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Vision



To be recognised as a leader and a brand synonymous with trust, highest standards of service quality, international best practices and social responsibility.

NBP-Vision you can Trust



NBP

National Bank of Pakistan

The Nation's
Bank

Mission



NBP will aspire to the values that make NBP truly the Nation's Bank, by :

- Institutionalising a merit and performance culture.
- Creating a distinctive brand identity by providing the highest standards of services.
- Adopting the best international management practices.
- Maximizing stakeholders value.
- Discharging our responsibility as a good corporate citizen of Pakistan and in countries where we operate.

NBP-Vision you can Trust



NBP

National Bank of Pakistan



Core Values



- Highest standards of Integrity.
- Institutionalising team work and performance culture.
- Excellence in service.
- Advancement of skills for tomorrow's challenges.
- Awareness of social and community responsibility.
- Value creation for all stakeholders.

NBP-Vision you can Trust

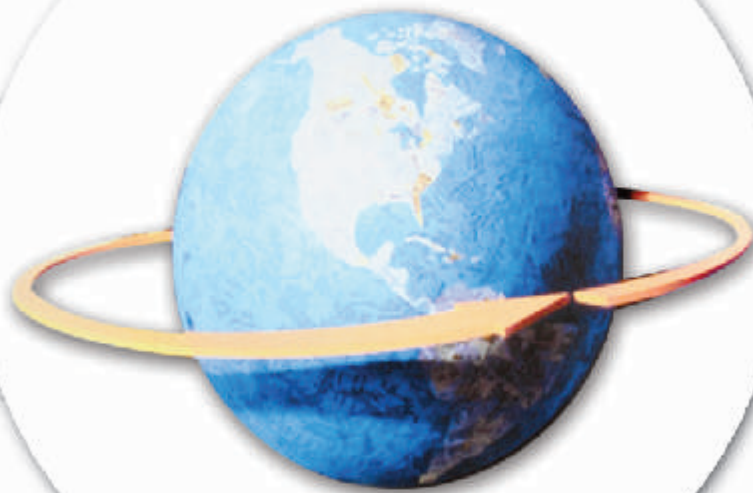


NBP

National Bank of Pakistan

The Nation's Bank

Goals



To enhance profitability and maximization of NBP share through increasing leverage of existing customer base and diversified range of products.

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Bank*

Corporate Information

Board of Directors

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan

Iftikhar Ali Malik

M. Zubair Motiwala

Sikandar Hayat Jamali

Azam Faruque

Audit Committee

Azam Faruque
Chairman

Iftikhar Ali Malik

M. Zubair Motiwala

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

NBP Building
I. I. Chundrigar Road, Karachi, Pakistan.

Registrar's & Share Registration Office

THK Associates (Pvt.) Ltd.
Shares Department, Ground Floor,
State Life Building # 3,
Dr. Ziauddin Ahmed Road,
Karachi, Pakistan.

Financial Highlights - 2006

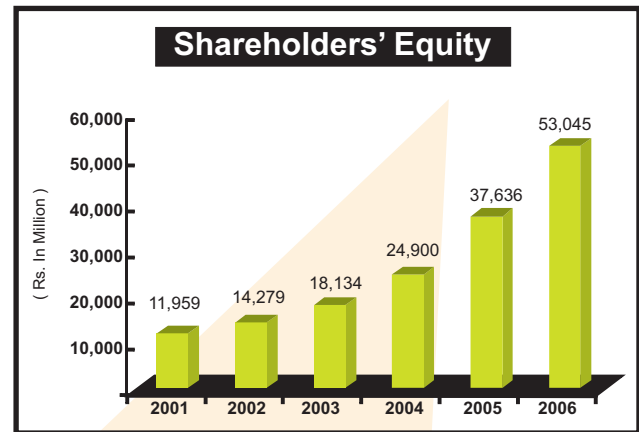
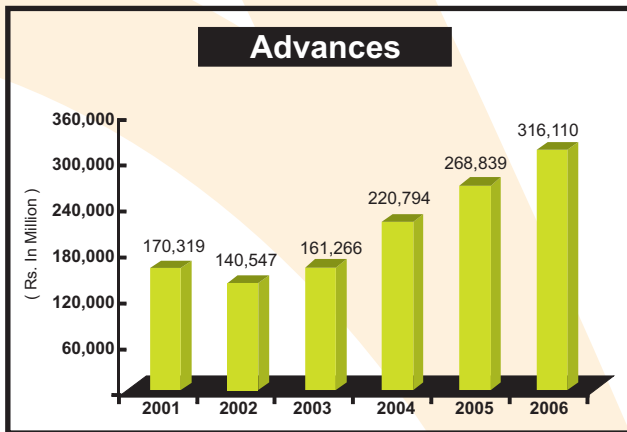
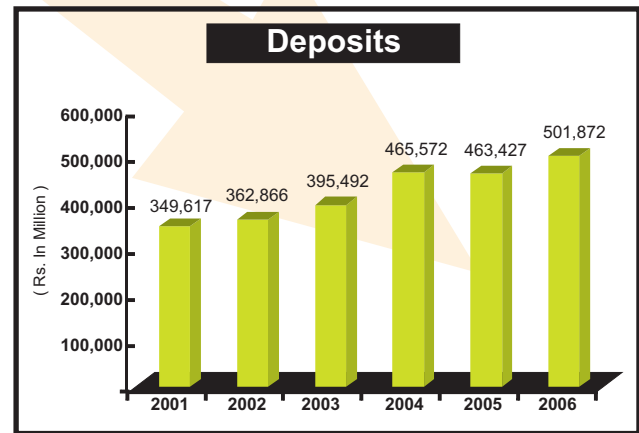
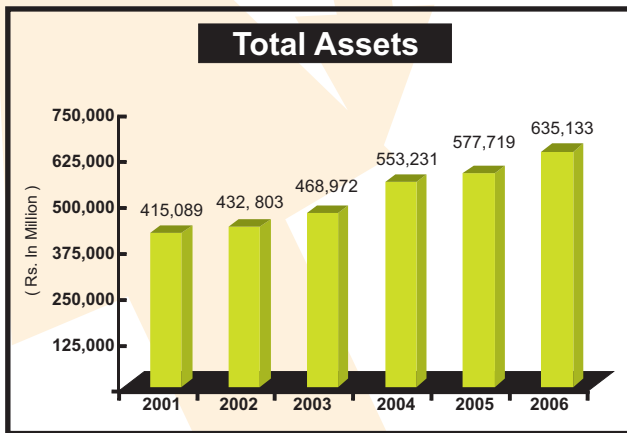
(Rs. In Million)

Authorised Capital	7,500
Paid-up Capital	7,091
Shareholders' Equity and Reserves	81,954
Deposits	501,872
Advances - Net	316,110
Investments - Net	139,947
Total Assets	635,133
Pre-Tax Profit	26,311
After-Tax Profit	17,022
No. of Branches	1,250
No. of Employees	14,019

Six Year Performance at a Glance

(Rs. In Million)

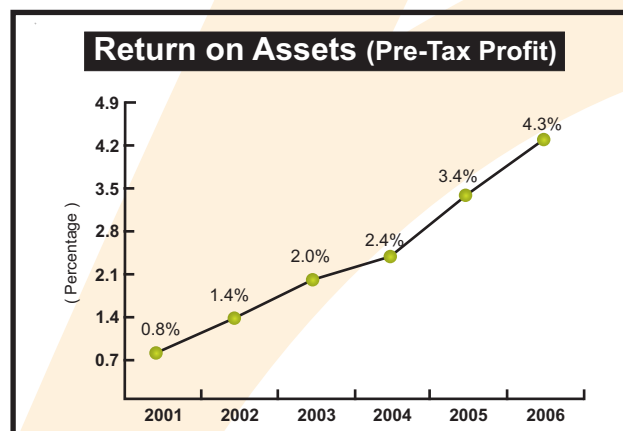
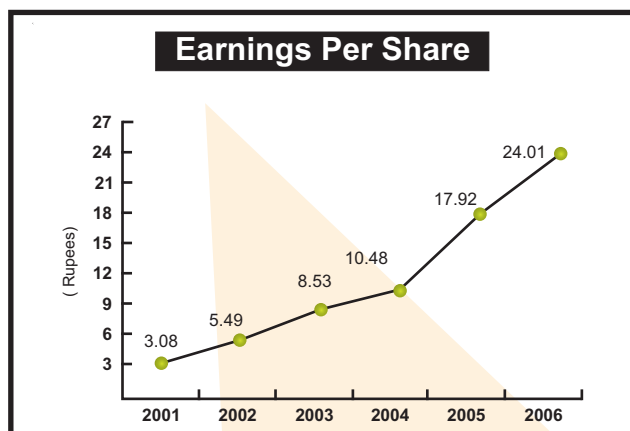
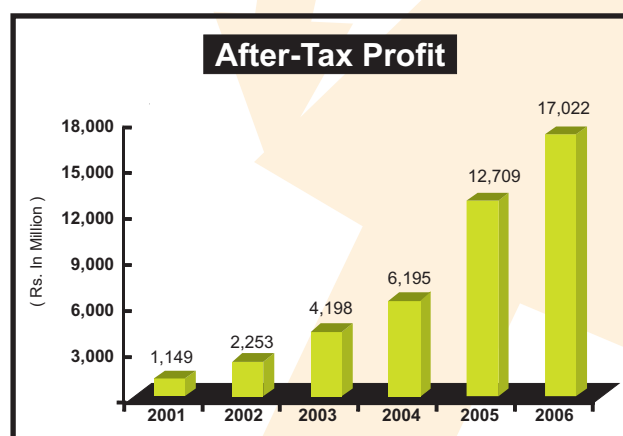
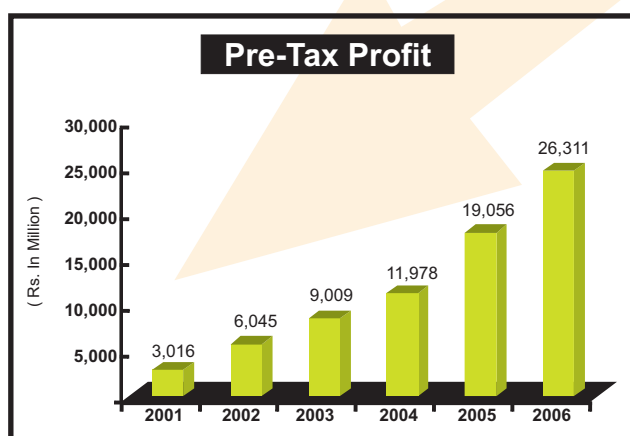
	Total Assets	Deposits	Advances	Investments	Shareholders' Equity
2001	415,089	349,617	170,319	71,759	11,959
2002	432,803	362,866	140,547	143,525	14,279
2003	468,972	395,492	161,266	166,196	18,134
2004	553,231	465,572	220,794	149,350	24,900
2005	577,719	463,427	268,839	156,985	37,636
2006	635,133	501,872	316,110	139,947	53,045



Six Year Performance at a Glance

(Rs. In Million)

Pre-Tax Profit	After-Tax Profit	Earnings Per Share (Rs.)	Return on Assets (Pre-Tax Profit)	Number of Branches	Number of Employees
3,016	1,149	3.08	0.8%	1,245	15,163
6,045	2,253	5.49	1.4%	1,204	12,195
9,009	4,198	8.53	2.0%	1,199	13,272
11,978	6,195	10.48	2.4%	1,226	13,745
19,056	12,709	17.92	3.4%	1,242	13,824
26,311	17,022	24.01	4.3%	1,250	14,019



Board of Directors



S. Ali Raza
Chairman & President



Dr. Waqar Masood Khan



Iftikhar Ali Malik



M. Zubair Motiwala



Sikandar Hayat Jamali



Azam Faruque

Senior Management

Masood Karim Shaikh

SEVP & Group Chief, Corporate & Investment Banking Group

Shahid Anwar Khan

SEVP & Group Chief, Credit Management Group

Dr. Asif A. Brohi

SEVP & Group Chief, Operations Group

Imam Bakhsh Baloch

SEVP & Group Chief, Audit & Inspection Group

Ziaullah Khan

SEVP & Group Chief, Compliance Group

Dr. Mirza Abrar Baig

SEVP & Group Chief, Human Resources Management & Administration Group

Amer Siddiqui

SEVP & Group Chief, Commercial & Retail Banking Group

Muhammad Nusrat Vohra

SEVP & Group Chief, Treasury Management Group

Amim Akhtar

EVP & PSO to the President

Ekhlaq Ahmed

EVP & Secretary Board of Directors

Tajammal Hussain Bokharee

EVP & Group Chief, Special Assets Management Group

Mrs. Khurshid Maqsood Ali

EVP & Divisional Head, Employees Benefits, Disbursements & Trustees Division

Tahir Yaqoob

EVP & Group Chief, Overseas Coordination & Management Group

Anwar Ahmed Meenai

EVP & Divisional Head, Islamic Banking Division

Aamir Sattar

Financial Controller & Divisional Head, Financial Control Division

Atif Hassan Khan

Group Chief (A), Information Technology Group

Make your dreams a **reality**



NBP Karobar

زندگی باوقار

Self employment opportunities
for un-employed

Self employment opportunities for **un-employed**

- Minimum down payment: 10% of asset price (5% for PCO & Tele Center)
- Tenure: 1 to 5 years (for PCO 2 years).
- Grace period: 3 months
- Maximum loan amount: Rs. 200,000
- Age: 18 - 45 years
- Mark-up (Variable): 1 year KIBOR + 2.00% p.a. (for the first year, mark-up will be 12%)
The customer will pay mark-up @ 6% p.a. as long as GoP provides the balance mark-up to NBP on monthly basis*
- Life & disability insurance paid by GoP*

* Subject to the availability of subsidy from GoP

NBP-Vision you can Trust



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Corporate Banking



NBP further consolidated its position as one of the top players in corporate and investment banking of the country in 2006 and has built a strong customer relationship with the premier corporate clients.

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Bank*

Notice of 58th Annual General Meeting

Notice is hereby given that the **58th Annual General Meeting** of National Bank of Pakistan, will, Insha Allah, be held on **Monday, the April 02, 2007 at 10:00 A.M. at Crystal Ball Room, Marriott Hotel, Karachi.**

The following business will be transacted in the meeting:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts of the Bank for the year ended 31st December, 2006, together with the Directors' & Auditors' Reports thereon.
2. To appoint auditors for the year ending 31st December, 2007 and fix their remuneration.
3. To consider and approve Cash Dividend @ 40% and Bonus Shares @ 15% (thereby increasing Paid-up Capital of the Bank from Rs. 7,090,712,950/- to Rs. 8,154,319,890/- as recommended by the Board of Directors for the year ended 31st December, 2006 (subject to Government of Pakistan/ Regulatory approvals).

SPECIAL BUSINESS:

4. To approve increase in Bank's Authorized Capital from Rs. 7.5 Billion (divided into 750 Million Ordinary Shares of Rs. 10/- each) to Rs. 10 Billion (divided into 1,000 Million Ordinary Shares of Rs. 10/- each), as approved by GoP, vide Finance Division's Notification No. F.1(4) Bkg-III/2002 dated February 23, 2007, by passing the following resolution:

"RESOLVED THAT in terms of Section 4(4) of The NBP Ordinance 1949, the increase in Bank's Authorized Capital from Rs.7.5 Billion (divided into 750 Million Ordinary Shares of Rs. 10/- each) to Rs.10 Billion (divided into 1,000 Million Ordinary Shares of Rs. 10/- each) as approved by GoP, vide Finance Division's Notification No. F.1(4) Bkg-III/2002 dated February 23, 2007, be and is hereby approved."

5. To approve / ratify the following donations recommended / approved by the Board / Bank's Management, by passing the following ordinary resolution(s):

"RESOLVED THAT the donation of Rs.854,156.49, being the net sale proceeds of 2,882 fractional Bonus Shares - 2005 to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being, name of which will be approved by the President (NBP), be and is hereby approved."

"FURTHER RESOLVED THAT the decisions taken by the Management / Board towards approving following donations, be and are hereby ratified.

