337,592	22,117,276
Fully paid up ordinary shares			
Listed companies	9.3	2,468,312	1,752,910
Unlisted companies	9.4	196,469	155,680
		2,664,781	1,908,590
Fully paid preference shares			
Listed companies	9.5	125,000	125,000
Term Finance Certificates (TFCs)	9.6		
Listed Term Finance Certificates		1,939,364	1,111,764
Unlisted Term Finance Certificates		874,565	1,527,776
		2,813,929	2,639,540
Foreign Securities			
Callable notes	9.9	–	304,550
Mena Transformation Fund	9.9	98,034	–
Credit Linked Notes	9.12	310,000	–
		408,034	304,550
Other Investments			
Sukuk Certificates		800,000	–
NIT Units		46,955	–
		846,955	–
Total investment at cost		39,196,291	27,094,956
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,388)	(1,887)
Investments (net of provisions)		39,192,903	27,093,069
Add/(less): Surplus/(deficit) on revaluation of held for trading securities - net		1,728	(2,308)
Add: Surplus on revaluation of available for sale securities - net		236,374	1,535,154
Total investments at market value		39,431,005	28,625,915
9.2.1 Particulars of provision for impairment in value of investments			
Opening balance		1,887	1,511
Charge for the year		1,501	376
Reversals		–	–
		1,501	376
Closing balance		3,388	1,887
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted company		3,388	1,887

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2008 to December 2008	On maturity	9.00% to 9.44%	on maturity
Pakistan Investment Bonds	October 2008 to May 2016	On maturity	7% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually

9.2.4 These represent investments by the Bank's Offshore Banking Unit.

9.3 Investments in listed shares

No. of ordinary shares/units	Paid-up / Break-up value per share / unit at Dec. 31, 2007 (Rupees)	Name of companies / mutual funds	Note	2007	2006
				(Rupees in thousand)	
1,160,422	2,420,022	54.78	Sui Northern Gas Pipelines Limited	63,565	13,199
4,249,500	4,249,500	9.52	Atlas Fund of Funds	40,471	40,471
595,000	808,500	10.00	Meezan Balanced Fund	5,950	8,085
800,000	256,000	244.10	National Bank of Pakistan	195,277	56,979
–	400,000	–	MCB Bank Limited	–	92,375
–	100,000	–	Maple Leaf Cement Co. Limited	–	1,445
375,000	50,000	103.21	D. G. Khan Cement Co. Limited	38,704	3,219
2,351,241	1,808,647	4.76	Askari General Insurance Company Limited	11,182	11,182
300,000	290,000	43.20	Pakistan Telecommunication Company Limited	12,961	12,828
1,250,500	1,059,500	29.66	Hub Power Company Limited	37,091	29,958
350,100	155,000	117.82	Oil and Gas Development Company Limited	41,250	17,770
1,952,500	2,321,000	10.00	Pakistan Strategic Allocation Fund	19,524	23,210
40,000	65,000	421.57	Pakistan State Oil Company Limited	16,863	19,652
–	50,170	–	Fauji Fertilizer Company Limited	–	6,377
345,000	–	127.98	Lucky Cement Limited	44,153	–
220,000	165,000	330.87	Pakistan Oilfields Limited	72,792	58,631
193,000	115,000	225.55	Pakistan Petroleum Limited	43,532	26,849
70,000	47,000	265.74	Engro Chemical (Pakistan) Limited	18,602	8,028
285,000	–	93.25	Crescent Steel Mills Limited	26,576	–
157,500	–	62.54	Honda Atlas Cars Limited	9,850	–
110,000	5,300	367.82	Packages Limited	40,460	979
10,000	27,500	196.60	ICI Pakistan Limited	1,966	3,398
855,000	117,000	95.71	The Bank of Punjab	81,836	11,650
150,000	–	114.75	Nishat Textile Mills Limited	17,213	–
616,000	100,000	44.21	Fauji Fertilizer Bin Qasim Limited	27,232	2,856
21,500	55,000	358.37	Adamjee Insurance Company Limited	7,705	8,395
–	16,376,106	–	Allied Bank Limited	–	420,211
1,300,000	1,160,000	9.16	UTP Large Capital Fund	11,910	11,600
–	599,500	–	Kot Addu Power Company Limited	–	25,199
4,761,601	2,500,000	94.51	Askari Income Fund	450,000	250,000
–	100,000	–	United Stock Advantage Fund	–	10,000
–	5,095,000	–	NAFA Cash Fund	–	50,000
20,000	800	391.00	Pakistan Re-Insurance Limited	7,820	98
777,600	441,000	72.12	Pakistan Industrial Credit & Investment Corporation Limited	56,080	28,266
–	9,963,516	–	Pakistan Income Fund	–	500,000
312,500	–	6.57	Golden Arrow Selected Stock Fund	2,053	–
264,000	–	30.45	PICIC Growth Fund	8,040	–
7,500,000	–	10.00	Pak Oman Advantage Fund	75,000	–
			<i>Balance carried forward</i>	1,485,658	1,752,910

Notes to the Financial Statements

for the year ended December 31, 2007

No. of ordinary shares/units	Paid-up / Break-up value per share / unit at Dec. 31, 2007 (Rupees)	Name of companies / mutual funds	Note	2006	
				2007	2006
				1,485,658	1,752,910
<i>Balance brought forward</i>					
363,100	–	166.55 Arif Habib Securities Limited		60,476	–
300,000	–	11.98 IGI Investment Bank Limited		3,595	–
94,600	–	68.00 JS Investments Limited		6,432	–
394,187	–	16.32 Bank Islami Pakistan Limited		6,434	–
370,000	–	38.85 Meezan Bank Limited		14,375	–
105,500	–	22.61 MyBank Limited		2,385	–
226,800	–	257.27 Habib Bank Limited		58,349	–
110,000	–	168.21 United Bank Limited		18,503	–
400,250	–	16.83 JS Bank Limited		6,737	–
984,000	–	18.86 NIB Bank Limited		18,558	–
285,700	–	12.77 Atlas Bank Limited		3,648	–
114,200	–	39.76 Soneri Bank Limited		4,541	–
1,172,187	–	12.50 Hira Textile Mills		14,652	–
25,000	–	96.00 Attock Cement Limited		2,400	–
140,000	–	39.16 Cherat Cement Limited		5,482	–
300,000	–	15.87 Fauji Cement Company Limited		4,761	–
215,000	–	250.87 Attock Refinery Limited		53,936	–
55,000	–	357.13 National Refinery Limited		19,642	–
65,000	–	392.51 Shell Pakistan Limited		25,513	–
50,500	–	353.76 Pak Suzuki Motor Company Limited		17,865	–
45,500	–	364.02 Indus Motor Co. Limited		16,563	–
67,500	–	59.11 Pakistan International Container Terminal Limited		3,990	–
2,500,000	–	98.06 Askari Asset Allocation Fund		245,140	–
203,000	–	98.52 First Habib Income Fund		20,000	–
516,899	–	96.73 MCB Dynamic Cash Fund		50,000	–
513,239	–	97.42 HBL Income Fund		50,000	–
505,255	–	98.96 United Growth & Income Fund		50,000	–
503,906	–	49.61 AKD Income Fund		25,000	–
201,557	–	99.23 AMZ Plus Income Fund		20,000	–
300,000	–	50.00 Alfalah GHP Income Multiplier Fund		15,000	–
201,073	–	99.47 IGI Income Fund		20,000	–
249,829	–	100.07 Dawood Money Market Fund		25,000	–
100,000	–	100.00 HBL Stock Fund		10,000	–
241,289	–	103.61 KASB Liquid Fund		25,000	–
239,047	–	104.58 JS Income Fund		25,000	–
146,000	–	4.92 Pakistan PTA Limited		719	–
100,000	–	53.70 Bank Alfalah Limited		5,370	–
563,500	–	5.30 Karachi Electric Supply Company Limited		2,986	–
7,000	–	569.00 Attock Petroleum Limited		3,983	–
10,000	–	34.30 Dost Steel Mills Limited		343	–
17,500	–	189.54 Cherat Paper Sack Limited		3,317	–
308,000	–	16.60 World Call Telecom Limited		5,113	–
79,000	–	45.45 Searle Pakistan Limited		3,591	–
8,600	–	192.40 Glaxo Smithkline Limited		1,655	–
6,000	–	83.50 Highnoon Laboratories		501	–
30,000	–	203.30 Tri Pak Films Limited		6,099	–
				2,468,312	1,752,910
				31,562	1,280,609
				2,499,874	3,033,519

Add: Surplus on revaluation of shares - (net)

Market value as on December 31

9.4 Particulars of investments held in unlisted companies / bank

Investee	Notes	Percentage of holding %	Number of shares / units held	Cost / paid-up value per share / unit (Rupees)	Total paid-up value (Rupees in thousand)	Break up value	Based on audited financial statements as at	Name of Chief Executive
Companies / bank								
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,844	31 Dec 2006	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10.00	5,680	2,292	31 Dec 2006	Mr. S.M. Zaeem
Askari Investment Management Limited - subsidiary	9.4.3	100.00	10,000,000	10.00	100,000	122,701	31 Dec 2007	Mr. Saeed Aziz Khan
Askari Securities Limited- subsidiary	9.4.4	74.00	9,620,000	10.00	40,789	10,005	31 Dec 2007	Mr. Muhammad Ramzan Bhatti
					196,469			

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale/ transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 3,388 thousand (2006: Rs. 1,887 thousand) is considered as impairment and has been fully provided for.

9.4.3 Askari Investment Management Limited is a wholly owned subsidiary of the Bank, licensed as a non-banking finance company (NBFC), to undertake asset management and investment advisory services under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations).

9.4.4 Askari Securities Limited is a partly owned subsidiary of the Bank, incorporated under the Companies Ordinance, 1984 as a public limited company to undertake the business of share brokerage, investment advisory and consultancy services.

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares	Paid-up value		Investee	Rate %	Book Value		Market Value	
	2007	2006			2007	2006	2007	2006
					(Rupees in thousand)			
10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	80,000	71,500
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six month KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000
					125,000	125,000	105,000	96,500

Notes to the Financial Statements

for the year ended December 31, 2007

9.6 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate Rupees	2007	2006
2007	2006			(Rupees in thousand)	
Listed					
–	500	Sui Southern Gas Company Limited	–	–	8,327
6,067	6,067	Worldcall Telecom Limited	4,998	30,323	30,335
30,000	30,000	Bank Al-Habib Limited	4,994	149,820	149,880
35,000	35,000	Bank Alfalah Limited	4,995	174,827	174,894
4,600	4,600	Prime Commercial Bank Limited	4,995	22,977	22,986
12,000	12,000	Soneri Bank Limited	4,995	59,940	59,964
10,000	10,000	Standard Chartered Bank Limited	4,997	49,970	49,990
24,431	44,432	United Bank Limited	4,995	122,036	222,083
39,992	39,992	Pakistan Mobile Communication (Private) Limited	4,999	199,920	199,960
18,669	38,669	Allied Bank Limited	4,998	93,308	193,345
15,000	–	Pace Pakistan Limited	5,000	75,000	–
15,200	–	Avari Hotels Limited	5,000	76,000	–
5,000	–	Kashf Foundation	2,049	10,243	–
60,000	–	Pak American Fertilizers Limited	5,000	300,000	–
60,000	–	Azgard Nine Limited	5,000	300,000	–
1,500	–	Orix Leasing Limited	100,000	150,000	–
20,000	–	Pak Arab Fertilizer Limited	5,000	100,000	–
5,000	–	Jahangir Siddique and Company	5,000	25,000	–

Book value as on December 31 1,939,364 1,111,764

Unlisted					
30,000	30,000	Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	1,999	59,960	120,000
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Zaffar Ahmad Khan)	4,375	306,238	323,737
400	400	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	958,333	383,333	400,000
18	18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Tariq Saeed Saigol)	624,999	11,250	33,750
18,995	18,995	Dewan Cement Limited (Chief Executive: Syed Muhammad Ali)	3,358	63,784	75,289
20,000	20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf)	2,500	50,000	75,000
–	50	Pak Arab Fertilizer Limited (Chief Executive: Mr. Sheikh Fawad)	–	–	500,000

Book value as on December 31 874,565 1,527,776

These carry rate of return ranging from 8.45% to 14.40% (2006: 8.45% to 14.40%) per annum and having maturity periods of upto 8 years (2006: 8 years).

9.7 This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.

9.8 This represent investment in SUKUK certificates issued by Kohat Cement Company Limited and Shahraj Fabrics (Pvt) Limited and carry return at the rate average of offer side of six month KIBOR plus 1.8% p.a and average of offer side of six month KIBOR plus 2.1% p.a respectively.

(Rupees in thousand)	Note	2007	2006
9.9 Foreign securities			
Callable notes		–	304,550
MENA Transformation Fund	9.9.1	98,034	–
		98,034	304,550

9.9.1 The Bank's Offshore Banking Unit has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

9.10 Investment in associate represents 15% (2006: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2007: Rs.154,124 thousand ; 2006: Rs. 74,064 thousand).

9.11 Sukuk Certificates

Name of Investee	Rate of return	Maturity	2007	2006
Sui Southern Gas Company Limited	Average of offer side of three month KIBOR plus 0.8% p.a.	June 28, 2012	200,000	–
WAPDA	Average of offer side of six month KIBOR minus 0.25% p.a.	July 13, 2017	200,000	–
			400,000	–

9.12 This represents investments by the Bank's Offshore Banking Unit in credit linked notes issued by Standard Chartered Bank, Singapore at USD LIBOR plus 3.50% per annum maturing on December 20, 2012.

9.13 Quality of Available for Sale Securities

(Rupees in thousand)	Notes	2007		2006	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.13.1	26,010,637	unrated	16,251,844	unrated
Pakistan Investment Bonds	9.13.1	3,331,991	unrated	3,122,924	unrated
Fully paid up ordinary shares	9.13.2				
Pakistan Oilfields Limited		70,224	unrated	32,177	unrated
Hub Power Company Limited		38,140	unrated	24,219	unrated
Pakistan Petroleum Limited		35,042	unrated	3,480	unrated
Kot Addu Power Company Limited		–	–	24,400	unrated
Fauji Fertilizer Company Limited		–	–	5,295	unrated
ICI Pakistan Limited		–	–	3,176	unrated
United Stock Advantage Fund		–	–	9,537	unrated
Pakistan Export Finance Guarantee Agency Limited		2,292	unrated	3,793	unrated
Attock Cement Limited		2,493	unrated	–	–
D.G. Khan Cement Company Limited		30,777	unrated	–	–
Pakistan Telecommunication Company Limited		12,615	unrated	–	–
Honda Atlas Cars Limited		8,521	unrated	–	–
Crescent Steel Mills Limited		27,759	A+	–	–
Oil and Gas Development Company Limited		11,945	AAA	–	–
Atlas Fund of Funds		35,696	5-Star	33,996	4-Star
Meezan Balanced Fund		4,998	5-Star	6,953	5-Star
Pakistan Strategic Allocation Fund		17,768	4-Star	19,729	5-Star
Pakistan Income Fund		–	–	525,077	4-Star
NAFA Cash Fund		–	–	53,617	A (f)
National Bank of Pakistan		23,215	AAA	1,346	AAA(M2L)
Sui Northern Gas Pipelines Limited		76,066	AA	158,511	AA- (L)
Packages Limited		29,104	AA	1,113	AA (L)
Khushhali Bank		50,000	A-	50,000	A- (M2L)
Allied Bank Limited		–	–	1,531,165	A+(M2L)
Golden Arrow Selected Stock Fund		2,000	5-Star	–	–
PICIC Growth Fund		7,524	2-Star	–	–
Pak Oman Advantage Fund		61,875	AA-	–	–
Arif Habib Securities Limited		27,383	unrated	–	–
IGI Investment Bank Limited		4,425	A	–	–
JS Investments Limited		4,243	unrated	–	–
PICIC Commercial Bank Limited		45,684	AA-	–	–
The Bank of Punjab		29,829	AA	–	–
Bank Islami Pakistan Limited		3,502	A-	–	–
Arif Habib Bank Limited		893	A-	–	–
Meezan Bank Limited		14,245	A+	–	–
Balance carried forward		30,020,886		21,862,352	

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for the year ended December 31, 2007

(Rupees in thousand)	Notes	2007		2006	
		Market Value	Rating	Market Value	Rating
Balance brought forward		30,020,886		21,862,352	
MyBank Limited		2,527	A	–	–
Habib Bank Limited		44,381	AA+	–	–
JS Bank Limited		8,740	A-	–	–
United Bank Limited		19,019	AA+	–	–
NIB Bank Limited		17,677	A+	–	–
Atlas Bank Limited		4,857	A-	–	–
Soneri Bank Limited		4,956	AA-	–	–
Pakistan Re-insurance Limited		8,075	unrated	–	–
Hira Textile Mills		9,319	unrated	–	–
Nishat Mills		15,780	A1+	–	–
Cherat Cement		5,558	unrated	–	–
Lucky Cement		34,367	unrated	–	–
Fauji Cement		4,470	unrated	–	–
Attock Refinery Limited		47,747	AA-	–	–
National Refinery Limited		18,050	unrated	–	–
Shell Pakistan Limited		26,409	unrated	–	–
Pak Suzuki Motor Company Limited		11,702	unrated	–	–
Indus Motor Company Limited		14,523	unrated	–	–
Pakistan International Container Terminal		4,752	unrated	–	–
Fauji Fertilizer Bin Qasim Limited		2,102	unrated	–	–
Pakistan PTA Limited		737	unrated	–	–
Askari Asset Allocation Fund		241,722	unrated	–	–
First Habib Income Fund		21,268	unrated	–	–
MCB Dynamic Cash Fund		54,123	AM3	–	–
HBL Income Fund		53,664	unrated	–	–
United Growth & Income Fund		52,961	A	–	–
AKD Income Fund		26,585	AM3+	–	–
AMZ Plus Income Fund		21,353	A	–	–
Alfalah GHP Income Multiplier Fund		15,777	unrated	–	–
IGI Income Fund		21,100	AM3	–	–
Dawood Money Market Fund		26,347	5-Star	–	–
HBL Stock Fund		10,240	unrated	–	–
KASB Liquid Fund		25,381	AM3	–	–
JS Income Fund		25,305	unrated	–	–
UTP – Large Capital Fund		10,530	5-Star	9,280	unrated
Fully paid preference shares	9.13.2	105,000	unrated	96,500	unrated
Askari Income Fund Units	9.13.2	503,254	5-Star	265,550	unrated
Term Finance Certificates (TFCs)					
Pak American Fertilizer Limited		383,333	AA-	400,000	unrated
World Call Telecom Limited		34,885	AA-	30,336	AA- (L)
United Bank Limited		23,616	AA	122,160	AA- (M)
Allied Bank Limited		101,858	A+	193,345	A (M)
Orix Leasing Limited		150,000	AA+	–	–
Pak Arab Fertilizer Limited		100,000	AA	–	–
Jahangir Siddique and Company		25,000	AA+	–	–
Pace Pakistan Limited		75,000	AA-	–	–
Avari Hotels (Pvt) Limited		76,000	A-	–	–
Kashf Foundation		10,243	A	–	–
Pak American Fertilizer Limited		300,000	AA-	–	–
Azgard Nine Limited		300,000	A+	–	–
		1,579,935		745,841	
National Investment Trust (NIT) Units	9.13.2	51,286	4-Star	–	–
Sukuk Certificates		400,000	unrated	–	–
Foreign securities					
MENA Transformation Fund		85,575	unrated	–	–
Callable notes		–	–	296,746	AAA
		33,658,040		23,276,269	

9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 Ratings for these equity securities represent 'Entity Ratings'.

9.13.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign security has been rated separately by Moodys, Standard & Poor's and Fitch; international rating companies. These ratings reflect independent credit risk assessment by respective credit rating entities.

(Rupees in thousand)	2007	2006
9.14 Unrealized gain / (loss) on revaluation of investments classified as held for trading		
Fully paid ordinary shares	1,728	(2,308)

9.15 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

9.16 Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.

(Rupees in thousand)	Notes	2007	2006
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		90,321,149	83,370,260
Outside Pakistan		2,332,750	791,830
		92,653,899	84,162,090
Ijara Financing – In Pakistan	10.2	549,809	31,694
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,634,323	5,987,391
Payable outside Pakistan		8,230,162	11,207,285
		13,864,485	17,194,676
		107,068,193	101,388,460
Financing in respect of continuous funding system		1,120,574	1,336,419
Advances – gross		108,188,767	102,724,879
Provision against non performing advances	10.4		
Specific provision		(6,528,040)	(2,739,631)
General provision		(434,690)	(442,481)
General provision against consumer loans		(445,875)	(363,395)
		(7,408,605)	(3,545,507)
Advances – net of provision		100,780,162	99,179,372
10.1 Particulars of advances			
10.1.1 In local currency		95,024,960	89,363,704
In foreign currencies		13,163,807	13,361,175
		108,188,767	102,724,879
10.1.2 Short term (for upto one year)		81,372,426	77,266,831
Long term (for over one year)		26,816,341	25,458,048
		108,188,767	102,724,879

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for the year ended December 31, 2007

10.2 Ijara Financing – In Pakistan

(Rupees in thousand)	2007				2006			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Ijara rentals receivable	101,165	402,897	–	504,062	8,878	21,870	–	30,748
Residual value	21,176	105,562	–	126,738	–	10,186	–	10,186
Minimum lease payments	122,341	508,459	–	630,800	8,878	32,056	–	40,934
Profit for future periods	25,833	55,158	–	80,991	3,344	5,896	–	9,240
Present value of minimum Ijara payments	96,508	453,301	–	549,809	5,534	26,160	–	31,694

10.3 Advances include Rs. 6,907,591 thousand (2006: Rs.3,656,297 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Notes	2007			2006		
		Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in thousand)							
Special mention	10.3.1	–	–	–	208,954	–	208,954
Other Assets Especially mentioned	10.3.2	4,681	–	4,681	–	–	–
Substandard		209,977	–	209,977	45,252	–	45,252
Doubtful		819,270	–	819,270	407,036	–	407,036
Loss		5,873,663	–	5,873,663	5,866,798	–	5,866,798
		6,907,591	–	6,907,591	6,528,040	–	6,528,040

10.3.1 This represents provision made pursuant to the State Bank of Pakistan's advice.

10.3.2 This represents classification made for agricultural finances.

10.4 Particulars of provision against non-performing advances

Notes	2007				2006			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
(Rupees in thousand)								
Opening balance	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967
Charge / (reversal) for the year	3,845,551	(7,791)	82,480	3,920,240	1,330,426	(323,386)	121,097	1,128,137
Amounts written off	(34,325)	–	–	(34,325)	(1,597)	–	–	(1,597)
Other adjustments	(22,817)	–	–	(22,817)	–	–	–	–
Closing balance	6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507

10.4.1 During the year, the State Bank of Pakistan has amended the Prudential Regulation vide BSD Circular No. 7, dated October 12, 2007 in relation to provision for loans and advances, thereby withdrawing the benefit of Forced Sale Value (FSV) of collateral against non-performing advances for provisioning requirement (except Housing finance, Agri finance and Mortgage finance). Consequent to change in the basis for determining specific provision, an amount of Rs 2,686.504 million has been charged during the year, resulting in a decrease in profit before tax and net of tax profit by Rs 2,686.504 million and Rs 1,746.228 million respectively.

10.4.2 The general provision is maintained at the rate of 0.5 % on advances other than non – performing advances and consumer financing.

10.5 Particulars of provision against non-performing advances

	2007				2006			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
(Rupees in thousand)								
In local currency	6,470,161	369,160	445,875	7,285,196	2,713,340	375,824	363,395	3,452,559
In foreign currencies	57,879	65,530	–	123,409	26,291	66,657	–	92,948
	6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507

(Rupees in thousand)

10.6 Particulars of write-offs:

	2007	2006
10.6.1 Against provisions	34,325	1,597
Directly charged to profit and loss account	–	–
	34,325	1,597
10.6.2 Write offs of Rs. 500,000 and above	34,168	1,597
Write offs of below Rs. 500,000	157	–
	34,325	1,597

10.7 This represents mark-up income on classified portfolio relating to previous years clubbed in provisions against non-performing advances, now transferred to mark-up suspense account.

10.8 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2007 is given at Annexure-1.

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

(Rupees in thousand)	Notes	2007	2006
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		162,372	77,407
Loans granted during the year		136,412	134,238
Repayments		(102,817)	(49,273)
Balance at end of year		195,967	162,372
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		–	–
Loans granted during the year		–	–
Repayments		–	–
Balance at end of year		–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		217,236	764,619
Loans granted during the year		5,000	50,120
Repayments		(28,782)	(597,503)
Balance at end of year		193,454	217,236
		389,421	379,608

11. OPERATING FIXED ASSETS

		2007	2006
Capital work-in-progress	11.1	1,743,449	724,449
Property and equipment	11.2	3,384,979	3,085,882
		5,128,428	3,810,331

11.1 Capital work-in-progress

		2007	2006
Civil works		–	–
Advances to suppliers and contractors		1,743,449	724,449
		1,743,449	724,449

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11.2 Property and equipment

(Rupees in thousand)	2007									
	COST				DEPRECIATION				Book Value as at December 31, 2007	Annual rate of depreciation %
	as at January 1, 2007	additions	transfers/ (deletions)	as at December 31, 2007	as at January 1, 2007	charge for the year	on transfers/ (deletions)	as at December 31, 2007		
Land-freehold	404,943	-	-	404,943	-	-	-	-	404,943	-
Land-leasehold	409,030	56,940	-	465,970	-	-	-	-	465,970	-
Buildings on freehold land	514,693	55,410	-	570,103	139,487	21,295	-	160,782	409,321	5
Buildings on leasehold land	782,581	14,280	-	796,861	129,788	33,292	-	163,080	633,781	5
Renovation of leased premises	480,093	129,388	(2,864)	606,617	247,800	85,071	(2,632)	330,239	276,378	20
Furniture, fixtures and office equipment	250,946	44,812	(3,736)	292,022	75,792	20,477	(1,484)	94,785	197,237	10
Carpets	13,505	3,359	(1,178)	15,686	9,049	1,762	(739)	10,072	5,614	20
Machine and equipments	545,866	110,606	(9,464)	647,008	271,964	68,550	(6,401)	334,113	312,895	20
Computer equipments	631,325	104,209	(1,343)	734,191	296,572	80,176	(692)	376,056	358,135	20
Vehicles	324,705	220,101	(68,406)	476,400	117,162	84,258	(35,265)	166,155	310,245	20
Other assets	56,565	-	-	56,565	40,756	5,349	-	46,105	10,460	20
	4,414,252	739,105	(86,991)	5,066,366	1,328,370	400,230	(47,213)	1,681,387	3,384,979	

(Rupees in thousand)	2006									
	COST				DEPRECIATION				Book Value as at December 31, 2006	Annual rate of depreciation %
	as at January 1, 2006	additions	transfers/ (deletions)	as at December 31, 2006	as at January 1, 2006	charge for the year	on transfers/ (deletions)	as at December 31, 2006		
Land - freehold	404,943	-	-	404,943	-	-	-	-	404,943	-
Land - leasehold	408,775	255	-	409,030	-	-	-	-	409,030	-
Buildings on freehold land	514,693	-	-	514,693	119,737	19,750	-	139,487	375,206	5
Buildings on leasehold land	782,581	-	-	782,581	95,430	34,358	-	129,788	652,793	5
Renovation of leased premises	364,646	139,376	(23,929)	480,093	200,364	69,001	(21,565)	247,800	232,293	20
Furniture, fixtures and office equipment	207,382	47,308	(3,744)	250,946	60,175	17,442	(1,825)	75,792	175,154	10
Carpets	12,941	2,522	(1,958)	13,505	9,496	1,367	(1,814)	9,049	4,456	20
Machine and equipments	475,762	82,941	(12,837)	545,866	218,327	61,422	(7,785)	271,964	273,902	20
Computer equipments	520,504	112,406	(1,585)	631,325	222,739	74,535	(702)	296,572	334,753	20
Vehicles	215,333	88,253	54,096	324,705	43,833	55,458	44,177	117,162	207,543	20
			(32,977)				(26,306)			
Other assets	43,955	12,610	-	56,565	34,483	6,273	-	40,756	15,809	20
	3,951,515	485,671	54,096	4,414,252	1,004,584	339,606	44,177	1,328,370	3,085,882	
			(77,030)				(59,997)			
Assets held under finance lease:										
Vehicles	54,096	-	(54,096)	-	44,177	-	(44,177)	-	-	20
	4,005,611	485,671	(77,030)	4,414,252	1,048,761	339,606	(59,997)	1,328,370	3,085,882	

Cost of fully depreciated property and equipment still in use was Rs. 139,235 thousand. (2006 : 119,121 thousand.)