- Layton Rehmatulla Benevolent Trust (LRBT):	Rs. 1,000,000/-
- Institute of Technology Pakistan Aeronautical Complex, Kamra;	Rs. 499,600/-
- Auj International, Karachi:	Rs. 200,000/-
- Mr. Muhammad Rustam:	Rs. 100,000/-
- Shade Organization:	Rs. 50,000/-
Total	<u>Rs. 1,849,600/-</u> ”

(Statement under Section 160 of The Companies Ordinance, 1984 in respect of Special Business is enclosed with the notice sent to Bank's shareholders.)

6. To transact any other business with the permission of the Chairman.

Karachi.
Dated: March 11, 2007

By Order of the Board
Sd/-
(S. Ali Raza)
President

Notice of 58th Annual General Meeting

Note:

- i) The Share Transfer Books of the Bank shall remain closed from March 20, 2007 to April 02, 2007 (both days inclusive). Transfers received at Messrs THK Associates (Pvt) Ltd., Ground Floor, State Life Building No. 3 Dr. Ziauddin Ahmed Road, Karachi, the Bank's Registrar and Share Transfer Agent, at the close of the business on March 19, 2007 will be treated in time for purpose of the entitlement of Cash Dividend / Bonus Shares.
- ii) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan and State Bank of Pakistan and any Corporation(s), being member of the Bank, may nominate any person as its representative to attend the Annual General Meeting under authority of a Power of Attorney or a Board of Directors' Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt) Ltd., Ground Floor, State Life Building No. 3 Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the time of holding the Annual General Meeting.
- iii) The CDC Account Holders and Sub-account Holders, whose Registration details are available in the Share Book Detail Report shall be required to produce their respective Original National Identity Cards (CNICs) or original Passports at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participant I.D No.and the CDC Account Number. In case of proxy, he/she must enclose an attested copy of his / her NIC or Passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
- iv) Members are requested to timely notify any change in their addresses to the Bank's Registrar / Transfer Agent, Messrs THK Associates (Pvt) Limited.

Statement under Section 160 of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business, given in agenda item No. 4 & 5 of the Notice, to be transacted at the 58th Annual General Meeting of National Bank of Pakistan.

Item No. 4:

TO APPROVE INCREASE IN BANK'S AUTHORIZED CAPITAL FROM RS. 7.5 BILLION TO RS. 10 BILLION, AS APPROVED BY GOP, VIDE FINANCE DIVISION'S NOTIFICATION NO. F.1 (4) BKG-III/2002 DATED FEBRUARY 23, 2007

Bank's Authorized Capital was increased from Rs. 5 Billion to Rs.7.5 Billion vide GoP, Finance Division, Notification No. F.1(4)Bkg-III/2002 dated January 31, 2005.

The Bank in addition to Cash Dividend also declared Bonus Shares for the year 2005 & 2006. Resultantly, Bank's Paid up Capital increased to Rs. 7.090 Billion. In view of insufficient cushion now available for declaration of proposed and future bonus issue (s), the NBP Board in its 152nd meeting held on February 10, 2007 recommended increase in Bank's Authorized Capital from Rs. 7.5 Billion (divided into 750 Million Ordinary Shares of Rs. 10/- each) to Rs. 15 Billion (divided into 1,500 Million Ordinary Shares of Rs. 10/- each).

The matter was taken up with the GoP, for approval of the aforesaid increase. GoP in terms of Section 4 (1) of The NBP Ordinance 1949, has approved the increase upto Rs.10 Billion through Finance Division's Notification No. F.1(4) Bkg-III/2002 dated February 23, 2007.

Item No. 5:

i) DONATION OF NET SALE PROCEEDS AMOUNTING TO RS.854,156.49 OF 2,882 FRACTIONAL BONUS SHARES-2005 TO ONE OR MORE CHARITABLE TRUST(S) / WELFARE ASSOCIATION(S) OR ANY OTHER INSTITUTION ENGAGED IN THE WELFARE OF HUMAN BEING:

On the basis of operating results for the year ended December 31, 2005, the Bank's Board in its 141st meeting held on March 18, 2006 recommended payment of 25% Cash Dividend and 20% Bonus Shares to the Bank's shareholders, which was also approved by the Bank's shareholders in 57th AGM held on April 27, 2006...

Accordingly, Dividend Warrants and Bonus Shares were issued to the shareholders as per their entitlement. In this connection, 2,882 Bonus Shares, being fractional shares, could not be distributed to the shareholders. For disposal of these fractional 2,882 Bonus Shares, with the Board's approval dated February 10, 2007, a consolidated Share Certificate No. 070343 covering 2882 fractional bonus shares-2005, bearing distinctive No. 0709068414 to 0709071295 in the name of "Secretary (Board), NBP", was issued which was sold, through a member of KSE, Messrs Sherman Securities (Pvt.) Ltd., against net sale proceeds of Rs. 854,156.49.

On account of high cost of computer printing, post printing, distribution / postage and handling charges of the fractional coupons, the NBP Board in its 152nd meeting held on February 10, 2007 recommended that with the approval of the shareholders, the net sale proceeds of the fractional Bonus Shares-2005, be donated to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being.

In this connection, approval of shareholders is now being solicited for donating the net sale proceeds amounting to Rs. 854,156.49 of 2,882 fractional Bonus Shares - 2005, to one or more charitable trust(s) / Welfare Association(s) or any other institution / organization engaged in the welfare of human being, name of which will be approved by the President (NBP).

ii) TO RATIFY THE DECISIONS TAKEN BY THE BANK'S MANAGEMENT / BOARD FOR APPROVING THE DONATIONS AGGREGATING RS. 1,849,600/-:

a) Layton Rehmatulla Benevolent Trust (LRBT) is a nationwide network of 13 major eye hospitals established and working in all four provinces of Pakistan fighting the enormous problems of blindness

Statement under Section 160 of the Companies Ordinance, 1984

and eyesight. LRBT treats over one million patients a year free of charge. The Friends of LRBT organized a donors dinner on May 19, 2006. The President of Pakistan graced the occasion. Bank Al Habib, State Life, Brook Bond, Uniliver, Shell Pakistan, etc also participated by way of sponsorships and donations.

National Bank of Pakistan made a donation of Rs.1.000(M) for organizing the said donors dinner with the approval of the Operations Committee which was subsequently ratified by the Board of Directors in its 146th meeting held on July 1, 2006.

- b) A donation of Rs.499,600/- was made to Institute of Technology Pakistan Aeronautical Complex, Kamra for purchase of 5 P-IV computers and 2 printers with the approval of the Operations Committee which was subsequently ratified by the Board of Directors in its 139th meeting held on January 28, 2006.
- c) Auj International, Karachi is a General Magazine and covers various matters of public interest like interviews of prominent personalities, scientific features, educational surveys, etc. They wish to cover a number of other aspects of the Society. A donation of Rs.200,000/- was approved by the Bank's Management to the above Magazine which was ratified by the Board of Directors in its 152nd meeting held on February 10, 2007.
- d) Mr. Muhammad Rustam, uncle of Ms. Humaira, who was suffering from typhoid had appealed in the Daily News to Philanthropists for assistance. A Donation of Rs. 100,000/- was approved for the sick persons by the Bank's Management which was ratified by the Board of Directors in its 152nd meeting held on February 10, 2007.
- e) A donation of Rs.50,000/- was made in the name of "Shade Organization" for arranging matrimonial ceremony for destitute/orphan girls on 9-4-2006 at Sialkot. Managements' action for making the above donation was ratified by the Board in its 152nd meeting held on February 10, 2007.

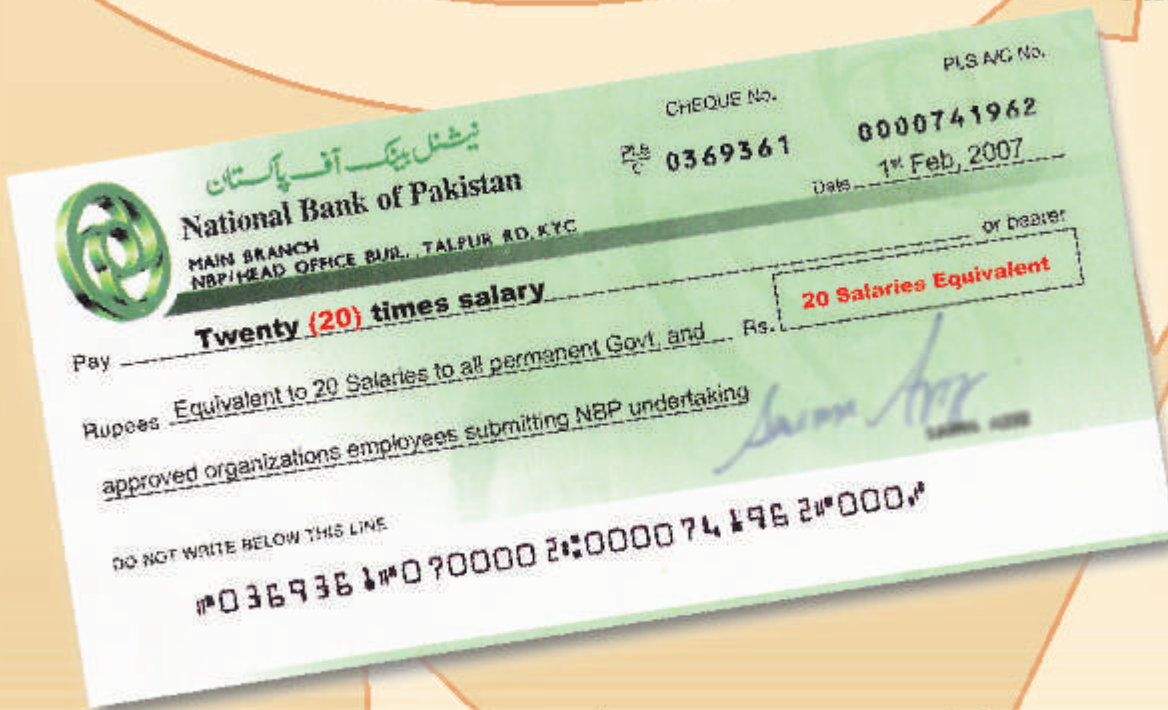
The matter is now being placed before the shareholders for ratification in terms of SBP, BPRD Circular No. 4 dated February 02, 2000.

There is no interest, directly or indirectly, of any of the directors of NBP except as a Director of the Bank, in the above mentioned items of Special Business.

Take upto
20 times
your
salary



NBP Advance Salary
Personal Loan



Personal Loan

- Take upto 20 times your take home salary
- Easy installments of 1 to 60 months, at your choice
- No minimum income requirement
- Quick processing and fastest disbursement

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Directors' Report

It gives me great pleasure to present on behalf of the Board of Directors, annual accounts of the bank for the year ended December 31, 2006.

Year 2006 has been an outstanding year with record profits. The bank's strong franchise and fundamental strength enabled exceptional results in a very competitive environment. The Pre-tax profit increased to Rs. 26.3 billion, an increase of 37% over last year. Earnings per share jumped by over 37% from Rs. 17.92 in 2005 to Rs. 24.01 in 2006. Pre-tax return on equity stood at 58%, pre-tax return on assets improved to 4.3% from 3.4% of the last year and cost to income ratio of 0.32 remained in the top tier.

NBP's growth is backed by our determination and core values to pursue the highest standards of integrity, institutionalizing team work and a merit culture, excellence in service and value creation for all stakeholders.

Increase in profit by over Rs. 7 billion was achieved through strong growth in core banking income. Interest income increased by Rs. 10 billion (30%) through a combination of growth in the loan portfolio across all sectors as well as increase in spreads. Dividend income also made a healthy contribution as it increased by Rs. 1,173 million over 2005. Advances increased by Rs. 51 billion due to impressive contribution by all business units. During the year the banks were faced with a generally tight liquidity position which led to aggressive competition for deposit mobilization at high rates. Deposits increased by Rs. 38 billion or 8% over last year. The bank's loan loss provision to non-performing loans stood at 82%.



CORPORATE BANKING

NBP further consolidated its position as one of the top players in corporate and investment banking market of the country in 2006 and has built a strong customer relationship with the premier corporate clients. In a challenging environment, NBP acted as lead advisor and arranger in landmark syndications, advisory and project financing transactions which substantially increased the loan book.

The Corporate and Investment Banking Group is structured to provide a focused and professional approach towards enhancing NBP's share of business within existing and more importantly new business from larger corporate customers. With an increasing focus towards products structured according to various market sectors, more emphasis is on relationship management and provision of high quality and responsive customer service. Group is responsible for corporate and



Directors' Report

investment banking, transaction structuring and tailor made solution for corporate customers and managing equity portfolios. NBP has a strong advantage with a substantial asset base, strong branch network and financial stability and is capitalizing on these for further growth. Strong economic outlook and continued growth within various industrial sectors present a strong outlook for growth in corporate lending. With an increase in interest rates, present growth within the corporate sector has slowed however future outlook on rates remains stable and therefore overall healthy growth is expected in corporate lending. NBP is focusing more on its trade business for increasing fee income.

RETAIL BANKING

Retail banking is aimed towards optimizing the use of existing delivery channels and developing alternate delivery channels for further business development and expanding accessibility options by enhancing customer convenience combined with large branch network. Retail business development strategy is based on a combination of customer driven and internal capacity building measures. The bank recognizes competitive pricing to be a key strength in the face of increasing competition. The bank capitalized on its largest customer base of deposits for cross selling of retail asset products and focus is being laid on service quality, turn around time, delivery channels and strengthening of internal systems. Continuous re-alignment of internal processes and innovation through excellence, training of resources and technology are considered the hallmarks for success in retail banking.

Retail banking further consolidated its position during the year. NBP advance salary product continued its success story and the customer base swelled to over 650,000. This growth has been achieved with minimum delinquencies.

The bank successfully established call center for effective client contact, tele-marketing for retail products and services and channels to optimize products and services delivery through customer centric architecture.

The bank has a deep rooted customer focus. NBP enjoys the largest Customer base in Pakistan. In the year under review the bank increased its deposits by Rs. 38 billion. NBP strategy is to maintain existing leadership position on the back of its brand image and strength and is focused on effective deposit mobilization with launch of more convenience based products and bundled offerings. The bank is focusing on increasing deposit share with the help of upgraded branch infrastructure, service quality and introduction of alternate delivery channels like improving existing ATM infrastructure and on-line banking. The bank has launched "Premium Saver Account" (PLS Saving Account) and Premium Amdani Certificate (Monthly Income Scheme Account) offering attractive rates to small depositors.

Customer Relationship continuity and cross selling



Branded products delivered through efficient delivery channels



SME LENDING

The overall potential within the sector is considered very attractive and with an increasing emphasis by both foreign and local banks towards this sector, overall growth is expected to be much higher than witnessed in the past. The bank's SME approach is geared towards changing customer needs with specialized market driven strategies, as well as strengthening internal systems and procedures for achieving operating efficiency.

The bank is re-aligning towards understanding SME business for better market penetration through existing products and offering new products structured according to the needs of various sectors having high growth potential. For the year under review, staff was imparted training by the Shore Bank USA, a US based bank on cash flow lending model and the model is being successfully implemented at selective branches.

MICRO CREDIT

In the last quarter of 2006 NBP launched "NBP Karobar" under the "President's Rozgar" scheme for increasing outreach in un-banked market segment. Planned disbursement of approximately PKR 105 BN is aimed at uplifting the lifestyle of approximately 2 MN potential customers in the span of 5 years. Overall NBP Karobar is expected to uplift the lifestyle of an expected 5.4 MN citizens of Pakistan including direct and indirect beneficiaries of this product. This product is broadly aimed to benefit the overall economy by employment creation on fast track and sustainable basis, accessibility to a better lifestyle, availability of low cost environment friendly transportation solution with larger and quicker outreach to remote areas and development of the telecommunication sector by promoting wireless local loop in remote areas.

AGRICULTURE

NBP is the largest agriculture lender in the banking sector and has been able to increase existing portfolio reflecting increasing market share and focused business development strategies based on capacity enhancement of farmers and non farm customers. Continued training of staff is being imparted for agriculture finance products. NBP aims to grow its share of advances in the agriculture market by offering price effective solutions which are focused towards value addition for customers, while remaining competitive as compared with peer banks. The bank's objective is to provide support to the farming customers through easy access to credit, technical knowledge, development of new products based on the unique requirements and provision of flexible repayment options to customers.