11.3 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
	(Rupees in thousand)					
Honda Civic	1,228	736	492	647	As per Bank policy	Mr. Tariq Mahmood - Ex executive
Toyota Corolla	1,103	313	790	812	-do-	Mr. Khalid M. Khan - Executive
Toyota Corolla	1,059	318	741	747	-do-	Mr. Rana Shahid Habib - Executive
Honda Civic	1,057	722	335	502	-do-	Mr. Abdul Hafeez Butt - Ex executive
Honda Civic	1,042	417	625	638	-do-	Mr. Hafeez R. Quraishi - Executive
Honda Civic	1,042	486	556	623	-do-	Mr. Ejaz Ahmed Khan - Executive
Honda Civic	1,002	451	551	611	-do-	Mr. Nazimuddin A. Chaturbhai - Executive
Honda City	921	368	553	590	-do-	Mr. Anwar Sheikh - Executive
Honda City	909	379	530	577	-do-	Mr. Arshad Ali Khan - Executive
Honda City	878	483	395	441	-do-	Mr. Riaz Khan Bangash - Executive
Honda City	878	498	380	436	-do-	Mrs Lubna Azam Tiwana - Executive
Honda City	878	498	380	459	-do-	Mr. Shahid Amir - Executive
Honda City	878	585	293	444	-do-	Mr. Saulat Hameed - Executive
Honda City	878	571	307	427	-do-	Mr. Tehseen H. Javed - Ex executive
Honda City	878	571	307	394	-do-	Syed Talib H. Naqvi - Executive
Honda City	878	585	293	445	-do-	Mr. Qazi A. M. Khalid - Executive
Honda City	871	319	552	585	-do-	Mr. Tayyab Khan - Executive
Toyota Corolla	864	418	446	650	-do-	Mr. Nasir Javid - Ex executive
Honda City	862	488	374	461	-do-	Mr. Ijaz Ahmed - Executive
Honda City	849	467	382	461	-do-	Mr. Saleem Anwar - Ex executive
Honda City	847	551	296	416	-do-	Mr. Zain Hamidi - Ex executive
Honda City	846	92	754	754	-do-	Mr. Muhammad Iqbal - Executive
Honda City	845	155	690	706	-do-	Mr. Shakeel Mumtaz Paracha - Executive
Honda City	845	127	718	745	-do-	Mr. Shahrukh Qureshi - Ex executive
Honda City	845	85	760	730	-do-	Miss. Saiqa Saddiqa Qureshi - Ex executive
Honda City	844	84	760	730	-do-	Miss. Yasmin Akbar - Ex executive
Honda City	835	320	515	554	-do-	Mr. Shahbaz Saboor - Executive
Honda City	795	384	411	457	-do-	Mr. Faheem Ahmad Qureshi - Executive
Honda City	795	384	411	458	-do-	Mr. Ejaz Musarrat Siddiqui - Executive
Honda City	795	533	262	445	-do-	Mr. Farrukh Bari - Executive
Honda City	795	490	305	453	-do-	Mr. Iqbal Abdullah - Executive
Honda City	795	411	384	453	-do-	Mr. Sheikh Muhammad Ibrar Ali - Executive
Suzuki Baleno	739	542	197	338	-do-	Mr. Muhammad Ahmed Khan - Executive
Suzuki Baleno	739	542	197	350	-do-	Mr. Adil Zaidi - Executive
Suzuki Baleno	739	530	209	323	-do-	Mr. Waqar Hameed - Executive
Suzuki Baleno	699	699	-	254	-do-	Mr. Feroz Raza - Executive
Suzuki Baleno	699	699	-	246	-do-	Mr. Ikram Athar Siddiqui - Executive
Suzuki Baleno	699	699	-	245	-do-	Mr. Inam Ullah Khan - Executive
Suzuki Baleno	699	699	-	262	-do-	Mr. Hassan Aziz Rana - Executive
Suzuki Cultus	665	222	443	482	-do-	Mr. Fazle Haq Syed - Executive
Suzuki Cultus	665	222	443	463	-do-	Mr. Iqbal Pasha - Executive
Suzuki Cultus	665	299	366	380	-do-	Mr. Asif Paracha - Ex executive
Suzuki Cultus	640	299	341	369	-do-	Mr. Akhtar Jawad - Executive
Suzuki Cultus	636	233	403	429	-do-	Mr. Shahid Iqbal - Executive
Suzuki Cultus	636	233	403	403	-do-	Mr. Rehan Ali Khan - Ex executive
Suzuki Cultus	631	168	463	450	-do-	Mr. Farooq Ahmed - Ex executive
Suzuki Cultus	631	221	410	436	-do-	Mr. Khalid Mahmood - Executive
Suzuki Cultus	631	200	431	436	-do-	Mr. Farooq Rasheed - Executive
Suzuki Cultus	615	154	461	472	-do-	Mr. Nasim Ilyas - Executive
Suzuki Cultus	560	289	271	324	-do-	Mr. Ijaz Ahmed Butt - Executive
Suzuki Cultus	560	320	240	282	-do-	Miss. Ayesha Javed - Executive
Suzuki Cultus	560	112	448	449	-do-	Miss. Saiqa Saddiqa Qureshi - Ex executive
Suzuki Cultus	560	233	327	350	-do-	Miss. Yasmin Akbar - Ex executive
Suzuki Cultus	560	177	383	407	-do-	Mr. Iftikhar Baloch - Executive
Suzuki Cultus	560	243	317	356	-do-	Mr. Sher Afghani Khanzada - Executive
Suzuki Cultus	560	299	261	321	-do-	Mr. Altaf Haider - Executive
Suzuki Cultus	560	308	252	287	-do-	Mr. Khurram Mughal - Executive
Suzuki Cultus	560	205	355	450	-do-	Mr. Sardar Rizwan Ullah Khan - Ex executive
Suzuki Cultus	560	485	75	232	-do-	Mr. Malik Noor Khan - Executive
Suzuki Cultus	560	289	271	350	-do-	Mr. Nasrullah Khan - Executive
Balance carried forward	46,425	22,910	23,515	27,977		

Notes to the Financial Statements

for the year ended December 31, 2007

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
(Rupees in thousand)						
Balance brought forward	46,425	22,910	23,515	27,997		
Suzuki Cultus	560	345	215	284	-do-	Mr. Shahrukh Qureshi - Ex executive
Suzuki Cultus	560	93	467	473	-do-	Mr. Scheeraz Ejaz Khan - Executive
Suzuki Cultus	560	103	457	461	-do-	Mr. Sabir Mumtaz - Executive
Suzuki Cultus	560	327	233	296	-do-	Mr. Shahid Alam Siddiqi - Executive
Suzuki Cultus	560	224	336	365	-do-	Syed Abbas Hamdani - Executive
Suzuki Cultus	560	280	280	327	-do-	Mr. Shahid Iqbal - Executive
Suzuki Cultus	560	280	280	329	-do-	Mr. Bakar Ahmed - Executive
Suzuki Cultus	560	401	159	262	-do-	Mr. Khurram Daniyal - Executive
Suzuki Cultus	560	355	205	261	-do-	Mr. Imran Ahmed - Executive
Suzuki Cultus	560	308	252	262	-do-	Mr. Riaz Ahmed - Executive
Suzuki Cultus	560	495	65	247	-do-	Mr. Abid Zaraf - Executive
Suzuki Cultus	560	289	271	334	-do-	Mr. Adnan Altaf - Executive
Suzuki Cultus	560	299	261	354	-do-	Mr. Irfan Malik - Executive
Suzuki Cultus	560	289	271	334	-do-	Mr. Adnan Rashid - Executive
Suzuki Cultus	560	187	373	388	-do-	Mr. Mahmood Hussain - Executive
Suzuki Cultus	560	261	299	351	-do-	Mr. Muhammad Ali Faraz - Executive
Suzuki Cultus	560	289	271	315	-do-	Syed Nasir Abbas Zaidi - Executive
Suzuki Cultus	560	355	205	293	-do-	Mr. Maqbool A. Soomro - Executive
Suzuki Cultus	560	280	280	296	-do-	Mr. Muhammad Hanif Khan - Executive
Suzuki Cultus	560	224	336	372	-do-	Mr. Rizwan Haider Malik - Executive
Suzuki Cultus	560	243	317	370	-do-	Mrs. Bina Fawad - Executive
Suzuki Cultus	560	177	383	406	-do-	Mr. Akmal Waheed - Executive
Suzuki Cultus	560	401	159	234	-do-	Mr. Asim Bashir - Executive
Suzuki Cultus	560	504	56	204	-do-	Mr. Kenneth William - Executive
Suzuki Cultus	560	495	65	205	-do-	Mr. Muhammad Nadeem - Executive
Suzuki Cultus	560	541	19	203	-do-	Mrs. Mavera Mehboob - Executive
Suzuki Cultus	560	336	224	286	-do-	Mrs. Sadia Younas - Executive
Suzuki Cultus	560	392	168	260	-do-	Mr. Muas Naseer - Executive
Suzuki Cultus	560	271	289	328	-do-	Mr. Azhar Ahmed Sahibzada - Executive
Suzuki Cultus	560	308	252	292	-do-	Mr. Shaukat Hayat Babar - Ex executive
Suzuki Cultus	555	555	-	194	-do-	Mr. Zulfiqar Ali Kiyani - Executive
Suzuki Cultus	555	490	65	221	-do-	Mr. Muhammad Siddique Ismail - Executive
Suzuki Cultus	555	268	287	323	-do-	Mrs. Sadaf Nazir - Executive
Suzuki Cultus	555	296	259	451	-do-	Mr. Abdul Waheed - Executive
Suzuki Cultus	429	287	142	204	-do-	Mr. Abdul Hai Paracha - Executive
Honda City	795	331	464	700	Insurance Claim	Askari General Insurance Co. Limited – A related party
Suzuki Cultus	636	244	392	490	-do-	Askari General Insurance Co. Limited – A related party
Suzuki Bolan	367	128	239	320	-do-	Askari General Insurance Co. Limited – A related party
Suzuki Bolan	367	257	110	255	-do-	Askari General Insurance Co. Limited – A related party
Suzuki Bolan	367	147	220	335	-do-	Askari General Insurance Co. Limited – A related party
	68,406	35,265	33,141	40,882		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000 other than vehicles sold to Bank's executives/ related party	18,585	11,948	6,637	5,151		
2007	86,991	47,213	39,778	46,033		
2006	77,030	59,997	17,033	23,794		

(Rupees in thousand)	Notes	2007	2006
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	3,199,174	2,683,439
Income / mark-up accrued in foreign currencies		264,279	268,518
Advances, deposits, advance rent and other prepayments		713,134	441,973
Advance taxation (payments less provisions)		1,012,519	121,402
Un-realized gain on forward foreign exchange contracts-net		147,711	147,345
Suspense account		40,449	3,421
Stationary and stamps in hand		53,707	54,871
Dividend receivable		6,775	6,888
Others		97,290	84,931
		5,535,038	3,812,788
12.1	This balance has been arrived at after adjusting interest in suspense of Rs. 1,205,460 thousand (2006: 709,384 thousand).		
13. BILLS PAYABLE			
In Pakistan		2,627,051	1,839,077
14. BORROWINGS			
In Pakistan		17,436,850	14,962,736
Outside Pakistan		116,675	1,351
		17,553,525	14,964,087
14.1 Particulars of borrowings with respect to currencies			
In local currency		17,436,850	14,962,736
In foreign currencies		116,675	1,351
		17,553,525	14,964,087
14.2 Details of borrowings – secured / unsecured			
In Pakistan – local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	7,588,156	10,736,316
Long term financing of export oriented projects	14.2.2	2,330,206	2,642,164
Repurchase agreement borrowings (repo)	14.2.3	7,018,488	389,256
Unsecured			
Call borrowings	14.2.4	500,000	1,195,000
		17,436,850	14,962,736
Outside Pakistan – foreign currencies			
Overdrawn nostro accounts – unsecured		116,675	1,351
		17,553,525	14,964,087
14.2.1	This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 7.50% (2006: 6.50%) per annum payable on a quarterly basis.		
14.2.2	These carry annual mark-up rate of 5% (2006: 4.0% to 5.0%) per annum payable on a quarterly basis.		
14.2.3	These are secured against pledge of Government Securities, and carry mark-up ranging between 9.20% and 9.60% (2006: 8.35% and 8.81%) per annum and have maturities of upto 1 month.		
14.2.4	These represent borrowings at the rate of 9.65% (2006: 9.60% to 10.25%) per annum and have maturities of upto 1 month (2006: 1 month).		

Notes to the Financial Statements

for the year ended December 31, 2007

(Rupees in thousand)	2007	2006
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	29,997,574	40,349,941
Savings deposits	81,605,907	64,698,318
Current accounts - non-remunerative	28,465,592	23,925,338
Special exporters' account	90,474	24,306
Margin accounts	1,640,800	1,375,381
Others	415,904	290,634
Financial institutions		
Remunerative deposits	818,132	1,175,365
Non-remunerative deposits	2,324	-
	143,036,707	131,839,283
15.1 Particulars of deposits		
In local currency	123,505,671	110,008,367
In foreign currencies	19,531,036	21,830,916
	143,036,707	131,839,283
15.1.1 The above include deposits of related parties amounting to Rs. 1,046,119 thousand (2006: Rs.921,004 thousand).		
16. SUB-ORDINATED LOANS		
Term Finance Certificates – I	1,498,500	1,499,100
Term Finance Certificates – II	1,498,800	1,499,400
	2,997,300	2,998,500

The Bank has raised unsecured sub-ordinated loans in two separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows:

	Term Finance Certificates-I	Term Finance Certificates-II
Outstanding amount- Rupees in thousand	1,498,500	1,498,800
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly – Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly – Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

(Rupees in thousand)	2007	2006
17. DEFERRED TAX LIABILITIES		
Deferred credits/ (debits) arising due to:		
Accelerated tax depreciation	409,007	373,705
Tax loss for the year	(473,364)	-
Minimum tax for the year	(20,638)	-
Surplus on revaluation of securities	70,032	100,990
Profit on securities recognized but not received	486,482	261,603
	471,519	736,298
18. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	1,099,359	1,177,133
Mark-up / return / interest payable in foreign currencies	92,044	40,996
Unearned income / commission	15,716	13,307
Accrued expenses	225,450	192,976
Advance payments	187,238	159,560
Unclaimed dividends	31,456	32,731
Branch adjustment account	1,115,340	604,881
Payable against purchase of listed shares	1,327	98,768
Withholding taxes payable	16,499	8,299
Federal excise duty payable	7,528	4,286
Others	427,839	270,176
	3,219,796	2,603,113

19. SHARE CAPITAL

19.1 Authorized capital

Number of shares				
2007	2006			
700,000,000	400,000,000	Ordinary shares of Rs. 10 each	7,000,000	4,000,000

19.2 Issued, subscribed and paid up

Number of shares		Ordinary shares of Rs. 10 each:		
67,500,000	67,500,000	Fully paid in cash	675,000	675,000
233,149,859	132,933,239	Issued as bonus shares	2,331,499	1,329,333
300,649,859	200,433,239		3,006,499	2,004,333

19.3 Capital risk management

The Bank's objectives when managing capital risks are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In terms of BSD circular No. 6 of 2005 issued by the State Bank of Pakistan, the Bank is required to enhance its existing paid up capital to Rs 6 billion to be achieved in phased manner as follows:

Minimum paid up capital (net of losses)

By December 31, 2007	Rs 4 billion
By December 31, 2008	Rs 5 billion
By December 31, 2009	Rs 6 billion

Any reserves specially earmarked for addition to paid up capital will be considered while determining compliance with minimum capital requirements of State Bank of Pakistan. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date.

Notes to the Financial Statements

for the year ended December 31, 2007

(Rupees in thousand)	Statutory Reserve	Revenue Reserves	2007	2006
20. RESERVES				
Balance as at January 01	2,299,264	3,515,490	5,814,754	4,470,530
Transfer from profit and loss account	536,202	597,380	1,133,582	1,344,224
Balance as at December 31	2,835,466	4,112,870	6,948,336	5,814,754
21. SURPLUS ON REVALUATION OF ASSETS - Net of tax				
Surplus on revaluation of available for sale securities				
i) Federal Government securities			200,090	288,542
ii) Listed shares			29,834	1,254,416
iii) Other securities			6,450	(7,804)
			236,374	1,535,154
Less: Related deferred tax effect			(70,032)	(100,990)
			166,342	1,434,164
22. CONTINGENCIES AND COMMITMENTS				
22.1 Direct credit substitutes				
i) Government			3,566,548	816,548
ii) Others			8,717,304	7,234,189
			12,283,852	8,050,737
22.2 Transaction-related contingent liabilities				
Money for which the Bank is contingently liable:				
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.			10,323	14,888
b) Contingent liability in respect of guarantees given, favouring:				
i) Government			40,962,744	28,298,104
ii) Banks and other financial institutions			909,521	956,090
iii) Others			10,686,421	7,136,348
			52,558,686	36,390,542
			52,569,009	36,405,430
22.3 Trade-related contingent liabilities			24,076,077	28,222,121
22.4 Other contingencies				
These represent certain claims by third parties against the Bank, which are being contested in the Courts of Law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.			3,616,814	2,636,981
22.5				

For the assessments carried out to date, tax demands of Rs. 1,079 million approximately relates to provision against non performing loans (NPLs), interest credited to suspense account, provision for diminution in value of investments and certain other issues. The Income Tax Appellate Tribunal (ITAT) has decided tax appeals in favour of the Bank on issues of provision against NPL's and interest credited to suspense account, while provision for diminution in value of investment is set aside by ITAT relating to assessment years 1996-97 to 1999-2000. In addition to this the tax department has also raised a tax demand of Rs. 65 million in respect of additional tax for the tax year 2005 on alleged incorrect adjustment of tax refund which is contested by the Bank before Commissioner Income Tax (Appeals) and the decision is awaited. These matters are currently pending with various appellate authorities. The management is hopeful that the issues in appeals will be ultimately decided in the Bank's favour.

Notwithstanding the above, should these contingencies materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realisation, if any, of these receivables, investments etc.

(Rupees in thousand)	2007	2006
22.6 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	8,878,046	2,264,121
Sale and repurchase agreements	7,156,700	392,133
22.7 Commitments in respect of forward purchase/sale of listed equity securities		
Purchase	389,091	72,059
Sale	586,539	240,029
22.8 Commitments in respect of forward exchange contracts		
Purchase	7,691,144	5,337,752
Sale	9,141,067	10,992,267
22.9 Commitments for the acquisition of operating fixed assets	374,749	292,974
22.10 Other commitments		
Commitments to extend credit	7,950,920	4,567,110
22.11 Bills for collection		
Payable in Pakistan	819,514	747,011
Payable outside Pakistan	9,531,204	11,974,690
	10,350,718	12,721,701
Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.		
23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS		
Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.		
24. DERIVATIVE INSTRUMENTS		
The Bank does not deal in derivative instruments.		
25. MARK-UP / RETURN / INTEREST EARNED		
(Rupees in thousand)	2007	2006
On loans and advances to:		
i) Customers	10,688,187	9,326,100
ii) Financial institutions	65,602	110,850
On investments		
i) Available for sale securities	497,395	1,725,540
ii) Held to maturity securities	2,401,138	402,499
On deposits with financial institutions	1,031,175	805,909
On securities purchased under resale agreements	459,744	226,023
	15,143,241	12,596,921

Notes to the Financial Statements

for the year ended December 31, 2007

(Rupees in thousand)	Notes	2007	2006
26. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		7,320,720	5,823,072
On securities sold under repurchase agreements		189,184	118,463
On sub-ordinated loans		355,093	335,036
On other short term borrowings		820,627	700,742
		8,685,624	6,977,313
27. GAIN ON SALE OF INVESTMENTS - NET			
Federal Government Securities			
Market Treasury Bills		349	31
Pakistan Investment Bonds		1,391	4,773
Term Finance Certificates		250	(55)
Shares - Listed		2,355,482	107,725
Others		3,779	-
		2,361,251	112,474
28. OTHER INCOME			
Rent of property	28.1	26,285	24,155
Net profit on sale of property and equipment		6,255	6,761
Rent of lockers		10,938	9,750
Recovery of expenses from customers		293,331	281,092
		336,809	321,758
28.1	This includes an amount of Rs. 21,359 thousand (2006: Rs. 19,572 thousand) on account of rent received from related parties.		
29. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		2,287,805	1,438,707
Charge for defined benefit plan	35.3	48,878	33,592
Contribution to defined contribution plan		70,481	42,307
Non-executive directors' fees, allowances and other expenses		825	381
Rent, taxes, insurance, electricity, etc.		428,808	301,188
Legal and professional charges		50,387	22,138
Brokerage and commission		129,550	97,665
Communications		275,781	215,402
Repairs and maintenance		162,378	143,689
Finance charges on leased assets		-	12
Stationery and printing		98,436	82,289
Advertisement and publicity		296,028	175,644
Auditors' remuneration	29.1	4,574	3,500
Depreciation	11.2	400,230	339,606
Other expenditure (travelling, security services, vehicle running expenses, etc.)		535,375	381,233
		4,789,536	3,277,353
29.1 Auditors' remuneration			
Audit fee		1,900	1,650
Fee for the audit of provident and gratuity funds		65	65
Special certifications, special credit review of selected customers, half year review and the audit of consolidated financial statements		1,985	1,485
Out-of-pocket expenses		624	300
		4,574	3,500
30. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		12,051	6,141

(Rupees in thousand)	2007	2006
31. TAXATION		
For the year		
Current	98,535	983,875
Deferred	(245,812)	113,006
	(147,277)	1,096,881
For prior years		
Current	(245,941)	-
Deferred	11,991	-
	(233,950)	-
	(381,227)	1,096,881
31.1 Relationship between tax expense and accounting profit		
Profit before taxation	2,299,785	3,346,855
Tax at applicable tax rate of 35 percent (2006: 35 percent)	804,925	1,171,400
Effect of:		
- Income chargeable to tax at lower rates	(133,302)	(40,044)
- Income exempt from tax	(823,036)	(36,896)
- Prior years' adjustment	(233,950)	-
- Amounts not deductible for tax purposes	4,218	2,149
- Others	(82)	272
	(381,227)	1,096,881
32. BASIC / DILUTED EARNINGS PER SHARE		
Profit for the year - Rupees in '000	2,681,012	2,249,975
Weighted average number of Ordinary Shares - numbers	300,649,859	300,649,859
Basic / diluted earnings per share - Rupees	8.92	7.48
There is no dilutive effect on the basic earnings per share of the Bank.		
Weighted average number of ordinary shares for 2006 has been restated to give effect of bonus shares issued during the year.		
(Rupees in thousand)	2007	2006
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	13,356,055	14,879,230
Balances with other banks	3,497,054	7,333,002
Call money lendings	1,500,000	1,500,000
	18,353,109	23,712,232
34. STAFF STRENGTH		
	Number of Employees	
Permanent	3,834	3,241
Temporary / on contractual basis	1,273	687
Commission based	789	657
Bank's own staff strength at the end of the year	5,896	4,585
Outsourced	912	641
Total staff strength at the end of the year	6,808	5,226
35. DEFINED BENEFIT PLAN		
35.1 General description		
The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.		
The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.		

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(Rupees in thousand)	2007	2006
35.2 The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligation	438,354	266,173
Fair value of plan assets	(248,040)	(212,931)
	190,314	53,242
Unrecognised actuarial losses	(190,314)	(53,242)
Net liability	-	-
35.3 The amounts recognised in profit and loss account are as follows:		
Current service cost	40,892	28,770
Interest on obligation	26,617	19,951
Expected return on plan assets	(21,293)	(15,129)
Actuarial loss recognised	2,662	-
	48,878	33,592
35.4 Actual return on plan assets	27,274	20,389
35.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	266,173	199,511
Current service cost	40,892	28,770
Interest cost	26,617	19,951
Actuarial loss	132,987	35,523
Benefits paid	(28,315)	(17,582)
Closing defined benefit obligation	438,354	266,173
35.6 Changes in fair value of plan assets		
Opening fair value of plan assets	212,931	182,281
Expected return	21,293	15,129
Actuarial losses	(6,747)	(489)
Contributions by employer	48,878	33,592
Benefits paid	(28,315)	(17,582)
Closing fair value of plan assets	248,040	212,931

The Bank expects to contribute Rs 103,926 thousand to its defined benefit gratuity plan in 2008.

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

	2007		2006	
	Rupees in thousand	%age	Rupees in thousand	%age
35.7 Break-up of category of assets				
Defense Saving Certificates	97,524	39	133,883	63
Pakistan Investment Bonds	101,599	41	41,451	19
Bank deposit account	48,917	20	37,597	18
	248,040	100	212,931	100

35.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2007 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2007	2006
Discount rate - per annum	10%	10%
Expected rate of increase in salaries - per annum	10%	10%
Expected rate of return on plan assets - per annum	10%	10%

35.9 Amounts for current and previous four annual periods are as follows:

(Rupees in thousand)	2007	2006	2005	2004	2003
As at December 31,					
Defined benefit obligation	438,354	266,173	199,511	168,820	114,039
Plan assets	(248,040)	(212,931)	(182,281)	(163,289)	(113,554)
Deficit	190,314	53,242	17,230	5,531	485
Experience adjustments					
Actuarial loss on obligation	(132,987)	(35,523)	(7,992)	(38,125)	(4,400)
Actuarial (loss) / gain on plan assets	(6,747)	(489)	(3,707)	33,079	5,622

36. DEFINED CONTRIBUTION PLAN

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee.

37. COMPENSATED ABSENCES

37.1 General description

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees were entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leaves were accumulated upto a maximum of 360 days which could be encashed at any time of retirement or can also be encashed during service. These were encashable on the basis of last drawn gross salary. During the year, certain changes were made to the scheme, whereby effective 2007, 15 days leave balance will accrue and the remaining will be paid during the year. Unutilized privilege leave balance will accumulate up to a maximum of 120 days, out of which 60 days leave will be encashed at the time of separation only while the remaining 60 days can be availed anytime during service. Leaves accumulated to December 31, 2006 have been paid in full. Had the scheme not been revised, the profit for the year would have been lower by Rs. 10.082 million.

37.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2007 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2007 was Rs 79,675 thousand against related liability of Rs 92,258 thousand carried at December 31, 2006. Reversal for the year of Rs 12,583 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	5 days

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
Fees	135	52	825	381	-	-
Managerial remuneration	6,600	6,458	-	-	278,284	106,670
Charge for defined benefit plan	550	1,537	-	-	105,681	22,092
Contribution to defined contribution plan	627	538	-	-	21,711	8,963
Rent and house maintenance	2,846	2,679	-	-	122,399	45,913
Utilities	660	646	-	-	27,828	11,357
Medical	586	861	-	-	26,131	10,814
Bonus	2,750	2,750	-	-	44,949	40,893
	14,754	15,521	825	381	626,983	246,702
Number of persons	1	2	12	12	339	139

Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year. Chief Executive and executives are also provided with Bank maintained cars.

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39. FAIR VALUE OF FINANCIAL INSTRUMENTS

39.1 On-balance sheet financial instruments

(Rupees in thousand)	2007		2006	
	Book value	Fair value	Book value	Fair value
Assets				
Cash and balances with treasury banks	13,356,055	13,356,055	14,879,230	14,879,230
Balances with other banks	3,497,054	3,497,054	7,333,002	7,333,002
Lendings to financial institutions	14,444,143	14,444,143	8,392,950	8,392,950
Investments	39,431,005	39,431,005	28,625,915	28,625,915
Advances				
Term loans	29,801,847	29,801,847	28,498,936	28,498,936
Staff advances	913,891	913,891	724,472	724,472
Other advances	70,064,424	70,064,424	69,955,964	69,955,964
Other assets	5,535,038	5,535,038	3,812,788	3,812,788
	177,043,457	177,043,457	162,223,257	162,223,257
Liabilities				
Bills payable	2,627,051	2,627,051	1,839,077	1,839,077
Borrowings	17,553,525	17,553,525	14,964,087	14,964,087
Deposits and other accounts				
Current and saving accounts	113,039,133	113,039,133	91,489,342	91,489,342
Term deposits	29,997,574	29,997,574	40,349,941	40,349,941
Sub-ordinated loans	2,997,300	2,997,300	2,998,500	2,998,500
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	3,219,796	3,219,796	2,603,113	2,603,113
	169,434,379	169,434,379	154,244,060	154,244,060

39.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	7,691,144	7,691,144	5,337,752	5,337,752
Sale and repurchase agreements	7,156,700	7,156,700	392,133	392,133
Forward sale of foreign exchange	9,141,067	9,141,067	10,992,267	10,992,267
Purchase and resale agreements	8,878,046	8,878,046	2,264,121	2,264,121

The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 44.2.3.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

(Rupees in thousand)	2007								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	47,393	2,413,009	2,641,408	14,526,273	69,740	10,914	-	-	-
Total expenses	11,517	586,406	1,230,894	15,205,442	16,948	2,652	-	-	355,093
Net income (loss)	35,876	1,826,603	1,410,514	(679,169)	52,792	8,262	-	-	(355,093)
Segment Assets (gross)	17,314	1,348,891	17,305,393	170,879,429	25,477	3,986	-	-	-
Segment Non Performing Loans	-	-	974,004	5,933,587	-	-	-	-	-
Segment Provision Required	-	-	1,235,212	6,173,393	-	-	-	-	-
Segment Liabilities	184	14,345	1,241,851	165,551,111	271	42	-	-	3,098,094
Segment Return on net Assets (ROA) (%)	0.02%	1.05%	0.81%	0.00%	0.03%	0.00%	-	-	-
Segment Cost of funds (%)	0.01%	0.36%	0.76%	9.36%	0.01%	0.00%	-	-	0.22%

2006

(Rupees in thousand)	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	36,027	103,373	1,872,423	12,647,767	66,847	9,736	-	-	-
Total expenses	8,028	23,033	715,153	10,291,005	14,895	2,170	-	-	335,036
Net income (loss)	27,999	80,340	1,157,270	2,356,762	51,952	7,566	-	-	(335,036)
Segment Assets (gross)	10,746	344,548	11,670,781	157,530,177	19,939	2,904	-	-	-
Segment Non Performing Loans	-	-	401,136	3,255,161	-	-	-	-	-
Segment Provision Required	-	-	698,954	2,846,553	-	-	-	-	-
Segment Liabilities	79	2,548	1,296,134	150,682,929	147	21	-	-	2,998,500
Segment Return on net Assets (ROA) (%)	0.02%	0.05%	0.74%	1.51%	0.03%	0.00%	-	-	-
Segment Cost of funds (%)	0.01%	0.02%	0.49%	7.07%	0.01%	0.00%	-	-	0.22%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.06% (2006: 2.65%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.21% (2006: 0.79%) of the total liabilities have been allocated to segments based on their respective assets.

41. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) holds 49.42% (2006: 47.19%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary companies, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

Details of transactions with related parties and balances with them at the year end were as follows:

(Rupees in thousand)	As at December 31, 2007					As at December 31, 2006				
	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Companies	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Company	Employee Funds
Balances outstanding at the year end										
- Advances at the year end	-	1,144	193,454	-	-	-	41,806	217,236	-	-
- Deposits at the year end	388,389	13,201	549,912	11,155	83,462	691,635	14,611	162,399	2,220	50,139
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	10,733	-	-	585	-	14,303	-	-
- Investment in shares- at cost	-	-	723,913	140,789	-	-	-	278,462	100,000	-
- Reimbursable expenses on behalf of Askari Investment Management Limited (AIML) a wholly owned subsidiary of the Bank	-	-	-	226	-	-	-	-	-	-
Transactions during the year										
- Net mark-up/interest expensed	28,063	416	26,933	220	1,044	32,197	113	21,108	655	1,429
- Net mark-up/interest earned	-	2,052	23,010	-	-	-	1,842	40,259	-	-
- Contribution to employees' funds	-	-	-	-	119,359	-	-	-	-	75,899
- Rent of property paid/service charges paid	46,194	-	33,671	-	-	32,641	-	32,022	-	-
- Rent of property received/ service charges received	13,362	-	7,997	23	-	12,317	-	7,255	-	-
- Insurance premium paid	-	-	62,475	-	-	-	-	11,518	-	-
- Insurance claims received	-	-	934	-	-	-	-	554	-	-
- Dividend Income	-	-	2,320	-	-	-	-	17,172	-	-
- Security services costs	-	-	65,526	-	-	-	-	38,852	-	-
- Fee, commission and brokerage income	367	-	115	-	-	327	-	298	-	-
- Payments and recovery to/from AIML a wholly owned subsidiary of the Bank	-	-	-	400	-	-	-	-	5,285	-
- Payment to associated undertaking	-	-	-	-	-	-	-	422	-	-

Transactions entered into with key management personnel including the Chief Executive as per their terms of employment are excluded from related party transactions since these are disclosed elsewhere in these financial statements.

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42. CAPITAL ADEQUACY

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

(Rupees in thousand)	2007		2006	
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital / Assigned Capital	3,006,499	3,006,499	2,004,333	2,004,333
Reserves	6,948,336	6,948,336	5,814,754	5,814,754
Unappropriated / unremitted profits (net of losses)	2,144,810	2,144,810	1,799,979	1,799,979
	12,099,645	12,099,645	9,619,066	9,619,066
Less: Adjustments				
Investment in equity of subsidiary companies	(140,789)	(140,789)	(100,000)	(100,000)
Total Tier I Capital	11,958,856	11,958,856	9,519,066	9,519,066
Tier II Capital				
Subordinated Debt (upto 50% of total Tier I Capital)	2,997,300	2,997,300	2,998,500	2,998,500
General Provisions subject to 1.25% of Total Risk Weighted Assets	880,565	880,565	805,876	805,876
Revaluation Reserve (upto 50%)	14,917	14,917	627,208	627,208
Total Tier II Capital	3,892,782	3,892,782	4,431,584	4,431,584
Eligible Tier III Capital	—	—	—	—
Total Regulatory Capital	(a) 15,851,638	15,851,638	13,950,650	13,950,650
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet items:				
Cash and other liquid Assets	16,853,109	772,308	22,212,232	1,533,573
Money at call	5,607,992	4,407,992	6,142,740	4,942,740
Investments	38,822,848	5,805,097	28,212,201	5,451,480
Loans and Advances	101,660,727	81,880,295	99,985,248	78,793,850
Fixed Assets	5,128,428	5,128,428	3,810,331	3,810,331
Other Assets	5,535,038	4,322,337	3,812,788	3,481,698
	173,608,142	102,316,457	164,175,540	98,013,672
Off Balance Sheet items:				
Loan Repayment Guarantees	7,940,889	7,221,174	6,918,196	5,990,456
Purchase and Resale Agreements	—	—	—	—
Performance Bonds etc	53,592,806	9,652,490	34,493,870	6,998,546
Revolving underwriting Commitments	—	—	—	—
Stand By Letters of Credit and other LCs	23,611,514	7,555,696	28,179,084	10,243,037
Outstanding Foreign Exchange Contracts				
Purchase				
- With the State Bank of Pakistan	—	—	610,500	—
- Other banks	7,691,144	46,149	4,727,252	28,364
Sale				
- With the State Bank of Pakistan	—	—	—	—
- Other banks	9,141,067	54,845	10,992,267	65,954
- Outstanding foreign exchange contracts with SBP	—	—	610,500	—
- Outstanding foreign exchange contracts with other banks maturity of one year or less	16,832,211	67,329	15,719,519	62,878
	118,809,631	24,597,683	102,251,188	23,389,235
Credit risk-weighted exposures	292,417,773	126,914,140	266,426,728	121,402,907
Market Risk				
General market risk	467,368	467,368	313,714	313,714
Specific market Risk	467,368	467,368	313,714	313,714
Foreign exchange contracts	1,515,778	1,515,778	5,660,962	5,660,962
Market risk-weighted exposures	2,450,514	2,450,514	6,288,390	6,288,390
Total Risk-Weighted exposures	(b) 294,868,287	129,364,654	272,715,118	127,691,297
Capital Adequacy Ratio [(a) / (b) x 100]		12.25%		10.93%

43. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The Bank uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

- Classification of investments (note 9)
- Provision against investments (note 9.2.1) and advances (note 10)
- Useful life of property and equipments (note 11)
- Income taxes (note 31)
- Staff retirement benefits (note 35 and note 37)

44. RISK MANAGEMENT

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Ltd (formerly Askari Commercial Bank Ltd), risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a Board level sub-committee primarily responsible for the identification, measurement, monitoring and controlling of AKBL's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

44.1 Credit Risk:

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group exposure.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watch list" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering, Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

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44.1.1 Segment by class of business

	2007					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	4,719,366	4.36	2,057,137	1.44	466,417	0.35
Automobiles & Allied	1,315,534	1.22	1,879,746	1.31	500,883	0.37
Cables / Electronics	3,195,922	2.95	825,432	0.58	1,143,413	0.85
Carpets	344,592	0.32	507,184	0.35	62,172	0.05
Cements	1,288,778	1.19	158,005	0.11	471,324	0.35
Chemicals / Pharmaceuticals	3,393,929	3.14	1,092,797	0.76	3,851,686	2.86
Engineering	219,497	0.20	295,242	0.21	733,850	0.54
Fertilizers	2,080,926	1.92	1,483,527	1.04	5,397,795	4.01
Food & Allied	1,955,966	1.81	561,638	0.39	552,346	0.41
Fuel / Energy	4,090,986	3.78	12,118,565	8.47	7,524,889	5.59
Ghee & Edible Oil	3,060,795	2.83	269,809	0.19	2,462,806	1.83
Glass and Ceramics	1,296,959	1.21	402,504	0.29	185,400	0.14
Hotels and Restaurants	35,428	0.03	266,366	0.19	153,227	0.11
Individuals	13,869,660	12.82	50,422,141	35.25	226,459	0.17
Insurance	—	—	275,972	0.19	410	—
Investment Banks / Scheduled Banks	489,954	0.45	662,486	0.46	61,545,018	45.68
Leasing	426,633	0.39	159,461	0.11	—	—
Leather Products and Shoes	1,524,064	1.41	536,436	0.38	174,999	0.13
Modarabas	82,456	0.08	2,452,817	1.71	—	—
Paper and Board	1,157,285	1.07	161,040	0.11	371,870	0.28
Plastic products	947,320	0.88	231,640	0.16	672,350	0.50
Ready-Made garments	1,952,207	1.80	509,917	0.36	644,663	0.48
Real Estate / Construction	7,722,256	7.14	5,397,603	3.77	13,309,512	9.88
Rice Processing and trading	4,052,032	3.75	668,018	0.47	87,159	0.06
Rubber Products	410,286	0.38	162,846	0.11	99,346	0.07
Services (Other than Financial, Hotelling & Travelling)	3,248,697	3.00	3,101,010	2.17	2,178,384	1.62
Sports goods	768,742	0.71	279,504	0.20	82,073	0.06
Sugar	236,219	0.22	113,556	0.08	240,212	0.18
Surgical equipment / Metal Products	3,693,746	3.41	631,035	0.44	2,464,960	1.83
Synthetic & Rayon	625,207	0.58	178,427	0.12	209,191	0.16
Textile	26,251,310	24.27	3,408,869	2.38	7,991,877	5.93
Tobacco / Cigarette manufacturing	119,988	0.11	71,255	0.05	—	—
Transport and communication	2,307,617	2.13	1,631,077	1.14	6,014,254	4.46
Travel Agencies	198,981	0.18	257,625	0.18	268,589	0.20
Woollen	800	—	196,112	0.14	36	—
Public sector / Government	837,640	0.77	26,977,285	18.86	7,726,501	5.74
Others	10,266,989	9.49	22,632,623	15.83	6,899,937	5.11
	108,188,767	100.00	143,036,707	100.00	134,714,008	100.00

44.1.2 Segment by sector

	2007					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public sector / Government	837,640	0.77	26,977,285	18.86	7,726,501	5.74
Private	107,351,127	99.23	116,059,422	81.14	126,987,507	94.26
	108,188,767	100.00	143,036,707	100.00	134,714,008	100.00

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

(Rupees in thousand)	2007		2006	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	13,691	—	5,911	—
Automobiles & Allied	331,890	331,890	332,005	154,411
Cables / Electronics	301,447	301,447	28,758	21,017
Chemicals / Pharmaceuticals	34,134	33,276	19,526	19,526
Food & Allied	192,462	170,715	165,558	110,125
Fuel / Energy	674	209,628	532	64,364
Individuals	976,064	791,397	401,677	336,101
Investment Banks / Scheduled Banks	—	—	116,667	116,667
Leather Products and Shoes	285,309	275,309	234,897	225,659
Real Estate / Construction	303,649	303,649	42,450	13,133
Services (Other than Financial, Hotelling & Travelling)	15,841	15,841	9,953	9,953
Textile	2,524,050	2,261,989	1,539,885	1,203,832
Others	1,928,380	1,832,899	758,478	464,843
	6,907,591	6,528,040	3,656,297	2,739,631

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

	2007	2006
Public sector / Government	—	—
Private	6,907,591	6,528,040
	6,907,591	6,528,040

44.1.5 Geographical segment analysis

(Rupees in thousand)	Note	2007			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
Pakistan		2,243,686	177,131,866	12,085,888	134,609,538
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	45.1.5.1	56,099	5,040,019	180,099	104,470
Others		—	—	—	—
		2,299,785	182,171,885	12,265,987	134,714,008

44.1.5.1 These do not include intra group items of Rs. 4,703,351 thousand (2006: Rs. 3,228,429 thousand) eliminated upon consolidation of foreign branch results.

44.1.5.2 Contingencies and commitments include amounts given in note 22 except bills for collection.

44.2 Market Risk

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in interest rates, foreign exchange rates and equity prices resulting in a loss to earnings and capital. The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset and Liability Management Committee of the Bank monitors and manages the interest rates risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

44.2.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 the State Bank of Pakistan and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and the nostro balances are managed within the statutory limits, as fixed by the State Bank of Pakistan. Counter parties limits are also fixed to limit risk concentration.

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(Rupees in thousand)	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	155,821,600	123,864,003	1,449,923	33,407,520
U.S. Dollars	18,734,800	41,348,695	(1,488,522)	(24,102,417)
Pound Sterling	1,410,849	1,970,380	–	(559,531)
Japanese Yen	3,644	54,311	(27,256)	(77,923)
Euro	892,345	1,783,329	65,855	(825,129)
Other European Currencies	10,706	62,049	–	(51,343)
Other Currencies	169,513	351,612	–	(182,099)
	177,043,457	169,434,379	–	7,609,078

44.2.2 Equity Position Risk

The Bank's exposure in equity market is bifurcated into held for trading and available for sale categories. The stock positions in held for trading are of short term nature and are held to earn profit through imperfections in market prices and availing arbitrage opportunities, if any exist in the market. Whereas, stocks in available for sale portfolio is with the intent to earn profit based on fundamentals.

All positions in equity market are subject to exposure limits established by the Bank. These limits structures have been devised following the broader exposure limits defined by the State Bank of Pakistan. These include intraday limits, stop limits, exposure limits and portfolio limits to protect any adversity in the portfolio.

44.2.3 Mismatch of interest rate sensitive assets and liabilities

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

(Rupees in thousand)	Effective Yield / Interest rate	2007 Exposed to yield/ interest risk										Non-interest bearing financial instruments
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	3.60%	13,356,055	973,201	–	–	–	–	–	–	–	–	12,382,854
Balances with other banks	5.87%	3,497,054	2,697,120	–	–	–	–	–	–	–	–	799,934
Lendings to financial institutions	9.56%	14,444,143	11,905,218	1,980,925	465,000	93,000	–	–	–	–	–	–
Investments	8.87%	39,431,005	3,526,893	3,588,872	3,717,628	15,641,273	1,554,590	1,455,110	5,262,332	1,639,823	–	3,044,484
Advances	10.67%	100,780,162	14,767,122	20,139,895	22,835,267	24,150,208	2,776,414	2,524,615	5,127,721	2,525,395	5,933,525	–
Other assets	–	5,535,038	–	–	–	–	–	–	–	–	–	5,535,038
		177,043,457	33,869,554	25,709,692	27,017,895	39,884,481	4,331,004	3,979,725	10,390,053	4,165,218	5,933,525	21,762,310
Liabilities												
Bills payable	–	2,627,051	–	–	–	–	–	–	–	–	–	2,627,051
Borrowings	6.66%	17,553,525	4,974,833	10,069,933	2,508,759	–	–	–	–	–	–	–
Deposits and other accounts	5.37%	143,036,707	32,716,391	16,620,583	17,009,099	12,196,507	271,974	716,108	32,889,532	1,419	–	30,615,094
Sub-ordinated loans	11.84%	2,997,300	–	300	300	600	1,200	1,200	2,400	2,991,300	–	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	471,519	70,032	–	–	–	–	–	(7,520)	–	409,007	–
Other liabilities	–	3,219,796	2,325,010	444,144	–	–	–	–	450,642	–	–	–
		169,434,379	37,691,224	26,690,816	19,518,158	12,197,107	273,174	717,308	32,891,932	2,992,719	–	36,461,941
On-balance sheet gap		7,609,078	(3,821,670)	(981,124)	7,499,737	27,687,374	4,057,830	3,262,417	(22,501,879)	1,172,499	5,933,525	(14,699,631)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.75%	8,878,046	8,878,046	–	–	–	–	–	–	–	–	–
Sale and repurchase agreements	9.36%	7,156,700	7,156,700	–	–	–	–	–	–	–	–	–
Commitments to extend credit	–	7,950,920	7,950,920	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		(6,229,574)	(6,229,574)	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		(10,051,244)	(981,124)	7,499,737	27,687,374	4,057,830	3,262,417	(22,501,879)	1,172,499	5,933,525	(14,699,631)	
Cumulative yield / interest risk sensitivity gap		(10,051,244)	(11,032,368)	(3,532,631)	24,154,743	28,212,573	31,474,990	8,973,111	10,145,610	16,079,135	1,379,504	

44.2.3.1 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

44.2.3.2 Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

45. Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

45.1 Maturities of Assets and Liabilities

(Rupees in thousand)	Total	2007								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	13,356,055	13,356,055	–	–	–	–	–	–	–	–
Balances with other banks	3,497,054	3,497,054	–	–	–	–	–	–	–	–
Lendings to financial institutions	14,444,143	11,905,218	1,980,925	465,000	93,000	–	–	–	–	–
Investments	39,431,005	3,994,261	3,588,872	3,717,628	15,641,272	1,554,590	1,455,110	5,262,332	4,064,968	151,972
Advances	100,780,162	14,767,122	20,139,895	22,835,267	24,150,208	2,776,414	2,524,615	5,127,721	2,525,395	5,933,525
Operating fixed assets	5,128,428	32,681	937,086	969,767	196,086	339,066	284,836	354,510	430,629	1,583,767
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	5,535,038	193,313	3,477,958	64,013	1,781,719	18,035	–	–	–	–
	182,171,885	47,745,704	30,124,736	28,051,675	41,862,285	4,688,105	4,264,561	10,744,563	7,020,992	7,669,264
Liabilities										
Bills payable	2,627,051	1,313,526	1,313,525	–	–	–	–	–	–	–
Borrowings	17,553,525	4,974,833	10,069,933	2,508,759	–	–	–	–	–	–
Deposits and other accounts	143,036,707	39,969,409	20,016,280	20,683,196	15,870,603	1,571,169	716,108	44,208,523	1,419	–
Sub-ordinated loans	2,997,300	–	300	300	600	1,200	1,200	2,400	2,991,300	–
Liabilities against assets subject to finance lease	–	–	–	–	–	–	–	–	–	–
Deferred tax liabilities	471,519	70,032	–	–	(7,520)	–	–	409,007	–	–
Other liabilities	3,219,796	2,325,010	444,144	–	450,642	–	–	–	–	–
	169,905,898	48,652,810	31,844,182	23,192,255	16,314,325	1,572,369	717,308	44,619,930	2,992,719	–
Net assets	12,265,987	(907,106)	(1,719,446)	4,859,420	25,547,960	3,115,736	3,547,253	(33,875,367)	4,028,273	7,669,264
Share Capital	3,006,499									
Reserves	6,948,336									
Unappropriated profit	2,144,810									
Surplus on revaluation of assets	166,342									
	12,265,987									

45.2 Operational risk

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

Operational risks are managed through Bank-wide or line of business specific policies and procedures, controls and monitoring tools. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis and business continuing planning. In addition, in view of the growth in business and development of risk management frameworks in line with Basel II, a comprehensive Operational Risk Management Framework in being developed.

Notes to the Financial Statements

for the year ended December 31, 2007

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21, 2008 has proposed a cash dividend of Rs. 1.5 per share (2006: Re. 1 per share). In addition, the directors have also announced a bonus issue of 35 percent (2006: 50 percent). These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2007 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2008 as follows:

(Rupees in thousand)

Transfer from unappropriated profit to:	
Proposed dividend	450,975
Reserve for issue of bonus shares	1,052,275
General reserve	641,560

47. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

48. GENERAL

48.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

48.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these financial statements except for the balance sheet and profit and loss account.

49. DATE OF AUTHORIZATION

These financial statements were authorised for issue on February 21, 2008 by the Board of Directors of the Bank.



President & Chief Executive



Director



Director



Chairman

Annexure-1

referred to in note 10.8 to these financial statements

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

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Other financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
1.	Oilman Limited 2nd Floor, Hafiz Plaza 31-M, Civic Centre, Lahore	Mr. Abid Saigol (270-92-006204)	Mr. M Rafique Saigol	10,417	5,773	-	16,190	-	3,190	-	3,190
		Mr. M Asif Saigol (35202-6075434-7)	Mr. M Rafique Saigol								
		Mr. M. Arif Saigol (270-59-006003)	Mr. M Rafique Saigol								
		Mr. Mohammad Sharif (35201-1574178-3)	Mr. Alam Khan								
2.	Crescent Standard Investment Bank Crescent Standard Tower 10-B, Block E-II Main Boulevard Gulberg-III Lahore	Mr. Iftikhar Somro (42301-9144337-7)	Mr. Moula Bkash Somro	116,667	3,447	-	120,114	34,167	3,447	-	37,614
		Mr. Shahid Anwer (42201-0442011-5)	Mr. Abdul Rehman Farooqi								
		Mr. Anjum M. Saleem (33100-3039339-5)	Mian Muhammad Saleem								
		Mr. Manzur-ul-Haq (35201-1282071-1)	Mr. Sheikh Riaz ul Haq								
3.	Haji Abdul Latif & Co. D-185, S.I.T.E Karachi	Mr. Makhmoor Ahmad Goheer (61101-2079791-3)	Mr. Chaudhary Sardar	84,075	25,012	-	109,087	-	6,117	-	6,117
		Mr. Abdul Salam (42301-9086170-5)	Mr. Abdul Latif								
		Mr. Muhammad Amin Taj (42301-8727014-1)	Mr. Tajauddin								
		Mr. Muhmmad Naeem Taj (42301-9936489-3)	Mr. Tajauddin								
Total				211,159	34,232	-	245,391	34,167	12,754	-	46,921

Annexure-2

Islamic Banking Business

The Bank is operating 14 Islamic banking branches at the end of 2007 as compared to 6 Islamic banking branches at the end of 2006.

(Rupees in thousand)	2007	2006
ASSETS		
Cash and balances with treasury banks	251,081	126,867
Balances with and due from financial institutions	498,378	370,112
Investments	800,000	–
Financing and receivables		
- Murahaba	271,672	19,094
- Ijara	548,272	31,291
- Musharaka	–	–
- Diminishing musharaka	1,545,106	–
- Salam	91,092	–
- Other Islamic Modes	–	–
Other assets	548,575	102,779
Total Assets	4,554,176	650,143
LIABILITIES		
Bills payable	74,348	3,616
Due to financial institutions	–	–
Deposits and other accounts		
- Current Accounts	308,400	152,864
- Saving Accounts	874,086	177,359
- Term Deposits	192,119	19,950
- Others	200,711	15,800
- Deposit from financial Institutions - remunerative	605,590	211,682
- Deposits from financial Institutions - non-remunerative	2,324	–
Due to Head Office	2,000,004	–
Other liabilities	20,135	7,565
	4,277,717	588,836
NET ASSETS	276,459	61,307
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Reserves	–	–
Unappropriated / Unremitted profit / (loss)	(23,541)	(38,693)
	276,459	61,307
Surplus / (Deficit) on revaluation of assets	–	–
	276,459	61,307
Remuneration to Shariah Advisor / Board	630	360
CHARITY FUND		
Opening Balance	–	–
Additions during the year	318	–
Payments / Utilization during the year	–	–
Closing Balance	318	–



Consolidated Financial Statements of

Askari Bank Limited

(formerly Askari Commercial Bank Limited)

and its Subsidiaries
for the year ended December 31, 2007

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Askari Bank Limited (formerly Askari Commercial Bank Limited) (the Bank) and its subsidiary companies as at December 31, 2007 and the related consolidated Profit and Loss Account, consolidated Statement of Changes in Equity and consolidated Cash Flow Statement, together with the notes forming part thereof for the year then ended. These financial statements include unaudited certified returns from the branches, except for 15 branches, which have been audited by us and 1 branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Bank Limited and its subsidiary companies Askari Investment Management Limited and Askari Securities (Pvt) Limited. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, based on 15 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of Askari Bank Limited and its subsidiary companies as at December 31, 2007 and the results of their operations, changes in equity and their cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad
February 21, 2008



A.F. Ferguson & Co.
Chartered Accountants

Note:

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

Consolidated Balance Sheet

as at December 31, 2007

(Rupees in thousand)	Notes	2007	2006
ASSETS			
Cash and balances with treasury banks	6	13,356,066	14,879,231
Balances with other banks	7	3,554,364	7,336,838
Lendings to financial institutions	8	14,444,143	8,392,950
Investments	9	39,344,702	28,571,969
Advances	10	100,781,205	99,179,439
Operating fixed assets	11	5,185,160	3,828,818
Deferred tax assets		–	–
Other assets	12	5,580,122	3,824,105
		182,245,762	166,013,350
LIABILITIES			
Bills payable	13	2,627,051	1,839,077
Borrowings	14	17,553,525	14,964,087
Deposits and other accounts	15	143,028,177	131,837,230
Sub-ordinated loans	16	2,997,300	2,998,500
Liabilities against assets subject to finance lease	17	6,271	4,440
Deferred tax liabilities	18	473,439	726,497
Other liabilities	19	3,268,400	2,608,360
		169,954,163	154,978,191
NET ASSETS		12,291,599	11,035,159
REPRESENTED BY			
Share capital	20	3,006,499	2,004,333
Reserves	21	6,930,265	5,814,754
Unappropriated profit		2,184,967	1,781,908
		12,121,731	9,600,995
Minority interest		3,526	–
Surplus on revaluation of assets - net of tax	22	166,342	1,434,164
		12,291,599	11,035,159
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



President & Chief Executive



Director



Director



Chairman

Consolidated Profit and Loss Account

for the year ended December 31, 2007

(Rupees in thousand)	Notes	2007	2006
Mark-up / return / interest earned	26	15,143,380	12,602,910
Mark-up / return / interest expensed	27	8,685,472	6,976,704
Net mark-up / interest income		6,457,908	5,626,206
Provision against non-performing loans and advances	10.4	3,920,240	1,128,137
Provision for impairment in the value of investments	9.2.1	1,501	376
Bad debts written off directly		–	–
		3,921,741	1,128,513
Net mark-up / interest income after provisions		2,536,167	4,497,693
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		1,217,841	1,027,491
Dividend income		137,079	109,326
Income from dealing in foreign currencies		655,761	584,344
Gain on sale of investments - net	28	2,361,585	113,040
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net		6,964	(1,250)
Other income	29	337,146	321,700
Total non-markup / interest income		4,716,376	2,154,651
		7,252,543	6,652,344
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	30	4,878,431	3,319,069
Other provisions / write offs		–	–
Other charges	31	12,051	6,141
Total non-markup / interest expenses		4,890,482	3,325,210
		2,362,061	3,327,134
Extra ordinary / unusual items		–	–
PROFIT BEFORE TAXATION		2,362,061	3,327,134
Taxation – current year		109,150	983,944
– prior years'		(232,907)	–
– deferred		(235,134)	106,034
	32	(358,891)	1,089,978
PROFIT AFTER TAXATION		2,720,952	2,237,156
Minority Interest		217	–
		2,721,169	2,237,156
Unappropriated profit brought forward		1,781,908	1,612,344
Profit available for appropriation		4,503,077	3,849,500
Basic / diluted earnings per share - Rupees	33	9.05	7.44

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



President & Chief Executive



Director



Director



Chairman

Consolidated Statement of Changes in Equity

for the year ended December 31, 2007

(Rupees in thousand)	Share capital	Capital reserve for issue of bonus shares	Statutory reserve	Revenue reserves		Un-appropriated profit	Total
				General reserve	Reserve for contingencies		
Balance as at January 1, 2006	1,507,018	–	1,849,269	2,311,261	310,000	1,612,344	7,589,892
Net profit for the year ended December 31, 2006	–	–	–	–	–	2,237,156	2,237,156
Transfer to:							
Statutory reserve	–	–	449,995	–	–	(449,995)	–
General reserve	–	–	–	894,229	–	(894,229)	–
Final dividend for the year ended December 31, 2005 declared subsequent to year end	–	–	–	–	–	(226,053)	(226,053)
Bonus shares declared / issued subsequent to year ended December 31, 2005	497,315	–	–	–	–	(497,315)	–
Contingency reserve transferred to General reserve	–	–	–	310,000	(310,000)	–	–
Balance as at January 1, 2007	2,004,333	–	2,299,264	3,515,490	–	1,781,908	9,600,995
Net profit for the year ended December 31, 2007	–	–	–	–	–	2,721,169	2,721,169
Transfer to:							
Statutory reserve	–	–	536,202	–	–	(536,202)	–
General reserve	–	–	–	579,309	–	(579,309)	–
Final dividend for the year ended December 31, 2006 declared subsequent to year end	–	–	–	–	–	(200,433)	(200,433)
Bonus shares declared / issued subsequent to year ended December 31, 2006	1,002,166	–	–	–	–	(1,002,166)	–
Balance as at December 31, 2007	3,006,499	–	2,835,466	4,094,799	–	2,184,967	12,121,731

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



President & Chief Executive



Director



Director



Chairman

Consolidated Cash Flow Statement

for the year ended December 31, 2007

(Rupees in thousand)	Note	2007	2006
Cash flow from operating activities			
Profit before taxation		2,362,061	3,327,134
Less: Dividend income		(137,079)	(109,326)
		2,224,982	3,217,808
Adjustments:			
Depreciation		405,202	342,698
Provision against non-performing advances (net)		3,920,240	1,128,137
Provision for impairment in the value of investments		1,501	376
Net profit on sale of property and equipment		(5,215)	(6,703)
Finance charges on leased assets		768	397
		4,322,496	1,464,905
		6,547,478	4,682,713
(Increase) / decrease in operating assets			
Lendings to financial institutions		(6,051,193)	1,324,292
Held for trading securities		(172,078)	204,269
Advances		(5,522,004)	(14,308,927)
Other assets (excluding advance taxation)		(863,754)	(1,149,177)
		(12,609,029)	(13,929,543)
Increase / (decrease) in operating liabilities			
Bills payable		787,974	523,397
Borrowings		2,589,438	4,401,749
Deposits		11,190,947	13,043,079
Other liabilities		652,557	558,453
		15,220,916	18,526,678
Cash flow before tax		9,159,365	9,279,848
Income tax paid		(752,106)	(924,208)
Net cash flow from operating activities		8,407,259	8,355,640
Cash flow from investing activities			
Net investments in available-for-sale securities		(11,682,052)	(1,098,213)
Net investments in held-to-maturity securities		(218,880)	(1,787,880)
Dividend income		137,192	111,461
Investments in operating fixed assets		(1,803,101)	(989,941)
Sale proceeds of operating fixed assets		48,155	23,794
Net cash flow used in investing activities		(13,518,686)	(3,740,779)
Cash flow from financing activities			
Payments of sub-ordinated loans		(1,200)	(1,200)
Lease obligations - net		1,063	72
Dividends paid		(201,708)	(223,246)
Net cash flow used in financing activities		(201,845)	(224,374)
(Decrease) / Increase in cash and cash equivalents		(5,313,272)	4,390,487
Cash and cash equivalents at beginning of the year	34	23,716,069	19,325,582
Cash and cash equivalents acquired on ASL acquisition		7,633	–
Cash and cash equivalents at end of the year	34	18,410,430	23,716,069

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



President & Chief Executive



Director



Director



Chairman

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

1. STATUS AND NATURE OF BUSINESS

The Group consists of Askari Bank Limited (formerly Askari Commercial Bank Limited), the holding company, Askari Investment Management Limited, a wholly owned subsidiary company and Askari Securities Limited, a partly owned subsidiary company.

Askari Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 150 branches (2006: 122 branches); 134 in Pakistan and Azad Jammu and Kashmir, including 14 Islamic Banking branches, and a whole sale branch in the Kingdom of Bahrain. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

Askari Investment Management Limited (AIML) was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (NBFC & NE Regulations). The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Islamabad. AIML obtained its certificate of commencement of business on September 22, 2005.

With effect from October 1, 2007, the Bank acquired 74% of ordinary shares of Askari Securities Limited (ASL) from Army Welfare Trust (AWT). ASL was incorporated in Pakistan on October 1, 1999 under the Companies Ordinance, 1984 as a public limited company and obtained corporate membership of the Islamabad Stock Exchange on December 24, 1999. The principal activity includes share brokerage, investment advisory and consultancy services. The registered office of the Company is situated at AWT Plaza, The Mall, Rawalpindi.

The financial statements of AIML and ASL have been consolidated based on their audited financial statements for the half year ended December 31, 2007.

2. BASIS OF PRESENTATION

2.1 These financial statements have been presented in accordance with the requirements of format prescribed by the State Bank of Pakistan's BSD Circular No 4 dated February 17, 2006.

2.2 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.

2.3 The financial results of the Islamic Banking branches have been consolidated in these financial statements for reporting purposes, after eliminating inter-branch transactions/ balances. Key figures of the Islamic Banking branches are disclosed in Annexure 2 to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives shall prevail.

International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property are not applicable to Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these consolidated financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

a) Standards, amendments and interpretations effective in 2007

Requirements of IAS 1 - Presentation of Financial Statements in respect of capital disclosures are applicable for the Company's accounting periods beginning on or after January 1, 2007. Such disclosures have been given in note 19 to the financial statements. IFRS 7 (Financial Instruments: Disclosures) has been adopted by the Institute of Chartered Accountants of Pakistan but has not yet been adopted by the Securities and Exchange Commission of Pakistan.

b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2007 but they are not relevant to the Bank's operations:

IFRS 4	Insurance contracts
IFRIC 7	Applying the restatement approach under IAS 29, Financial reporting in hyper inflationary economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Re-assessment of embedded derivatives
IFRIC 10	Interim financial reporting and impairment

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

The following new standards and amendments to existing standards have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2008, but the Bank has not early adopted them:

IAS 1	Presentation of financial statements in respect of changes in the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in comprehensive income statement. Adoption of IAS 1 is not expected to have an impact on the Bank's financial statements.
IAS 23	Borrowing Cost (Amendment) requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be withdrawn. Adoption of IAS 23 is not expected to have an impact on the Bank's financial statements.
IFRS 8	Operating segments (effective from January 1, 2009) requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Adoption of IFRS 8 is not expected to have an impact on the Bank's financial statements.
IFRIC 13	Customer loyalty programmes, clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. Adoption of IFRIC 13 is not expected to have an impact on the Bank's financial statements.
IFRIC 14	The limit on a defined benefit assets, minimum funding requirements and their interactions', provides guidance on assessing the limit in IAS 19 (Employee benefits) on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. Adoption of IFRIC 14 is not expected to have an impact on the Bank's financial statements.

d) Interpretations to existing standards that are not yet effective and not relevant to Bank's operations

IFRIC 11	Group and treasury share transaction, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
IFRIC 12	Service concession arrangements', applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention as modified for certain investments which are shown at revalued amounts.