Creation of social and economic uplift through structured program for Micro-credit, Consumer, Agriculture, SME and Commercial Purposes



Expanding customer base through schemes structured to ensure accessibility to un-banked customers



Directors' Report

SPECIAL ASSETS MANAGEMENT

With the provision coverage of 82% we believe that non-performing loans can contribute substantially in the bank's profitability through future recoveries. Special Asset Management Group is primarily responsible for monitoring and settlement of non-performing loans (NPLs) portfolio and success was achieved in this area due to vigorous recovery efforts.

INTERNATIONAL OPERATIONS

Overseas operations focus on specific objectives for business development & growth in trade finance and remittance. The bank's international presence in Pakistan's major trading partners is a key asset enabling the bank to provide comprehensive financial services to its customers. The bank is pursuing strategic partnerships with indigenous correspondent banks where NBP does not have branches. NBP was granted license to open branch in Saudi Arabia which is expected to contribute in overall profitability of the bank on account of the large Pakistani community and outlook for tapping substantial trade Hajj and Umrah business from this region. In addition to the above NBP plans to start operations in Canada and India, and open more branches in Afghanistan, Central Asia and Bangladesh.

ISLAMIC BANKING

The bank opened its first Islamic banking branch in 2006 to tap the huge unmet demands of this segment. This is expected to attract new customers besides increasing revenue.

TREASURY MANAGEMENT

The Treasury Management Group provides solutions for financial transactions for institutional and large customers in addition to the role of leading money market player in the country. The bank is looking forward to launch new innovative products to increase revenue streams and product diversification. The bank was awarded "Best Foreign Exchange Bank - Pakistan" award for the year 2006 by the financial journal "Global Finance".

FINANCIAL INSTITUTION AND CASH MANAGEMENT

A dedicated Financial Institution and Cash Management Division has been set up to tab cash management and trade related business using pricing and efficient services through tailored products and services. The bank is focusing heavily on increase in market share in cash management services, offer new cash management solutions based on market trends and practices ,marketing of remittances and trade finance business , reduce service turn around time and improve overall service quality. The bank offers structured products for strengthening corresponding banks relationships and competitive solutions to other banks and cash management companies, including other business groups of NBP.

The bank successfully automated government collections and is giving top priority for improving the standards of service for the Government revenue collection.



Directors' Report

OPERATIONS

NBP is transforming its image and customer perception as a modern bank through branch renovation and re-location of old branches to more convenient and accessible locations. Brand recognition and awareness is the priority through the use of standard NBP signage at all NBP locations and standardization of all levels. The indigenous concept of 'putting a smile on our customer's face' is being introduced which targets customer convenience, while customer care remains the crux of this concept inculcating traits of courtesy. The concept further encompasses the staff with modern banking practices and solutions for coping with market competition through counseling and training.

INFORMATION TECHNOLOGY

Changing dynamics and future bank strategy requires IT to act as a service provider and strategic partner for the business units. IT system is being re-aligned and existing IT infrastructure is being upgraded to support effective and more efficient operations within the Bank. The bank is expanding its ATM network. Virtual Private Network has been set up and Network connectivity is being strengthened to ensure smooth functioning and data centralization.

HUMAN RESOURCE

The bank truly values its staff and the vital role they play in successful running of the bank. The bank gives special attention to attracting, developing and retaining good quality human resource. HR initiatives and strategy is aimed at competitive employee compensation, training need assessment and succession planning. Training has been given priority based on industry dynamics and changing customer needs. NBP is striving to become an employer of choice through improved HR policies and competitive remuneration.

Continuous development through skill set evaluation and training of resources



Cost rationalization for operating efficiency and profitability



Deliverance of social responsibilities in line with the vision, such as equal employment opportunity to physically challenged individuals, gender empowerment and sponsorship incentives to sporting events.



RISK MANAGEMENT

During the year the State Bank of Pakistan issued directives on the adoption of Capital Adequacy Standards under Basel II framework. These directives set out the new capital adequacy rules for calculating and maintaining the minimum capital requirements. The frame work is intended to strengthen risk management and market discipline and increase the soundness of the banking system. The bank has separate Risk Review Division positioned to meet the challenges posed by the new capital accord. Core policies and processes are designed based on regulatory framework, including guidelines issued by SBP.

Directors' Report

CREDIT RATING

Moody's maintained NBP's financial strength rating at D-reflecting the bank's important franchise and leading market share in Pakistan. JCR- VIS Credit Rating Company Limited has also maintained the bank's medium to long term standalone rating at AA+ with a stable outlook and has re-affirmed the bank's entity rating of AAA/ A-1+. The bank's rating is one of the highest in the sector.

SOCIAL RESPONSIBILITY

The bank has nurtured a strong commitment towards the community. The bank's sponsorship and participation in a variety of community activities are clear manifestation of discharging our responsibility as a good corporate citizen of Pakistan. Our efforts are a reflection of our commitment to our country and our responsibility to work for its welfare and advancement. NBP is also playing an active role for promoting sports in the country and sponsored many events during 2006.

Going forward the bank would pursue growth opportunities through catering to the new segments and offering new broader spectrum of products, diversifying customer base and deepening relationship with the clients. To position ourselves for future growth and continued success and

Optimum utilization of bank's strategic assets and entering into strategic business alliance and ventures.



realizing the bank's vision, the bank is transitioning into a modern bank geared to offer a competitive product mix, state of the art delivery channels, and superior service quality which envisages offering of new branded products delivered through efficient delivery channels, customer relationship continuity and cross selling, succession planning and business continuity, Optimizing branch network locally and internationally, expanding customer base through schemes structured to ensure accessibility to un-banked customers and creation of social and economic uplift through structured programs for all segments.

Optimizing branch network locally and internationally



CORPORATE AND FINANCIAL REPORTING FRAMEWORK (CODE OF CORPORATE GOVERNANCE)

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

- (a) The financial statements (Balance Sheet, Profit & Loss Account, Cash Flow Statement, Statement of Changes in Equity and notes forming part thereof), prepared by the management of the bank give the information in the manner so required and respectively give a true and fair view of the state of the bank's affairs as at December 31, 2006 and of the results of its operations, changes in equity and its cash flows for the year then ended.
- (b) Proper books of accounts have been maintained.

Directors' Report

- (c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on the reasonable and prudent judgement.
- (d) Approved accounting standards which comprise of such International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and departure there from, if any has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored throughout the year. The Board is responsible for establishing and maintaining the system of internal control in the bank and for its ongoing monitoring. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

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

- The Board has formed various committees comprising of non-executive directors. .
- Internal audit department of the bank conducts the audit of all branches, regions and groups at Head Office level on an ongoing basis to evaluate the efficiency and effectiveness of internal control system and proper follow up of irregularities and control weaknesses is carried out.
- The Board receives confirmations / representations from all groups and regional heads on annual basis confirming effectiveness of the internal control system established and maintained by them within their function.

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

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

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

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

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

Syed Ali Raza	12
Dr. Waqar Masood Khan	11
Mr. Iftikhar Ali Malik	8
Syed Shafqat Ali Shah Jamote	8
Mr. Sikandar Hayat Jamali	8
Mr. Muhammad Khalid Malik	6
Mr. M. Zubair Motiwala	9
Mr. Azam Faruque	9

Directors' Report

- (j) Value of investments of Employees' Pension Fund and Employees Provident Fund as at December 31, 2006 (un-audited) was as follows:

	<i>Rs. in thousand</i>
Employees Pension Fund	17,333,982
Employees Provident Fund	7,397,487

PATTERN OF SHARE HOLDING

The pattern of share holding as at December 31, 2006 is annexed with the report.

EARNINGS PER SHARE

After-tax earnings per share for the year 2006 is Rs.24.01.

APPOINTMENT OF AUDITORS

The Board of Directors on the recommendation of Audit Committee has recommended name of Messers Ford Rhodes Sidat Hyder & Co. Chartered Accountants and M. Yousuf Adil Saleem & Co. Chartered Accountants as statutory auditors for the year ending December 31, 2007. Both the firms being eligible offer themselves for reappointment.

RISK MANAGEMENT FRAMEWORK

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

REPORTING OF INTERNAL CONTROL SYSTEM

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

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

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

Qualitative improvement in systems and controls



EVALUATION OF INTERNAL CONTROL

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

For the year 2005 the bank has made its best efforts to ensure that an effective Internal Control System continues to perform in letter and spirit. The observation made by the external and internal auditors are reviewed and measures are taken by the management to address the Internal Control.

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

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

On behalf of the Board of Directors

S. Ali Raza
Chairman & President

Date: February 24, 2007

Statement of Compliance with Code of Corporate Governance

(for the year ended December 31, 2006)

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

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

1. The Board of Directors of the Bank is appointed by the Government of Pakistan (GoP) as per the provisions of the Banks' (Nationalization) Act 1974. At present all the Directors (except for the President / Chief Executive who is also the Chairman of the Board) are independent non-executive Directors. However, as regards appointment of Directors representing Minority Shareholders as required by the Code, the Government has already made amendment in the Banks Nationalization Act, 1974.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed Companies including the Bank.
3. All the Directors of the Bank are registered as Tax Payers and none of them has defaulted in payment of any loan to Banking Company, a DFI or an NBFIs or being a member of Stock Exchange, has been declared as defaulter by that Stock Exchange.
4. No casual vacancy on the Board occurred during the year.
5. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
6. The Bank has prepared 'Statement of Ethics and Business Practices' which is already approved by the Board of Directors.
7. The Board has approved the Vision, Mission, Core Values and NBP Strategic Plan 2007-2011.
8. The Bank has comprehensive frame work of written policies and procedures on all major areas of operations such as Credit, Treasury Operations, Finance, Internal Audit and Compliance etc. while many of these policies have been approved by the Board and are being constantly reviewed.
9. There exists in the Bank a framework defining the limit of the authority of various management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
10. All the Powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
11. The meetings of Board of Directors were presided over by the Chairman. Board met 12 times during the year. Written notices of the board meetings, alongwith agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded.
12. The Bank held orientation course for the directors in January 2005.
13. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board.
14. The Director's Report for the year has been prepared in compliance with the Code and fully describes the salient matters described in the Annual Report.
15. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
16. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank except as mentioned in the report.



Statement of Compliance with Code of Corporate Governance

(for the year ended December 31, 2006)

17. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code.
18. The Board has formed an Audit Committee comprising of three Non-Executive Directors.
19. The Meetings of Audit Committee were held 8 times including meetings held prior to the approval of Interim and Final Results as required by the Code. The terms of reference of the committee have been framed and advised to the Committee for compliance.
20. The Board has setup an effective Internal audit function. All the Branches, Regions and Groups are subjected to Audit. All the Internal Audit Reports are accessible to the Audit Committee and important points arising out of audit are reviewed by the Audit Committee and important points requiring Board's attention are brought into their notice.
21. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the institute of Chartered Accountants of Pakistan, that they or any of partners of the firms, their spouses and minor children do not hold Shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFA) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFA guidelines in this regard.
23. We confirm that all other material principles contained in the code have been complied.

On behalf of the Board of Directors.

S. Ali Raza
Chairman & President

Dated: February 24, 2007

Auditors' Review Report to the Members

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance in all material respects, with the best practice contained in the Code as applicable to the Bank for the year ended December 31, 2006.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

Date: February 24, 2007

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of National Bank of Pakistan (the bank) as at December 31, 2006 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 the sixty branches which have been audited by us and fourteen branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose 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. The financial statements of the bank for the year ended December 31, 2005 were audited by Ford Rhodes Sidat Hyder & Co, Chartered Accountant, and KPMG Taseer Hadi & Co. Chartered Accountants, whose report dated March 18, 2006 expressed an unqualified opinion thereon.

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

- (a) in our opinion proper books of account have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes stated in note 5.1 with which we concur.
 - (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 affair as at December 31, 2006 and its true balance of the profit, changes in equity and its 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.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants
Karachi

Dated: February 24, 2007

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Karachi

Open the door to your dream **Home**



NBP Saibaan
Home Financing



Home Financing

- Home Purchase.
- Home Construction.
- Balance Transfer Facility (BTF).
- Home Renovation.
- Purchase of Land + Construction.

NBP-Vision you can Trust



NBP

National Bank of Pakistan

*The Nation's
Bank*



FINANCIAL STATEMENTS - 2006

Balance Sheet

(as at December 31, 2006)

2005 (Restated)	2006		Note	2006	2005 (Restated)
US Dollar in '000				Rupees in '000	
ASSETS					
1,169,272	1,291,267	Cash and balances with treasury banks	6	78,625,227	71,196,956
509,432	667,461	Balances with other banks	7	40,641,679	31,019,330
267,416	377,939	Lendings to financial institutions	8	23,012,732	16,282,942
2,578,180	2,298,358	Investments	9	139,946,995	156,985,378
4,415,154	5,191,498	Advances	10	316,110,406	268,838,779
155,270	159,008	Operating fixed assets	11	9,681,974	9,454,365
-	-	Deferred tax assets		-	-
393,185	445,290	Other assets	12	27,113,698	23,941,056
9,487,909	10,430,821			635,132,711	577,718,806
LIABILITIES					
28,595	174,177	Bills payable	13	10,605,663	1,741,156
143,814	192,217	Borrowings	14	11,704,079	8,756,847
7,610,882	8,242,277	Deposits and other accounts	15	501,872,243	463,426,602
-	-	Sub-ordinated loans		-	-
273	217	Liabilities against assets subject to finance lease	16	13,235	16,629
73,291	39,203	Deferred tax liabilities	17	2,387,073	4,462,718
385,891	436,793	Other liabilities	18	26,596,300	23,496,910
8,242,746	9,084,884			553,178,593	501,900,862
<u>1,245,163</u>	<u>1,345,937</u>			<u>81,954,118</u>	<u>75,817,944</u>
NET ASSETS					
REPRESENTED BY					
97,043	116,451	Share capital	19	7,090,712	5,908,927
202,895	227,940	Reserves		13,879,260	12,354,256
318,156	526,764	Unappropriated profit		32,074,677	19,372,523
618,094	871,155			53,044,649	37,635,706
627,069	474,782	Surplus on revaluation of assets	20	28,909,469	38,182,238
<u>1,245,163</u>	<u>1,345,937</u>			<u>81,954,118</u>	<u>75,817,944</u>
CONTINGENCIES AND COMMITMENTS 21					

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Profit and Loss Account

(for the year ended December 31, 2006)

2005 (Restated)	2006		Note	2006	2005 (Restated)
US Dollar in '000				Rupees in '000	
553,337	719,143	Mark-up/return/interest earned	23	43,788,628	33,692,665
169,515	223,927	Mark-up/return/interest expensed	24	13,634,912	10,321,768
383,822	495,216	Net mark-up/ interest income		30,153,716	23,370,897
40,183	50,513	Provision against non-performing loans and advances	10.3	3,075,723	2,446,739
(4,038)	(11,652)	Provision for diminution in the value of investments	9.12	(709,461)	(245,881)
379	87	Bad debts written off directly	10.5	5,284	23,069
36,524	38,948			2,371,546	2,223,927
347,298	456,268	Net mark-up/ interest income after provisions		27,782,170	21,146,970
		NON MARK-UP/INTEREST INCOME			
80,910	100,914	Fee, commission and brokerage income		6,144,628	4,926,604
28,223	47,491	Dividend income		2,891,755	1,718,478
19,800	21,906	Income from dealing in foreign currencies	25	1,333,840	1,205,638
22,430	19,207	Gain on sale of securities	26	1,169,515	1,365,771
-	-	Unrealized loss on revaluation of investments classified as held for trading	9.14	(4,464)	(1,979)
(33)	(73)	Other income	27	627,618	177,839
2,921	10,307	Total non-markup/interest income		12,162,892	9,392,351
154,251	199,752			39,945,062	30,539,321
501,549	656,020				
		NON MARK-UP/INTEREST EXPENSES			
184,296	220,782	Administrative expenses	28	13,443,441	11,221,789
3,257	(284)	Other (reversals) / provisions / write offs		(17,283)	198,298
1,038	3,421	Other charges	29	208,327	63,206
188,591	223,919	Total non-markup/interest expenses		13,634,485	11,483,293
312,958	432,101			26,310,577	19,056,028
-	-	Extra ordinary/unusual items		-	-
312,958	432,101	Profit Before Taxation		26,310,577	19,056,028
117,491	142,808	Taxation - Current		8,695,598	7,154,002
(18,044)	8,715	- Prior year(s)		530,652	(1,098,709)
4,784	1,018	- Deferred		61,981	291,291
104,231	152,541		30	9,288,231	6,346,584
208,727	279,560	Profit After Taxation		17,022,346	12,709,444
178,768	318,156	Unappropriated profit brought forward		19,372,523	10,885,184
387,495	597,716	Profit available for appropriation		36,394,869	23,594,628
0.29	0.39	Basic Earnings per share (Rupees)	31	24.01	17.92
0.29	0.39	Diluted Earnings per share (Rupees)	32	24.01	17.92