The preparation of consolidated financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain accounting estimates and judgments in application of accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 44.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies, AIML with 100% holding (2006: 100%) and ASL with 74% holding (2006: Nil).

Subsidiaries are those enterprises in which the holding company directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investment held by the holding company is eliminated against holding company's share in paid up capital of the subsidiary.

Material intra-group balances and transactions have been eliminated.

Minority interests are that part of net results of the operations and of net assets of the subsidiary attributable to interests which are not owned by the parent company. Minority interest are presented as a separate item in the consolidated financial statements.

5.2 Cash and cash equivalents

Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks, call money lendings and other short term highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of change in value.

5.3 Sale and repurchase agreements

Securities sold under repurchase agreement (repo) are retained in the consolidated financial statements as investments and a liability for consideration received is included in borrowings. Conversely, consideration for securities purchased under resale agreement (reverse repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

5.4 Investments

The Group classifies its investments as follows:

Held for trading

These represent securities acquired with the intention to trade by taking advantage of short-term market / interest rate movements. These are marked to market and surplus / deficit arising on revaluation of 'held for trading' investments is taken to profit and loss account in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 10 dated July 13, 2004.

Available for sale

These represent securities which do not fall under 'held for trading' or 'held to maturity' categories. In accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000, available for sale securities for which ready quotations are available on Reuters Page (PKRV) or Stock Exchanges are valued at market value and the resulting surplus / deficit is kept in a separate account and is shown below the shareholders' equity in the balance sheet.

Foreign securities are carried at fair value, based on their current bid prices in active markets. Where the markets are not active or the securities are unlisted, fair value is estimated by using valuation techniques.

Held to maturity

These represent securities acquired with the intention and ability to hold them upto maturity. These are carried at amortized cost in accordance with the requirements of the State Bank of Pakistan's BSD Circular No. 14 dated September 24, 2004.

The Group holds 15% shares in Askari General Insurance Company Limited (AGICO). For the purposes of consolidated financial statements, this investment is carried at cost less impairment losses, if any, and has not been accounted for using equity method since it does not qualify as associate under International Accounting Standard (IAS) 28 'Accounting for Investment in Associates' as the Group shareholding is less than 20% and the Group does not exercise significant influence on AGICO.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee as per the latest audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses, if any.

All purchases and sale of investment that require delivery within the time frame established by regulations or market convention are recognized at the trade date, which is the date the Group commits to purchase or sell the investments.

5.5 Advances

Advances of the Bank are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition a general provision is maintained for advances other than consumer advances as per details given in note 10.4.2.

The provisions against non-performing advances are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.6 Capital work-in-progress, operating fixed assets and depreciation

Capital work-in-progress

The Group's capital work-in-progress is stated at cost.

Owned assets

The Group's fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold/ leasehold land which is not depreciated. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 11.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase/acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

Assets subject to finance lease

The Group's assets held under finance lease are accounted for by recording the assets and related liabilities at the amounts determined on the basis of lower of fair value of the assets and the present value of minimum lease payments. Finance charge is allocated to the accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged on leased assets on the basis similar to that of the owned assets.

Intangible assets

On acquisition of an entity, excess of the purchase consideration over the fair value of identifiable assets and liabilities acquired, is initially recognized as goodwill and tested for impairment annually.

Membership card of ASL is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

5.7 Taxation

Current

Provision for current tax is the expected tax payable on the taxable profit for the year using tax rates applicable at the balance sheet date and any adjustment to tax payable for previous years, if any. In case of taxable loss in the current year, charge for the current taxation is made at the rate of 0.5% of turnover as per requirements of the Income Tax Ordinance, 2001.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

ASL falls in the ambit of presumptive tax regime regarding commission income under section 233A of the Income Tax Ordinance, 2001. Provision for income tax is made in the financial statements accordingly. However, provision for tax on income from transfer of physical shares to CDC and other operating income is based on taxable income at the prevailing current rates.

Deferred

Deferred tax is provided for by using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date, expected to be applicable at the time of its reversal. A deferred tax asset is recognized only to the extent that it is probable that the future taxable profit will be available and credits can be utilized. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

Deferred tax, on revaluation of investments, if any, is recognised as an adjustment to surplus/(deficit) arising on such revaluation.

5.8 Staff retirement benefits

Defined benefit plan

The Bank and AIML operates approved funded gratuity schemes for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The actuarial gains / losses in excess of corridor limit (10% of higher of present value of obligation and fair value of plan assets) are recognized over the average expected remaining working life of its employees.

ASL operates an unfunded gratuity scheme for all its regular employees. The employees are entitled to gratuity on completion of three years of continuous service with the Company. The gratuity is payable on the basis of last drawn basic salary for E-1 grade employees and gross for other employees for each completed year of service.

Defined contribution plan

The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees at the rate of 8.33% of the basic salary of the employee.

AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by the Company and the staff at the rate of 6% of the salary.

ASL operates an unfunded provident fund scheme for all its regular employees for which equal monthly contributions are made by the Company and the employees at the rate of 10% of basic salary of the employee.

Compensated absences

The Bank grants compensated absences to all its regular employees. Liability for unfunded scheme is recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations.

AIML also provides for compensated absences. Obligations under the scheme are charged to income currently.

5.9 Revenue recognition

Mark-up / interest on advances and return on investments is recognized on accrual basis except on classified advances which is recognized on receipt basis in compliance with Prudential Regulations issued by the State Bank of Pakistan.

Fees, commission and brokerage income is recognized at the time of performance of service.

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

Gain and losses on sale of investments are included in income currently.

Management fee is recognized by AIML on the accrual basis, based on annual average net asset value of the Fund under management.

5.10 Foreign currencies

Foreign currency transactions

Foreign currency transactions are translated into Pak. Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated to Pak. Rupee at the exchange rates prevailing at the

balance sheet date. Outstanding foreign bills purchased are valued at the rates applicable to the remaining maturities. Exchange gains and losses are included in profit and loss account currently.

Foreign operation

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

Translation gains and losses

Translation gains and losses are included in the profit and loss account.

Commitments

Commitments for outstanding forward foreign exchange contracts are valued at the rates applicable to the remaining maturities. Contingent liabilities / commitments for letters of credits and letters of guarantees denominated in foreign currencies are translated into Pak. Rupees at the rates of exchange ruling on the balance sheet date.

5.11 Provisions

Provisions are recognized when there are present, legal or constructive obligations as a result of past events, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amounts can be made. Provision for guarantee claims and other off balance sheet obligations is recognized when intimated and reasonable certainty exists to settle the obligations. Expected recoveries are recognized by debiting customer accounts. Charge to profit and loss account is stated net off expected recoveries.

5.12 Off-setting

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

5.13 Related party transactions

Transactions between the Group and its related parties are carried out on arm's length basis determined in accordance with the generally accepted methods.

5.14 Appropriations subsequent to balance sheet date

Appropriations subsequent to year end are recognised during the year in which those appropriations are made.

5.15 Operating leases

Leases where significant portion of risks and rewards of the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

5.16 Segment reporting

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

5.16.1 Business segment

Corporate financing

Corporate financing includes corporate and investment banking activities such as mergers and acquisition, underwriting, privatization, securitisation, IPO's related activities and secondary private placements.

Trading and sales

Trading and sales includes the Bank's treasury and money market activities classified as held for trading.

Retail banking

Retail banking segment provides services to small borrowers and includes loans, deposits and other transactions with retail customers and credit card business.

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for the year ended December 31, 2007

Commercial banking

Commercial banking segment provides services related to project finance, export finance, trade finance, leasing, lending, guarantees, bills of exchange and deposits from corporate customers.

Payment and settlement

Payment and settlement includes income from payments and collections, funds transfer, clearing and settlement.

Agency service

Agency service includes income from rent of lockers provided to customers.

Subordinated loans

It represents subordinated Term Finance Certificates issued by the Bank.

5.16.2 Geographical Segment

The Bank operates in two geographic regions; Pakistan and Middle East.

5.17 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in Pakistan rupees, which is the Group's functional currency.

(Rupees in thousand)	Notes	2007	2006
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		1,937,588	1,897,557
Foreign currencies		571,861	504,108
		2,509,449	2,401,665
National Prize Bonds		12,722	15,439
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	8,493,467	7,799,986
Foreign currency current account	6.1	1,002,742	1,070,976
Foreign currency deposit account	6.2	973,201	3,256,304
		10,469,410	12,127,266
With National Bank of Pakistan in :			
Local currency current accounts		364,485	334,861
		13,356,066	14,879,231

6.1 Deposits are maintained with the State Bank of Pakistan to comply with its requirements issued from time to time.

6.2 This represents statutory cash reserve maintained against foreign currency deposit mobilised under Foreign Exchange Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate of one month London Inter Bank Offered Rate (LIBOR) less 1% service charges.

(Rupees in thousand)	Note	2007	2006
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		255,659	843,908
On deposit accounts		500,949	373,797
Outside Pakistan			
On current accounts		549,305	470,222
On deposit accounts	7.1	2,248,451	5,648,911
		3,554,364	7,336,838

7.1 These represents overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 2.37% to 4.69% (2006: 2.34% to 5.23%) per annum receivable on maturity.

(Rupees in thousand)	Notes	2007	2006
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.1	1,500,000	1,500,000
Repurchase agreement lendings (reverse repo)	8.2	8,836,151	2,250,210
Purchase under resale arrangement of listed equity securities	8.3	449,992	640,000
		9,286,143	2,890,210
Trade related deals	8.4	558,000	852,740
Others	8.5	3,100,000	3,150,000
		14,444,143	8,392,950

8.1 These carry markup rates ranging from 9.65% to 10% (2006: 10.40% to 10.70%) per annum.

8.2 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up rates ranging from 9.25% to 9.95% (2006 : 8.67% to 9.40%) per annum and maturities of upto 2 months (2006 : upto 1 month).

8.3 This represents shares of a listed company purchased under resale agreement at mark-up rates ranging from 11.20% to 12.50% (2006 : 13.75% to 14.50%) per annum with maturity of upto 1 month (2006: upto 3 months).

8.4 These are trade related risk participation deals made by Bank's Offshore Banking Unit with returns ranging from 6.55% to 7.76% (2006 : 6.62% to 8.93%) per annum with maturities of upto 8 months (2006 : upto 6 months).

8.5 This represents lendings to various financial institutions at mark-up rates ranging from 9.65% to 10.30% (2006 : 10.35% to 11.90%) per annum with maturities of upto 3 months (2006 : upto 3 months).

(Rupees in thousand)	2007	2006
8.6 Particulars of lending		
In local currency	13,886,143	7,540,210
In foreign currencies	558,000	852,740
	14,444,143	8,392,950

8.7 Securities held as collateral against lendings to financial institutions

(Rupees in thousand)	2007			2006		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	8,536,151	–	8,536,151	740,210	–	740,210
Pakistan Investment Bonds	300,000	–	300,000	1,510,000	–	1,510,000
Purchase under resale arrangement of listed shares	449,992	–	449,992	640,000	–	640,000
	9,286,143	–	9,286,143	2,890,210	–	2,890,210

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for the year ended December 31, 2007

9. INVESTMENTS

(Rupees in thousand)	Notes	2007			2006		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1 Investments by types:							
Held for trading securities							
Fully paid ordinary shares		514,890	–	514,890	351,022	–	351,022
Available for sale securities							
Market Treasury Bills		20,195,793	5,868,488	26,064,281	15,880,231	389,256	16,269,487
Pakistan Investment Bonds		1,884,256	1,194,000	3,078,256	2,772,739	44,000	2,816,739
Fully paid ordinary shares		1,597,170	–	1,597,170	1,231,386	–	1,231,386
Fully paid preference shares		125,000	–	125,000	125,000	–	125,000
Askari Income Fund - Units	9.7	450,000	–	450,000	250,000	–	250,000
Term Finance Certificates (TFCs)		1,565,358	–	1,565,358	745,840	–	745,840
National Investment Trust (NIT) - Units		46,955	–	46,955	–	–	–
Sukuk Certificates	9.8	400,000	–	400,000	–	–	–
Foreign securities	9.9	98,034	–	98,034	304,550	–	304,550
		26,362,566	7,062,488	33,425,054	21,309,746	433,256	21,743,002
Held to maturity securities							
Term Finance Certificates (TFCs)		1,248,571	–	1,248,571	1,903,696	–	1,903,696
Pakistan Investment Bonds		1,706,824	–	1,706,824	1,747,296	–	1,747,296
Government of Pakistan Sukuk Bonds	9.2.4	743,232	–	743,232	550,989	–	550,989
Government of Pakistan Euro Bonds	9.2.4	744,999	–	744,999	732,765	–	732,765
Sukuk Certificates	9.11	400,000	–	400,000	–	–	–
Credit Linked Notes	9.12	310,000	–	310,000	–	–	–
		5,153,626	–	5,153,626	4,934,746	–	4,934,746
Investment in associate							
Askari General Insurance Company Limited	9.10	11,182	–	11,182	11,182	–	11,182
Investments at cost		32,042,264	7,062,488	39,104,752	26,606,696	433,256	27,039,952
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,388)	–	(3,388)	(1,887)	–	(1,887)
Investments (net of provision)		32,038,876	7,062,488	39,101,364	26,604,809	433,256	27,038,065
Add / (less):							
Surplus / (deficit) on revaluation of held for trading securities - net		6,964	–	6,964	(1,250)	–	(1,250)
Surplus on revaluation of available for sale securities - net		136,136	100,238	236,374	1,529,242	5,912	1,535,154
Total investments at market value		32,181,976	7,162,726	39,344,702	28,132,801	439,168	28,571,969

(Rupees in thousand)	Notes	2007	2006
9.2 Investments by segments:			
Federal Government Securities			
Market Treasury Bills	9.2.3	26,064,281	16,269,487
Pakistan Investment Bonds		4,785,080	4,564,035
Government of Pakistan Sukuk Bonds	9.2.4	743,232	550,989
Government of Pakistan Euro Bonds	9.2.4	744,999	732,765
		32,337,592	22,117,276
Fully paid up ordinary shares			
Listed companies	9.3	2,517,562	1,787,910
Unlisted companies	9.4	55,680	55,680
		2,573,242	1,843,590
Fully paid preference shares			
Listed companies	9.5	125,000	125,000
Term Finance Certificates (TFCs)			
Listed Term Finance Certificates	9.6	1,939,364	1,121,760
Unlisted Term Finance Certificates		874,565	1,527,776
		2,813,929	2,649,536
Foreign Securities			
Callable notes	9.9	–	304,550
Mena Transformation Fund	9.9	98,034	–
Credit Linked Notes	9.12	310,000	–
		408,034	304,550
Other Investments			
Sukuk Certificates		800,000	–
NIT Units		46,955	–
		846,955	–
Total investments at cost		39,104,752	27,039,952
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(3,388)	(1,887)
Investments (net of provision)		39,101,364	27,038,065
Add/(less): Surplus/(deficit) on revaluation of held for trading securities - net		6,964	(1,250)
Surplus on revaluation of available for sale securities - net		236,374	1,535,154
Total investments at market value		39,344,702	28,571,969
9.2.1 Particulars of provision for impairment in value of investments			
Opening balance		1,887	1,511
Charge for the year		1,501	376
Reversals		–	–
		1,501	376
Closing balance		3,388	1,887
9.2.2 Particulars of provision in respect of type and segment			
Available for sale securities			
Fully paid ordinary shares - unlisted company		3,388	1,887

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

9.2.3 Principal terms of investments in Federal Government Securities

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2008 to December 2008	On maturity	9.00% to 9.44%	at maturity
Pakistan Investment Bonds	October 2008 to May 2016	On maturity	7% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually

9.2.4 These represent investments by the Bank's Offshore Banking Unit.

9.3 Investments in listed shares

No. of ordinary shares / units	Paid-up/ Break-up value per share/unit at Dec. 31, 2007 (Rupees)	Name of companies / mutual funds	Note	2007		2006	
				2007	2006	(Rupees in thousand)	(Rupees in thousand)
1,160,422	2,420,022	54.78 Sui Northern Gas Pipelines Limited		63,565	13,199		
4,249,500	4,249,500	9.52 Atlas Fund of Funds		40,471	40,471		
595,000	808,500	10.00 Meezan Balanced Fund		5,950	8,085		
800,000	256,000	244.10 National Bank of Pakistan		195,277	56,979		
-	400,000	- MCB Bank Limited		-	92,375		
-	100,000	- Maple Leaf Cement Co. Limited		-	1,445		
375,000	50,000	103.21 D. G. Khan Cement Co. Limited		38,704	3,219		
2,351,241	1,808,647	4.76 Askari General Insurance Company Limited	9.10	11,182	11,182		
300,000	290,000	43.20 Pakistan Telecommunication Company Limited		12,961	12,828		
1,250,500	1,059,500	29.66 Hub Power Company Limited		37,091	29,958		
350,100	155,000	117.82 Oil and Gas Development Company Limited		41,250	17,770		
1,952,500	2,321,000	10.00 Pakistan Strategic Allocation Fund		19,524	23,210		
40,000	65,000	421.57 Pakistan State Oil Company Limited		16,863	19,652		
-	50,170	- Fauji Fertilizer Company Limited		-	6,377		
345,000	-	127.98 Lucky Cement Limited		44,153	-		
220,000	165,000	330.87 Pakistan Oilfields Limited		72,792	58,631		
193,000	115,000	225.55 Pakistan Petroleum Limited		43,532	26,849		
70,057	47,000	265.71 Engro Chemical (Pakistan) Limited		18,615	8,028		
285,000	-	93.25 Crescent Steel Mills Limited		26,576	-		
157,500	-	62.54 Honda Atlas Cars Limited		9,850	-		
110,000	5,300	367.82 Packages Limited		40,460	979		
10,000	27,500	196.60 ICI Pakistan Limited		1,966	3,398		
855,000	117,000	95.71 The Bank of Punjab		81,836	11,650		
150,000	-	114.75 Nishat Textile Mills Limited		17,213	-		
616,000	100,000	44.21 Fauji Fertilizer Bin Qasim Limited		27,232	2,856		
21,500	55,000	358.37 Adamjee Insurance Company Limited		7,705	8,395		
-	16,376,106	- Allied Bank Limited		-	420,211		
1,300,000	1,160,000	9.16 UTP Large Capital Fund		11,910	11,600		
-	599,500	- Kot Addu Power Company Limited		-	25,199		
5,064,671	2,736,966	94.62 Askari Income Fund		479,237	275,000		
315,747	102,320	95.01 AMZ Plus Income Fund		30,000	10,000		
-	100,000	0.00 United Stock Advantage Fund		-	10,000		
-	5,095,000	- NAFA Cash Fund		-	50,000		
20,000	800	391.00 Pakistan Re-Insurance Limited		7,820	98		
777,600	441,000	72.12 Pakistan Industrial Credit & Investment Corporation Limited		56,080	28,266		
-	9,963,516	- Pakistan Income Fund		-	500,000		
312,500	-	6.57 Golden Arrow Selected Stock Fund		2,053	-		
264,000	-	30.45 PICIC Growth Fund		8,040	-		
<i>Balance carried forward</i>				1,469,908	1,787,910		

No. of ordinary shares / units	Paid-up/ Break-up value per share/unit at Dec. 31, 2007 (Rupees)	Name of companies / mutual funds	Note	2007		2006	
				2007	2006	(Rupees in thousand)	(Rupees in thousand)
<i>Balance brought forward</i>				1,469,908	1,787,910		
7,500,000	-	10.00 Pak Oman Advantage Fund		75,000	-		
363,100	-	166.55 Arif Habib Securities Limited		60,476	-		
300,000	-	11.98 IGI Investment Bank Limited		3,595	-		
94,600	-	68.00 JS Investments Limited		6,432	-		
394,187	-	16.32 Bank Islami Pakistan Limited		6,434	-		
370,000	-	38.85 Meezan Bank Limited		14,375	-		
105,500	-	22.61 MyBank Limited		2,385	-		
226,800	-	257.27 Habib Bank Limited		58,349	-		
110,000	-	168.21 United Bank Limited		18,503	-		
400,250	-	16.83 JS Bank Limited		6,737	-		
984,000	-	18.86 NIB Bank Limited		18,558	-		
285,700	-	12.77 Atlas Bank Limited		3,648	-		
114,200	-	39.76 Soneri Bank Limited		4,541	-		
1,172,187	-	12.50 Hira Textile Mills Limited		14,652	-		
25,000	-	96.00 Attock Cement Limited		2,400	-		
140,000	-	39.16 Cherat Cement Limited		5,482	-		
300,000	-	15.87 Fauji Cement Company Limited		4,761	-		
215,000	-	250.87 Attock Refinery Limited		53,936	-		
55,000	-	357.13 National Refinery Limited		19,642	-		
65,000	-	392.51 Shell Pakistan Limited		25,513	-		
50,500	-	353.76 Pak Suzuki Motor Company Limited		17,865	-		
45,500	-	364.02 Indus Motor Company Limited		16,563	-		
67,500	-	59.11 Pakistan International Container Terminal Limited		3,990	-		
2,500,000	-	98.06 Askari Asset Allocation Fund		245,140	-		
203,000	-	98.52 First Habib Income Fund		20,000	-		
516,899	-	96.73 MCB Dynamic Cash Fund		50,000	-		
513,239	-	97.42 HBL Income Fund		50,000	-		
505,255	-	98.96 United Growth & Income Fund		50,000	-		
503,906	-	49.61 AKD Income Fund		25,000	-		
300,000	-	50.00 Alfalah GHP Income Multiplier Fund		15,000	-		
201,073	-	99.47 IGI Income Fund		20,000	-		
249,829	-	100.07 Dawood Money Market Fund		25,000	-		
100,000	-	100.00 HBL Stock Fund		10,000	-		
241,289	-	103.61 KASB Liquid Fund		25,000	-		
239,047	-	104.58 JS Income Fund		25,000	-		
146,000	-	4.92 Pakistan PTA Limited		719	-		
100,000	-	50.00 Pak Oman Bank of Punjab Advantage Plus Fund		5,000	-		
100,000	-	50.00 Bank Alfalah GHP Fund		5,000	-		
100,000	-	53.70 Bank Alfalah Limited		5,370	-		
563,500	-	5.30 Karachi Electric Supply Company Limited		2,986	-		
7,000	-	569.00 Attock Petroleum Limited		3,983	-		
10,000	-	34.30 Dost Steel Mills Limited		343	-		
17,500	-	189.54 Cherat Paper Sack Limited		3,317	-		
308,000	-	16.60 World Call Telecom Limited		5,113	-		
79,000	-	45.46 Searle Pakistan Limited		3,591	-		
8,600	-	192.44 Glaxo Smithkline Limited		1,655	-		
6,000	-	83.50 HighNoon Laboratories		501	-		
30,000	-	203.30 Tri Pak Films Limited		6,099	-		
Add: Surplus on revaluation of shares -(net)				2,517,562	1,787,910		
Market value as on December 31				36,798	1,281,667		
				2,554,360	3,069,577		

Notes to the Consolidated Financial Statements

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9.4 Particulars of investments held in unlisted company / bank

Investee	Notes	Percentage of holding (%)	Number of shares held	Cost / paid-up value per share	Total paid-up value	Break up value	Based on audited financial statements as at	Name of Chief Executive		
									(Rupees)	(Rupees in thousand)
Company / bank										
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,844	31 Dec 2006	Mr. M.Ghalib Nishtar		
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10.00	5,680	2,292	31 Dec 2006	Mr. S.M. Zaeem		
					55,680					

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per State Bank of Pakistan letter No. BSD (RU-26/625-MfB/13317/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale/ transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 3,388 thousand (2006: Rs. 1,887 thousand) is considered as impairment and has been fully provided for.

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value		Investee	Rate %	Book Value		Market Value	
2007	2006	per share	(Rupees)			2007	2006	2007	2006
10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	80,000	71,500	
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2 percent per annum	25,000	25,000	25,000	25,000	
					125,000	125,000	105,000	96,500	

9.6 Investment in Term Finance Certificates

No. of certificates	Company's Name	Redeemed value per certificate		
			2007	2006
		Rupees	(Rupees in thousand)	
Listed				
–	Sui Southern Gas Company Limited	–	–	8,327
6,067	Worldcall Telecom Limited	4,998	30,323	30,335
30,000	Bank Al-Habib Limited	4,994	149,820	149,880
35,000	Bank Alfalah Limited	4,995	174,827	184,890
4,600	Prime Commercial Bank Limited	4,995	22,977	22,986
12,000	Soneri Bank Limited	4,995	59,940	59,964
10,000	Standard Chartered Bank Limited	4,997	49,970	49,990
24,431	United Bank Limited	4,995	122,036	222,083
39,992	Pakistan Mobile Communication (Private) Limited	4,999	199,920	199,960
18,669	Allied Bank Limited	4,998	93,308	193,345
15,000	Pace Pakistan Limited	5,000	75,000	–
15,200	Avari Hotels Limited	5,000	76,000	–
5,000	Kashf Foundation	2,049	10,243	–
60,000	Pak American Fertilizers Limited	5,000	300,000	–
60,000	Azgard Nine Limited	5,000	300,000	–
1,500	Orix Leasing Limited	100,000	150,000	–
20,000	Pak Arab Fertilizer Limited	5,000	100,000	–
5,000	Jahangir Siddique and Company	5,000	25,000	–
	Book value as on December 31		1,939,364	1,121,760

No. of certificates	Company's Name	Redeemed value per certificate		
			2007	2006
		Rupees	(Rupees in thousand)	
Unlisted				
30,000	Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	1,999	59,960	120,000
70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Zaffar Ahmad Khan)	4,375	306,238	323,737
400	Pak American Fertilizers Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	958,333	383,333	400,000
18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Tariq Saeed Saigol)	624,999	11,250	33,750
18,995	Dewan Cement Limited (Chief Executive: Mr. Dewan Muhammad Yousaf)	3,358	63,784	75,289
20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf)	2,500	50,000	75,000
–	Pak Arab Fertilizer Limited (Chief Executive: Mr. Sheikh Fawad)	–	–	500,000
	Book value as on December 31		874,565	1,527,776

These carry rate of return ranging from 8.45% to 14.40% (2006: 8.45% to 14.40%) per annum and having maturity periods of upto 8 years (2006: 8 years).

9.7 This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.

9.8 This represent investment in SUKUK certificates issued by Kohat Cement Company Limited and Shahraj Fabrics (Pvt) Limited and carry return at the rate average of offer side of six months KIBOR plus 1.8% p.a and average of offer side of six months KIBOR plus 2.1% p.a respectively.

(Rupees in thousand)	Note	2007	2006
9.9 Foreign securities			
Callable notes		–	304,550
MENA Transformation Fund	9.9.1	98,034	–
		98,034	304,550

9.9.1 The Bank has invested in MENA Transformation Fund I.L.P a closed ended fund having six year term.

9.10 Investment in associate represents 15% (2006: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2007: Rs.154,124 thousand ; 2006: Rs. 74,064 thousand).

The audited financial statements of AGICO for the year ended December 31, 2007 were not available , however the summarized financial position and results, as per the most recent available financial statements as at September 30, 2007 are as follows.

(Rupees in thousand)	
Total assets	1,107,815
Total liabilities	813,316
Net assets	294,499

Total revenue and profit after tax for the nine months ended September 30 , 2007 were Rs. 28,530 thousands and Rs. 17,571 thousands respectively.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

9.11 Sukuk Certificates

Name of Investee	Rate of return	Maturity	2007	2006
Sui Southern Gas Company Limited	Average of offer side of three months KIBOR plus 0.8% p.a.	June 28, 2012	200,000	–
WAPDA	Average of offer side of six months KIBOR minus 0.25% p.a.	July 13, 2017	200,000	–
			400,000	–

9.12 This represents investments by the Bank's offshore Banking Unit in credit linked notes issued by Standard Chartered Bank, Singapore at USD LIBOR plus 3.50% per annum maturing on December 20, 2012.