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Cash Flow Statement

(for the year ended December 31, 2006)

2005	2006		Note	2006	2005
US Dollar in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
312,958	432,100	Profit before taxation		26,310,577	19,056,028
<u>(28,223)</u>	<u>(47,491)</u>	Less: Dividend income		<u>(2,891,755)</u>	<u>(1,718,478)</u>
284,735	384,609			23,418,822	17,337,550
Adjustments:					
9,286	7,962	Depreciation		484,810	565,398
34	30	Amortization		1,824	2,040
40,183	50,513	Provision against non-performing advances		3,075,723	2,446,739
<u>(4,038)</u>	<u>(11,652)</u>	Provision for diminution in the value of investments		<u>(709,461)</u>	<u>(245,881)</u>
(294)	(137)	Gain on sale of fixed assets		(8,350)	(17,922)
36	30	Financial charges on leased assets		1,830	2,216
379	87	Bad debts written off directly		5,284	23,069
(470)	-	Reversal for voluntary handshake scheme		-	(28,635)
3,257	(284)	Other(reversals) / provisions		(17,283)	198,298
<u>48,373</u>	<u>46,549</u>			<u>2,834,377</u>	<u>2,945,322</u>
333,108	431,158			26,253,199	20,282,872
(Increase)/decrease in operating assets					
(94,788)	(110,524)	Lendings to financial institutions		(6,729,790)	(5,771,620)
4,583	(2,357)	Held-for-trading securities		(143,532)	279,072
<u>(829,603)</u>	<u>(826,944)</u>	Advances		<u>(50,352,634)</u>	<u>(50,514,512)</u>
(49,821)	(62,804)	Other assets		(3,824,108)	(3,033,624)
(969,629)	(1,002,629)			(61,050,064)	(59,040,684)
Increase/(decrease) in operating liabilities					
(89,892)	145,582	Bills payable		8,864,507	(5,473,515)
(28,327)	51,342	Borrowings		3,126,198	(1,724,818)
(35,229)	631,395	Deposits		38,445,641	(2,145,115)
19,165	50,858	Other liabilities (excluding current taxation)		3,096,763	1,166,962
<u>(134,283)</u>	<u>879,177</u>			<u>53,533,109</u>	<u>(8,176,486)</u>
(131,704)	(140,540)	Income tax paid		(8,557,501)	(8,019,454)
445	-	Voluntary handshake scheme cost received		-	27,106
(36)	(30)	Financial charges paid		(1,830)	(2,216)
<u>(131,295)</u>	<u>(140,570)</u>			<u>(8,559,331)</u>	<u>(7,994,564)</u>
(902,099)	167,136			10,176,913	(54,928,862)
Net cash from / (used in) operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
101,652	142,086	Net investments in available-for-sale securities		8,651,609	6,189,586
118,132	(34,358)	Net investments in held-to-maturity securities		(2,092,069)	7,193,074
28,223	47,491	Dividend income received		2,891,755	1,718,478
<u>(13,211)</u>	<u>(11,746)</u>	Investment in operating fixed assets		<u>(715,215)</u>	<u>(804,423)</u>
(488)	(616)	Investment in subsidiaries, associates and joint ventures		(37,499)	(29,705)
392	219	Sale proceeds of property and equipment disposed off		13,342	23,861
<u>234,700</u>	<u>143,076</u>			<u>8,711,923</u>	<u>14,290,871</u>
(667,399)	310,212				
CASH FLOWS FROM FINANCING ACTIVITIES					
(341)	(122)	Payments of lease obligations		(7,414)	(20,779)
<u>(12,096)</u>	<u>(24,218)</u>	Dividend paid		<u>(1,474,605)</u>	<u>(736,529)</u>
(12,437)	(24,340)			(1,482,019)	(757,308)
(275)	(2,911)	Effects of exchange rate changes on cash and cash equivalents		(177,231)	(16,726)
<u>(680,111)</u>	<u>282,961</u>	Increase / (decrease) in cash and cash equivalents		<u>17,229,586</u>	<u>(41,412,025)</u>
2,348,423	1,668,312	Cash and cash equivalents at beginning of the year	33	101,583,535	142,995,560
<u>1,668,312</u>	<u>1,951,273</u>	Cash and cash equivalents at end of the year	33	<u>118,813,121</u>	<u>101,583,535</u>

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Statement of changes in Equity

(for the year ended December 31, 2006)

	Reserves						Total Profit
	Share Capital	Exchange equalisation	Issue of bonus shares	Capital	Statutory	Revenue	
				General	Unappropriated		
(Rupees in '000)							
Balance as at January 1, 2005 as previously reported	4,924,106	3,874,481	984,821	5,738,973	521,338	9,213,565	25,257,284
Effect of change in accounting policy (*)	-	(305,699)	-	-	-	(51,818)	(357,517)
Effect of change in accounting policy (refer to note 5.1)	-	-	(984,821)	-	-	984,821	-
Transfer to reserve for issue of bonus shares	-	-	-	-	-	738,616	738,616
Proposed cash dividend	-	-	-	-	-	1,723,437	738,616
Balance as at January 1, 2005 (restated)	4,924,106	3,568,782	-	5,738,973	521,338	10,885,184	25,638,383
Exchange adjustments on revaluation of capital of foreign branches	-	(16,726)	-	-	-	-	(16,726)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	43,221	43,221
Net income recognised directly in equity	-	(16,726)	-	-	-	43,221	26,495
Profit after taxation for the year ended December 31, 2005	-	-	-	-	-	12,709,444	12,709,444
Total recognised income and expense for the period	-	(16,726)	-	-	-	12,752,665	12,735,939
Issue of bonus shares 20%	984,821	-	-	-	-	(984,821)	-
Cash dividend (Rs.1.5 per share)	-	-	-	-	-	(738,616)	(738,616)
Transfer to statutory reserve	-	-	-	2,541,889	-	(2,541,889)	-
Balance as at December 31, 2005 (restated)	5,908,927	3,552,056	-	8,280,862	521,338	19,372,523	37,635,706
Balance as at January 1, 2006 as previously reported	5,908,927	3,552,056	1,181,785	8,280,862	521,338	16,713,506	36,158,474
Effect of change in accounting policy (refer to note 5.1)	-	-	(1,181,785)	-	-	1,181,785	-
Transfer to reserve for issue of bonus shares	-	-	-	-	-	1,477,232	1,477,232
Proposed cash dividend	-	-	(1,181,785)	-	-	2,659,017	1,477,232
Balance as at January 1, 2006 (restated)	5,908,927	3,552,056	-	8,280,862	521,338	19,372,523	37,635,706
Exchange adjustments on revaluation of capital of foreign branches	-	321,265	-	-	-	-	321,265
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	41,060	41,060
Net income recognised directly in equity	-	(177,231)	-	-	-	41,060	(136,171)
Profit after taxation for the year ended December 31, 2006	-	-	-	-	-	17,022,346	17,022,346
Total recognised income and expense for the period	-	(177,231)	-	-	-	17,063,406	16,886,175
Issue of bonus shares 20%	1,181,785	-	-	-	-	(1,181,785)	-
Cash dividend (Rs.2.5 per share)	-	-	-	-	-	(1,477,232)	(1,477,232)
Transfer to statutory reserve	-	-	-	1,702,235	-	(1,702,235)	-
Balance as at December 31, 2006	7,090,712	3,374,825	-	9,983,097	521,338	32,074,677	53,044,649

* During 2005, the bank had changed its accounting policy in respect of accounting for investment in joint venture company. Previously the investment was accounted for under the equity method which has now been stated at cost as required by the revised IAS 31 "Investment in Joint Venture" and IAS 27 "Consolidated and Separate Financial Statements" effective for financial periods beginning on or after January 1, 2005. This change in accounting policy had been accounted for retrospectively in accordance with IAS - 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Notes to the Financial Statements

(for the year ended December 31, 2006)

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,232 (2005: 1,224) branches in Pakistan and 18 (2005: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Separate financial statements

These financial statements are separate financial statements of the bank in which the investments are accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investees. Upto last year the Securities and Exchange Commission of Pakistan (SECP) had granted an exemption to the bank under sub-section (8) of section 237 of the Companies Ordinance, 1984 from the application of sub sections (1) to sub-section (7) of section 237 of the Companies Ordinance, 1984 in respect of preparation of consolidated financial statements. However, from this year the investments are being accounted for on the basis of reported results and net assets of the investees in the consolidated financial statements of the bank and its subsidiary companies.

US Dollar equivalent

The US Dollar amounts shown on the balance sheet, profit and loss account and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs.60.89 to one US Dollar has been used for both 2006 and 2005 as it was the prevalent rate as on December 31, 2006.

3. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with the directives issued by the State Bank of Pakistan, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 or directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the requirements of the said directives take precedence.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property", The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standard has been deferred by SBP, vide BSD circular number 10 dated August 26, 2002, for banks in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circular issued by SBP.

Notes to the Financial Statements

(for the year ended December 31, 2006)

4. BASIS OF MEASUREMENT

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

The preparation of financial statements in conformity with approved accounting standards and statutory requirements require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying 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 below:

4.1 Accounting estimates and judgments

a. Provision against non performing loans and advances

The bank reviews its loan portfolio to assess amount of non performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of prudential regulations are considered. The estimates of forced sale values are supported by independent valuations of the assets mortgaged/ pledged.

Last year the management based on a review of the bank's portfolio of branches affected by the earthquake and the security there against had made an estimated general provision of Rs.450 million. During 2006 no further damages were reported therefore management, based on its review of this portfolio, considers no further provision to be made against the portfolio and provision required as at December 31, 2006 is Rs. 332 million.

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations. The data about historical experience is being accumulated.

b. Fair value of derivatives

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

c. Impairment of available for-sale equity investments

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

d. Held-to-maturity investments

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

e. Income taxes

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

f. Pension / Gratuity

The cost of the defined benefit pension/gratuity plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

During the year the Institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated June 19, 2006 which requires that all declarations of dividend to holders of equity instruments including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date should not be recognised as liabilities or appropriations of profit at the balance sheet date. Previously all declarations of dividends to holder of equity instruments and transfer to reserve relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated. The change in accounting policy has been reflected in statement of changes in equity.

The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the IAS - 8 "Accounting Policies, changes in Accounting Estimate and Error". Had there been no change in accounting policy, the unappropriated profit brought forward would have been lower by Rs. 2,659 million (2005: Rs. 1,723 million) and the liability for proposed dividend and reserve for bonus issue would have been higher by Rs. 1,477 million (2005: Rs. 738 million) and Rs. 1,182 million (2005: Rs. 985 million) respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in equity. The change in accounting policy has not resulted in any change in the net profit for the current year.

5.2 Standard, interpretation and amendment to published approved accounting standards that are not yet effective

(i) IAS -1,	"Presentation of Financial Statements" - Capital Disclosures	effective from January 1, 2007
(ii) IFRIC 11, IFRS 2	"Group Treasury Share Transactions"	effective from March 1, 2007
(iii) IFRIC 12,	"Service Concession Arrangements"	effective from January 1, 2009

Adoption of the above amendment / interpretations may only impact the extent of disclosures presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by International Accounting Standard Board. Out of these following four IFRSs have been adopted by SECP vide its S.R.O. (I)/2006 dated December 06, 2006.

- (i) IFRS-2 "Share-based Payments";
- (ii) IFRS-3 "Business Combinations";
- (iii) IFRS-5 "Non-current Asset Held for Sale and Discontinued Operations"; and
- (iv) IFRS-6 "Exploration for and Evaluation of Mineral Resources".

The bank expects that the adoption of the pronouncements mentioned above will have no significant impact on the bank's financial statements in the period of initial application.

5.3 Cash and cash equivalents

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

5.4 Investments

All investments acquired by the bank are initially recognized at cost, being the fair value of consideration given including acquisition cost.

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

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

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

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

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

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

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

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

5.5 Repurchase and resale agreements

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

5.6 Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts, equity futures and interest rate swaps. These are initially recognized at fair value and subsequently remeasured at fair value. Fair value is calculated by reference to quoted market price. In the event of non-availability of market prices, discounted cash flow model is used to determine the fair value. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.7 Trade date accounting

All regular way purchases/sales of investment are recognised on the trade date, i.e., the date the bank commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within three days after the transaction date as required by stock exchange regulations.

5.8 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the bank becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

5.9 Advances

Advances are stated net of provisions for non-performing advances. Provision is made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Provision in respect of overseas branches are made in accordance with the respective central bank's requirements. Advances are written off where there are no realistic prospects of recovery.

In respect of advances of former Mehran Bank Limited (MBL) amalgamated with the bank, the provision is calculated in line with the guiding principles of the amalgamation deed (the Deed), whereby the bank shall not suffer any loss as a direct consequence of amalgamation. Considering the guideline of the Deed, the funded credits are provided on the basis of security shortfall and the provision is made against unfunded credits to the extent of subsequent cash payments made against them on the basis of shortfall in the value of security.

5.10 Operating fixed assets and depreciation

Property and equipment

Owned assets

Fixed assets except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing limit to executives, which are depreciated on straight-line method at the rates stated in note 11.2. From 2005 the bank had changed its accounting estimate for charging depreciation. Depreciation is now charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

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

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to the related assets is transferred to retained earnings (net of deferred tax).

Leased assets

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

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.4.

Capital work in progress

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

Impairment

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

5.11 Taxation

Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operation, as applicable to the respective jurisdictions. The charge for the current tax in consolidated financial statements using prevailing tax rates or tax rate expected to apply to the profits for the year at enacted rate or minimum tax at the rate of 0.5% of turnover whichever is higher. The charge for the current tax also includes adjustments wherever considered necessary relating to the prior year, arising from assessments framed during the year.

Deferred

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

Deferred income tax liabilities are not recognised in respect of taxable temporary differences associated with interests in joint ventures and branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

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

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

5.12 Staff retirement benefit - Defined benefits plan

Pension scheme

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

Employees' compensated absences

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

Post retirement medical benefits

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

Benevolent scheme

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

Gratuity scheme

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

5.13 Revenue recognition

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

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

5.14 Foreign currencies translation

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies including assets/liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Forward exchange contracts are valued at rates applicable to their respective maturities.

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

Items included in the financial statements of the bank's foreign branches are measured using the currency of the primary economic environment in which the bank operates (the functional currency). The bank's financial statements are presented in Pak Rupees (Rs.) which is the bank's functional and presentation currency.

5.15 Provision for off balance sheet obligations

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

5.16 Off setting

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

5.17 Fiduciary assets

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

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2006 Rupees in '000	2005
In hand			
Local currency		4,997,687	5,001,742
Foreign currency		1,316,993	1,399,704
		6,314,680	6,401,446
With State Bank of Pakistan in			
Local currency current account	6.1	34,314,011	23,811,220
Local currency deposit account		29	29
		34,314,040	23,811,249
Foreign currency current account	6.2	1,192,907	1,358,494
Foreign currency deposit account	6.2	3,578,722	4,075,481
Foreign currency collection account		193,307	1,432,952
Foreign currency placement account	6.3	30,442,750	29,898,000
		35,407,686	36,764,927
With other central banks in			
Foreign currency current accounts	6.4	1,438,942	3,359,859
Foreign currency deposit accounts	6.5	1,149,879	859,475
		2,588,821	4,219,334
		78,625,227	71,196,956

Notes to the Financial Statements

(for the year ended December 31, 2006)

- 6.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 6.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the State Bank of Pakistan.
- 6.3** This represents US Dollar placements and carry interest at the rate of 6.71% to 7.46% per annum (2005: 5.31% to 6.53%) with maturity within six months.
- 6.4** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements.
- 6.5** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry mark-up at the rate of 4.5% to 5.05% per annum (2005: 3.63%).

7. BALANCES WITH OTHER BANKS

	Note	2006	2005
		Rupees in '000	
In Pakistan			
On deposit account		100,600	1,600
Outside Pakistan			
On current accounts		979,068	2,950,407
On deposit accounts	7.1	39,562,011	28,067,323
		40,541,079	31,017,730
		<u>40,641,679</u>	<u>31,019,330</u>

- 7.1** These include various deposits with correspondent banks and carry mark-up rates ranging from 0.015% to 8% per annum (2005: 0.005% to 7% per annum).

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	8,014,000	6,204,000
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	14,998,732	10,078,942
	8.1	<u>23,012,732</u>	<u>16,282,942</u>

8.1 Particulars of lendings

In local currency	23,012,732	16,282,942
In foreign currencies	-	-
	<u>23,012,732</u>	<u>16,282,942</u>

- 8.2** These carry mark-up at rates ranging from 10.05% to 11.25% per annum (2005: 7.75% to 9.75% per annum).

- 8.3** These carry mark-up at rates ranging from 8.5% to 9.4% per annum (2005: 7.0% to 8.65% per annum).

Notes to the Financial Statements

(for the year ended December 31, 2006)

8.3.1 Securities held as collateral against lendings to financial institutions

	2006			2005		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Market Treasury Bills	11,363,732	-	11,363,732	6,753,942	-	6,753,942
Pakistan Investment Bonds	3,635,000	-	3,635,000	3,325,000	-	3,325,000
	<u>14,998,732</u>	<u>-</u>	<u>14,998,732</u>	<u>10,078,942</u>	<u>-</u>	<u>10,078,942</u>

8.4 Market value of the securities under repurchase agreement lendings amount to Rs.14,868 million (2005: Rs.10,276 million).

9. INVESTMENTS

9.1 Investments by Type:

	Note	2006			2005		
		Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
		----- Rupees in '000 -----			----- Rupees in '000 -----		
Held-for-trading securities							
Ordinary shares of listed companies		332,573	-	332,573	183,575	-	183,575
Available-for-sale securities							
Ordinary shares of listed companies		1,426,566	-	1,426,566	1,232,605	-	1,232,605
Ordinary shares of unlisted companies		331,641	-	331,641	433,864	-	433,864
		<u>1,758,207</u>	<u>-</u>	<u>1,758,207</u>	<u>1,666,469</u>	<u>-</u>	<u>1,666,469</u>
Market Treasury Bills		50,524,649	381,964	50,906,613	54,238,995	2,845,789	57,084,784
Preference shares		368,184	-	368,184	433,500	-	433,500
Pakistan Investment Bonds		2,982,973	-	2,982,973	7,703,215	-	7,703,215
Federal Investment Bonds		940,000	-	940,000	1,142,465	-	1,142,465
Term Finance Certificates		7,959,446	-	7,959,446	6,547,321	-	6,547,321
Investments in mutual funds		1,027,881	-	1,027,881	593,611	-	593,611
Investment outside Pakistan		463,295	-	463,295	463,295	-	463,295
National Investment Trust Units		5,667,018	-	5,667,018	5,060,656	-	5,060,656
		<u>71,691,653</u>	<u>381,964</u>	<u>72,073,617</u>	<u>77,849,527</u>	<u>2,845,789</u>	<u>80,695,316</u>
Total Available-for-sale securities							
Held-to-maturity securities							
Government Compensation Bonds		2,331,182	-	2,331,182	2,477,200	-	2,477,200
Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds		11,843,279	-	11,843,279	11,997,747	-	11,997,747
GoP Foreign Currency Bonds		10,445,224	-	10,445,224	9,457,014	-	9,457,014
Foreign Government Securities		5,618,324	-	5,618,324	5,981,940	-	5,981,940
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates	9.7	4,595,982	-	4,595,982	6,000,021	-	6,000,021
Certificates of investment	9.16	3,172,000	-	3,172,000	-	-	-
		<u>38,042,504</u>	<u>-</u>	<u>38,042,504</u>	<u>35,950,435</u>	<u>-</u>	<u>35,950,435</u>
Total held-to-maturity securities	9.3						
Investments in associates	9.9	979,864	-	979,864	1,014,869	-	1,014,869
Investments in joint ventures	9.10	1,312,335	-	1,312,335	1,274,835	-	1,274,835
Investments in subsidiaries	9.11	1,352,458	-	1,352,458	1,352,458	-	1,352,458
		<u>113,711,387</u>	<u>381,964</u>	<u>114,093,351</u>	<u>117,625,699</u>	<u>2,845,789</u>	<u>120,471,488</u>
Total Investments at cost							
Less: Provision for diminution in value of Investments	9.12.1	(1,253,429)	-	(1,253,429)	(1,965,003)	-	(1,965,003)
		<u>112,457,958</u>	<u>381,964</u>	<u>112,839,922</u>	<u>115,660,696</u>	<u>2,845,789</u>	<u>118,506,485</u>
Investments (net of provisions)							
Deficit on revaluation of Held-for-trading securities	9.14	(4,464)	-	(4,464)	(1,979)	-	(1,979)
Surplus on revaluation of Available-for-sale securities	20.2	27,111,716	(179)	27,111,537	38,480,872	-	38,480,872
		<u>139,565,210</u>	<u>381,785</u>	<u>139,946,995</u>	<u>154,139,589</u>	<u>2,845,789</u>	<u>156,985,378</u>
Total investments at market value							

Notes to the Financial Statements

(for the year ended December 31, 2006)

9.2 Investments by segment	Note	2006 Rupees in '000	2005
Federal Government Securities			
Market Treasury Bills		50,906,613	57,084,784
Pakistan Investment Bonds	9.4	14,826,252	19,700,962
Federal Investment Bonds	9.5	940,000	1,142,465
- Government Compensation Bonds	9.15	2,331,182	2,477,200
- GoP Foreign Currency Bonds		10,445,224	9,457,014
		12,776,406	11,934,214
		79,449,271	89,862,425
Provincial Government Securities			
Foreign Government Securities			
		36,513	36,513
		5,618,324	5,981,940
Fully Paid up Ordinary Shares			
- Listed Companies	9.15	1,759,139	1,416,180
- Unlisted Companies	9.15	331,641	433,864
		2,090,780	1,850,044
Investments in mutual funds			
National Investment Trust Units	9.15	1,027,881	593,611
Preference Shares	9.6	5,667,018	5,060,656
Certificates of Investment	9.15	368,184	433,500
	9.16	3,172,000	-
Debentures, Bonds, Participation Term Certificate and Term Finance Certificates			
- Listed	9.15	953,729	551,615
- Unlisted	9.7 & 9.15	11,601,699	11,995,727
		12,555,428	12,547,342
Investments outside Pakistan	9.8	463,295	463,295
Investments in Associates	9.9	979,864	1,014,869
Investments in Joint Ventures	9.10	1,312,335	1,274,835
Investments in Subsidiaries	9.11	1,352,458	1,352,458
Total Investments at cost		114,093,351	120,471,488
Less: Provision for diminution in value of investments	9.12.1	(1,253,429)	(1,965,003)
Investments (Net of Provisions)		112,839,922	118,506,485
Deficit on revaluation of Held-for-trading securities	9.14	(4,464)	(1,979)
Surplus on revaluation of Available-for-sale securities	20.2	27,111,537	38,480,872
Total investments at market value		139,946,995	156,985,378

Notes to the Financial Statements

(for the year ended December 31, 2006)

- 9.3** Market value of held-to-maturity investments is Rs.36,032 million (2005: Rs.33,358 million).
- 9.4** These include Pakistan Investment Bonds amounting to Rs.75 million (2005: Rs.75 million) against demand loans and TT/DD discounting facilities.
- 9.5** These include Federal Investment Bonds amounting to Rs.940 million (2005: Rs.940 million) provided to payoff liabilities relating to former Mehran Bank Limited.

9.6 NIT Units

Includes 365,284,216 NIT units in respect of which Government of Pakistan (GoP) issued a letter of comfort (LoC) dated June 20, 2006 stating that on bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit. During 2005 on the directives of MoF, the bank acquired 5,542,620 units from small sized LoC holders for a sum of Rs.205.077 million. In accordance with SBP's concurrence vide their letter no. BSD/SU-15/503/1504/2005 dated March 16, 2005 these units have been valued at market value (repurchase price) aggregating to Rs.16,632 million (2005: Rs.18,684 million). Also, during 2005, the Privatisation Commission of the GoP offered all the NIT LoC holders, including the bank, the following two options under the scheme of Privatisation of the Trust:

- (a) right to manage the fund represented by the respective LoC holder's portion of the assets / shares and pay for the management rights as per the terms contained in the "Scheme" (scheme for the split-sell and settlement of NIT under GoP's privatisation campaign); or
- (b) the LoC holder's holding of NIT Units would continue to be managed by NIT as part of a separate split fund.

The bank has conveyed its concurrence to option (a).

9.6.1 Rating of NIT mutual fund is 4 Star by PACRA.

- 9.7** Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.705 million (2005: Rs.741 million) which are considered non-performing.

9.8 Bank Al-Jazira

The bank holds 6,562,500 (2005: 875,000) shares in Bank Al-Jazira incorporated in the Kingdom of Saudi Arabia, being 5.83% (2005: 5.83%) holding in total equity. From 2005, in accordance with SBP's concurrence vide their letter no. BSD/SU-13/331/685/2006 dated February 17, 2006, the investment has been marked to market with closing price as quoted on the Saudi Stock Exchange aggregating Rs. 13,957 million (2005: Rs.22,111 million) (Rating: BBB+ by Fitch rating).

Notes to the Financial Statements

(for the year ended December 31, 2006)

9.9	Investment in associates	Number of shares	Percentage holding	Note	2006 Rupees in '000	2005
	Un-quoted					
	Pakistan Emerging Venture Limited	12,500,000	33.33		64,415	64,415
	First Credit and Investment Bank Limited	5,979,085	50.00		157,429	157,429
	Information System Associates Limited	2,300,000	28.07		1,719	1,719
	National Fructose Company Limited	1,300,000	39.50		6,500	6,500
	Pakistan Insulation Limited	494,500	24.79		695	695
	Ali Textile (Jhang) Limited	719,500	25.21		7,195	9,265
	Venture Capital Fund Management	33,333	33.33		-	-
	Ashraf Sugar Mills Limited	2,059,271	20.44		-	-
	Kamal Enterprises Limited	11,000	20.37		-	-
	Mehran Industries Limited	37,500	32.05		-	-
	Qurell Cassettes Limited	46,250	30.83		-	-
	Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
	Youth Investment Promotion Society	644,508	25.00		-	-
	Khushhali Bank	400	23.45		400,000	400,000
	Dadabhoy Energy Supply Company Limited	9,900,000	33.00		32,105	32,105
	K-Agricole Limited	5,000	20.00		-	-
	New Pak Limited	200,000	20.00		-	-
	Prudential Fund Management	150,000	20.00		-	-
					670,058	672,128
	Quoted					
	National Fibres Limited	17,119,476	20.19		-	-
	Asian Leasing Company Limited	2,863,600	27.39		-	3,866
	Taha Spinning Mills Limited	833,800	20.59		2,501	2,501
	Kohat Textile Mills Limited	2,906,900	33.03	9.9.3	-	29,069
	Land Mark Spining Mills Limited	3,970,960	32.75		39,710	39,710
	S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
	Nina Industries Limited	4,906,000	20.27		49,060	49,060
					309,806	342,741
					979,864	1,014,869
	Less: Provision for diminution in value of investments			9.12.1	(422,435)	(457,440)
					557,429	557,429

9.9.1 Market value of quoted associates amount to Rs.245.702 million (2005: Rs.297.012 million).

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

9.9.3 During 2006, Kohat Textile Mills issued right shares which the bank did not subscribe. As a result the bank's holding reduced from 33.03% to 13.98%. Accordingly investment has been classified in ordinary shares of listed companies.

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

	Year Ended	Break-up value of bank's share Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2006	15,421
First Credit and Investment Bank Limited	December 31, 2006	258,247
Information System Associates Limited	June 30, 2006	3,788
Pakistan Insulation Limited	June 30, 2001	2,630
Ali Textile (Jhang) Limited	September 30, 2001	10,049
Ashraf Sugar Mills Limited	September 30, 2004	(17,199)
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank	December 31, 2005	410,372
Dadabhoy Energy Supply Company Limited	June 30, 2006	79,318

	Note	2006 Rupees in '000	2005 Rupees in '000
9.10 Investment in Joint Ventures			
United National Bank Limited	9.10.1	1,244,835	1,244,835
National Fullerton Asset Management (NAFA)	9.10.2	67,500	30,000
		<u>1,312,335</u>	<u>1,274,835</u>

- 9.10.1 Under a joint venture agreement, the bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value. Upto December 31, 2006 the bank's share of undistributed profits amounts to Rs.293.043 million (2005: Rs.142.349 million).

- 9.10.2 The company has been set up for the purpose of providing asset management services and investment advisory services with a paid-up capital of Rs.250 million (2005: Rs.100 million) as a joint venture between the bank, NDLC-IFIC Bank Limited and Alexandra Fund Management PTE Limited. The bank has 27% (2005: 30%) holding as at December 31, 2006.

9.11 Investments in subsidiaries

	Percentage holding	2006 Rupees in '000	2005 Rupees in '000
NBP Capital Limited	100.00	500,000	500,000
CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	419,488	419,488
NBP Exchange Company Limited	100.00	300,000	300,000
NBP Modaraba Management Company Limited	100.00	105,000	105,000
Taurus Securities Limited	58.32	24,725	24,725
National Agriculture & Storage Company Limited	100.00	2,000	2,000
Cast-N-Link Products Limited	76.51	1,245	1,245
		<u>1,352,458</u>	<u>1,352,458</u>
		<u>(3,245)</u>	<u>(3,245)</u>
Less: Provision for diminution in value of investments		<u>1,349,213</u>	<u>1,349,213</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

9.12 Particulars of provision for diminution in value of investment

	Note	2006 Rupees in '000	2005
Opening balance		1,965,003	2,249,295
Charge for the year		-	-
Reversals		(709,461)	(245,881)
		(709,461)	(245,881)
Amount written off		(2,113)	(38,411)
Closing balance		<u>1,253,429</u>	<u>1,965,003</u>

9.12.1 Particulars of provision in respect of type and segment

Available-for-sale securities			
Ordinary shares of unlisted companies		123,036	179,853
Held-to-maturity securities			
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates		704,713	1,324,465
Associates	9.9	422,435	457,440
Subsidiaries	9.11	3,245	3,245
		<u>1,253,429</u>	<u>1,965,003</u>

9.13 Quality of available-for-sale securities

Information relating to quality of available-for-sale securities is given in Annexure "I" and is an integral part of these financial statements.

9.14 Unrealized loss on revaluation of investments classified as held-for-trading

Ordinary shares of listed companies		<u>(4,464)</u>	<u>(1,979)</u>
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9.15 Information relating to investments in shares of listed and unlisted companies, redeemable capital and bonds is given in Annexure "I" and is an integral part of these financial statements.