9.13 Quality of Available for Sale Securities

(Rupees in thousand)	Notes	2007		2006	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.13.1	26,010,637	unrated	16,251,844	unrated
Pakistan Investment Bonds	9.13.1	3,331,991	unrated	3,122,924	unrated
Fully paid up ordinary shares	9.13.2				
Pakistan Oilfields Limited		70,224	unrated	32,177	unrated
Hub Power Company Limited		38,140	unrated	24,219	unrated
Pakistan Petroleum Limited		35,042	unrated	3,480	unrated
Kot Addu Power Company Limited		–	–	24,400	unrated
Fauji Fertilizer Company Limited		–	–	5,295	unrated
ICI Pakistan Limited		–	–	3,176	unrated
United Stock Advantage Fund		–	–	9,537	unrated
Pakistan Export Finance Guarantee Agency Limited		2,292	unrated	3,793	unrated
Attock Cement Company Limited		2,493	unrated	–	–
D.G. Khan Cement Company Limited		30,777	unrated	–	–
Pakistan Telecommunication Company Limited		12,615	unrated	–	–
Honda Atlas Cars Limited		8,521	unrated	–	–
Crescent Steel Mills Limited		27,759	A+	–	–
Oil and Gas Development Company Limited		11,945	AAA	–	–
Atlas Fund of Funds		35,696	5-Star	33,996	4-Star
Meezan Balanced Fund		4,998	5-Star	6,953	5-Star
Pakistan Strategic Allocation Fund		17,768	4-Star	19,729	5-Star
Pakistan Income Fund		–	–	525,077	4-Star
NAFA Cash Fund		–	–	53,617	A (f)
National Bank of Pakistan		23,215	AAA	1,346	AAA(M2L)
Sui Northern Gas Pipelines Limited		76,066	AA	158,511	AA- (L)
Packages Limited		29,104	AA	1,113	AA (L)
Khushhali Bank		50,000	A-	50,000	A- (M2L)
Allied Bank Limited		–	–	1,531,165	A+(M2L)
Golden Arrow Selected Stock Fund		2,000	5-Star	–	–
PICIC Growth Fund		7,524	2-Star	–	–
Pak Oman Advantage Fund		61,875	AA-	–	–
Arif Habib Securities Limited		27,383	unrated	–	–
IGI Investment Bank Limited		4,425	A	–	–
JS Investments Limited		4,243	unrated	–	–
PICIC Commercial Bank Limited		45,684	AA-	–	–
The Bank of Punjab		29,829	AA	–	–
Bank Islami Pakistan Limited		3,502	A-	–	–
Arif Habib Bank Limited		893	A-	–	–
Meezan Bank Limited		14,245	A+	–	–
<i>Balance carried forward</i>		30,020,886		21,862,352	

(Rupees in thousand)	Notes	2007		2006	
		Market Value	Rating	Market Value	Rating
<i>Balance brought forward</i>		30,020,886		21,862,352	
MyBank Limited		2,527	A	–	–
Habib Bank Limited		44,381	AA+	–	–
JS Bank Limited		8,740	A-	–	–
United Bank Limited		19,019	AA+	–	–
NIB Bank Limited		17,677	A+	–	–
Atlas Bank Limited		4,857	A-	–	–
Soneri Bank Limited		4,956	AA-	–	–
Pakistan Re-insurance Limited		8,075	unrated	–	–
Hira Textile Mills		9,319	unrated	–	–
Nishat Mills		15,780	A1+	–	–
Cherat Cement		5,558	unrated	–	–
Lucky Cement		34,367	unrated	–	–
Fauji Cement		4,470	unrated	–	–
Attock Refinery Limited		47,747	AA-	–	–
National Refinery Limited		18,050	unrated	–	–
Shell Pakistan Limited		26,409	unrated	–	–
Pak Suzuki Motor Company Limited		11,702	unrated	–	–
Indus Motor Company Limited		14,523	unrated	–	–
Pakistan International Container Terminal		4,752	unrated	–	–
Fauji Fertilizer Bin Qasim Limited		2,102	unrated	–	–
Pakistan PTA Limited		737	unrated	–	–
Askari Asset Allocation Fund		241,722	unrated	–	–
First Habib Income Fund		21,268	unrated	–	–
MCB Dynamic Cash Fund		54,123	AM3	–	–
HBL Income Fund		53,664	unrated	–	–
United Growth & Income Fund		52,961	A	–	–
AKD Income Fund		26,585	AM3+	–	–
AMZ Plus Income Fund		21,353	A	–	–
Alfalsh GHP Income Multiplier Fund		15,777	unrated	–	–
IGI Income Fund		21,100	AM3	–	–
Dawood Money Market Fund		26,347	5-Star	–	–
HBL Stock Fund		10,240	unrated	–	–
KASB Liquid Fund		25,381	AM3	–	–
JS Income Fund		25,305	unrated	–	–
UTP – Large Capital Fund		10,530	5-Star	9,280	unrated
Fully paid preference shares	9.13.2	105,000	unrated	96,500	unrated
Askari Income Fund Units	9.13.2	503,254	5-Star	265,550	unrated
Term Finance Certificates (TFCs)					
Pak American Fertilizer Limited		383,333	AA-	400,000	unrated
World Call Telecom Limited		34,885	AA-	30,336	AA- (L)
United Bank Limited		23,616	AA	122,160	AA- (M)
Allied Bank Limited		101,858	A+	193,345	A (M)
Orix Leasing Limited		150,000	AA+	–	–
Pak Arab Fertilizer Limited		100,000	AA	–	–
Jahangir Siddique and Company		25,000	AA+	–	–
Pace Pakistan Limited		75,000	AA-	–	–
Avari Hotels (Pvt) Limited		76,000	A-	–	–
Kashf Foundation		10,243	A	–	–
Pak American Fertilizer Limited		300,000	AA-	–	–
Azgard Nine Limited		300,000	A+	–	–
		1,579,935		745,841	
National Investment Trust (NIT) Units	9.13.2	51,286	4-Star	–	–
Sukuk Certificates		400,000	unrated	–	–
Foreign securities					
MENA Transformation Fund		85,575	unrated	–	–
Callable notes		–	–	296,746	AAA
		33,658,040		23,276,269	

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9.13.1 These are Government of Pakistan guaranteed securities.

9.13.2 Ratings for these equity securities represent 'Entity Ratings'.

9.13.3 Local securities have either been rated by 'The Pakistan Credit Rating Agency Limited (PACRA) or 'JCR-VIS Credit Rating Company Limited (JCR-VIS), whereas foreign security has been rated separately by Moodys, Standard & Poor's and Fitch; international rating companies. These ratings reflect independent credit risk assessment by respective credit rating entities.

(Rupees in thousand)

	2007	2006
9.14 Unrealized gain / (loss) on revaluation of investments classified as held for trading		
Fully paid ordinary shares	6,964	(1,250)

9.15 Market Treasury Bills and Pakistan Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.

9.16 Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT/DD discounting facilities.

(Rupees in thousand)

	Notes	2007	2006
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		90,322,192	83,370,327
Outside Pakistan		2,332,750	791,830
		92,654,942	84,162,157
Ijara Financing – In Pakistan	10.2	549,809	31,694
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,634,323	5,987,391
Payable outside Pakistan		8,230,162	11,207,285
		13,864,485	17,194,676
		107,069,236	101,388,527
Financing in respect of continuous funding system		1,120,574	1,336,419
Advances – gross		108,189,810	102,724,946
Provision against loans and advances	10.4		
Specific provision		(6,528,040)	(2,739,631)
General provision		(434,690)	(442,481)
General provision against consumer loans		(445,875)	(363,395)
		(7,408,605)	(3,545,507)
Advances – net of provision		100,781,205	99,179,439
10.1 Particulars of advances			
10.1.1 In local currency		95,026,003	89,363,771
In foreign currencies		13,163,807	13,361,175
		108,189,810	102,724,946
10.1.2 Short term (for upto one year)		81,373,469	77,266,898
Long term (for over one year)		26,816,341	25,458,048
		108,189,810	102,724,946

10.2 Ijara Financing – In Pakistan

(Rupees in thousand)	2007			2006			Total
	Not later than one year	Later than one and less than five years	Over five years	Not later than one year	Later than one and less than five years	Over five years	
Ijara rentals receivable	101,165	402,897	–	8,878	21,870	–	30,748
Residual value	21,176	105,562	–	–	10,186	–	10,186
Minimum lease payments	122,341	508,459	–	8,878	32,056	–	40,934
Profit for future periods	25,833	55,158	–	3,344	5,896	–	9,240
Present value of minimum Ijara payments	96,508	453,301	–	5,534	26,160	–	31,694

10.3 Advances include Rs. 6,907,591 thousand (2006: Rs.3,656,297 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Notes	Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in thousand)										
Special mention	10.3.1	–	–	–	208,954	–	208,954	208,954	–	208,954
Other Assets Especially mentioned	10.3.2	4,681	–	4,681	–	–	–	–	–	
Substandard		209,977	–	209,977	45,252	–	45,252	45,252	–	45,252
Doubtful		819,270	–	819,270	407,036	–	407,036	407,036	–	407,036
Loss		5,873,663	–	5,873,663	5,866,798	–	5,866,798	5,866,798	–	5,866,798
		6,907,591	–	6,907,591	6,528,040	–	6,528,040	6,528,040	–	6,528,040

10.3.1 This represents provision made pursuant to the State Bank of Pakistan's advice.

10.3.2 This represents classification made for agricultural finances.

10.4 Particulars of provision against non-performing advances

Notes	2007				2006			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
(Rupees in thousand)								
Opening balance	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967
Charge / (reversal) for the year	3,845,551	(7,791)	82,480	3,920,240	1,330,426	(323,386)	121,097	1,128,137
Amounts written off	(34,325)	–	–	(34,325)	(1,597)	–	–	(1,597)
Other adjustments	(22,817)	–	–	(22,817)	–	–	–	–
Closing balance	6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507

10.4.1 During the year, the State Bank of Pakistan has amended the Prudential Regulation vide BSD Circular No. 7, dated October 12, 2007 in relation to provision for loans and advances, thereby withdrawing the benefit of Forced Sale Value (FSV) of collateral against non-performing advances for provisioning requirement (except Housing finance, Agri finance and Mortgage finance). Consequent to change in the basis for determining specific provision, an amount of Rs 2,686.504 million has been charged during the year, resulting in a decrease in profit before tax and net of tax profit by Rs 2,686.504 million and Rs 1,746.228 million respectively.

10.4.2 The general provision is maintained at the rate of 0.5 % on advances other than non – performing advances and consumer financing.

10.5 Particulars of provision against non-performing advances

	2007				2006			
	Specific	General	Consumer financing-General	Total	Specific	General	Consumer financing-General	Total
(Rupees in thousand)								
In local currency	6,470,161	369,160	445,875	7,285,196	2,713,340	375,824	363,395	3,452,559
In foreign currencies	57,879	65,530	–	123,409	26,291	66,657	–	92,948
	6,528,040	434,690	445,875	7,408,605	2,739,631	442,481	363,395	3,545,507

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

(Rupees in thousand)		Note	2007	2006
10.6	Particulars of write-offs:			
10.6.1	Against provisions		34,325	1,597
	Directly charged to profit and loss account		–	–
			34,325	1,597
10.6.2	Write offs of Rs. 500,000 and above	10.4	34,168	1,597
	Write offs of below Rs. 500,000		157	–
			34,325	1,597
10.7	This represents mark-up income on classified portfolio relating to previous years clubbed in provisions against non-performing advances, now transferred to mark-up suspense account.			
10.8	In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2007 is given at Annexure-1.			
10.9	Particulars of loans and advances to directors, associated companies etc.			
(Rupees in thousand)				
	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		162,439	77,722
	Loans granted during the year		142,166	134,338
	Repayments		(107,707)	(49,621)
	Balance at end of year		196,898	162,439
	Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
	Balance at beginning of year		–	–
	Loans granted during the year		–	–
	Repayments		–	–
	Balance at end of year		–	–
	Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
	Balance at beginning of year		217,236	764,619
	Loans granted during the year		5,000	50,120
	Repayments		(28,782)	(597,503)
	Balance at end of year		193,454	217,236
			390,352	379,675
11.	OPERATING FIXED ASSETS			
	Capital work-in-progress	11.1	1,746,469	724,449
	Property and equipment	11.2	3,404,050	3,104,369
	Intangible assets	11.3	34,641	–
			5,185,160	3,828,818
11.1	Capital work-in-progress			
	Civil works		–	–
	Advances to suppliers and contractors		1,746,469	724,449
			1,746,469	724,449

11.2 Property and equipment

(Rupees in thousand)	2007									
	COST				DEPRECIATION				Book Value as at December 31, 2007	Annual rate of depreciation %
	as at January 1, 2007	additions	transfers/ (deletions)/	as at December 31, 2007	as at January 1, 2007	charge for the year	on transfers/ (deletions)/	as at December 31, 2007		
Land-freehold	404,943	–	–	404,943	–	–	–	–	404,943	–
Land-leasehold	409,030	56,940	–	465,970	–	–	–	–	465,970	–
Buildings on freehold land	514,693	55,410	–	570,103	139,487	21,295	–	160,782	409,321	5
Buildings on leasehold land	782,581	14,280	–	796,861	129,788	33,292	–	163,080	633,781	5
Renovation of leased premises	485,862	129,388	(2,864)	612,386	248,969	86,075	(2,632)	332,412	279,974	20
Furniture, fixtures and office equipment	253,919	46,256	(3,774)	296,401	76,240	20,756	(1,488)	95,508	200,893	10
Carpets	13,505	3,359	(1,178)	15,686	9,049	1,762	(739)	10,072	5,614	20
Machine and equipments	545,866	110,606	(9,464)	647,008	271,964	68,550	(6,401)	334,113	312,895	20
Computer equipments	634,644	106,052	(1,748)	738,948	297,416	82,137	(762)	378,791	360,157	20
Vehicles	325,654	220,110	(68,944)	476,820	117,571	84,440	(35,463)	166,548	310,272	20
Other assets	61,672	–	–	61,672	41,939	5,349	–	47,288	14,384	20
	4,432,369	742,401	(87,972)	5,086,798	1,332,423	403,656	(47,485)	1,688,594	3,398,204	
Assets held under finance lease										
Vehicles	6,238	4,866	(2,802)	8,302	1,163	1,643	(350)	2,456	5,846	20
	4,438,607*	747,267	(90,774)	5,095,100	1,333,586*	405,299*	(47,835)	1,691,050	3,404,050	

* This includes cost (Rs 2,537 thousand), related accumulated depreciation (Rs 1,885 thousand) and depreciation (Rs 97 thousand) in respect of assets held by ASL on the date of acquisition of ASL shares by the Bank.

(Rupees in thousand)	2006									
	COST				DEPRECIATION				Book Value as at December 31, 2006	Annual rate of depreciation %
	as at January 1, 2006	additions	transfers/ (deletions)/ adjustments*	as at December 31, 2006	as at January 1, 2006	charge for the year	on transfers/ (deletions)/ adjustments*	as at December 31, 2006		
Land-freehold	404,943	–	–	404,943	–	–	–	–	404,943	–
Land-leasehold	408,775	255	–	409,030	–	–	–	–	409,030	–
Buildings on freehold land	514,693	–	–	514,693	119,737	19,750	–	139,487	375,206	5
Buildings on leasehold land	782,581	–	–	782,581	95,430	34,358	–	129,788	652,793	5
Renovation of leased premises	364,646	144,341	(23,929)	485,058	200,364	69,415	(21,565)	248,214	236,844	20
Furniture, fixtures and office equipment	208,256	49,011	(3,744)	253,293	60,268	17,567	(1,825)	75,958	177,335	10
			(230)*				(52)*			
Carpets	12,941	2,522	(1,958)	13,505	9,496	1,367	(1,814)	9,049	4,456	20
Machine and equipments	475,762	82,941	(12,837)	545,866	218,327	61,422	(7,785)	271,964	273,902	20
Computer equipments	521,515	114,162	(1,651)	634,026	222,757	74,916	(710)	296,963	337,063	20
Vehicles	216,242	88,653	54,096	325,165	43,963	55,653	44,177	117,176	207,989	20
			(849)*				(311)*			
			(32,977)				(26,306)			
Other assets	43,955	17,717	–	61,672	34,483	7,456	–	41,939	19,733	20
	3,954,309	499,602	54,096	4,429,832	1,004,825	341,904	44,177	1,330,538	3,099,294	
			(77,096)				(60,005)			
			(1,079)*				(363)*			
Assets held under finance lease:										
Vehicles	57,716	2,618	(54,096)	6,238	44,546	794	(44,177)	1,163	5,075	20
	4,012,025	502,220	(77,096)	4,436,070	1,049,371	342,698	(60,005)	1,331,701	3,104,369	
			(1,079)*				(363)*			

Cost of fully depreciated property and equipment still in use was Rs. 139,235 thousand. (2006 : 119,121 thousand.)

11.3 Intangible assets

(Rupees in thousand)		2007	2006
Goodwill		30,136	–
Islamabad Stock Exchange membership card		4,505	–
		34,641	–

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11.4 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
(Rupees in thousand)						
Toyota Harrier	2,802	350	2,452	1,500	As per Group policy	Mr. Adnan Afaq Ex- Executive
Honda Civic	1,228	736	492	647	-do-	Mr. Tariq Mahmood - Ex executive
Toyota Corolla	1,103	313	790	812	-do-	Mr. Khalid M. Khan - Executive
Toyota Corolla	1,059	318	741	747	-do-	Mr. Rana Shahid Habib - Executive
Honda Civic	1,057	722	335	502	-do-	Mr. Abdul Hafeez Butt - Ex executive
Honda Civic	1,042	417	625	638	-do-	Mr. Hafeez R. Quraishy - Executive
Honda Civic	1,042	486	556	623	-do-	Mr. Ejaz Ahmed Khan - Executive
Honda Civic	1,002	451	551	611	-do-	Mr. Nazimuddin A. Chaturbhai - Executive
Honda City	921	368	553	590	-do-	Mr. Anwar Sheikh - Executive
Honda City	909	379	530	577	-do-	Mr. Arshad Ali Khan - Executive
Honda City	878	483	395	441	-do-	Mr. Riaz Khan Bangash - Executive
Honda City	878	498	380	436	-do-	Mrs Lubna Azam Tiwana - Executive
Honda City	878	498	380	459	-do-	Mr. Shahid Amir - Executive
Honda City	878	585	293	444	-do-	Mr. Saulat Hameed - Executive
Honda City	878	571	307	427	-do-	Mr. Tehseen H. Javed - Ex executive
Honda City	878	571	307	394	-do-	Syed Talib H. Naqvi - Executive
Honda City	878	585	293	445	-do-	Mr. Qazi A. M. Khalid - Executive
Honda City	871	319	552	585	-do-	Mr. Tayyab Khan - Executive
Toyota Corolla	864	418	446	650	-do-	Mr. Nasir Javaid - Ex executive
Honda City	862	488	374	461	-do-	Mr. Ijaz Ahmed - Executive
Honda City	849	467	382	461	-do-	Mr. Saleem Anwar - Ex executive
Honda City	847	551	296	416	-do-	Mr. Zain Hamidi - Ex executive
Honda City	846	92	754	754	-do-	Mr. Muhammad Iqbal - Executive
Honda City	845	155	690	706	-do-	Mr. Shakeel Mumtaz Paracha - Executive
Honda City	845	127	718	745	-do-	Mr. Shahrukh Qureshi - Ex executive
Honda City	845	85	760	730	-do-	Miss. Saiqa Saddiqa Qureshi - Ex executive
Honda City	844	84	760	730	-do-	Miss. Yasmin Akbar - Ex executive
Honda City	835	320	515	554	-do-	Mr. Shahbaz Saboor - Executive
Honda City	795	384	411	457	-do-	Mr. Faheem Ahmad Qureshi - Executive
Honda City	795	384	411	458	-do-	Mr. Ejaz Musarrat Siddiqui - Executive
Honda City	795	533	262	445	-do-	Mr. Farrukh Bari - Executive
Honda City	795	490	305	453	-do-	Mr. Iqbal Abdullah - Executive
Honda City	795	411	384	453	-do-	Sheikh Muhammad Ibrar Ali - Executive
Suzuki Baleno	739	542	197	338	-do-	Mr. Muhammad Ahmed Khan - Executive
Suzuki Baleno	739	542	197	350	-do-	Mr. Adil Zaidi - Executive
Suzuki Baleno	739	530	209	323	-do-	Mr. Waqar Hameed - Executive
Suzuki Baleno	699	699	-	254	-do-	Mr. Feroz Raza - Executive
Suzuki Baleno	699	699	-	246	-do-	Mr. Ikram Athar Siddiqui - Executive
Suzuki Baleno	699	699	-	245	-do-	Mr. Inam Ullah Khan - Executive
Suzuki Baleno	699	699	-	262	-do-	Mr. Hassan Aziz Rana - Executive
Suzuki Cultus	665	222	443	482	-do-	Mr. Fazle Haq Syed - Executive
Suzuki Cultus	665	222	443	463	-do-	Mr. Iqbal Pasha - Executive
Suzuki Cultus	665	299	366	380	-do-	Mr. Asif Paracha - Ex executive
Suzuki Cultus	640	299	341	369	-do-	Mr. Akhtar Jawad - Executive
Suzuki Cultus	636	233	403	429	-do-	Mr. Shahid Iqbal - Executive
Suzuki Cultus	636	233	403	403	-do-	Mr. Rehan Ali Khan - Ex executive
Suzuki Cultus	631	168	463	450	-do-	Mr. Farooq Ahmed - Ex executive
Suzuki Cultus	631	221	410	436	-do-	Mr. Khalid Mahmood - Executive
Suzuki Cultus	631	200	431	436	-do-	Mr. Farooq Rasheed - Executive
Suzuki Cultus	615	154	461	472	-do-	Mr. Nasim Ilyas - Executive
Suzuki Cultus	560	289	271	324	-do-	Mr. Ijaz Ahmed Butt - Executive
Suzuki Cultus	560	320	240	282	-do-	Miss. Ayesha Javed - Executive
Suzuki Cultus	560	112	448	449	-do-	Miss. Saiqa Saddiqa Qureshi - Ex executive
Suzuki Cultus	560	233	327	350	-do-	Miss. Yasmin Akbar - Ex executive
Suzuki Cultus	560	177	383	407	-do-	Mr. Iftikhar Baloch - Executive
Suzuki Cultus	560	243	317	356	-do-	Mr. Sher Afghan Khanzada - Executive
Suzuki Cultus	560	299	261	321	-do-	Mr. Altaf Haider - Executive
Suzuki Cultus	560	308	252	287	-do-	Mr. Khurram Mughal - Executive
Suzuki Cultus	560	205	355	450	-do-	Sardar Rizwan Ullah Khan - Ex executive
Suzuki Cultus	560	485	75	232	-do-	Mr. Malik Noor Khan - Executive
Balance carried forward	48,667	22,971	25,696	29,147		

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyer
(Rupees in thousand)						
Balance brought forward	48,667	22,971	25,696	29,147		
Suzuki Cultus	560	289	271	350	As per Group policy	Mr. Nasrullah Khan - Executive
Suzuki Cultus	560	345	215	284	-do-	Mr. Shahrukh Qureshi - Ex executive
Suzuki Cultus	560	93	467	473	-do-	Mr. Scheeraz Ejaz Khan - Executive
Suzuki Cultus	560	103	457	461	-do-	Mr. Sabir Mumtaz - Executive
Suzuki Cultus	560	327	233	296	-do-	Mr. Shahid Alam Siddiqi - Executive
Suzuki Cultus	560	224	336	365	-do-	Syed Abbas Hamdani - Executive
Suzuki Cultus	560	280	280	327	-do-	Mr. Shahid Iqbal - Executive
Suzuki Cultus	560	280	280	329	-do-	Mr. Bakar Ahmed - Executive
Suzuki Cultus	560	401	159	262	-do-	Mr. Khurram Daniyal - Executive
Suzuki Cultus	560	355	205	261	-do-	Mr. Imran Ahmed - Executive
Suzuki Cultus	560	308	252	262	-do-	Mr. Riaz Ahmed - Executive
Suzuki Cultus	560	495	65	247	-do-	Mr. Abid Zaraf - Executive
Suzuki Cultus	560	289	271	334	-do-	Mr. Adnan Altaf - Executive
Suzuki Cultus	560	299	261	354	-do-	Mr. Irfan Malik - Executive
Suzuki Cultus	560	289	271	334	-do-	Mr. Adnan Rashid - Executive
Suzuki Cultus	560	187	373	388	-do-	Mr. Mahmood Hussain - Executive
Suzuki Cultus	560	261	299	351	-do-	Mr. Muhammad Ali Faraz - Executive
Suzuki Cultus	560	289	271	315	-do-	Syed Nasir Abbas Zaidi - Executive
Suzuki Cultus	560	355	205	293	-do-	Mr. Maqbool A. Soomro - Executive
Suzuki Cultus	560	280	280	296	-do-	Mr. Muhammad Hanif Khan - Executive
Suzuki Cultus	560	224	336	372	-do-	Mr. Rizwan Haider Malik - Executive
Suzuki Cultus	560	243	317	370	-do-	Mrs. Bina Fawad - Executive
Suzuki Cultus	560	177	383	406	-do-	Mr. Akmal Waheed - Executive
Suzuki Cultus	560	401	159	234	-do-	Mr. Asim Bashir - Executive
Suzuki Cultus	560	504	56	204	-do-	Mr. Kenneth William - Executive
Suzuki Cultus	560	495	65	205	-do-	Mr. Muhammad Nadeem - Executive
Suzuki Cultus	560	541	19	203	-do-	Mrs. Mavera Mehboob - Executive
Suzuki Cultus	560	336	224	286	-do-	Mrs. Sadia Younas - Executive
Suzuki Cultus	560	392	168	260	-do-	Mr. Muas Naseer - Executive
Suzuki Cultus	560	271	289	328	-do-	Mr. Azhar Ahmed Sahibzada - Executive
Suzuki Cultus	560	308	252	292	-do-	Mr. Shaukat Hayat Babar - Ex executive
Suzuki Cultus	555	555	-	194	-do-	Mr. Zulfiqar Ali Kiyani - Executive
Suzuki Cultus	555	490	65	221	-do-	Mr. Muhammad Siddique Ismail - Executive
Suzuki Cultus	555	268	287	323	-do-	Mr. Sadaf Nazir - Executive
Suzuki Cultus	555	296	259	451	-do-	Mr. Abdul Waheed - Executive
Toyota Corolla	538	197	341	341	-do-	Mr. Adnan Afaq Ex- Executive
Suzuki Cultus	429	287	142	204	-do-	Mr. Abdul Hai Paracha - Executive
Honda City	795	331	464	700	Insurance Claim	Askari General Insurance Co. Limited - A related party
Suzuki Cultus	636	244	392	490	-do-	Askari General Insurance Co. Limited - A related party
Suzuki Bolan	367	128	239	320	-do-	Askari General Insurance Co. Limited - A related party
Suzuki Bolan	367	257	110	255	-do-	Askari General Insurance Co. Limited - A related party
Suzuki Bolan	367	147	220	335	-do-	Askari General Insurance Co. Limited - A related party
	71,746	35,812	35,934	42,723		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000 other than vehicles sold to Group's executives/ related party	19,028	12,023	7,005	5,431		
2007	90,774	47,835	42,939	48,154		
2006	77,096	60,005	17,091	23,794		

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(Rupees in thousand)	Notes	2007	2006
12. OTHER ASSETS			
Income / mark-up accrued in local currency	12.1	3,199,174	2,683,563
Income / mark-up accrued in foreign currencies		264,279	268,518
Advances, deposits, advance rent and other prepayments		759,130	451,858
Advance taxation (payments less provisions)		1,011,607	122,710
Un-realized gain on forward foreign exchange contracts-net		147,711	147,345
Suspense account		40,449	3,421
Stationary and stamps in hand		53,707	54,871
Dividend receivable		6,775	6,888
Others		97,290	84,931
		5,580,122	3,824,105
12.1	This balance has been arrived at after adjusting interest in suspense of Rs. 1,226,276 thousand (2006: 709,384 thousand).		
13. BILLS PAYABLE			
In Pakistan		2,627,051	1,839,077
14. BORROWINGS			
In Pakistan		17,436,850	14,962,736
Outside Pakistan		116,675	1,351
		17,553,525	14,964,087
14.1 Particulars of borrowings with respect to currencies			
In local currency		17,436,850	14,962,736
In foreign currencies		116,675	1,351
		17,553,525	14,964,087
14.2 Details of borrowings – secured / unsecured			
In Pakistan – local currency			
Secured			
Borrowings from the State Bank of Pakistan:			
Export refinance scheme	14.2.1	7,588,156	10,736,316
Long term financing of export oriented projects	14.2.2	2,330,206	2,642,164
Repurchase agreement borrowings (repo)	14.2.3	7,018,488	389,256
Unsecured			
Call borrowings	14.2.4	500,000	1,195,000
		17,436,850	14,962,736
Outside Pakistan – foreign currencies			
Overdrawn nostro accounts – unsecured		116,675	1,351
		17,553,525	14,964,087
14.2.1	This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 7.50% (2006: 6.50%) per annum payable on a quarterly basis.		
14.2.2	These carry annual mark-up rate of 5% (2006: 4.0% to 5.0%) per annum payable on a quarterly basis.		
14.2.3	These are secured against pledge of Government Securities, and carry mark-up ranging from 9.20% to 9.60% (2006: 8.35% to 8.81%) per annum and have maturities of upto 3 months (2006: 1 month).		
14.2.4	These represent borrowings at the rate of 9.65% (2006: 9.60% to 10.25%) per annum and have maturities of upto 1 month (2006: 1 month).		

(Rupees in thousand)	2007	2006
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	29,997,574	40,349,941
Savings deposits	81,597,377	64,696,265
Current accounts - non-remunerative	28,465,592	23,925,338
Special exporters' account	90,474	24,306
Margin accounts	1,640,800	1,375,381
Others	415,904	290,634
Financial institutions		
Remunerative deposits	818,132	1,175,365
Non-remunerative deposits	2,324	-
	143,028,177	131,837,230
15.1 Particulars of deposits		
In local currency	123,497,141	110,006,314
In foreign currencies	19,531,036	21,830,916
	143,028,177	131,837,230
15.1.1	The above include deposits of related parties amounting to Rs. 1,034,964 thousand (2006: Rs.921,004 thousand).	
16. SUB-ORDINATED LOANS		
Term Finance Certificates – I	1,498,500	1,499,100
Term Finance Certificates – II	1,498,800	1,499,400
	2,997,300	2,998,500

The Bank has raised unsecured sub-ordinated loans in two separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issue are as follows:

	Term Finance Certificates-I	Term Finance Certificates-II
Outstanding amount- Rupees in thousand	1,498,500	1,498,800
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA-	AA-
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly – Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly – Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

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for the year ended December 31, 2007

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

(Rupees in thousand)	2007			2006		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	1,858	590	1,268	1,255	435	820
Later than one year and not later than five years	5,731	728	5,003	4,341	721	3,620
	7,589	1,318	6,271	5,596	1,156	4,440

The liabilities represent the obligations for car lease financing from Bank Alfalah Limited and Faysal Bank Limited. The rates of mark-up payable on facilities with Bank Alfalah Limited are six month average KIBOR plus 2.5% with floor of 11.5% per annum, six month average KIBOR plus 3% with a floor of 12.5%, six month average KIBOR plus 2.75% with a floor of 12.5% and six month average KIBOR plus 3% with a floor of 13.5%. Car Finance facility availed from Faysal Bank Limited carries mark-up at one year average KIBOR plus 4% with an option to purchase the assets at the end of the lease tenure at the guaranteed residual value.

(Rupees in thousand)	2007	2006
18. DEFERRED TAX LIABILITIES		
Deferred credits arising due to:		
Accelerated tax depreciation	410,490	375,453
Tax loss for the year	(473,364)	-
Minimum tax for the year	(20,638)	-
Excess of accounting book value of leased assets over lease liabilities	(356)	(71)
Surplus on revaluation of securities	70,032	100,990
Profit on securities recognized but not received	486,482	261,603
Provision for compensated absences of AIML	(103)	-
Business loss of AIML	-	(10,169)
Pre commencement expenditure of AIML	(935)	(1,309)
Unrealised gain on investments of AIML	1,831	-
	473,439	726,497

18.1 Deferred tax asset (net) related to ASL has not been recognised on unused tax losses amounting to Rs 43,281 thousand, provision for doubtful debts amounting to Rs 67,724 thousand, provision for gratuity amounting to Rs 1,160 thousand and accelerated tax depreciation amounting to Rs 120 thousand since future profitability of ASL is not certain to realise net deferred tax asset.

(Rupees in thousand)	2007	2006
19. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	1,099,359	1,177,133
Mark-up / return / interest payable in foreign currencies	92,044	40,996
Unearned income / commission	21,716	13,307
Accrued expenses	228,120	197,985
Advance payments	187,238	159,560
Unclaimed dividends	31,456	32,731
Branch adjustment account	1,115,340	604,881
Payable to Gratuity / Compensated absences	3,492	-
Payable against purchase of listed shares	1,327	98,768
Withholding taxes payable	16,879	8,496
Federal excise duty payable	7,528	4,286
Others	463,901	270,217
	3,268,400	2,608,360

20. SHARE CAPITAL

20.1 Authorized capital

2007	2006	2007	2006
Number of shares		(Rupees in thousand)	
700,000,000	400,000,000	7,000,000	4,000,000
Ordinary shares of Rs. 10 each			

20.2 Issued, subscribed and paid up

Number of shares		Ordinary shares of Rs. 10 each:	
67,500,000	67,500,000	Fully paid in cash	675,000
233,149,859	132,933,239	Issued as bonus shares	1,329,333
300,649,859	200,433,239		3,006,499
			2,004,333

20.3 Capital risk management policy

The Bank's objectives when managing capital risks are to safeguard the Bank's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Board of Directors may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In terms of BSD circular No. 6 of 2005 issued by the State Bank of Pakistan (SBP), the Bank is required to enhance its existing paid up capital to Rs 6 billion to be achieved in phased manner as follows:

	Minimum paid up capital (net of losses)
By December 31, 2007	Rs 4 billion
By December 31, 2008	Rs 5 billion
By December 31, 2009	Rs 6 billion

Any reserves specially earmarked for addition to paid up capital will be considered while determining compliance with minimum capital requirements of SBP. The Bank intends to meet this requirement by way of bonus issue subsequent to balance sheet date.

(Rupees in thousand)	Statutory Reserve	Revenue Reserves	2007	2006
21. RESERVES				
Balance as at January 01	2,299,264	3,515,490	5,814,754	4,470,530
Transfer from profit and loss account	536,202	579,309	1,115,511	1,344,224
Balance as at December 31	2,835,466	4,094,799	6,930,265	5,814,754
22. SURPLUS ON REVALUATION OF ASSETS				
Surplus on revaluation of available for sale securities				
i) Federal Government securities			200,090	288,542
ii) Listed shares			29,834	1,254,416
iii) Other securities			6,450	(7,804)
			236,374	1,535,154
Less: Related deferred tax effect			(70,032)	(100,990)
			166,342	1,434,164

23. CONTINGENCIES AND COMMITMENTS

23.1 Direct credit substitutes

i) Government	3,566,548	816,548
ii) Others	8,717,304	7,234,189
	12,283,852	8,050,737

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(Rupees in thousand)	2007	2006
23.2 Transaction-related contingent liabilities		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	10,323	14,888
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	40,962,744	28,298,104
ii) Banks and other financial institutions	909,521	956,090
iii) Others	10,686,421	7,136,348
	52,558,686	36,390,542
	52,569,009	36,405,430
23.3 Trade-related contingent liabilities	24,076,077	28,222,121
23.4 Other contingencies		
These represent certain claims by third parties against the Bank, which are being contested in the Courts of Law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.	3,616,814	2,636,981
23.5 For the assessments carried out to date, tax demands of Rs. 1,079 million approximately relates to provision against non performing loans (NPLs), interest credited to suspense account, provision for diminution in value of investments and certain other issues. The Income Tax Appellate Tribunal (ITAT) has decided tax appeals in favour of the Bank on issues of provision against NPL's and interest credited to suspense account, while provision for diminution in value of investment is set aside by ITAT relating to assessment years 1996-97 to 1999-2000. In addition to this the tax department has also raised a tax demand of Rs. 65 million in respect of additional tax for the tax year 2005 on alleged incorrect adjustment of tax refund which is contested by the Bank before Commissioner Income Tax (Appeals) and the decision is awaited. These matters are currently pending with various appellate authorities. The management is hopeful that the issues in appeals will be ultimately decided in the Bank's favour. Notwithstanding the above, should these contingencies materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realisation, if any, of these receivables, investments etc.		
23.6 Disputed demands amounting to Rs 907 thousand for ASL income tax relating to assessment year 2002-2003 decided in favour of ASL by the Commissioner of Income Tax (Appeals), are currently in appeal by the tax department. ASL is confident that there are reasonable grounds for a favourable decision.		
(Rupees in thousand)	2007	2006
23.7 Commitments in respect of forward lending		
Commitments against "REPO" transactions		
Purchase and resale agreements	8,878,046	2,264,121
Sale and repurchase agreements	7,156,700	392,133
23.8 Commitments in respect of forward purchase/sale of listed equity securities		
Purchase	389,091	72,059
Sale	586,539	240,029
23.9 Commitments in respect of forward exchange contracts		
Purchase	7,691,144	5,337,752
Sale	9,141,067	10,992,267
23.10 Commitments for the acquisition of operating fixed assets	374,749	292,974
23.11 Other commitments		
Commitments to extend credit	7,950,920	4,567,110

(Rupees in thousand)	2007	2006	
23.12 Bills for collection			
Payable in Pakistan	819,514	747,011	
Payable outside Pakistan	9,531,204	11,974,690	
	10,350,718	12,721,701	
Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.			
24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS			
Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.			
25. DERIVATIVE INSTRUMENTS			
The Bank does not deal in derivative instruments.			
(Rupees in thousand)	Note	2007	2006
26. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
i) Customers		10,688,187	9,326,100
ii) Financial institutions		65,602	112,389
On investments			
i) Available for sale securities		497,557	1,725,540
ii) Held to maturity securities		2,401,138	406,949
On deposits with financial institutions		1,031,152	805,909
On securities purchased under resale agreements		459,744	226,023
		15,143,380	12,602,910
27. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		7,320,568	5,822,463
On securities sold under repurchase agreements		189,184	118,463
On sub-ordinated loans		355,093	335,036
On other short term borrowings		820,627	700,742
		8,685,472	6,976,704
28. GAIN ON SALE OF INVESTMENTS - NET			
Federal Government Securities			
Market Treasury Bills		349	31
Pakistan Investment Bonds		1,391	4,773
Term Finance Certificates		250	511
Shares - Listed		2,355,816	107,725
Others		3,779	-
		2,361,585	113,040
29. OTHER INCOME			
Rent of property	29.1	26,285	24,155
Net profit on sale of property and equipment		5,215	6,703
Rent of lockers		10,938	9,750
Recovery of expenses from customers		293,331	281,092
Others		1,377	-
		337,146	321,700
29.1 This includes an amount of Rs. 21,359 thousand (2006: Rs. 19,572 thousand) on account of rent received from related parties.			

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(Rupees in thousand)	Notes	2007	2006
30. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		2,332,553	1,457,810
Charge for defined benefit plan	36.4	48,878	33,592
Contribution to defined contribution plan		70,481	42,307
Non-executive directors' fees, allowances and other expenses		825	666
Rent, taxes, insurance, electricity, etc.		434,597	305,678
Legal and professional charges		51,243	22,837
Brokerage and commission		146,037	100,131
Communications		275,846	215,402
Repairs and maintenance		163,376	143,900
Finance charges on leased assets		768	397
Stationery and printing		100,651	83,885
Advertisement and publicity		297,838	181,430
Auditors' remuneration	30.1	5,017	3,885
Depreciation	11.2	405,202	342,698
Other expenditure (travelling, security services, vehicle running expenses, etc.)		545,119	384,451
		4,878,431	3,319,069
30.1 Auditors' remuneration			
Audit fee		1,900	1,650
Fee for the audit of provident and gratuity funds		65	65
Special certifications, special credit review of selected customers, half year review, audit of subsidiary companies and audit of consolidated financial statements		2,415	1,835
Out-of-pocket expenses		637	335
		5,017	3,885
31. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		12,051	6,141
32. TAXATION			
For the year			
Current		109,150	983,944
Deferred		(235,134)	106,034
		(125,984)	1,089,978
For prior years			
Current		(245,941)	-
Deferred		13,034	-
		(232,907)	-
		(358,891)	1,089,978
32.1 Relationship between tax expense and accounting profit			
Profit before taxation		2,362,061	3,327,134
Tax at applicable tax rate of 35 percent (2006: 35 percent)		826,721	1,164,497
Effect of:			
- Income chargeable to tax at lower rates		(133,302)	(40,044)
- Income exempt from tax		(823,036)	(36,896)
- Prior years' adjustment		(232,907)	-
- Amounts not deductible for tax purposes		4,218	2,149
- Others		(585)	272
		(358,891)	1,089,978
33. BASIC / DILUTED EARNINGS PER SHARE			
Profit for the year - Rupees in '000		2,721,169	2,237,156
Weighted average number of Ordinary Shares - numbers		300,649,859	300,649,859
Basic / diluted earnings per share - Rupees		9.05	7.44

There is no dilutive effect on the basic earnings per share of the Bank.

Weighted average number of ordinary shares for 2006 has been restated to give effect of bonus shares issued during the year.

(Rupees in thousand)	2007	2006
34. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	13,356,066	14,879,231
Balances with other banks	3,554,364	7,336,838
Call money lendings	1,500,000	1,500,000
	18,410,430	23,716,069
35. STAFF STRENGTH	Number of Employees	
Permanent	3,882	3,257
Temporary / on contractual basis	1,274	687
Commission based	789	657
Group's staff strength at the end of the year	5,945	4,601
Outsourced	912	641
Total staff strength at the end of the year	6,857	5,242
36. DEFINED BENEFIT PLAN		
36.1 General description		
The Group operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.		
The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lump sum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.		
	2007	2006
36.2 The amounts recognised in the balance sheet are as follows:		
Present value of defined benefit obligations	440,376	266,173
Fair value of plan assets	(249,019)	(212,931)
	191,357	53,242
Unrecognised actuarial losses	(190,465)	(53,242)
Net liability	892	-
36.3 The amounts recognised in profit and loss account are as follows:		
Current service cost	41,683	28,770
Interest on obligation	26,718	19,951
Expected return on plan assets	(21,293)	(15,129)
Actuarial loss recognised	2,662	-
	49,770	33,592
36.4 Actual return on plan assets	27,276	20,389
36.5 Changes in the present value of defined benefit obligation		
Opening defined benefit obligation	268,182	199,511
Current service cost	41,683	28,770
Interest cost	26,718	19,951
Actuarial loss	133,140	35,523
Benefits paid	(29,347)	(17,582)
Closing defined benefit obligation	440,376	266,173
36.6 Changes in fair value of plan assets		
Opening fair value of plan assets	212,931	182,281
Expected return	21,293	15,129
Actuarial losses	(6,745)	(489)
Contributions by employer	50,887	33,592
Benefits paid	(29,347)	(17,582)
Closing fair value of plan assets	249,019	212,931

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The Group expects to contribute Rs 104,818 thousand to its defined benefit gratuity plan in 2008.

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

	2007		2006	
	Rupees in thousand	%age	Rupees in thousand	%age
36.7 Break-up of category of assets				
Defense Saving Certificates	97,524	39	133,883	63
Pakistan Investment Bonds	101,599	41	41,451	19
Investment in mutual fund	196	—	—	—
Bank deposit accounts	49,700	20	37,597	18
	249,019	100	212,931	100

36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2007 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2007	2006
Discount rate - per annum	10%	10%
Expected rate of increase in salaries - per annum	10%	10%
Expected rate of return on plan assets - per annum	10%	10%

36.9 Amounts for current and previous four annual periods are as follows:

(Rupees in thousand)	2007	2006	2005	2004	2003
As at December 31,					
Defined benefit obligation	440,376	266,173	199,511	168,820	114,039
Plan assets	(249,019)	(212,931)	(182,281)	(163,289)	(113,554)
Deficit	191,357	53,242	17,230	5,531	485
Experience adjustments					
Actuarial loss on obligation	(133,140)	(35,523)	(7,992)	(38,125)	(4,400)
Actuarial (loss) / gain on plan assets	(6,745)	(489)	(3,707)	33,079	5,622

37. DEFINED CONTRIBUTION PLAN

37.1 The Bank operates a recognised provident fund scheme for all its regular employees for which equal monthly contributions are made both by the Bank and by the employees to the fund at the rate of 8.33% of basic salary of the employee.

37.2 AIML operates a funded staff provident fund scheme as a defined contribution plan for all eligible employees. Equal monthly contributions are made by the Company and the staff at the rate of 6% of the salary.

37.3 ASL operates an unfunded provident fund scheme for all its regular employees for which equal monthly contributions are made by the Company and the employees at the rate of 10% of basic salary of the employee.

38. COMPENSATED ABSENCES

38.1 General description

The Bank grants compensated absences to all its regular employees as per effective Service Rules. Provisions are made in accordance with the actuarial recommendation.

Under this unfunded scheme, regular employees were entitled to 30 days privilege leave for each completed year of service. Unutilized privilege leave were accumulated upto a maximum of 360 days which could be encashed at any time of retirement or can also be encashed during service. These were encashable on the basis of last drawn gross salary. During the year, certain changes were made to the scheme, whereby effective 2007, 15 days leave balance will accrue and the remaining will be paid during the year. Unutilized privilege leave balance will accumulate up to a maximum of 120 days, out of which 60 days leave will be encashed at the time of separation only while the remaining 60 days can be availed anytime during service. Leaves accumulated to December 31, 2006 have been paid in full. Had the scheme not been revised, the profit for the year would have been lower by Rs. 10.082 million.

AIML provides for compensated absences. Obligations under the scheme are charged to income currently.

38.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2007 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2007 was Rs 79,675 thousand against related liability of Rs 92,258 thousand carried at December 31, 2006. Reversal for the year of Rs 12,583 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	5 days

39. COMPENSATION OF DIRECTORS AND EXECUTIVES

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
Fees	135	52	1,220	666	30	75
Managerial remuneration	6,600	6,458	—	—	289,719	115,946
Charge for defined benefit plan	550	1,537	—	—	106,713	22,092
Contribution to defined contribution plan	627	538	—	—	22,814	9,061
Rent and house maintenance	2,846	2,679	—	—	127,814	47,668
Utilities	660	646	—	—	29,044	12,012
Medical	586	861	—	—	26,131	10,814
Bonus	2,750	2,750	—	—	55,440	41,018
Others	—	—	—	—	3,974	2,368
	14,754	15,521	1,220	666	661,679	261,054
Number of persons	1	2	19	20	354	146

Executives mean employees, other than the chief executive and directors, whose basic salary exceed five hundred thousand rupees in a financial year. Chief Executive and executives are also provided with Group's maintained cars.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

40.1 On-balance sheet financial instruments

(Rupees in thousand)	2007		2006	
	Book value	Fair value	Book value	Fair value
Assets				
Cash and balances with treasury banks	13,356,066	13,356,066	14,879,231	14,879,231
Balances with other banks	3,554,364	3,554,364	7,336,838	7,336,838
Lendings to financial institutions	14,444,143	14,444,143	8,392,950	8,392,950
Investments	39,344,702	39,344,702	28,571,969	28,571,969
Advances				
Term loans	29,801,847	29,801,847	28,498,936	28,498,936
Staff advances	914,925	914,925	724,539	724,539
Other advances	70,064,433	70,064,433	69,955,964	69,955,964
Other assets	5,580,122	5,580,122	3,824,105	3,824,105
	177,060,602	177,060,602	162,184,532	162,184,532
Liabilities				
Bills payable	2,627,051	2,627,051	1,839,077	1,839,077
Borrowings	17,553,525	17,553,525	14,964,087	14,964,087
Deposits and other accounts				
Current and saving accounts	113,030,603	113,030,603	91,487,289	91,487,289
Term deposits	29,997,574	29,997,574	40,349,941	40,349,941
Sub-ordinated loans	2,997,300	2,997,300	2,998,500	2,998,500
Liabilities against assets subject to finance lease	6,271	6,271	4,440	4,440
Other liabilities	3,268,400	3,268,400	2,608,360	2,608,360
	169,480,724	169,480,724	154,251,694	154,251,694

40.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	7,691,144	7,691,144	5,337,752	5,337,752
Sale and repurchase agreements	7,156,700	7,156,700	392,133	392,133
Forward sale of foreign exchange	9,141,067	9,141,067	10,992,267	10,992,267
Purchase and resale agreements	8,878,046	8,878,046	2,264,121	2,264,121

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The fair value of investments is based on quoted market prices and rates quoted at Reuters Pages (PKRV) with the exception of unlisted securities, held to maturity securities and National Prize Bonds.

Fair value of remaining financial assets and liabilities except fixed term loans, staff loans, non-performing advances and fixed term deposits is not significantly different from the carrying amounts since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.5. The maturity profile and effective rates are stated in note 45.2.3.

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

2007									
(Rupees in thousand)	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	47,393	2,413,009	2,641,408	14,526,249	69,740	10,914	147,493	3,550	-
Total expenses	11,517	586,406	1,230,894	15,205,442	16,948	2,652	84,578	4,165	355,093
Net income (loss)	35,876	1,826,603	1,410,514	(679,193)	52,792	8,262	62,915	(615)	(355,093)
Segment Assets (gross)	17,386	1,352,581	17,309,433	170,760,850	25,484	4,004	138,937	45,692	-
Segment Non Performing Loans	-	-	974,004	5,933,587	-	-	-	-	-
Segment Provision Required	-	-	1,235,212	6,173,393	-	-	-	-	-
Segment Liabilities	185	14,395	1,242,001	165,542,378	272	43	22,278	34,517	3,098,094
Segment Return on net Assets (ROA) (%)	0.02%	1.05%	0.81%	-	0.03%	0.00%	0.04%	-	-
Segment Cost of funds (%)	0.01%	0.36%	0.76%	9.36%	0.01%	0.00%	0.05%	-	0.22%

2006									
(Rupees in thousand)	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
Total income	36,027	103,373	1,872,423	12,647,767	66,847	9,736	21,388	-	-
Total expenses	8,028	23,033	676,949	10,328,600	14,895	2,170	41,716	-	335,036
Net income (loss)	27,999	80,340	1,195,474	2,319,167	51,952	7,566	(20,328)	-	(335,036)
Segment Assets (gross)	10,746	344,548	11,570,781	157,530,177	19,939	2,904	79,762	-	-
Segment Non Performing Loans	-	-	401,136	3,255,161	-	-	-	-	-
Segment Provision Required	-	-	698,954	2,846,553	-	-	-	-	-
Segment Liabilities	79	2,548	81,129	151,886,044	147	21	9,723	-	2,998,500
Segment Return on net Assets (ROA) (%)	0.02%	0.05%	0.77%	1.49%	0.03%	0.00%	0.00%	-	0.00%
Segment Cost of funds (%)	0.01%	0.02%	0.44%	6.66%	0.01%	0.00%	0.03%	-	0.22%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 4.06% (2006: 2.55%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 1.21% (2006: 0.79%) of the total liabilities have been allocated to segments based on their respective assets.

42. RELATED PARTY TRANSACTIONS

As Army Welfare Trust (AWT) held 49.42% (2006: 47.19%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

Details of transactions with related parties and balances with them at the year end were as follows:

(Rupees in thousand)	As at December 31, 2007				As at December 31, 2006			
	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds
Balances outstanding at the year end								
- Advances at the year end	-	1,144	193,454	-	-	41,806	217,236	-
- Deposits at the year end	388,389	13,201	549,912	83,462	691,635	14,611	162,399	50,139
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-	10,733	-	585	-	14,303	-
- Investment in shares-at cost	-	-	755,944	-	-	-	303,462	-
- Reimbursable expenses on behalf of Askari income fund	-	-	323	-	-	-	1,852	-
- Management fee & Commission receivable from Askari income fund	-	-	15,811	-	-	-	-	-
- Reimbursable expenses on behalf of Askari Asset Allocation fund	-	-	335	-	-	-	-	-
- Management fee & Commission receivable from Askari Asset Allocation fund	-	-	1,841	-	-	-	-	-
Transactions during the year								
- Net mark-up/interest expensed	28,063	416	26,933	1,044	32,197	113	21,124	1,429
- Net mark-up/interest earned	-	2,052	23,010	-	-	1,842	40,379	-
- Contributions to employees' funds -	-	-	-	119,359	-	-	-	75,899
- Rent of property /service charges paid	46,194	-	33,934	-	33,295	-	33,145	-
- Rent of property / service charges received	13,362	-	7,997	-	12,317	-	7,255	-
- Insurance premium paid	-	-	63,077	-	-	-	11,672	-
- Insurance claims received	-	-	934	-	-	-	554	-
- Dividend Income	-	-	2,320	-	-	-	17,172	-
- Security services costs	-	-	65,613	-	-	-	38,852	-
- Fee, commission and brokerage income	367	-	142,434	-	327	-	14,529	-
- Payments and recovery to/from Askari Income Fund by AIML	-	-	139	-	-	-	5,158	-
- Payment to associated undertaking	-	-	4,935	-	-	-	422	-

Transactions entered into with key management personnel including the Chief Executive as per their terms of employment are excluded from related party transactions since these are disclosed elsewhere in these consolidated financial statements.

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43. CAPITAL ADEQUACY

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

(Rupees in thousand)	2007		2006	
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital / Assigned Capital	3,006,499	3,006,499	2,004,333	2,004,333
Reserves	6,930,265	6,930,265	5,809,501	5,809,501
Unappropriated / unremitted profits (net of losses)	2,184,967	2,184,967	1,787,161	1,787,161
	12,121,731	12,121,731	9,600,995	9,600,995
Less: Adjustments				
Goodwill	(30,136)	(30,136)	-	-
Total Tier I Capital	12,091,595	12,091,595	9,600,995	9,600,995
Tier II Capital				
Subordinated Debt (upto 50% of total Tier I Capital)	2,997,300	2,997,300	2,998,500	2,998,500
General Provisions subject to 1.25% of Total Risk Weighted Assets	880,565	880,565	805,876	805,876
Revaluation Reserve (upto 50%)	14,917	14,917	627,208	627,208
Total Tier II Capital	3,892,782	3,892,782	4,431,584	4,431,584
Eligible Tier III Capital	-	-	-	-
Total Regulatory Capital	(a) 15,984,377	15,984,377	14,032,579	14,032,579
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet items:				
Cash and other liquid Assets	16,910,430	783,770	22,216,069	1,534,340
Money at call	5,607,992	4,407,992	6,142,740	4,942,740
Investments	38,822,848	5,805,098	28,222,197	5,461,476
Loans and Advances	101,661,770	81,880,294	99,985,315	78,793,850
Fixed Assets	5,185,160	5,155,024	3,828,818	3,828,818
Other Assets	5,580,122	4,368,333	3,824,105	3,491,707
	173,768,322	102,400,511	164,219,244	98,052,931
Off Balance Sheet items:				
Loan Repayment Guarantees	7,940,889	7,221,175	6,918,196	5,990,456
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	53,592,806	9,652,490	34,493,870	6,998,546
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit and other LCs	23,611,514	7,555,696	28,179,084	10,243,036
Outstanding Foreign Exchange Contracts				
Purchase				
- With the State Bank of Pakistan	-	-	610,500	-
- Other banks	7,691,144	46,149	4,727,252	28,364
Sale				
- With the State Bank of Pakistan	-	-	-	-
- Other banks	9,141,067	54,845	10,992,267	65,954
- Outstanding foreign exchange contracts with SBP	-	-	610,500	-
- Outstanding foreign exchange contracts with other banks maturity of one year or less	16,832,211	67,329	15,719,519	62,878
	118,809,631	24,597,684	102,251,188	23,389,234
Credit risk-weighted exposures	292,577,953	126,998,195	266,470,432	121,442,165
Market Risk				
General market risk	521,854	521,854	349,772	349,772
Specific market Risk	521,854	521,854	349,772	349,772
Foreign exchange contracts	1,515,778	1,515,778	5,660,962	5,660,962
Market risk-weighted exposures	2,559,486	2,559,486	6,360,506	6,360,506
Total Risk-Weighted exposures	(b) 295,137,439	129,557,681	272,830,938	127,802,671
Capital Adequacy Ratio [(a) / (b) x 100]		12.34%		10.98%

44. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The Group uses estimates and assumptions concerning the future. The resulting accounting estimate will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where assumptions and estimates are significant to the Group's consolidated financial statements or where judgment was exercised in application of accounting policies are as follows:

- Classification of investments (note 9)
- Provision against investments (note 9.2.1) and advances (note 10)
- Useful life of property and equipments (note 11)
- Income taxes (note 32)
- Staff retirement benefits (note 36 and note 37)

45. RISK MANAGEMENT

Diversity of financial products and activities, deregulation and increased level of competition has necessitated the need for an effective and structured risk management in banks. At Askari Bank Limited (formerly Askari Commercial Bank Limited), risk management framework comprises of a Risk Management Committee (RMC) and a risk management group. RMC is a Board level sub-committee primarily responsible for the identification, measurement, monitoring and controlling of AKBL's principal business risks, adherence to internal risk management policies and compliance with risk related regulatory requirements. The risk management group is mainly responsible for managing credit, market and operational risks.

45.1 Credit Risk:

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties.

The focus of the Bank's commercial lending continues to be short-term trade related financing on a secured and self liquidating basis. The Bank will also continue its emphasis on diversification of its assets to avert large single industry or group exposure.

The Bank has built and maintains a sound loan portfolio in terms of a well defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid to the management of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watch list" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.

The Bank constantly monitors overall credit exposure and takes analytical and systematic approaches to its credit structure categorized by group and industry. The credit portfolio is well diversified sectorally with manufacturing and exports accounting for the bulk of the financing which is considered to be low risk due to the nature of underlying security.

The Bank is further diversifying its asset portfolio by offering, Consumer Banking products (Personal Finance, Business Finance, Mortgage Finance and Auto Morabaha Financing etc.) to its customers, as it provides better margins than traditional business lending opportunities, whilst spreading the risk over a large number of individual customers and Agriculture Credit products, primarily aimed to provide quick and cheap credit to the farmers at their door-steps in a simplified manner.

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45.1.1 Segment by class of business

	2007					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	4,719,366	4.36	2,057,137	1.44	466,417	0.35
Automobiles & Allied	1,315,534	1.22	1,879,746	1.31	500,883	0.37
Cables / Electronics	3,195,922	2.95	825,432	0.58	1,143,413	0.85
Carpets	344,592	0.32	507,184	0.35	62,172	0.05
Cements	1,288,778	1.19	158,005	0.11	471,324	0.35
Chemicals / Pharmaceuticals	3,393,929	3.14	1,092,797	0.76	3,851,686	2.86
Engineering	219,497	0.20	295,242	0.21	733,850	0.54
Fertilizers	2,080,926	1.92	1,483,527	1.04	5,397,795	4.01
Food & Allied	1,955,966	1.81	561,638	0.39	552,346	0.41
Fuel / Energy	4,090,986	3.78	12,118,565	8.47	7,524,889	5.58
Ghee & Edible Oil	3,060,795	2.83	269,809	0.19	2,462,806	1.83
Glass and Ceramics	1,296,959	1.20	402,504	0.28	185,400	0.14
Hotels and Restaurants	35,428	0.03	266,366	0.19	153,227	0.11
Individuals	13,870,703	12.84	50,422,141	35.25	226,459	0.17
Insurance	—	—	275,972	0.19	410	—
Investment Banks / Scheduled Banks	489,954	0.45	662,486	0.46	61,545,018	45.68
Leasing	426,633	0.39	159,461	0.11	—	—
Leather Products and Shoes	1,524,064	1.41	536,436	0.38	174,999	0.13
Modarabas	82,456	0.08	2,452,817	1.71	—	—
Paper and Board	1,157,285	1.07	161,040	0.11	371,870	0.28
Plastic products	947,320	0.88	231,640	0.16	672,350	0.50
Ready-made garments	1,952,207	1.80	509,917	0.36	644,663	0.48
Real Estate / Construction	7,722,256	7.14	5,397,603	3.77	13,309,512	9.88
Rice processing and trading	4,052,032	3.75	668,018	0.47	87,159	0.06
Rubber products	410,286	0.38	162,846	0.11	99,346	0.07
Services (Other than Financial, Hotelling & Travelling)	3,248,697	3.00	3,101,010	2.17	2,178,384	1.62
Sports goods	768,742	0.71	279,504	0.20	82,073	0.06
Sugar	236,219	0.22	113,556	0.08	240,212	0.18
Surgical equipment / Metal products	3,693,746	3.41	631,035	0.44	2,464,960	1.83
Synthetic & Rayon	625,207	0.58	178,427	0.12	209,191	0.16
Textile	26,251,310	24.26	3,408,869	2.38	7,991,877	5.93
Tobacco / Cigarette manufacturing	119,988	0.11	71,255	0.05	—	—
Transport and communication	2,307,617	2.13	1,631,077	1.14	6,014,254	4.46
Travel Agencies	198,981	0.18	257,625	0.18	268,589	0.20
Woollen	800	—	196,112	0.14	36	—
Public sector / Government	837,640	0.77	26,977,285	18.87	7,726,501	5.74
Others	10,266,989	9.49	22,624,093	15.83	6,899,937	5.12
	108,189,810	100.00	143,028,177	100.00	134,714,008	100.00

45.1.2 Segment by sector

	2007					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public sector / Government	837,640	0.77	26,977,285	18.87	7,726,501	5.74
Private	107,352,170	99.23	116,050,892	81.13	126,987,507	94.26
	108,189,810	100.00	143,028,177	100.00	134,714,008	100.00

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

(Rupees in thousand)	2007		2006	
	Classified Advances	Specific Provision Held	Classified advances	Specific Provision Held
Agriculture / Agribusiness	13,691	—	5,911	—
Automobiles & Allied	331,890	331,890	332,005	154,411
Cables / Electronics	301,447	301,447	28,758	21,017
Chemicals / Pharmaceuticals	34,134	33,276	19,526	19,526
Food & Allied	192,462	170,715	165,558	110,125
Fuel / Energy	674	209,628	532	64,364
Individuals	976,064	791,397	401,677	336,101
Investment Banks / Scheduled Banks	—	—	116,667	116,667
Leather Products and Shoes	285,309	275,309	234,897	225,659
Real Estate / Construction	303,649	303,649	42,450	13,133
Services (Other than Financial, Hotelling & Travelling)	15,841	15,841	9,953	9,953
Textile	2,524,050	2,261,989	1,539,885	1,203,832
Others	1,928,380	1,832,899	758,478	464,843
	6,907,591	6,528,040	3,656,297	2,739,631

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

	2007	2006
Public sector / Government	—	—
Private	6,907,591	2,739,631
	6,907,591	2,739,631

45.1.5 Geographical segment analysis

(Rupees in thousand)	Note	2007			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
Pakistan		2,305,962	177,205,743	12,123,959	134,609,538
Asia Pacific (including South Asia)		—	—	—	—
Europe		—	—	—	—
United States of America and Canada		—	—	—	—
Middle East	45.1.5.1	56,099	5,040,019	167,640	104,470
Others		—	—	—	—
		2,362,061	182,245,762	12,291,599	134,714,008

45.1.5.1 These do not include intra group items of Rs. 4,703,351 thousand (2006: Rs. 3,228,429 thousand) eliminated upon consolidation of foreign branch results.

45.1.5.2 Contingencies and commitments include amounts given in note 23 except bills for collection.

45.2 Market Risk

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in interest rates, foreign exchange rates and equity prices resulting in a loss to earnings and capital. The Bank's interest rates exposure comprises those originating from investing and lending activities. The Asset and Liability Management Committee of the Bank monitors and manages the interest rates risk with the objective of limiting the potential adverse effect on the profitability of the Bank.

45.2.1 Foreign Exchange Risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 the State Bank of Pakistan and foreign currency deposits. The Bank manages its foreign exchange exposure by matching foreign currency assets and liabilities. The net open position and the nostro balances are managed within the statutory limits, as fixed by the State Bank of Pakistan. Counter parties limits are also fixed to limit risk concentration.