9.16 These carry mark-up at the rate from 11.25% to 14.33% (2005: Nil) per annum.

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005 Rupees in '000
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		304,569,560	262,467,150
Outside Pakistan		26,376,167	22,071,338
		330,945,727	284,538,488
Bills discounted and purchased (excluding Government treasury bills)			
Payable in Pakistan		2,502,819	2,387,740
Payable outside Pakistan		14,881,699	12,471,568
		17,384,518	14,859,308
Margin Financing	10.8	40,213	25,015
Advances - gross	10.1	348,370,458	299,422,811
Less: Provision against non-performing advances	10.3	(32,260,052)	(30,584,032)
Advances - net of provision		316,110,406	268,838,779

10.1 Particulars of advances - gross

10.1.1 In local currency	304,788,413	264,648,686
In foreign currencies	43,582,045	34,774,125
	348,370,458	299,422,811
10.1.2 Short-term (for upto one year)	233,817,770	187,616,718
Long-term (for over one year)	114,552,688	111,806,093
	348,370,458	299,422,811

10.2 Advances include Rs. 36,260 million (2005: Rs. 33,738 million) which have been placed under non-performing status as detailed below:-

Category of Classification	2006								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets Especially Mentioned	396,998	-	396,998	-	-	-	-	-	-
Substandard	2,602,626	-	2,602,626	597,408	-	597,408	597,408	-	597,408
Doubtful	1,877,859	-	1,877,859	828,886	-	828,886	828,886	-	828,886
Loss	30,820,501	561,902	31,382,403	28,042,748	59,630	28,102,378	28,042,748	59,630	28,102,378
	35,697,984	561,902	36,259,886	29,469,042	59,630	29,528,672	29,469,042	59,630	29,528,672

10.3 Particulars of Provision against non-performing advances

Note	2006						2005		
	Specific	General	Total	Specific	General	Total			
	Rupees in '000								
Opening balance	28,388,730	2,195,302	30,584,032	28,372,354	678,424	29,050,778			
Exchange adjustments	2,851	19,282	22,133	(140)	(18,181)	(18,321)			
Charge for the year	5,225,418	622,648	5,848,066	3,115,568	1,535,059	4,650,627			
Reversal during the year	(2,772,343)	-	(2,772,343)	(2,203,888)	-	(2,203,888)			
	2,453,075	622,648	3,075,723	911,680	1,535,059	2,446,739			
Amounts written off	(705,125)	-	(705,125)	(895,164)	-	(895,164)			
Other movements	(610,859)	(105,852)	(716,711)	-	-	-			
Closing balance	29,528,672	2,731,380	32,260,052	28,388,730	2,195,302	30,584,032			

Notes to the Financial Statements

(for the year ended December 31, 2006)

10.4 Particulars of provisions against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
In local currency	29,469,042	2,493,782	31,962,824	28,237,053	1,906,925	30,143,978
in foreign currencies	59,630	237,598	297,228	151,677	288,377	440,054
	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>	<u>28,388,730</u>	<u>2,195,302</u>	<u>30,584,032</u>

10.5 Particulars of write offs:

	Note	2006 Rupees in '000	2005 Rupees in '000
10.5.1. Against Provisions Directly charged to Profit & Loss account	10.3	<u>705,125</u> <u>5,284</u> <u>710,409</u>	895,164 23,069 <u>918,233</u>
10.5.2 Write Offs of Rs. 500,000 and above Write Offs of below Rs. 500,000	10.6	<u>687,167</u> <u>23,242</u> <u>710,409</u>	896,526 21,707 <u>918,233</u>

10.6 Details of loan write off of Rs. 500,000/- and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs.500,000 or above allowed to a person(s) during the year ended December 31, 2006 is given in Annexure-II.

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

	2006 Rupees in '000	2005 Rupees in '000
Debts due by directors, executives, officers & staff of the bank or any of them either severally or jointly with any other person		
Balance at beginning of year	11,340,452	9,766,179
Loans granted during the year	2,401,776	2,111,025
Repayments	(426,118)	(536,752)
Balance at end of year	<u>13,316,110</u>	<u>11,340,452</u>
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of year	2,573,749	2,306,267
Loans granted during the year	154,228	730,355
Repayments	(408,687)	(462,873)
Balance at end of year	<u>2,319,290</u>	<u>2,573,749</u>
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		
Balance at beginning of year	2,293,426	2,306,267
Loans granted during the year	146,983	47,177
Repayments	(121,119)	(60,018)
Balance at end of year	<u>2,319,290</u>	<u>2,293,426</u>

10.8 These are secured against shares of listed companies, market value of which amounted to Rs.67.36 million (2005: Rs.43.21 million) at the balance sheet date. These carry mark-up at the rate of 3 months KIBOR + 4% and 6 months KIBOR +3% (2005: 3 months KIBOR + 4%)

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005 Rupees in '000
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	378,617	318,751
Property and equipment	11.2	9,294,200	9,131,527
Intangible assets	11.4	9,157	4,087
		<u>9,681,974</u>	<u>9,454,365</u>
11.1 Capital work-in-progress			
Civil works		326,066	301,378
Equipment		4,419	-
Advances to suppliers and contractors		48,132	17,373
		<u>378,617</u>	<u>318,751</u>
11.2 Property and equipment			

	Cost/revalued amount			Accumulated depreciation				Book Value at December 31, 2006	Rate of Depreciation
	At January 1, 2006	Revaluation Surplus/ (deficit)	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
				Rupees in '000					
Owned									
Land									
- freehold	2,781,313	-	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	-	31,404	2,798,186	-	-	-	2,798,186	Nil
Buildings on land:									
- freehold	1,746,793	-	26,519	1,773,312	449,538	33,435	482,973	1,290,339	5% on book value
- leasehold	1,241,553	-	70,863	1,312,416	266,505	90,929	357,434	954,982	5% on book value
Furniture and fixtures	1,125,472	-	94,741 (2,662)	1,217,551	758,165	48,037 (1,567)	804,635	412,916	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives
Computer & peripheral equipments	1,047,260	-	220,264 (108)	1,267,416	811,600	127,053 (54)	938,599	328,817	33.33% on cost
Electrical & office equipments	1,308,327	-	138,718 (4,940)	1,442,105	854,721	117,954 (4,014)	968,661	473,444	20% on book value
Vehicles	442,437	-	65,946 (19,547)	488,836	207,291	62,997 (16,630)	253,658	235,178	20% on cost
	<u>12,459,937</u>	-	<u>648,455*</u> (27,257)	<u>13,081,135</u>	<u>3,347,820</u>	<u>480,405</u> (22,265)	<u>3,805,960</u>	<u>9,275,175</u>	
Assets held under finance lease									
Vehicles	20,350	-	4,020	24,370	940	4,405	5,345	19,025	20% on cost
2006	<u>12,480,287</u>	-	<u>652,475</u> (27,257)	<u>13,105,505</u>	<u>3,348,760</u>	<u>484,810</u> (22,265)	<u>3,811,305</u>	<u>9,294,200</u>	

* This includes fixed assets amounting to Rs. 5.615 million (2005: Nil) acquired from Corporate and Industrial Restructuring Corporation, consequent upon its dissolution with effect from September 22, 2006.

Notes to the Financial Statements

(for the year ended December 31, 2006)

Property and equipment

	Cost/revalued amount			Accumulated depreciation				Book Value at December 31, 2005	Rate of Depreciation
	At January 1, 2005	Revaluation Surplus/ (deficit)	Additions/ (deletions)	At December 31, 2005	At January 1, 2005	Charge for the year/ (deletions)	At December 31, 2005		
	Rupees in '000								
Owened									
Land									
- freehold	2,781,313	-	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	-	-	2,766,782	-	-	-	2,766,782	Nil
Buildings on land:									
- freehold	1,718,048	-	28,745	1,746,793	380,115	69,423	449,538	1,297,255	5% on book value
- leasehold	1,224,160	-	17,393	1,241,553	213,495	53,010	266,505	975,048	5% on book value
Furniture and fixtures	1,027,001	-	103,406 (4,935)	1,125,472	715,629	45,080 (2,544)	758,165	367,307	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives
Computer & peripheral equipments	890,003	-	157,529 (272)	1,047,260	580,936	230,932 (268)	811,600	235,660	33.33% on cost
Electrical & office equipments	1,064,085	-	246,543 (2,301)	1,308,327	750,358	106,258 (1,895)	854,721	453,606	20% on book value
Vehicles	218,223	-	144,769 (24,687) 104,132	442,437	114,282	59,755 (23,364) 56,618	207,291	235,146	20% on cost
	11,689,615	-	698,385 (32,195) 104,132	12,459,937	2,754,815	564,458 (28,071) 56,618	3,347,820	9,112,117	
Under finance lease									
Vehicles	111,913	-	20,350 (7,781) (104,132)	20,350	62,584	940 (5,966) (56,618)	940	19,410	20% on cost
2005	11,801,528	-	718,735 (39,976) -	12,480,287	2,817,399	565,398 (34,037) -	3,348,760	9,131,527	

11.3 In the year 2004, certain of the bank's properties were revalued by M/s Younus Mirza & Co. on the basis of market value which resulted in net surplus of Rs.25.802 million over the book value of the assets.

In the year 2003, certain bank's properties were revalued by M/s Younus Mirza & Co. and M/s Iqbal A. Nanji & Co. on the basis of market value which resulted in net surplus of Rs.547 million over the book value of the assets.

In the year 2002, the bank's properties were revalued by M/s Younus Mirza & Co. on the basis of market value which resulted in net surplus of Rs.1,199.625 million over the book value of the assets.

Notes to the Financial Statements

(for the year ended December 31, 2006)

11.4 Intangible asset

	Cost/revalued amount			Accumulated Amortization			Book Value at December 31, 2006	Rate of amortization	
	At January 1, 2006	Revaluation Surplus/ (deficit)	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)			At December 31, 2006
	Rupees in '000								
Computer software 2006	6,127	-	6,894	13,021	2,040	1,824	3,864	9,157	33.33% on cost
	6,127	-	6,894	13,021	2,040	1,824	3,864	9,157	
2005	-	-	6,127	6,127	-	2,040	2,040	4,087	

11.5 Had the revaluation not been carried out, the net book value of the revalued assets at December 31, 2006 would have been as follows:

Land		Building on land		Total
Freehold	Leasehold	Freehold	Leasehold	
Rupees in '000				
284,179	369,986	109,917	107,715	871,797

11.6 Carrying amount of temporarily idle property and equipment as at December 31, 2006 is Rs. Nil (2005: Rs.400 million).

11.7 DETAILS OF DISPOSALS OF FIXED ASSETS

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

Particulars of assets	Original cost	Book value	Sale proceed	Profit/ (loss)	Mode of Disposal	Particulars of Purchaser
	Rupees in '000					
Motor Vehicle	939	751	751	-	As per service rules on retirement	Mr. Hanif Bux - EVP
Motor Vehicle	849	509	509	-	As per service rules on retirement	Mr. Raheemuddin - SVP
Motor Vehicle	849	396	396	-	As per service rules on retirement	Mr. S. Javed Ali Nosha - SVP
Motor Vehicle	849	679	679	-	As per service rules on retirement	Mr. Yousuf Hussain Jafferi - SVP
Motor Vehicle	849	580	580	-	As per service rules on retirement	Mr. Abid Mahmood - SVP
Office equipment	2,069	353	800	447	Tender	M/s Merin (Pvt.) Ltd.
Other assets (having book value of less than Rs.250,000 and cost of less than Rs.1,000,000)	20,853	1,724	9,627	7,903	As per service rules on retirement/Auction	Various
	<u>27,257</u>	<u>4,992</u>	<u>13,342</u>	<u>8,350</u>		

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
12. OTHER ASSETS			
Income/mark-up accrued in local currency		7,667,576	6,793,885
Income/mark-up accrued in foreign currencies		1,490,816	1,243,628
Advances, deposits, advance rent and other prepayments		785,294	638,852
Advance taxation (payments less provisions)	21.4.2	8,747,078	9,415,827
Receivable from CIRC	12.1	278,501	278,501
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	12.2	817,667	-
Branch Adjustment Account		128,687	-
Un-realized gain on forward foreign exchange contracts		126,371	137,520
Commission receivable		1,790,993	1,301,156
Stationery and stamps on hand		220,939	199,148
Barter trade balances		182,503	182,503
Receivable on account of Government transactions	12.3	323,172	323,172
Receivable from Government under VHS scheme	12.4	412,561	408,576
Less: amount charged/provision		(412,561)	(408,576)
		-	-
Receivable from pension fund	35.1	2,951,933	2,523,668
Prize bonds on hand		320,023	297,755
Receivable from brokers		-	616,218
Others		3,053,752	1,782,098
		28,885,305	25,733,931
Less: Provision held against other assets		-	-
Income/mark-up accrued in local currency / foreign currencies		296,592	335,592
Stationery and stamps on hand		51,200	51,200
Barter trade balances		182,503	182,503
Receivable on account of Government transactions		323,172	323,172
Others		918,140	900,408
	12.5	1,771,607	1,792,875
		27,113,698	23,941,056

12.1 Upon dissolution of Corporate and Industrial Restructuring Corporation (CIRC) and take over by the bank with effect from September 22, 2006, the said amount represents receivable from GoP.

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

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
12.5 Provisions against other assets			
Opening balance		1,792,875	1,594,577
Charge for the year		17,732	198,298
Reversals		(39,000)	-
Closing balance		<u>1,771,607</u>	<u>1,792,875</u>
13. BILLS PAYABLE			
In Pakistan		10,549,447	1,714,500
Outside Pakistan		56,216	26,656
		<u>10,605,663</u>	<u>1,741,156</u>
14. BORROWINGS			
In Pakistan		10,091,407	8,408,521
Outside Pakistan		1,612,672	348,326
	14.1 & 14.2	<u>11,704,079</u>	<u>8,756,847</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		10,091,407	8,408,521
In foreign currencies		1,612,672	348,326
	14.2	<u>11,704,079</u>	<u>8,756,847</u>
14.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme / LTF*		7,580,045	4,034,703
Under Locally Manufactured Machinery (LMM) scheme		1,160	3,408
Finance to payoff liabilities relating to former MBL	14.2.1	564,000	752,000
Others		66,907	66,907
		8,212,112	4,857,018
Repurchase agreement borrowings		354,710	2,747,952
		<u>8,566,822</u>	<u>7,604,970</u>
Unsecured			
Call borrowings		2,612,672	448,326
Overdrawn nostro accounts		453,785	632,751
Others		70,800	70,800
		3,137,257	1,151,877
		<u>11,704,079</u>	<u>8,756,847</u>

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

* Long term financing under export oriented project.

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

- Export refinance loans from SBP are at the rate of 6.5% per annum (2005: 7.5% per annum).
- Locally Manufactured Machinery Loans from SBP are at the rate of 11% per annum (2005: 8% to 9.5% per annum).
- Secured borrowings "Others" from SBP are interest free.
- Call borrowings carry interest ranging from 7.75% to 10.20% per annum (2005: 1.4% to 8.15% per annum).
- Overdrawn Nostro accounts carry interest at the rate of 1% to 5% per annum (2005: 1% to 5% per annum).
- Repurchase agreement borrowings carry mark-up at the rate of 8.5% per annum (2005: 3% to 8.4% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2005: 10% per annum).