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(Rupees in thousand)	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	155,838,745	123,910,348	1,449,923	33,378,320
U.S. Dollars	18,734,800	41,348,695	(1,488,522)	(24,102,417)
Pound Sterling	1,410,849	1,970,380	–	(559,531)
Japanese Yen	3,644	54,311	(27,256)	(77,923)
Euro	892,345	1,783,329	65,855	(825,129)
Other European Currencies	10,706	62,049	–	(51,343)
Other Currencies	169,513	351,612	–	(182,099)
	177,060,602	169,480,724	–	7,579,878

45.2.2 Equity Position Risk

The Bank's exposure in equity market is bifurcated into held for trading and available for sale categories. The stock positions in held for trading are of short term nature and are held to earn profit through imperfections in market prices and availing arbitrage opportunities, if any exist in the market. Whereas, stocks in available for sale portfolio is with the intent to earn profit based on fundamentals.

All positions in equity market are subject to exposure limits established by the Bank. These limits structures have been devised following the broader exposure limits defined by the State Bank of Pakistan. These include intraday limits, stop limits, exposure limits and portfolio limits to protect any adversity in the portfolio.

45.2.3 Mismatch of interest rate sensitive assets and liabilities

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

(Rupees in thousand)	Effective Yield / Interest rate	2007 Exposed to yield/ interest risk										Non-interest bearing financial instruments
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	3.60%	13,356,066	973,201	–	–	–	–	–	–	–	–	12,382,865
Balances with other banks	5.87%	3,554,364	2,697,120	30,442	–	23,417	–	–	–	–	–	803,385
Lendings to financial institutions	9.56%	14,444,143	11,905,218	1,980,925	465,000	93,000	–	–	–	–	–	–
Investments	8.87%	39,344,702	3,526,893	3,588,872	3,717,628	15,641,273	1,554,590	1,455,110	5,262,332	1,639,823	–	2,958,181
Advances	10.67%	100,781,205	14,767,122	20,139,895	22,835,267	24,150,208	2,776,414	2,524,615	5,127,721	2,525,395	5,933,525	1,043
Other assets	–	5,580,122	–	–	–	–	–	–	–	–	–	5,580,122
		177,060,602	33,869,554	25,740,134	27,017,895	39,907,898	4,331,004	3,979,725	10,390,053	4,165,218	5,933,525	21,725,596
Liabilities												
Bills payable	–	2,627,051	–	–	–	–	–	–	–	–	–	2,627,051
Borrowings	6.66%	17,553,525	4,974,833	10,069,933	2,508,759	–	–	–	–	–	–	–
Deposits and other accounts	5.37%	143,028,177	32,714,344	16,619,559	17,008,075	12,195,484	271,974	716,108	32,886,120	1,419	–	30,615,094
Sub-ordinated loans	11.84%	2,997,300	–	300	300	600	1,200	1,200	2,400	2,991,300	–	–
Liabilities against assets subject to finance lease	12.88%	6,271	–	302	–	966	1,442	1,763	1,798	–	–	–
Other liabilities	–	3,268,400	–	–	–	–	–	–	–	–	–	3,268,400
		169,480,724	37,689,177	26,690,094	19,517,134	12,197,050	274,616	719,071	32,890,318	2,992,719	–	36,510,545
On-balance sheet gap		7,579,878	(3,819,623)	(949,960)	7,500,761	27,710,848	4,056,388	3,260,654	(22,500,265)	1,172,499	5,933,525	(14,784,949)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.75%	8,878,046	8,878,046	–	–	–	–	–	–	–	–	–
Sale and repurchase agreements	9.36%	7,156,700	7,156,700	–	–	–	–	–	–	–	–	–
Commitments to extend credit	–	7,950,920	7,950,920	–	–	–	–	–	–	–	–	–
Off-balance sheet gap		(6,229,574)	(6,229,574)	–	–	–	–	–	–	–	–	–
Total yield / interest risk sensitivity gap		(10,049,197)	(949,960)	7,500,761	27,710,848	4,056,388	3,260,654	(22,500,265)	1,172,499	5,933,525	–	(14,784,949)
Cumulative yield / interest risk sensitivity gap		(10,049,197)	(10,999,157)	(3,498,396)	24,212,452	28,268,840	31,529,494	9,029,229	10,201,728	16,135,253	–	1,350,304

45.2.3.1 Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

45.2.3.2 Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

45.3 Liquidity Risk

Liquidity risk reflects an enterprises inability in raising funds to meet commitments. The Bank's liquidity position is managed by the Asset and Liability Management Committee (ALCO). ALCO monitors the maintenance of balance sheet liquidity ratios, depositors concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits (current accounts and saving accounts) form a considerable part of the Bank's overall funding and significant importance is attached to the stability and growth of these deposits.

45.3.1 Maturities of Assets and Liabilities

(Rupees in thousand)	Total	2007								
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Assets										
Cash and balances with treasury banks	13,356,066	13,356,066	–	–	–	–	–	–	–	–
Balances with other banks	3,554,364	3,497,054	30,442	–	26,868	–	–	–	–	–
Lendings to financial institutions	14,444,143	11,905,218	1,980,925	465,000	93,000	–	–	–	–	–
Investments	39,344,702	3,994,261	3,643,343	3,717,628	15,641,287	1,554,590	1,455,110	5,262,332	4,064,969	11,182
Advances	100,781,205	14,767,122	20,140,929	22,835,267	24,150,217	2,776,414	2,524,615	5,127,721	2,525,395	5,933,525
Operating fixed assets	5,185,160	33,104	937,930	971,034	201,642	343,850	322,835	357,160	432,219	1,585,386
Deferred tax assets	–	–	–	–	–	–	–	–	–	–
Other assets	5,580,122	193,313	3,495,573	64,013	1,806,772	18,037	–	2,414	–	–
	182,245,762	47,746,138	30,229,142	28,052,942	41,919,786	4,692,891	4,302,560	10,749,627	7,022,583	7,530,093
Liabilities										
Bills payable	2,627,051	1,313,526	1,313,525	–	–	–	–	–	–	–
Borrowings	17,553,525	4,974,833	10,069,933	2,508,759	–	–	–	–	–	–
Deposits and other accounts	143,028,177	39,967,362	20,015,256	20,682,172	15,869,580	1,571,169	716,108	44,205,111	1,419	–
Sub-ordinated loans	2,997,300	–	300	300	600	1,200	1,200	2,400	2,991,300	–
Liabilities against assets subject to finance lease	6,271	–	302	–	966	1,442	1,763	1,798	–	–
Deferred tax liabilities	473,439	71,863	–	–	(8,914)	–	–	410,490	–	–
Other liabilities	3,268,400	2,325,010	444,144	–	495,754	–	–	3,492	–	–
	169,954,163	48,652,594	31,843,460	23,191,231	16,357,986	1,573,811	719,071	44,623,291	2,992,719	–
Net assets	12,291,599	(906,456)	(1,614,318)	4,861,711	25,561,800	3,119,080	3,583,489	(33,873,664)	4,029,864	7,530,093
Share Capital	3,006,499									
Reserves	6,930,265									
Unappropriated profit	2,184,967									
Minority interest	3,526									
Surplus on revaluation of assets	166,342									
	12,291,599									

45.4 Operational risk

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

Operational risks are managed through Bank-wide or line of business specific policies and procedures, controls, and monitoring tools. Examples of these include personnel management practices, data reconciliation processes, fraud management units, transaction processing monitoring and analysis and business continuing planning. In addition, in view of the growth in business and development of risk management frameworks in line with Basel II, a comprehensive Operational Risk Management Framework in being developed.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2007

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21, 2008 has proposed a cash dividend of Rs. 1.5 per share (2006: Re. 1 per share). In addition, the directors have also announced a bonus issue of 35 percent (2006: 50 percent). These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2007 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2008 as follows:

(Rupees in thousand)

Transfer from unappropriated profit to:	
Proposed dividend	450,975
Reserve for issue of bonus shares	1,052,275
General reserve	681,717

47. CORRESPONDING FIGURES

Previous year's figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

48. GENERAL

48.1 Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

48.2 Captions as prescribed by BSD Circular No. 4 dated February 17, 2006 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the balance sheet and profit and loss account.

49. DATE OF AUTHORIZATION

These consolidated financial statements were authorised for issue on February 21, 2008 by the Board of Directors of the Bank.



President & Chief Executive



Director



Director



Chairman

Annexure-1

referred to in note 10.8 to these consolidated financial statements

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

Sr. No.	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal Written-off	Interest / Mark-up Written-off	Other financial relief provided	Total
				Principal	Interest / Mark-up	Others	Total				
1.	Oilman Limited 2nd Floor, Hafiz Plaza 31-M, Civic Centre, Lahore	Mr. Abid Saigol (270-92-006204)	Mr. M Rafique Saigol	10,417	5,773	-	16,190	-	3,190	-	3,190
		Mr. M Asif Saigol (35202-6075434-7)	Mr. M Rafique Saigol								
		Mr. M. Arif Saigol (270-59-006003)	Mr. M Rafique Saigol								
		Mr. Mohammad Sharif (35201-1574178-3)	Mr. Alam Khan								
2.	Crescent Standard Investment Bank Crescent Standard Tower 10-B, Block E-II Main Boulevard Gulberg-III Lahore	Mr. Iftikhar Somro (42301-9144337-7)	Mr. Moula Bkash Somro	116,667	3,447	-	120,114	34,167	3,447	-	37,614
		Mr. Shahid Anwer (42201-0442011-5)	Mr. Abdul Rehman Farooqi								
		Mr. Anjum M. Saleem (33100-3039339-5)	Mian Muhammad Saleem								
		Mr. Manzur-ul-Haq (35201-1282071-1)	Mr. Sheikh Riaz ul Haq								
		Mr. Makhmoor Ahmad Goheer (61101-2079791-3)	Mr. Chaudhary Sardar								
3.	Haji Abdul Latif & Co. D-185, S.I.T.E Karachi	Mr. Abdul Salam (42301-9086170-5)	Mr. Abdul Latif	84,075	25,012	-	109,087	-	6,117	-	6,117
		Mr. Muhammad Amin Taj (42301-8727014-1)	Mr. Tajauddin								
		Mr. Muhammad Naeem Taj (42301-9936489-3)	Mr. Tajauddin								
Total				211,159	34,232	-	245,391	34,167	12,754	-	46,921

Annexure-2

Islamic Banking Business

The Bank is operating 14 Islamic banking branches at the end of 2007 as compared to 6 Islamic banking branches at the end of 2006.

(Rupees in thousand)	2007	2006
ASSETS		
Cash and balances with treasury banks	251,081	126,867
Balances with and due from financial institutions	498,378	370,112
Investments	800,000	—
Financing and receivables		
- Murahaba	271,672	19,094
- Ijara	548,272	31,291
- Musharaka	—	—
- Diminishing musharaka	1,545,106	—
- Salam	91,092	—
- Other Islamic Modes	—	—
Other assets	548,575	102,779
Total Assets	4,554,176	650,143
LIABILITIES		
Bills payable	74,348	3,616
Due to financial institutions	—	—
Deposits and other accounts		
- Current Accounts	308,400	152,864
- Saving Accounts	874,086	177,359
- Term Deposits	192,119	19,950
- Others	200,711	15,800
- Deposit from financial institutions - remunerative	605,590	211,682
- Deposits from financial institutions - Non-remunerative	2,324	—
Due to Head Office	2,000,004	—
Other liabilities	20,135	7,565
	4,277,717	588,836
NET ASSETS	276,459	61,307
REPRESENTED BY		
Islamic Banking Fund	300,000	100,000
Reserves	—	—
Unappropriated / Unremitted profit / (loss)	(23,541)	(38,693)
	276,459	61,307
Surplus / (Deficit) on revaluation of assets	—	—
	276,459	61,307
Remuneration to Shariah Advisor / Board	630	360
CHARITY FUND		
Opening Balance	—	—
Additions during the year	318	—
Payments / Utilization during the year	—	—
Closing Balance	318	—

Pattern of Shareholding

as at December 31, 2007

Number of shareholders	From	Shareholding To	Total shares held
3,116	1	100	134,168
3,919	101	500	1,158,220
2,003	501	1000	1,643,433
4,518	1,001	5000	11,101,593
1,464	5,001	10000	8,763,410
691	10,001	110000	20,609,414
72	110,001	325000	13,513,689
13	325,001	395000	4,762,324
9	415,001	500000	4,217,172
12	500,001	675000	7,166,708
4	715,001	800000	2,974,348
5	815,001	965000	4,327,445
27	1,020,001	9550000	61,845,719
3	10,180,001	119260000	158,432,216
15,856			300,649,859

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	15,390	62,912,788	20.93
Investment companies	204	35,450,651	11.79
Insurance companies	18	10,285,016	3.42
Joint stock companies	51	5,572,749	1.85
Financial institutions	28	12,846,236	4.27
Modaraba and Mutual Funds	42	11,580,574	3.85
Charitable and other trusts	36	150,974,351	50.22
Foreign investors	83	10,972,144	3.65
Others	4	55,350	0.02
Total	15,856	300,649,859	100.00

Note 1: Individual include 8 directors holding 9,576 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

Held by

Particulars	Number of shareholders	Shares held	Percentage
Associated company			
Army Welfare Trust	1	148,572,413	49.42
NIT / ICP			
National Investment (Unit) Trust	1	22,555,735	7.50
Investment Corporation of Pakistan	1	7,506	0.00
Directors & Chief Executive			
Lt. Gen. Imtiaz Hussain	1	1,197	0.00
Lt. Gen (R.) Zarrar Azim	1	1,197	0.00
Brig. (R.) M. Shiraz Baig	1	1,197	0.00
Brig. (R.) Muhammad Bashir Baz	1	1,197	0.00
Mr. Kashif Mateen Ansari	1	1,197	0.00
Brig. (R.) Shaukat Mahmood Chaudhari	1	1,197	0.00
Mr. Zafar Alam Khan Sumbal	1	1,197	0.00
Brig. (R.) Asmatullah Khan Niazi	1	1,197	0.00
	8	9,576	0.00
Muhammad Afzal Munif	1	723,898	0.24
Executives of the Bank	14	30,948	0.01
Public sector companies and corporations	—	—	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	351	59,328,251	19.73
Individuals	15,431	63,067,131	20.98
Others	48	6,354,401	2.10
Total	15,856	300,649,859	100.00

Note 2: There have been no trades in the shares of the Bank, carried out by its Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children.

Correspondent Network

- 1. ALGERIA**
Banque de l'Agriculture et du
Development Rural
- 2. ARGENTINA**
HSBC Bank Argentina SA
- 3. ARMENIA**
HSBC Bank Armenia Jsc
- 4. AUSTRALIA**
Australia & Newzealand Banking Group
Commonwealth Bank of Australia
Habib Finance Australia Limited
HSBC Bank Australia Limited
St. George Bank Limited
WestPac Banking Corporation
- 5. AUSTRIA**
Bank Austria Creditanstalt AG
Citibank International Plc
Oberosterreichische Landsbank AG
Raiffeisen Zentralbank Osterreich (RZB)
Schoellerbank AG
- 6. AZERBAIJAN**
The International Bank of Azerbaijan
Republic
- 7. BANGLADESH**
Export Import Bank of Bangladesh
United Commercial Bank Limited
- 8. BELGIUM**
Dexia Bank Belgium
Fortis Bank, NV/SA
ING Belgium NV/SA
KBC Bank NV
- 9. BOSNIA HERZEGOVINA**
HVB Central Profit Banka dd
- 10. BRAZIL**
Banco Citibank SA
- 11. BULGARIA**
HVB Bank Biochim AD
- 12. CANADA**
Canadian Imperial Bank of Commerce
HSBC Bank Canada
National Bank of Canada
Royal Bank of Canada
Toronto-Dominion Bank
- 13. CHILE**
BBV Banco BHIF
- 14. CHINA**
Agricultural Bank of China
Bank of China Limited
Bank of Communications
China Construction Bank Corporation
China Merchants Bank
China Minsheng Banking Corporation
Export Import Bank of China (EXIM Bank)
Guangdong Development Bank
Industrial and Commercial Bank of
China Limited
Jinan City Commercial Bank
- 15. CROATIA**
HVB Splitska banka dd Split
Zagrebacka Banka dd
- 16. CYPRUS**
Cyprus Popular Bank Public
Company Limited
Hellenic Bank Public Company Limited
- 17. CZECH REPUBLIC**
Ceskoslovenska Obchodni Banka as
HVB Bank Czech Republic a.s.
Raiffeisenbank as
- 18. DENMARK**
Danske Bank Aktieselskab
Nordea Bank Denmark A/S
Spar Nord Bank
- 19. EGYPT**
Bank of Alexandria
- 20. FINLAND**
Sampo Bank Plc
Nordea Bank plc
- 21. FRANCE**
BNP Paribas SA
CALYON
Credit Lyonnais
Credit Agricole SA
HSBC France
Societe Generale
Union de Banques et de Francaises
(UBAF)
- 22. GERMANY**
Bayerische Landesbank
Bayerische Hypo-Und Vereinsbank AG
Commerzbank A.G
Deutsche Bank, A.G
Dresdner Bank A.G
DZ Bank AG Deutsche Zentral-
Genosschaftsbank
Sparkasse Aachen
WVGZ-Bank AG Westdeutsche
Genossenschafts-Zentralbank
- 23. GREECE**
Alpha Bank AE
- 24. HONG KONG**
Bank of China (Hong Kong) Limited
Bank of East Asia Limited (The)
Hang Seng Bank
Hong Kong & Shanghai Banking Corp.
- 25. HUNGARY**
Budapest Credit & Development
Bank Rt
Citibank Zrt
HVB Bank Hungary Zrt
Raiffeisen Bank Zrt
- 26. INDIA**
State Bank of India
ICICI Bank Limited
- 27. INDONESIA**
PT Bank Lippo Tbk . 1
PT. Bank Mandiri (Persero) Tbk
- 28. IRAN**
Bank Mellat
Bank Melli Iran
Bank Saderat Iran
- 29. IRELAND**
Bank of Ireland
Hypo Public Finance Bank
- 30. ITALY**
Banca di Roma SpA
Banca Nazionale Del Lavoro SpA
Banca Antonveneta SpA
Banca Intesa SpA
Banca Cassa Di Risparmio Di
Tortona SpA
Banca UBAE SpA
UniCredito Italiano SPA
- 31. JAPAN**
The Bank of Tokyo - Mitsubishi
UFJ Limited
Mizuho Corporate Bank Limited
Resona Bank Limited
Somitomo Mitsui Banking Corp.
- 32. JORDAN**
Jordan Ahli Bank Plc
The Housing Bank for Trade & Finance
- 33. KAZAKHSTAN**
ABN AMRO Bank Kazakhstan
Alliance Bank Joint Stock Company
Bank TuranAlem
Citibank Kazakhstan
- 34. KENYA**
African Banking Corporation Limited
Kenya Commercial Bank
Stanbic Bank Kenya Limited
- 35. KOREA (SOUTH)**
Daegu Bank Limited
Kookmin Bank
KorAm Bank
Korea Exchange Bank
Shinhan Bank
- 36. KUWAIT**
Al-Ahli Bank of Kuwait KSC
Bank of Kuwait and Middle East
Commercial Bank of Kuwait
Gulf Bank KSC
- 37. LEBANAN**
Byblos Bank SAL
- 38. LUXEMBURG**
Banque Geneale De Luxemburg
- 39. MALAYSIA**
HSBC Bank Malaysia Berhad
Public Bank Berhad
RHB Bank Berhad
- 40. MAURITIUS**
The Mauritius Commercial Bank
- 41. MEXICO**
HSBC Mexico SA
- 42. MONACO**
HSBC Private Bank (Monaco) SA
- 43. MOROCCO**
Banque Marocaine du Commerce
Exterieur SA
- 44. NEPAL**
Himalayan Bank Limited
- 45. NETHERLANDS**
ABN AMRO Bank
Fortis Bank (Nederland) NV
F Van Lanschot Bankiers NV
ING Bank
- 46. NEW ZEALAND**
Bank of New Zealand
ANZ National Bank Limited
- 47. NORWAY**
Christiana Bank Og Kreditkasse
- 48. OMAN**
Bank Muscat SAOG
Oman International Bank SAOG
- 49. PANAMA**
HSBC bank Panama
- 50. PAKISTAN**
Allied Bank of Pakistan
Habib Bank Limited
MCB Bank Limited
National Bank of Pakistan
- 51. PARAGUAY**
Banco Bilbao Vizcaya Argentaria
Paraguay SA
- 52. PHILIPPINES**
Bank of the Philippine Islands
Metropolitan Bank & Trust Co.
RIZAL Commercial Banking Corporation
Security Bank Corporation
- 53. POLAND**
ABN AMRO Bank (Polska) SA
Bank Polska Kasa Opieki SA
Bank Handlowy Warszawie SA
Bank BPH SA
BRE Bank SA
Raiffeisen Bank Polska SA
- 54. PORTUGAL**
Banco Atlantico SA
Banco BPI S.A
Banco Totta & Acores S.A
Caixa Geral d Depositos SA
- 55. QATAR**
Doha Bank Limited
The Commercial Bank of Qatar Limited
- 56. ROMANIA**
Citibank Romania SA
HVB Bank Romania
Romanian Commercial Bank
- 57. RUSSIA**
Bank of Moscow
ING Bank (Eurasia) Zao
ROSBANK
- 58. SAUDI ARABIA**
National Commercial Bank Limited (The)
Saudi British Bank (The)
Saudi Hollandi Bank
Banque Saudi Fransi
- 59. SINGAPORE**
United Overseas Bank
- 60. SERBIA AND MONTENEGRO**
HVB Bank Serbia and Montenegro
- 61. SLOVAKIA**
Citibank (Slovakia) as
HVB Bank Slovakia as
Postova Banka as
- 62. SLOVENIA**
Bank Austria Creditanstalt d.d Ljubljana
SKB Banka DD
- 63. SOUTH AFRICA**
ABSA Bank Limited
HBZ Bank Limited
Standard Bank of South Africa
- 64. SPAIN**
Banca de Sabadell SA
Banco Bilbao Vizcaya Argentaria SA
Banco Espanol de Credito SA
Banco Popular Espanol
Banco Santander Central Hispano SA
- 65. SRI LANKA**
Bank of Ceylon
Hatton National Bank
Seylan Bank Limited
- 66. SWEDEN**
ForeningsSparbanken AB
Nordea Bank AB (Publ)
Skandinaviska Enskilda Banken
Svenska Handles Banken
- 67. SWITZERLAND**
Banca Commerciale Lugano
Bank Hofmann AG
Banque de Comm. et de Placements SA
BNP Paribas (Suisse) SA
Credit Suisse
Habib Bank AG Zurich
UBS AG
- 68. TAIWAN**
Farmers Bank of China
Union Bank of Taiwan
- 69. THAILAND**
Bangkok Bank Public Co.
Siam Commercial Bank Plc
- 70. TUNISIA**
Societe Tunisienne de Banque
Tunis International Bank
- 71. TURKEY**
Oyak Bank AS
Finansbank AS
Kocbank AS
- 72. UKRAINE**
JSCB Citibank (Ukraine)
- 73. UNITED ARAB EMIRATES**
Abu Dhabi Commercial Bank
Emirates Bank International PJSC
MashreqBank Psc
Union National Bank
- 74. UNITED KINGDOM**
ABC International Bank Plc
Habib Allied International Bank Plc
Habibsons Bank Limited
HSBC Bank Plc
Lloyds TSB Bank plc
National Westminster Bank
Royal Bank of Scotland Plc
Standard Chartered Bank
United National Bank
- 75. U S A**
American Express Bank Limited
Bank of New York
Citibank N.A
Habib American Bank
JP Morgan Chase Bank
- 76. UZBEKISTAN**
ABN Amro Bank NB
- 77. VIETNAM**
Shinhanvina Bank NB
- 78. YEMEN ARAB REPUBLIC.**
International Bank of Yemen YSC
Tadhamon International Islamic Bank
Watani Bank for Trade and Investment

229 Banks of 78 Countries
of Origin, as on December 31, 2007

Branch Network

NORTH REGION

ISLAMABAD – AREA

ISLAMABAD

Aabpara
Plot No. 4, Ghouseia Plaza, I&T Centre, Shahrah-e-Suharwardy, Aabpara, Islamabad.
PABX: (051) 2603036-38
Direct: (051) 2603034
Fax: (051) 2603041

Beverly Centre, Blue Area
Plot No. 56 G, Beverly Centre, Jinnah Avenue, Blue Area, Islamabad.
PABX: (051) 2814134-36
Direct: (051) 2814132
Fax: (051) 2814137

F-7 Markaz
13-1, F-7 Markaz, Jinnah Super Market, Islamabad.
PABX: (051) 2654412-15, 9222411, (051) 9222418
Direct: (051) 2654032
Fax: (051) 9222415

F-8 Markaz
Kiran Plaza, F-8 Markaz, Islamabad.
PABX: (051) 2817182-4
Direct: (051) 2817180
Fax: (051) 2817185

I-9 Industrial Area
Plot No. 408, Main Double Road, Sector I-9/3, Industrial Area, Islamabad.
PABX: (051) 4100811-3
Direct: (051) 4100818
Fax: (051) 4100814

Jinnah Avenue
24-D, Rasheed Plaza, Jinnah Avenue, Blue Area, Islamabad. P.O.Box: 1499.
PABX: (051) 2271794-6, 2823943
Direct: (051) 2871144, 2271801
Fax: (051) 2271797

G-8 Markaz
12-H-1, G-8 Markaz, Islamabad.
PABX: (051) 2282083-85,
Direct: (051) 2255761,
Fax: (051) 2255761

CHASHMA
Plot No. 1 Bank Square, Chashma Barrage Colony, Opposite PAEC Chashma Hospital Main D. I. Khan Road, Distt Mianwali.
PABX: (0459) 241544, 241667
Direct: (0459) 241544
Fax: (0459) 242761

RWP I – AREA

RAWALPINDI

AWT Plaza
AWT Plaza, The Mall, Rawalpindi.
P.O. Box 1083, Gram: Askari Br
PABX: (051) 9063150, 9273168-72
Direct: (051) 9273178, 9063200
Fax: (051) 9273180

Chaklala Scheme-III
18-Commercial Area, Imran Khan Avenue, Chaklala Scheme - III, Rawalpindi.
PABX: (051) 9281097-99
Direct: (051) 5960030
Fax: (051) 9281025

Haider Road
Bilal Plaza, Haider Road, Rawalpindi.
PABX: (051) 9272880-3
Direct: (051) 9272885
Fax: (051) 9272886

Peshawar Road
Zahoor Plaza, Peshawar Road, Rawalpindi.
PABX: (051) 9272794-99
Direct: (051) 9272702
Fax: (051) 9272704

Satellite Town
313-D, Commercial Market, Satellite Town, Rawalpindi.
PABX: (051) 9290262-5
Direct: (051) 9290244
Fax: (051) 9290270

WAH CANTT.
POF Hotel, The Mall, Wah Cantt.
PABX: (051) 4533272, 4533375
Direct: (051) 4533563

KAMRA
Cantonment Board, Mini Plaza, G.T.Road, Kamra.
Cell: (0300) 5184178
PABX: (057) 9317393 – 6
Direct: (057) 9317390
Fax: (057) 9317392

MIRPUR (AK)
Nathia Building , Chowk Shaheedan, Mirpur., AJ&K
PABX: (058610) 45451-52
Direct: (058610) 45450
Fax: (058610) 35429

MUZAFARABAD (AK)
Main Secretariat Road, Muzafarabad, AJ&K
PABX: (058810) 43387 & 43557
Direct: (058810) 43475
Fax: (058810) 43454

DADYAL (AK)
City Centre, Main Bazar, Dadyal, AJ&K
PABX: (0586) 3044602 –03
Direct: (0586) 3044606
Fax: (0586) 3044607

RWP II – AREA

RAWALPINDI

Adyala Road
Main Adyala Road, Rawalpindi.
PABX: (051) 5948081-84
Direct: (051) 5948088
Fax: (051) 5948085

College Road
College Road, Rawalpindi.
PABX: (051) 5540234, 5540516
Direct: (051) 5870131
Fax: (051) 5540321

General Headquarters (GHQ)
Near Gate No. 7, GHQ, Rawalpindi.
PABX: (051) 9271739-40, 561-31192
Direct: (051) 9271738
Fax: (051) 5580354

ISLAMABAD

DHA
DHA Mall, Jinnah Avenue, Defence Housing Authority, Phase – I, (Morgah), Islamabad.
PABX: (051) 5788693-94
Direct: (051) 5788691
Fax: (051) 5788695

F-10 Markaz
Block 5-C, F-10 Markaz, Islamabad.
P.O. Box: 1324.
PABX: (051) 9073000
Direct: (051) 9267278
Fax: (051) 9267280

F-11 Markaz
Al-Karam Plaza, F-11 Markaz, Islamabad,
PABX: (051) 2114254 – 56
Direct: (051) 2114251
Fax: (051) 2114257

CHAKWAL
Talagang Road, Chakwal.
PABX: (0543) 553142-43
Direct: (0543) 551255
Fax: (0543) 601979

GUJAR KHAN

B-III-360/1, G.T. Road, Gujar Khan.
PABX: (0513) 515671-74
Direct: (0513) 515905
Fax: (0513) 515676

JHELMUM

Plot No. 225 & 226, Kohinoor Plaza, Old G.T. Road, Jhelum Cantt.
PABX: (0544) 720053-55
Direct: (0544) 720051
Fax: (0544) 720060

KHARIAN

Raza Building, Main G.T. Road. Kharian
Direct: (0533) 024363

PESHAWAR – AREA

ABBOTTABAD

Lala Rukh Plaza, Mansehra Road, Abbottabad.
PABX: (0992) 332182-3
Direct: (0992) 332157
Fax: (0992) 332184

DERA ISMAIL KHAN

Kaif Gulbahar Building, A.Q. Khan Chowk, Circular Road, Dera Ismail Khan.
PABX: (0966) 720180-81
Direct: (0966) 720178
Fax: (0966) 720184

KOHAT

Hangu Road, Kohat Cantt.
PABX: (0922) 510913-17
Direct: (0922) 510191
Fax: (0992) 510912

MARDAN

The Mall, Mardan, P.O. Box: 197.
PABX: (0937) 9230501-02
Direct: (0937) 9230500
Fax: (0937) 9230503

MINGORA , SWAT

Opposite Park Hotel, Makaan Bagh, Saidu Sharif Road, Mingora - Swat.
PABX: (0946) 713358-59
Direct: (0946) 713356
Fax: (0946) 713361

NOWSHERA

Taj Building, Mian G.T. Road, Nowshera.
PABX: (0923) 9220300-301
Direct: (0923) 9220302
Fax: (0923) 9220304

HARIPUR

Shahrah-e-Hazara, Haripur
PABX: (0995) 627128 – 32
Direct: (0995) 616506
Fax: (0995) 616508

PESHAWAR

Peshawar Cantt.
3-7, Fakhr-e-Alam Road, Cantt.
Plaza Branch, Peshawar.
P.O. Box: 606.
PABX: (091) 9212433-6
Direct: (091) 271653
Fax: (091) 5276391

Peshawar City
Bank Square, Chowk Yadgar, Peshawar.
PABX: (091) 2561246-7
Direct: (091) 2560156
Fax: (091) 2561245