15. DEPOSITS AND OTHER ACCOUNTS	Note	2006	2005
		Rupees in '000	
Customers			
Fixed deposits		100,017,399	80,924,830
Savings deposits		170,256,433	165,513,085
Current accounts - remunerative		54,359,662	54,519,134
Current accounts - non-remunerative		119,468,864	102,690,939
		444,102,358	403,647,988
Financial Institutions			
Remunerative deposits		39,196,100	38,174,088
Non-remunerative deposits		18,573,785	21,604,526
		57,769,885	59,778,614
	15.1	501,872,243	463,426,602
15.1 Particulars of deposits			
In local currency		390,605,310	357,033,410
In foreign currencies [including deposits of foreign branches of Rs.86,816 million including vostro balances of Rs.1,069 million (2005: Rs.81,124 million including vostro balances of Rs. 2,383 million)]		111,266,933	106,393,192
		501,872,243	463,426,602

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006			2005		
	Minimum lease Payments	Financial charges for future periods	Principal outstanding	Minimum lease Payments	Financial charges for future periods	Principal outstanding
	Rupees in '000					
Not later than one year	8,890	1,260	7,630	7,818	1,856	5,962
Later than one year and not later than five years	6,488	883	5,605	12,131	1,464	10,667
	15,378	2,143	13,235	19,949	3,320	16,629

The bank has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 12% to 16% and KIBOR plus 2% (2005: 12% to 16% and KIBOR plus 2%). At the end of lease term, the bank has the option to acquire the assets subject to adjustment of security

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
17. DEFERRED TAX LIABILITIES			
Deferred tax (assets) arising in respect of			
Provision for diminution in the value of investments		(246,650)	(463,563)
Provision against advances - general provisions		(872,824)	(667,424)
Other provision		(103,806)	(117,456)
Charge against defined benefits plans		(281,028)	(255,404)
Difference between accounting book value of fixed assets and tax base		(12,145)	(95,643)
Provision against off-balance sheet obligation		(115,222)	(115,222)
		<u>(1,631,675)</u>	<u>(1,714,712)</u>
Deferred tax liabilities arising in respect of			
Excess of accounting book value of leased assets over lease liabilities		2,025	972
Revaluation of securities	20.2	3,570,167	5,707,793
Revaluation of fixed assets	20.3	446,556	468,665
		<u>4,018,748</u>	<u>6,177,430</u>
Net deferred tax liabilities		<u>2,387,073</u>	<u>4,462,718</u>
18. OTHER LIABILITIES			
Mark-up/ return/ interest payable in local currency		3,364,337	2,873,212
Mark-up/ return/ interest payable in foreign currencies		1,063,453	741,762
Unearned commission and income on bills discounted		72,207	52,965
Accrued expenses		1,538,418	964,957
Advance payments		8,496	16,538
Unclaimed dividends		8,259	5,632
Un-realized loss on forward foreign exchange contracts		35,500	-
Un-realized loss on derivative financial instruments		240,525	432,193
Provision against off balance sheet obligations	18.1	425,824	425,824
Branch adjustment account - net		-	803,414
Post retirement medical benefits	35.2	2,276,586	2,001,749
Compensated absences	35.3	1,639,708	1,521,326
Liabilities relating to:			
Bangladesh (former East Pakistan)		227,089	227,089
Barter trade agreements		8,660,061	8,505,559
Special separation package		78,422	78,422
Benevolent fund	35.4	802,937	729,725
Gratuity scheme	35.5	33,409	-
Staff welfare fund		686,401	748,795
		<u>10,488,319</u>	<u>10,289,590</u>
Payable to GoP for NDFC amalgamation		-	57,351
Payable to GoP for acquisition of assets from CIRC	12.2	673,282	-
Payable on account of Government transactions		34,246	73,805
Payable to brokers		89,665	72,050
Others [(including provision of Rs.178 million (2005: Rs.178 million) for contingencies)]		4,637,475	3,164,542
		<u>26,596,300</u>	<u>23,496,910</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
18.1 Provision against off balance sheet obligation			
Opening balance		425,824	425,824
Charge for the year		-	-
Closing balance		<u>425,824</u>	<u>425,824</u>

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

19 SHARE CAPITAL

19.1 Authorized Capital

	2005 Number of shares	2006 Number of shares	Note	2006 Rupees in '000	2005
	<u>750,000,000</u>	<u>750,000,000</u>	Ordinary shares of Rs. 10 each	<u>7,500,000</u>	<u>7,500,000</u>
19.2 Issued, subscribed and paid-up					
	140,388,000	140,388,000	Ordinary shares of Rs.10 each Fully paid in cash	1,403,880	1,403,880
	450,504,746	568,683,295	Issued as fully paid bonus shares	5,686,832	4,505,047
	<u>590,892,746</u>	<u>709,071,295</u>		<u>7,090,712</u>	<u>5,908,927</u>

20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

20.1 Surplus on revaluation of fixed assets - net of tax 20.3 5,368,099 5,409,159

20.2 Surplus on revaluation of available-for-sale securities - net of tax

Federal Government securities	80,436	70,904
Term Finance Certificates	56,000	1,589
Quoted shares	1,760,160	2,729,170
NIT Units	11,721,554	14,031,893
Bank Al-Jazira	13,493,387	21,647,316
	27,111,537	38,480,872
Deferred tax liability recognized	17 (3,570,167)	(5,707,793)
	<u>28,909,469</u>	<u>38,182,238</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
20.3 Movement in surplus on revaluation of fixed assets			
Surplus on revaluation on January 1,		5,877,824	5,944,318
Net surplus on revaluation of bank's properties during the year		-	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year -net of deferred tax		(41,060)	(43,221)
Related deferred tax liability		(22,109)	(23,273)
		(63,169)	(66,494)
		<u>5,814,655</u>	<u>5,877,824</u>
Less: Related deferred tax liability on:			
Revaluation as at January 1,		468,665	491,938
Revaluation of bank's properties during the year		-	-
Incremental depreciation charged during the year		(22,109)	(23,273)
transferred to profit and loss account		446,556	468,665
		<u>5,368,099</u>	<u>5,409,159</u>
21. CONTINGENCIES AND COMMITMENTS			
21.1 Direct credit substitutes			
Includes general guarantee of indebtedness, bank acceptance guarantees and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:			
- Government		345,847	2,269,358
- Financial institutions		4,885,235	504,595
- Others		24,807,965	13,012,983
		<u>30,039,047</u>	<u>15,786,936</u>
21.2 Transaction-related contingent liabilities			
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credits related to particular transactions issued in favour of:			
- Government		18,138,591	12,488,526
- Financial institutions		30,735	-
- Others		5,484,271	9,971,136
		<u>23,653,597</u>	<u>22,459,662</u>
21.3 Trade-related contingent liabilities			
Letters of credit			
Issued in favor of			
- Government		128,295,046	69,418,144
- Financial institutions		522,542	8,121,679
- Others		31,725,396	26,211,138
		<u>160,542,984</u>	<u>103,750,961</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

2006
2005
Rupees in '000

21.4 Other Contingencies

21.4.1	Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 164 million (2005: Rs. 158 million) and claims relating to former MBL amounting to Rs. 1,053 million (2005: Rs. 1,117 million)].	11,544,592	13,271,740
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21.4.2 Taxation

The income tax assessments of the bank for global operations as well as Azad Kashmir have been finalized upto and including the tax year 2005 (accounting year ended December 31, 2004). The income tax returns for the tax year 2006 (accounting year ended December 31, 2005) have been filed for global operations and Azad Kashmir and the same are deemed to be assessment order under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment years including tax year 2005 are pending before various appellate forum/court of law. The major issues involved include taxability of interest credited to suspense account and disallowances of cost incurred in respect of employees' special separation scheme. While amending the assessment order for the Tax Year 2005, the Taxation Officer has disallowed/added provision against bad & doubtful debts as certified by SBP, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements, the tax impact of which amounting to Rs 941 million.

In the event that the appeals are decided against the bank, a further tax liability of Rs.8,721 million (2005: Rs 7,780 million) may arise in addition to amount already provided.

No provision has been made in these accounts for the above as the management, based on the opinion of tax lawyers and consultants, considers that provision is not necessary because the bank is subjected to tax exceeding its normal tax liability and will get relief in the appeals process.

21.4.3 Provident Fund

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

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the interest upto the date of payment. The bank in accordance with the legal opinion obtained, has commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977. For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield through the year of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and to date in case of serving employees.

During 2004, certain employees have filed a contempt of court application before the Supreme Court, pointing out the issue of rate of interest and date of payment. The bank filed a reply and submitted before the Honourable Court

Notes to the Financial Statements

(for the year ended December 31, 2006)

that the rate of interest which the petitioners are claiming is not admissible as payment on the said account is covered by Provident Fund Rules.

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

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

	2006	2005
	Rupees in '000	
21.5 Commitments in respect of forward Lending		
Forward call lending	1,000,000	-
21.6 Commitments in respect of forward exchange contracts		
Purchase	33,055,235	36,816,486
Sale	15,352,480	15,623,954
21.7 Commitments in respect of trading of government securities		
Sale	22,500	500,000
Purchase	10,000,000	-
21.8 Commitment for the acquisition of operating fixed assets	590,073	56,085

22. DERIVATIVE INSTRUMENTS

22.1 Product Analysis

Counterparties	Interest Rate Swaps		Forward rate Agreements		FX Options	
	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	7	4,505,000	-	-	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	13	8,905,000	-	-	-	-
	13	8,905,000	-	-	-	-

Notes to the Financial Statements

(for the year ended December 31, 2006)

22.2 Maturity Analysis

Interest Rate Swaps

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

The scope of derivatives activities range from zero cost plain vanilla to more complex structured products such as barrier options, participatory forwards etc. The bank is involved in derivative transactions for trading as well as hedging purpose.

The management is committed to managing risk and to controlling business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events. The bank's business is conducted within a developed control framework, underpinned by written policies and procedures duly approved by the Board of Directors. The management has developed a structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities and responsibilities are documented and communicated.

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

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

23. MARK-UP/RETURN/INTEREST EARNED

	2006	2005
	Rupees in '000	
On loans and advances to: Customers and financial institutions	29,330,443	21,084,453
On Investments in:		
Available-for-sale securities	5,402,561	5,728,644
Held-to-maturity securities	3,806,635	3,051,095
	9,209,196	8,779,739
On deposits with financial institutions	4,006,289	2,989,061
On securities purchased under resale agreements	1,027,270	780,482
On interest rate SWAP	215,430	58,930
	43,788,628	33,692,665

Notes to the Financial Statements

(for the year ended December 31, 2006)

		2006	2005
		Rupees in '000	
24. MARK-UP/RETURN/INTEREST EXPENSED	Note		
Deposits		13,072,306	9,806,298
Securities sold under repurchase agreements		306,033	163,951
Short-term borrowings		74,917	20,317
Long-term borrowings		37	1,008
Interest rate SWAP		181,619	330,194
		<u>13,634,912</u>	<u>10,321,768</u>
25. INCOME FROM DEALING IN FOREIGN CURRENCIES			
Income from dealing in foreign currencies		1,186,343	1,214,992
Revaluation of barter trade balances		(152,743)	(30,265)
Revaluation of placements		300,240	20,911
		<u>1,333,840</u>	<u>1,205,638</u>
26. GAIN / (LOSS) ON SALE OF SECURITIES			
Federal government securities			
Market Treasury Bills		(2,651)	24
Pakistan Investment Bonds		(2,307)	(34,803)
		(4,958)	(34,779)
Shares - listed		829,797	1,400,401
- un-listed	26.1	344,676	149
		<u>1,174,473</u>	<u>1,400,550</u>
		<u>1,169,515</u>	<u>1,365,771</u>
26.1	This includes gain of Rs. 296.443 million (2005: Nil) on disposal of shares of Investment Corporation of Pakistan.		
27. OTHER INCOME			
Rent on property		24,974	22,531
Profit on sale of property and equipment	11.7	8,350	17,922
Reversal for voluntary handshake scheme		-	28,635
Others	27.1	594,294	108,751
		<u>627,618</u>	<u>177,839</u>
27.1	Other income includes Rs.498 million (2005: Nil) on account of reversal of exchange equalisation of Cairo Branch which was closed during the year ended December 31, 2005.		

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
28. ADMINISTRATIVE EXPENSES			
Salaries and allowances		8,260,920	6,566,362
Charge for defined benefit plans		712,948	869,022
One time special award to staff		259,180	-
Non-executive directors' fee, allowances and other expenses	36	1,116	769
Rent, taxes, insurance, electricity, etc.		680,705	673,659
Legal and professional charges		125,429	93,468
Communications		281,567	222,933
Repairs and maintenance		232,935	207,746
Financial charges on leased assets		1,830	2,216
Stationery and printing		297,433	292,956
Advertisement and publicity		209,694	93,354
Donations	28.1	1,850	107,819
Auditors' remuneration	28.2	53,104	53,205
Depreciation	11.2	484,810	565,398
Amortization	11.4	1,824	2,040
Conveyance		81,452	73,206
Entertainment		29,008	25,227
Traveling		233,938	154,647
Security services		508,124	435,405
Staff welfare fund	28.3	300,000	300,000
Others		685,574	482,357
		<u>13,443,441</u>	<u>11,221,789</u>

28.1 Donations include following amounts exceeding Rs. 0.1 million

President's Earthquake Relief Fund	-	100,000
Supply of relief goods to earthquake affected areas	-	1,836
Zindagi Trust	-	5,983
Layton Rehmatullah Benevolent Trust	1,000	-
Auj International Karachi	200	-
Institute of Technology Pakistan Aeronautical Complex Kamra	500	-
	<u>1,700</u>	<u>107,819</u>

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

28.2 Auditors remuneration

	M. Yousuf Adil Saleem & Co	Ford Rhodes Sidat Hyder & Co.	2006 Total	2005 Total
----- Rupees in '000 -----				
Audit fee - Annual	2,378	2,378	4,756	3,756
- Interim	1,320	1,320	2,640	2,640
Fee for audit of domestic branches	2,492	2,492	4,984	4,984
Fee for special certifications and sundry advisory services	1,555	1,036	2,591	1,824
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	34,173	37,485
Fee for audit of pension and other funds	-	-	1,185	-
Out-of-pocket expenses	1,420	1,355	2,775	2,516
	<u>9,165</u>	<u>8,581</u>	<u>53,104</u>	<u>53,205</u>

28.3 The charge for staff welfare fund is based on estimated payments to be made out of current year's profits.

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
29. OTHER CHARGES			
Penalties imposed by SBP		<u>208,327</u>	<u>63,206</u>
30. TAXATION			
For the year			
Current		8,695,598	7,154,002
Deferred		<u>61,981</u>	<u>291,291</u>
	30.1	<u>8,757,579</u>	<u>7,445,293</u>
For prior year (s)			
Current		<u>530,652</u>	<u>(1,098,709)</u>
Deferred		<u>-</u>	<u>-</u>
		<u>530,652</u>	<u>(1,098,709)</u>
		<u>9,288,231</u>	<u>6,346,584</u>

Current taxation includes Rs.504 million (2005: Rs.490 million) of overseas branches.

The tax provision for 2006 has been made on estimated taxable income after charging provision against non-performing advances for which certificates from SBP, as required by the taxation authorities, are yet to be received.

30.1 Relationship between tax expense and accounting profit

Accounting profit before tax		<u>26,310,577</u>	<u>19,056,028</u>
Income tax at statutory rate @ 35% (2005: 38%)		<u>9,208,702</u>	<u>7,241,291</u>
Increase/(decrease) in taxes resulting from:			
Inadmissible differences		264,982	563,211
Income taxed at reduced rate		(218,044)	(166,647)
Income exempt from tax		(1,048,159)	(895,574)
Provisions no longer considered as temporary difference		-	539,010
Overseas taxation		<u>550,098</u>	<u>164,002</u>
Tax charge for current year		<u>8,757,579</u>	<u>7,445,293</u>

31. BASIC EARNINGS PER SHARE

Profit for the year	Rupees '000	<u>17,022,346</u>	<u>12,709,444</u>
Weighted average number of ordinary shares	Numbers '000	<u>709,071</u>	<u>709,071</u>
Basic earnings per share	Rupees	<u>24.01</u>	<u>17.92</u>

32. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are the same.

Notes to the Financial Statements

(for the year ended December 31, 2006)

	2006	2005
	Rupees in '000	
33. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	78,625,227	71,196,956
Balances with other banks	40,641,679	31,019,330
Overdrawn nostros	(453,785)	(632,751)
	<u>118,813,121</u>	<u>101,583,535</u>

	2006	2005
	Numbers	
34. STAFF STRENGTH		
Permanent	13,326	13,308
Temporary/on contractual basis	693	516
Bank's own staff strength at the end of the year	<u>14,019</u>	<u>13,824</u>
Outsourced	1,337	1,352
Total Staff Strength	<u>15,356</u>	<u>15,176</u>

35. DEFINED BENEFIT PLANS

General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.12 to the financial statements.

Principal actuarial assumption

The financial assumptions used in actuarial valuation at December 31, 2006 of pension fund, post retirement medical benefits, non-encashable leaves, leave encashment, benevolent fund and gratuity schemes are as follows:

	2006	2005
Salary increase	9% per annum	9% per annum
Discount rate	9% per annum	9% per annum
Expected rate of return on plan assets	9% per annum	9% per annum
Pension indexation rate	5% per annum	5% per annum
Rate of inflation in the cost of medical benefits	7% per annum	7% per annum
Number of employees covered under retirement benefit plan	13,084	13,050

35.1 Reconciliation of (recoverable from) pension fund

	2006	2005
	Rupees in '000	
Present value of defined benefit obligations	12,069,249	10,085,072
Fair value of plan assets	(17,333,982)	(13,615,308)
Net actuarial gains not recognized	<u>2,312,800</u>	<u>1,006,568</u>
	<u>(2,951,933)</u>	<u>(2,523,668)</u>

Note

12

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

35.1.1. Included herein is a sum of Rs. 3,078 million (2005: 2,598 million) placed under deposit maintained with the bank.