University Road
Block B, Al Haaj Tower, Jahangirabad, University Road, Peshawar
PABX: (091) 9218587-90
Direct: (091) 9218594
Fax: (091) 9218591

CENTRAL REGION

LAHORE-I – AREA

Baghbanpura
6/7, Shalimar Link Road, Baghbanpura, Lahore.
PABX: (042) 6830361-63
Direct: (042) 6830360
Fax: (042) 6830367

Circular Road
77-Circular Road, Lahore.
PABX: (042) 7635920-22
Direct: (042) 7633694, 7633702
Fax: (042) 7635919

D.H.A.
324-Z, Defence Housing Authority, Lahore - 54792.
PABX: (042) 5898891-5
Direct: (042) 5726818
Fax: (042) 5732310

D.H.A.Phase-II
Plot No. 63-T, Block CCA, Phase-II C, DHA, Lahore.
PABX: (042) 5746421-22
Direct: (042) 5896615
Fax: (042) 5746423

Model Town
2-4, Central Commercial Market, Model Town, Lahore.
PABX: (042) 5858562-63
Direct: (042) 5858574
Fax: (042) 5858564

Shad Bagh
Chowk Nakhuda, Umar Din Road, Wassenpura, Shad Bagh Lahore
PABX: (042) 7289430, 7285343
(042) 6260159
Direct: (042) 7604071
Fax: (042) 6264225

Shah Alam Market
5-C, Fawara Chowk, Shah Alam Market, Lahore.
PABX: (042) 7642652-54
Direct: (042) 7642650
Fax:(042) 7642656

Township
48/10, B-I, Akbar Chowk, Township, Lahore - 54770.
PABX: (042) 5140520-22
Direct: (042) 5151279
Fax: (042) 5124222

Tufail Road
12-Tufail Road, Lahore Cantt.
PABX: (042) 9220940-46
Direct: (042) 9220930-31
Fax: (042) 9220947

Park Lane Towers
172, Park Lane Towers, Lahore
PABX: (042) 6622491 –95
Direct: (042) 6622481
Fax: (042) 6622490

LAHORE-II – AREA

LAHORE
Allama Iqbal Town
14 – Pak Block, Allama Iqbal Town, Lahore.
PABX: (042) 7849926-27
Direct: (042) 7849847
Fax: (042) 7849854

Badami Bagh
165-B, Badami Bagh, Lahore.
PABX: (042) 7727601-2
Direct: (042) 7721318
Fax: (042) 7704775

Cavalry Ground
23, Commercial Area, Cavalry Ground, Lahore.
PABX: (042) 6651290-96
Direct: (042) 6666665
Fax: (042) 6660729

Gulberg
10-E/II, Main Boulevard, Gulberg-III, Lahore.
PABX: (042) 9231336-37,
Direct: (042) 9231330
Fax:(042) 9230035

M.A. Johar Town
473, Block G-III, M.A. Johar Town, Lahore.
PABX: (042) 5290434-36
Direct: (042) 5313566
Fax: (042) 5313569

Ravi Road
35-Main Ravi Road, Lahore.
PAB X: (042) 7700516, 7709873-74
Direct: (042) 7731000
Fax: (042) 7700517

Shahdara
N-127R-70C, Opposite Rustom Sohrab Cycle Factory, Sheikupura Road, Shahdara, Lahore.
PABX: (042) 7919302-04
Direct: (042) 7919300
Fax:(042) 7919306

Shahrah-E-Aiwan-E-Tijarat
7-A, Shahrah-e-Aiwan-e-Tijarat, Lahore.
PABX: (042) 9203673-77
Direct: (042) 9203081
Fax: (042) 9203351

The Mall
47, Bank Square, The Mall, (Shahrah-e-Quaid-e-Azam), Lahore
PABX: (042) 7211851-5
Direct: (042) 7314196, 7211860
Fax: (042) 7211865

Main Market, Gulberg – II
32-E, Main Market, Gulberg-II, Lahore
PABX: (042) 5787144 – 46
Direct: (042) 5787141
Fax: (042) 57871433

PHOOL NAGAR
Plot Khasra No. 1193, Main Multan Road, Distt. Kasur, Phool Nagar.
PABX: (049) 510437
Direct: (049) 510431
Fax: (049) 510436

FAISALABAD - AREA

JHANG
Church Road, Saddar, Jhang.
PABX: (047) 7621150, 7610852
Direct: (047) 7623652
Fax: (047) 7621050

OKARA

M.A Jinnah Road
Chak No. 2/42, M.A. Jinnah Road, Tehsil & District Okara.
PABX:(044) 9200317-18
Direct: (068) 5802387
Fax: (044) 9200316

Okara Cantt
5/H2, Classic Complex, Ilam Din Shaheed Road, Okara Cantt.
Direct: (044) 2881644
Fax: (044) 2881740

SAHIWAL
48/B & B1, High Street Branch, Sahiwal.
PABX: (040) 447738-39
Direct: (040) 4467748
Fax: (040) 4467746

SARGODHA
80-Club Road, Old Civil Lines, Sargodha.
PABX: (048) 3725490, 3725590
Direct: (048) 3722728
Fax: (048) 3725240

TOBA TEK SINGH

596 – Mohallah Chamra Mandi, Jhang Road, Toba Tek Sing.
PABX: (0462) 516120 – 1
Direct: (0462) 516131
Fax: (0462) 516142

FAISALABAD

Khurrianwala
Jhumra Road, Khurrianwala, Tehsil Jaranwala, Distt. Faisalabad.
Direct: (041) 4000029
Fax: (041) 4364030

Peoples Colony
Peoples Colony, Faisalabad.
PABX: (041) 8739326-7
Direct: (041) 8739323
Fax: (041) 8739321

University Road
University Road, Faisalabad.
P.O. Box 346.
PABX: (041) 9201008-11
Direct: (041) 9201001
Fax: (041) 9201006

MULTAN – AREA

MULTAN

Abdali Road
64/A-1, Abdali Road, Multan.
PABX: (061) 9201391-94
Direct: (061) 9201399
Fax: (061) 9201395

Bosan Road
Part 1802, Ward No. 10, Bosan Road, Multan.
PABX: (061) 6510435-37
Direct: (061) 6510434
Fax: (061) 6510438

BAHAWALPUR
1-Noor Mahal Road, Bahawalpur.
PABX: (062) 9255320-22
Direct: (062) 9255325
Fax: (062) 9255324

BUREWALA
9-C, City Gate Market, College Road, Burewala.
PABX: (067) 3772206-8
Direct: (067) 3772252
Fax: (067) 3772204

KHANEWAL

DAHA Plaza, Chowk Markazi, Khanewal.
PABX: (065) 9200274-76, 9200271
Direct: (065) 9200277
Fax: (065) 9200273

RAHIM YAR KHAN
Ashraf Complex, Model Town, Rahim Yar Khan.
PABX: (068) 5879851-53
Direct: (068) 5879848
Fax: (068) 5879850

SADIQABAD
78-D, Allama Iqbal Road, New Town, Sadiqabad.
PABX: (068) 5802377-78
Direct: (068) 5802387
Fax: (068) 5802374

VEHARI

13, E Block, Karkhana Bazar, Vehari.
PABX: (067) 3366718 - 9
Direct: (067) 3366727
Fax: (067) 3366720

CHANNI GOTH

Uch Road, Channi Goth, Tehsil Ahmedpur East, District Bahawalpur
PABX: (062) 2783008 – 9
Direct: (062) 2783444

Branch Network

GUJRANWALA – AREA

GUJRANWALA

G.T. Road, Gujranwala.
PABX: (055) 9200855-56,
(055) 9200861-62
Direct: (055) 9200857
Fax: (055) 9200858

GUJRAT

Hassan Plaza, G.T. Road, Gujrat.
PABX: (053) 3530164-5
Direct: (053) 3530178
Fax: (053) 3530179

JALALPUR BHATTIAN

Ghala Mandi, Jalalpur Bhattian.
PABX: (0547) 501013-14
Direct: (0547) 501012
Fax: (0547) 501015

SHEIKHPURA

Property No. B-IX-65-44,
Main Lahore-Sargodha Road, Sheikhpura.
PABX: (056) 3788031 & 3788071
Direct: (056) 3788037
Fax: (065) 3788084

MANDI BHAUDDIN

Dr. Sakina Rizvi Road, Mandi Bahauddin.
Cell: (0301) 8642542

LALAMUSA

G.T. Road, Lalamusa.
PABX: (0537) 519690 –91
Direct: (0537) 519694
Fax: (0537) 519693

SIALKOT

Sialkot Cantt
Tariq Road, Sialkot Cantt.
PABX: (052) 4299001-03,
Direct: (052) 4299005
Fax: (052) 4299004

Sialkot City

Paris Road, Sialkot, P.O. Box 2890.
PABX: (052) 4262806-08
Direct: (052) 4265522
Fax: (052) 4265532

SOUTH REGION

KARACHI-I – AREA

KARACHI

Bohra Pir
Plot No. 22/1, Princess Street,
Bohra Pir, Ranchore Line, Karachi.
PABX: (021) 2744768-69
Direct (021) 2745961
Fax: (021) 2744779

Cloth Market

Laxmidas Street, Karachi - 74000.
PABX: (021) 2472611-5
Direct: (021) 2472607
Fax: (021) 2472605

Jodia Bazar

Abdullah Mansion, Bombay Bazar,
Jodia Bazar, Krachi
PABX: (021) 2474851-55
Direct: (021) 2473498
Fax: (021) 2471224

M.A. Jinnah Road

Survey No. 4, Sheet No. RB-7, Aram Bagh
Quarters, M.A. Jinnah Road, Karachi.
PABX: (021) 2217531-34
Direct: (021) 2217490
Fax: (021) 2217494

Marriot Road

Rawalpindiwala Building, Marriot Road,
Market Quarters, Karachi.
PABX: (021) 2418425-28
Direct: (021) 2418412
Fax: (021) 2418420

New Challi

Abdullah Square Building, Shahrah-e-Liaquat,
New Challi, Karachi. Postal Code 74000.
PABX: (021) 2471042-44
Direct: (021) 2471021
Fax: (021) 2471023

North Napier Road

Ishaq Chamber, North Napier Road,
Karachi.
PABX: (021) 2549581-2
Direct: (021) 2549588
Fax: (021) 2549585

Saima Trade Tower

I.I. Chundrigar Road, Karachi.
P.O. Box 1096.
PABX: (021) 2630731-3,
(021) 2624316, 2634610
Direct: (021) 2624714, 2631178
Fax: (021) 2631176

Timber Market

Plot No. LA-7/116, Siddiq Wahab Road,
Timber Market, Lawrence Quarters, Karachi.
PABX: (021) 2770784-85, 2770737
Direct: (021) 2770800
Fax: (021) 2770055

Karachi Stock Exchange

Office No. 55 & 56,
Old Stock Exchange Building, Karachi
PABX: (021) 2446050-51, 2446053-54
Direct: (021) 2446550
Fax: (021) 2446559

GAWADAR

Airport Road, Gawadar.
PABX: (0864) 211359-60
Direct: (0864) 211357
Fax: (0864) 211358

KARACHI-II – AREA

Atrium Mall

249- Staff Lines, Fatima Jinnah Road, Karachi.
PABX: (021) 5650953, 5651046,
(021) 5651048, 5651091
Direct: (021) 5650940
Fax: (021) 5651207

Badar Commercial

29-C, Badar Commercial Area, Street No. 1,
Phase-V, DHA, Karachi - 75500.
PABX: (021) 5344175-77
Direct: (021) 5344171
Fax: (021) 5344174

Clifton

Marine Trade Centre, Block-9, Clifton, Karachi.
P.O. Box 13807.
PABX: (021) 5868551-4 & 5832916
Direct: (021) 5862868
Fax: (021) 5868555

D H A

Jami Commercial Street No. 11,
Khayaban-e-Ittehad, Defence Housing
Authority, Phase-VII, Karachi.
PABX: (021) 5311760-63
Direct: (021) 5311764
Fax: (021) 5311765

Korangi Industrial Area

Plot No. ST 2/3, Sector 23, Main Korangi Road,
Korangi Industrial Area, Karachi.
PABX: (021) 5115024-26
Direct: (021) 5115020
Fax: (021) 5115027

Malir Cantt.

Ordnance Road, Malir Cantt. Karachi.
PABX: (021) 9247871-74
Direct: (021) 9247870
Fax: (021) 9247877

Marston Road

Shafiq Shopping Plaza, Marston Road, Karachi.
PABX: (021) 2745722-4
Direct: (021) 2745772
Fax: (021) 2745644

Saddar

Sindh Small Industries Building,
Regal Chowk, Saddar, Karachi.
PABX: (021) 2762840-2, 2741396-7
Direct: (021) 2760506
Fax: (021) 2760992

Khayaban-e-Sehar

Plot No. 2C, Sehar Lane No. 04, Khayaban-e-
Sehar, DHA Phase – VII, Karachi
PABX: (021) 5847239 –41, 5847012 – 1,
5847251 –52
Direct: (021) 5847446
Fax: (021) 5847022

KARACHI-III – AREA

Bahadurabad

Zeenat Terrace, , Block No. 3, Bahaduryar
Jang Society, Bahadurabad, Karachi.
PABX: (021) 9232565-68
Direct: (021) 9232569
Fax: (021) 9232574

Federal B Area

Plot No. ST-2/B, Block No. 14, Al-Siraj Square,
Federal B Area, Karachi.
PABX No. (021) 6806091-92
Direct (021) 6806152
Fax: (021) 6806095

Gabol Town

Plot No. 1, Sector 12-B, North Karachi Industrial
Area, Karachi - 75850.
PABX: (021) 6950332
Direct: (021) 6950335
Fax: (021) 6950333

Gulistan-e-Jauhar

Asia Pacific Trade Centre, Rashid Minhas Road,
Karachi. P.O. Box: 75290.
PABX: (021) 4632500-04
Direct: (021) 4630166
Fax: (021) 4632505

Gulshan-e-Iqbal

University Road, Gulshan-e-Iqbal, Karachi.
PABX: (021) 9244365-69
Direct: (021) 9244361
Fax: (021) 9244370

Hydri North Nazimabad

Plot No. 5F/14-18, Al Burhan Arcade, Block-E,
Barkat-e-Hydri, North Nazimabad, Karachi.
PABX: (021) 6632904-6
Direct: (021) 6632920
Fax: (021) 6632922

Metroville

G-50, Block – 3, Metroville, Karachi.
PABX: (021) 6762532-5
Direct: (021) 6762541
Fax: (021) 6762527

S.I.T.E.

B-17, Estate Avenue, S.I.T.E., Karachi.
Postal Cade 75700.
PABX: (021) 2585914-17
Direct: (021) 2585911
Fax: (021) 2585525

Shaheed-e-Millat

A/22, Block No. 7 & 8, Anum Pride,
K. C. H.S Commercial Area,
Main Shaheed-e-Millat Road, Karachi.
PABX: (021) 4392875-76 & 4392887
Direct: (021) 4392850
Fax: (021) 4392886

Shahrah-e-Faisal

11-A, Progressive Square, Block 6,
P.E.C.H.S., Karachi.
PABX: (021) 4520026-9
Direct: (021) 4526641
Fax: (021) 4520030

Manghopir

Plot No. ST – 2, Islamia Colony No. 1,
Manghopir, Karachi
PABX: (021) 6661654, 6697208, 6693844,
Direct: (021) 6693385
Fax: (021) 6668209

Tariq Road

Plot No. 299 – C & 300 – C, Block No. 2,
P.E.C.H.S, Main Tariq Road, Karachi
PABX: (021) 4301888-95,
Direct: (021) 4301887
Fax: (021) 4301896

MAKRO Saddar

148/1, Opposite 603 Workshop, Mubarak
Shaheed Road, Saddar, Karachi
PABX: (021) 2792473 – 79
Direct: (021) 2792471
Fax: (021) 2792480

HYDERABAD - AREA

DAHARKI

1276, Main Road, Zafar Bazar,
Daharki, Distt. Ghotki.
PABX: (0723) 641266
Direct: (0723) 642626
Fax: (0703) 42260

GHOTKI

Plot No. D-9, Deh Odher Wali, Qadirpur Road,
Opposite Town Committee, Ghotki.
PABX: (0723) 600500
Direct: (0723) 600707
Fax: (0723) 600526

HYDERABAD

Saddar
332-333, Saddar Bazar, Hyderabad.
P.O Box 470.
PABX: (022) 2783616, 2783618,
(022) 2784852, 2783615
Direct: (022) 2783615
Fax: (022) 2784760

Shahrah-e-Noor Muhammad Market

C.S. Nos. 2611/1&2611/2, Shahrah-e-Noor
Muhammad Market, Hyderabad
PABX: (022) 2784852, 2783615
Direct: (022) 2613192
Fax: (022) 2613193

JACOBABAD

Ward No. 05, Quaid-e-Azam Road, Jacobabad.
PABX: (0722) 651866 – 67
Direct: (0722) 652266
Fax: (0722) 650344

KANDHKOT

Plot No. 29/1, Tower Road, Kandhkot
PABX: (0722) 572361 & 572367
Direct: (0722) 571644
Fax: (0722) 573788

LARKANA

Bunder Road, Larkana.
PABX: (074) 4053823-24,
(074) 4045381-2
Direct: (074) 4053676
Fax: (074) 4045371

MIRPURKHAHS

C.S. 835, Ward B, M.A. Jinnah Road,
Mirpurkhas.
PABX: (0233) 9209031-32
Direct: (0233) 9290333
Fax: (0233) 9290335

NAWABSHAH

Katchary Road, Nawabshah.
PABX: (0244) 9370460-64
Direct: (0244) 9370466
Fax: (0244) 9370467

SUKKUR

Sarafa Bazar, Sukkur.
PABX: (071) 5628267-8
Direct: (071) 5627218
Fax: (071) 5627219

QUETTA – AREA

QUETTA

Cantt.
Bolan Complex, Chiltan Road, Quetta Cantt.
PABX: (081) 2882101-102
Direct: (081) 2882105
Fax: (081) 2882100

Hazar Ganji

Fruit Market, Hazar Ganji, Quetta.
PABX: (081) 2460808
Direct: (081) 2460806
Fax: (081) 2460807

M.A. Jinnah Road

M.A. Jinnah Road, Quetta.
PABX: (081) 2843751-2
Direct: (081) 2844374
Fax: (081) 2824602

Masjid Road

Cut Piece Gali No. 7,
Cloth Market, Quetta - 87300.
PABX: (081) 2824008-09
Direct: (081) 2824004
Fax: (081) 2845227

Meezan Chowk

Liaqat Bazar, Meezan Chowk, Quetta.
PABX: (081) 2668386-87
Direct: (081) 2665985
Fax: (081) 2668389

Satellite Town

Kasi Plaza, Sirk Road, Satellite Town, Quetta.
PABX: (081) 2451535-36
Direct: (081) 2451530
Fax: (081) 2451538

CHAMAN

Trunch Road, Off Mall Road,
Chaman, (Balochistan).
PABX: (0826) 613330
Direct: (0826) 614447
Fax: (0826) 613331

OVERSEAS OPERATIONS

BAHRAIN

“Wholesale Bank (Branch)”
P.O. Box 11720, Diplomatic Area,
Manama Kingdom of Bahrain.
Tel: (00973) 17530500
Direct: (00973) 17535439
Fax: (00973) 17532400

ISLAMIC BANKING BRANCHES

ISLAMABAD

Jinnah Avenue
38 – Zahooh Plaza, Jinnah Avenue,
Blue Area, Islamabad.
Direct: (051) 9211467
Fax: (051) 9211476

KARACHI

Jodia Bazar
Buidling MR-3/30, Qazi Usman Road,
Near Lal Masjid, Karachi.
PABX: (021) 2410025-29
Direct: (021) 2421145, 2421146
Fax: (021) 2421147

North Nazimabad

Plot No. D-5, Block – L,
North Nazimabad, Karachi
Direct: (021) 6640972
Fax: (021) 6641390

DHA

106 – C, Jami Commercial Street – 11,
Phase VII, Pakistan Defence Officers Housing
Authority, Karachi
PABX: (021) 2003887
Fax: (021) 2003888

LAHORE

Cavalry Ground
102, Commercial Market,
Cavalry Ground, Lahore.
Direct: (042) 6619651
Fax: (042) 6619660

Gulberg

Plot no. 5 – B, Main Gulberg,
Near EFU Building, Jail Road, Lahore
PABX: (042) 5790603 – 09
Direct: (042) 5790601
Fax: (042) 5790610

DHA

155, Block Y, Phase – 3C, Defence Housing
Authority, Lahore Cantt.
PABX: (042) 5692702 –04, 5692725 – 30
Fax: (042) 5692798

PESHAWAR

Peshawar Cantt.
1-2, Cantt. Plaza, Fakhr-e-Alam Road, Peshawar.
PABX: (091) 9213740-41
Direct: (091) 9213743
Fax: (091) 9313742

RAWALPINDI

Chandani Chowk
149-B, Chandani Chowk,
Murree Road, Rawalpindi.
PABX: (051) 9291091-4
Direct: (051) 9291095, 9291096
Fax: (051) 9291097

QUETTA

M.A. Jinnah Road
2-14/2-3, Near Dr. Bano Road, Adjacent
to Ahmed Complex, M.A. Jinnah Roadm,
Quetta.
PABX: (081) 2820922-23
Direct: (081) 2820910, 2820927
Fax: (081) 2820943

MULTAN

Abdali Road
Shop No. 33& 34, Khan Centre,
Abdali Road, Multan
PABX: (061) 4500263 – 7
Direct: (061) 4500262
Fax: (081) 4500268

GUJRANWALA

G.T. Road
BXII-75-III, Near Din Plaza, G.T. Road, Gujranwala
PABX: (055) 9201341 – 42
Direct: (055) 9201344
Fax: (055) 9201343

FAISALABAD

Kohinoor City
Plot No. C-11, Square No. 64, Kohinoor City,
Jarannya Road, Faisalabad
PABX: (041) 9220623 – 29
Direct: (041) 9220620
Fax: (041) 9220622

SIALKOT

Paris Road
Sharif Plaza, Ground Floor, Paris Road, Sialkot
Direct: (052) 9250161
Fax: (052) 9250164

Balance Sheet in US\$

as at December 31, 2007

In thousands of US\$	2007	2006
ASSETS		
Cash and balances with treasury banks	215,420	244,362
Balances with other banks	56,404	120,430
Lendings to financial institutions	232,970	137,838
Investments	635,984	470,125
Advances	1,625,486	1,628,829
Operating fixed assets	82,717	62,577
Deferred tax assets	–	–
Other assets	89,275	62,618
	2,938,256	2,726,779
LIABILITIES		
Bills payable	42,372	30,203
Borrowings	283,121	245,756
Deposits and other accounts	2,307,044	2,165,204
Sub-ordinated loans	48,344	49,245
Liabilities against assets subject to finance lease	–	–
Deferred tax liabilities	7,605	12,092
Other liabilities	51,931	42,751
	2,740,417	2,545,251
NET ASSETS	197,839	181,528
REPRESENTED BY		
Share capital / Head office capital account	48,492	32,918
Reserves	112,070	95,496
Unappropriated profit	34,594	29,561
	195,156	157,975
Surplus on revaluation of assets - net of tax	2,683	23,553
	197,839	181,528

Note:

The above is for information only and conversions have been made @ 1US\$ = Pak Rs. 62.00 as at December 31, 2007
(1US\$ = Pak Rs. 60.89 as at December 31, 2006)

Profit and Loss Account in US\$

for the year ended December 31, 2007

In thousands of US\$	2007	2006
Mark-up / return / interest earned	244,246	206,880
Mark-up / return / interest expensed	140,091	114,589
Net mark-up / interest income	104,155	92,291
Provision against non-performing loans and advances	63,230	18,528
Provision for impairment in the value of investments	24	6
Bad debts written off directly	–	–
	63,254	18,534
Net mark-up / interest income after provisions	40,901	73,758
NON MARK-UP/INTEREST INCOME		
Fee, commission and brokerage income	17,304	16,647
Dividend income	2,211	1,795
Income from dealing in foreign currencies	10,577	9,597
Gain on sale of investments - net	38,085	1,848
Unrealised gain / (loss) on revaluation of investments classified as held for trading - net	28	(38)
Other income	5,432	5,284
Total non-markup / interest income	73,637	35,133
	114,538	108,890
NON MARK-UP/INTEREST EXPENSES		
Administrative expenses	77,251	53,824
Other provisions / write offs	–	–
Other charges	194	101
Total non-markup / interest expenses	77,445	53,925
	37,093	54,966
Extra ordinary / unusual items	–	–
PROFIT BEFORE TAXATION	37,287	54,966
Taxation – current year	1,589	16,158
– prior years'	(3,773)	–
– deferred	(3,965)	1,856
	(6,149)	18,014
PROFIT AFTER TAXATION	43,242	36,951
Unappropriated profit brought forward	29,032	26,566
Profit available for appropriation	72,274	63,517
Basic / diluted earnings per share - Rupees	0.14	0.12

Note:

The above is for information only and conversions have been made @ 1US\$ = Pak Rs. 62.00 as at December 31, 2007
(1US\$ = Pak Rs. 60.89 as at December 31, 2006)

Glossary of Financial & Banking Terms

<p>ACCEPTANCES</p> <p>Promise to pay created when the drawee of a time draft stamps or writes the words "accepted" above his signature and a designated payment date.</p> <p>ACCRUAL BASIS</p> <p>Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.</p> <p>BILLS FOR COLLECTION</p> <p>A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.</p> <p>BONUS ISSUE (SCRIP ISSUE)</p> <p>The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.</p> <p>CAPITAL ADEQUACY RATIO</p> <p>The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.</p> <p>CASH EQUIVALENTS</p> <p>Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.</p> <p>COMMITMENT TO EXTEND CREDIT</p> <p>Credit facilities approved but not yet utilized by the client as at the Balance sheet date.</p>	<p>COMMITMENT TO EXTEND CREDIT</p> <p>Commitments to extend credit are those commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.</p> <p>CONTINGENCIES</p> <p>A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.</p> <p>COST/INCOME RATIO</p> <p>Operating expenses excluding Loan Loss Provision as a percentage of net income.</p> <p>CORPORATE GOVERNANCE</p> <p>The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.</p> <p>CAGR</p> <p>An abbreviation for Compound Annual Growth Rate.</p> <p>DEFERRED TAXATION</p> <p>Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.</p> <p>EARNINGS PER SHARE</p> <p>Profit after taxation divided by the weighted average number of ordinary share in issue.</p> <p>EFFECTIVE TAX RATE</p> <p>Provision for taxation excluding deferred tax divided by the profit before taxation.</p>	<p>EQUITY METHOD</p> <p>A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Income Statement reflects the investor's share of the results of operations of the investee.</p> <p>FINANCE LEASE</p> <p>A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.</p> <p>FORWARD EXCHANGE CONTRACT</p> <p>Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.</p> <p>GROSS DIVIDENDS</p> <p>The portion of profits distributed to the shareholders including the tax withheld.</p> <p>GUARANTEES</p> <p>An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.</p> <p>HISTORICAL COST CONVENTION</p> <p>Recording transactions at the actual value received or paid.</p> <p>INTEREST IN SUSPENSE</p> <p>Interest suspended on non-performing loans and advances.</p>	<p>INTEREST SPREAD</p> <p>Represents the difference between the average interest rate earned and the average interest rate paid on funds.</p> <p>LIQUID ASSETS</p> <p>Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.</p> <p>LOAN LOSSES AND PROVISIONS</p> <p>Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.</p> <p>MARKET CAPITALISATION</p> <p>Number of ordinary shares in issue multiplied by the market value of share as at the year end.</p> <p>MATERIALITY</p> <p>The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements.</p> <p>NET ASSETS VALUE PER SHARE</p> <p>Shareholders' funds divided by the number of ordinary shares in issue.</p> <p>NET DIVIDENDS</p> <p>Dividend net of withholding tax.</p> <p>NET INTEREST INCOME</p> <p>The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.</p>	<p>NON PERFORMING LOANS</p> <p>A loan placed on cash basis (i.e Interest Income is only recognized when cash is received) because in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.</p> <p>OFF BALANCE SHEET TRANSACTIONS</p> <p>Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.</p> <p>PRICE EARNINGS RATIO (P/E RATIO)</p> <p>Market price of a share divided by earnings per share.</p> <p>PRODUNCE</p> <p>Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.</p> <p>RELATED PARTIES</p> <p>Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.</p> <p>RETURN ON AVERAGE ASSETS</p> <p>Profit after tax divided by the average assets.</p> <p>RISK WEIGHTED ASSETS</p> <p>On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.</p>	<p>REPURCHASE AGREEMENT</p> <p>Contract to sell and subsequently repurchase securities at a specified date and price.</p> <p>REVERSE REPURCHASE AGREEMENT</p> <p>Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.</p> <p>RETURN ON AVERAGE EQUITY</p> <p>Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.</p> <p>REVENUE RESERVE</p> <p>Reserves set aside for future distribution and investment.</p> <p>SHAREHOLDERS' FUNDS</p> <p>Total of Issued and fully paid share capital and capital and revenue reserves.</p> <p>STATUTORY RESERVE FUNDS</p> <p>A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.</p> <p>SUBSIDIARY COMPANY</p> <p>A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.</p>
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Notes

AGM

On March 28, 2008 at 10:00 a.m
Blue Lagoon Complex
Opposite Outward Gate of
Pearl Continental Hotel, Rawalpindi.

Form of Proxy

Askari Bank Limited (formerly Askari Commercial Bank Limited)

Folio No. _____ or CDC participant identity No. _____ CDC A/C No. _____
I / We _____
of _____
being a member(s) of the Askari Bank Limited holding shares No. _____
HEREBY APPOINT _____
of _____
also a member of the Askari Bank Limited (Folio No. _____) or failing him / her _____
_____ of _____ also a member of Askari Bank Limited (Folio No. _____) as my / our proxy
to vote for me / us, and on my / our behalf at the 16th Annual General Meeting of Askari Bank Limited to be held at 10:00 a.m. Friday,
the 28th day of March 2008.

Signed this _____ day of _____ 2008.

Witnesses:

1. Name: _____
Address: _____
C.N.I.C. No. _____

Signature _____

Affix Revenue Stamp
of Five Rupees

2. Name: _____
Address: _____
C.N.I.C. No. _____

Signature _____

Signature _____
(Signature should agree with
the specimen signature
registered with the Bank).

NOTES:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him / her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his / her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy, thereof, should be deposited, with the Company Secretary, Askari Bank Limited, 2nd Floor, AWT Plaza, The Mall, P.O. Box No. 1084, Rawalpindi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
3. The proxy shall produce his / her original CNIC or original passport at the time of meeting.
4. In case of Government of Pakistan / State Bank of Pakistan / corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form to the Bank.

The Company Secretary:

ASKARI BANK LIMITED

(formerly Askari Commercial Bank Limited)

AWT Plaza, The Mall, P.O. Box No. 1084,
Rawalpindi - Pakistan.