	2006	2005
	Rupees in '000	
Movement in (recoverable from) pension fund		
Opening net asset	(2,523,668)	(2,047,859)
Charge for the year	1,866	137,521
Contribution to the fund made during the year	(430,131)	(613,330)
	<u>(2,951,933)</u>	<u>(2,523,668)</u>
Charge for pension fund		
Current service cost	319,588	302,640
Interest cost	907,656	711,133
Expected return on plan assets	(1,225,378)	(876,252)
Actuarial (gains)/losses recognized	-	-
	<u>1,866</u>	<u>137,521</u>
Actual return on plan assets	<u>1,454,739</u>	<u>1,139,733</u>

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

	2006	2005	2004	2003	2002
	Rupees in '000				
Present value of defined benefit obligations	12,069,249	10,085,072	8,889,166	7,721,627	5,923,230
Fair value of plan assets	(17,333,982)	(13,615,308)	(10,953,151)	(10,900,651)	(7,779,927)
Net actuarial gains not recognized	2,312,800	1,006,568	16,126	1,506,095	458,722
	<u>(2,951,933)</u>	<u>(2,523,668)</u>	<u>(2,047,859)</u>	<u>(1,672,929)</u>	<u>(1,397,975)</u>

	Note	2006	2005
		Rupees in '000	
35.2 Reconciliation of payable to medical benefit plan			
Present value of defined benefit obligations		2,595,291	2,303,706
Fair value of plan assets		-	-
Net actuarial losses not recognized	18	(318,705)	(301,957)
		<u>2,276,586</u>	<u>2,001,749</u>
Movement in net liability recognized			
Opening net assets			
Charge for the year		2,001,749	1,771,898
Benefits paid		289,469	291,650
		(14,632)	(61,799)
Charge for medical benefit plan		<u>2,276,586</u>	<u>2,001,749</u>
Current service cost		73,187	90,318
Interest cost		207,334	176,982
Actuarial (gains)/losses recognized		8,948	24,350
		<u>289,469</u>	<u>291,650</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
35.3 Movement in net liability recognized for compensated absences			
Opening net assets		1,521,326	1,219,566
Charge for the year		118,382	301,760
	18	<u>1,639,708</u>	<u>1,521,326</u>
35.4 Movement in net liability recognized for benevolent fund			
Opening net assets		729,725	733,572
Charge for the year		129,185	56,242
Benefits paid		(55,973)	(60,089)
	18	<u>802,937</u>	<u>729,725</u>
Charge for benevolent fund			
Current service cost		19,407	20,462
Interest cost		65,675	58,686
Actuarial (gains)/losses recognized		44,103	(22,906)
		<u>129,185</u>	<u>56,242</u>
35.5 Reconciliation of payable to gratuity benefit plan			
Present value of defined benefit obligations		58,205	-
Net actuarial losses not recognized		(2,635)	-
Unrecognized Past Service Cost		(22,161)	-
	18	<u>33,409</u>	<u>-</u>
Movement in net liability recognized			
Opening liability		-	-
Charge for the year		33,409	-
Benefits paid		-	-
		<u>33,409</u>	<u>-</u>
Charge for gratuity benefit plan			
Current service cost		7,272	-
Interest cost		2,080	-
Past service cost to be recognized		24,057	-
		<u>33,409</u>	<u>-</u>

Notes to the Financial Statements

(for the year ended December 31, 2006)

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	Rupees in '000					
Fees	-	-	1,116	769	-	-
Managerial remuneration	6,600	3,600	-	-	122,997	117,231
Charge for defined benefit plan	-	-	-	-	48,467	17,823
Rent and house maintenance	3,192	3,490	-	-	58,424	52,936
Utilities	598	578	-	-	12,227	10,381
Medical	1,631	1,356	-	-	8,131	10,018
Conveyance	-	-	-	-	24,709	35,091
Leave fare assistance	3,000	2,250	-	-	-	-
Bonus & others	17,369	7,978	-	-	53,474	27,909
	32,390	19,252	1,116	769	328,429	271,389
Number of persons	1	1	7	7	135	131

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

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

37. FAIR VALUE OF FINANCIAL INSTRUMENT

37.1 On-balance sheet financial instruments

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	78,625,227	78,625,227	71,196,956	71,196,956
Balances with other banks	40,641,679	40,641,679	31,019,330	31,019,330
Lendings to financial institutions	23,012,732	23,012,732	16,282,942	16,282,942
Investments	139,946,995	138,228,620	156,985,378	155,270,386
Advances	316,110,406	316,110,406	268,838,779	268,838,779
Other assets	14,306,189	14,306,189	12,894,576	12,894,576
	612,643,228	610,924,853	557,217,961	555,502,969
Liabilities				
Bills payable	10,605,663	10,605,663	1,741,156	1,741,156
Borrowings	11,704,079	11,704,079	8,756,847	8,756,847
Deposits and other accounts	501,872,243	501,872,243	463,426,602	463,426,602
Liabilities against assets subject to finance lease	13,235	13,235	16,629	16,629
Other liabilities	20,339,091	20,339,091	18,959,822	18,959,822
	544,534,311	544,534,311	492,901,056	492,901,056

37.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	33,055,235	33,147,690	36,816,486	36,954,006
Forward sale of foreign exchange	15,352,480	15,354,064	15,623,954	15,761,474
Coupon swap and quanta interest rate swap	4,505,000	4,264,475	4,557,500	4,125,307
Equity futures sold	339,816	339,017	-	-
Forward call lending	1,000,000	1,000,000	-	-
Forward Purchases of trading in government securities	10,000,000	10,000,000	-	-
Forward Sales of trading in government securities	22,500	22,500	500,000	500,000

Notes to the Financial Statements

(for the year ended December 31, 2006)

All quoted investments have been stated at their market values. All un-quoted investments have been stated at lower of cost or realisable value, being their estimated fair values.

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

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of deposits are frequently repriced.

38. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
	Rupees in '000								
2006									
Total income	168,813	11,191,229	11,707,918	16,101,637	592,940	2,554,070	-	-	-
Total expenses	1,439	(473,327)	7,221,922	6,248,085	504,351	2,503,560	-	-	-
Net income	167,374	11,664,556	4,485,996	9,853,552	88,589	50,510	-	-	-
Segment Assets (Gross)	-	269,919,000	93,292,013	307,206,786	-	-	-	-	-
Segment Non Performing Loans	-	-	1,458,278	34,801,608	-	-	-	-	-
Segment Provision Required	-	-	473,902	29,054,770	-	-	-	-	-
Segment Liabilities	-	6,713,045	128,818,479	417,646,618	-	-	-	-	-
Segment Return on net Assets (ROA) (%)	0.00%	4.82%	3.48%	2.36%	-	-	-	-	-
Segment Cost of funds (%)	0.00%	0.00%	1.07%	3.19%	-	-	-	-	-
2005									
Total income	91,014	11,606,962	7,377,702	11,407,833	418,028	1,833,121	-	-	-
Total expenses	861	707,219	5,892,934	4,237,536	391,488	2,448,545	-	-	-
Net income	90,153	10,899,743	1,484,768	7,170,297	26,540	(615,424)	-	-	-
Segment Assets (Gross)	-	269,804,720	76,103,560	266,152,240	-	-	-	-	-
Segment Non Performing Loans	-	-	799,435	32,938,336	-	-	-	-	-
Segment Provision Required	-	-	253,117	28,135,613	-	-	-	-	-
Segment Liabilities	-	8,796,818	103,297,032	389,807,009	-	-	-	-	-
Segment Return on net Assets (ROA) (%)	0.00%	4.23%	1.44%	1.84%	-	-	-	-	-
Segment Cost of funds (%)	0.00%	0.00%	1.18%	2.32%	-	-	-	-	-

39. TRUST ACTIVITIES

39.1 National Investment Trust (NIT)

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale/purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately 1.3 billion shares with market value of Rs.72,832 million (2005: Rs.77,724 million) in safe custody/Central Depository Company on behalf of NIT.

39.2 Long-term Credit Fund (LTCF)

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs.38 billion on December 31, 2006 (2005: Rs.41 billion). Administrative fee relating to the management of LTCF is accounted for on receipt basis.

Notes to the Financial Statements

(for the year ended December 31, 2006)

39.3 Qarz-e-Hasna Fund

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

Till December 31, 2006 SBP had transferred Rs.244 million (2005: Rs.244 million) to the bank. Assets and liabilities relating to the Fund have been treated as off-balance sheet item in the financial statements.

40. RELATED PARTY TRANSACTIONS

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

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

Detail of loan and advances to the companies or firms, in which the directors of the bank are interested as directors, partners or in case of private companies as members, are given in note 10.7 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approval in respect of staff retirement and other benefit plans as disclosed in note 35 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 36 and 11.7 to the financial statements

	2006	2005
	Rupees in '000	
Balance outstanding at year end		
Advances to:		
Subsidiaries	719,220	603,747
Associates	1,600,070	1,970,002
Key management executives *	65,225	52,117
Debts due by company in which a director of the bank is interested as director	222,759	119,319
Placements with:		
Subsidiaries	-	-
Joint venture	349,550	211,414
Investments with associates/subsidiaries	27,331	27,331

* This includes loans extended to certain key management executives in accordance with the terms of employment

Notes to the Financial Statements

(for the year ended December 31, 2006)

	2006	2005
	Rupees in '000	
Deposits from:		
Subsidiaries		
Opening balance	317,593	536
Received during the year - net	-	317,057
Repaid during the year - net	(303,426)	-
Closing Balance	14,167	317,593
Pension fund		
Opening balance	2,598,358	1,694,934
Received during the year - net	479,178	903,424
Repaid during the year - net	-	-
Closing Balance	3,077,536	2,598,358
Provident fund		
Opening balance	6,665,252	4,927,090
Received during the year - net	732,235	1,738,162
Repaid during the year - net	-	-
Closing Balance	7,397,487	6,665,252
Borrowings from:		
Subsidiary	-	249,751
Obligation under finance lease		
Subsidiary	9,260	16,284
Income for the year		
On advances/placements with:		
Subsidiaries	10,323	9,501
Associates	46,105	58,199
Joint venture	9,619	5,309
Debts due by company in which a director of the bank is interested as director	9,102	4,341
Commission received from subsidiaries	-	415
Commission received from associates	-	1,824
Expenses for the year		
Remuneration to key management executives	66,157	54,997
Charge for defined benefit plan	14,577	2,302
On deposits of:		
Subsidiaries	344	359
Provident fund **	976,870	730,385
Commission paid to subsidiaries	4,921	3,064
Other receivables	23,284	32,111
Other payables	144	-

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

40.1 Although the Federal Government and the SBP held about 75.60% shares of the bank (2005: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

Notes to the Financial Statements

(for the year ended December 31, 2006)

41. CAPITAL ADEQUACY

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

	2006	2005 (Restated)
	Rupees in '000	
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital/Assigned Capital	7,090,712	5,908,927
Reserves	10,504,435	8,802,200
Unappropriated profit	32,074,677	19,372,523
Less: Adjustments	(1,349,213)	(1,349,213)
Total Tier I Capital	48,320,611	32,734,437
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	2,162,008	-
Exchange equalization reserve	3,374,825	3,552,056
Revaluation Reserve (upto 50%)	14,400,593	19,067,559
Total Tier II Capital	19,937,426	22,619,615
Eligible Tier III Capital	-	-
Total Regulatory Capital (a)	68,258,037	55,354,052

Risk-Weighted Exposures

	2006		2005	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	Rupees in '000			
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	119,266,906	8,128,336	102,216,286	6,203,866
Money at call	23,012,732	1,766,000	16,282,942	1,404,000
Investments	139,946,995	47,948,660	156,985,378	51,025,571
Loans and Advances	312,073,126	244,182,290	265,836,708	203,244,377
Fixed Assets	9,681,974	9,681,974	9,454,365	9,454,365
Other Assets	27,113,698	17,672,740	23,941,056	13,327,126
	631,095,431	329,380,000	574,716,735	284,659,305
Off Balance Sheet items				
Loan Repayment Guarantees	30,039,047	15,510,825	15,786,936	10,993,521
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	23,653,597	8,340,146	22,459,662	7,094,877
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	160,542,984	16,745,802	103,750,961	15,559,035
Outstanding Foreign Exchange Contracts				
- Purchase	33,055,235	232,166	36,816,486	174,123
- Sale	15,352,480	131,394	15,623,954	160,319
Single currency Interest Rate SWAP	4,505,000	36,040	4,557,500	22,788
	267,148,343	40,996,373	198,995,499	34,004,663
Credit risk-weighted exposures		370,376,373		318,663,968
Market Risk				
General market risk		42,925,385		40,928,250
Specific market risk		332,573		181,600
Market risk-weighted exposures		43,257,958		41,109,850
Total Risk-Weighted exposures (b)		413,634,331		359,773,818
Capital Adequacy Ratio [(a) / (b) x 100]		16.50		15.39

Notes to the Financial Statements

(for the year ended December 31, 2006)

42. RISK MANAGEMENT

42.1 Credit risk

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

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

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

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

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

42.1.1. SEGMENTAL INFORMATION

42.1.1.1 Segment by class of business

	2006					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,693,230	1.35	461,974	0.09	2,431,576	1.14
Agribusiness	20,268,072	5.82	12,054,588	2.40	162,534	0.08
Textile	56,452,813	16.20	1,640,154	0.33	8,169,668	3.81
Cement	11,369,061	3.26	304,041	0.06	1,844,936	0.86
Sugar	6,509,554	1.87	202,139	0.04	48,562	0.02
Flour	907,409	0.26	86,439	0.02	-	
Rice processing	7,082,252	2.03	1,574,744	0.31	6,656	
Shoes & leather garments	1,103,387	0.32	197,288	0.04	32,004	0.01
Automobile and transportation equipment	4,549,772	1.31	331,255	0.07	451,410	0.21
Financial	12,770,905	3.67	57,769,885	11.51	6,680,552	3.12
Insurance	6,521	-	1,001,831	0.20	-	
Transportation	6,936,637	1.99	1,549,778	0.31	191,911	0.09
Real Estate Construction	3,002,214	0.86	1,519,324	0.30	467,788	0.22
Electronics and electrical appliances	4,568,911	1.31	479,109	0.10	1,502,778	0.70
Production and transmission of energy	13,141,297	3.77	2,254,106	0.45	18,954,713	8.85
Food and tobacco	2,409,530	0.69	483,804	0.10	17,604	0.01
Fertilizer	2,538,269	0.73	380,349	0.08	60,705	0.03
Metal products	5,266,100	1.51	114,790	0.02	897,844	0.42
Oil, gas, petroleum and energy	24,106,681	6.92	14,068,691	2.80	9,735,568	4.54
Telecommunication	7,677,171	2.20	18,653,001	3.72	4,897,886	2.29
Hotel and services	2,962,337	0.85	5,808,852	1.16	511,459	0.24
Public sector commodity operations	20,272,868	5.82	5,689,310	1.13	468,784	0.22
Individuals	61,218,745	17.57	188,168,759	37.49	1,474,146	0.69
General traders	11,447,551	3.29	16,312,828	3.25	1,496,007	0.70
Others	57,109,171	16.40	170,765,204	34.02	153,730,537	71.75
	348,370,458	100.00	501,872,243	100.00	214,235,628	100.00

42.1.1.2 Segment by sector

Public/ Government	63,218,048	18.15	171,696,101	34.21	151,780,179	70.85
Private	285,152,410	81.85	330,176,142	65.79	62,455,449	29.15
	348,370,458	100.00	501,872,243	100.00	214,235,628	100.00

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

	2006		2005	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
----- Rupees in '000 -----				
Chemical and pharmaceuticals	1,553,889	1,484,888	1,498,584	1,448,439
Agribusiness	1,102,793	263,248	514,785	147,503
Textile	11,883,548	10,067,133	9,939,566	8,549,330
Cement	2,182,965	1,479,413	2,314,712	1,479,041
Sugar	1,523,504	1,256,677	1,630,832	1,350,595
Flour	102,895	80,434	134,903	122,787
Rice processing	321,257	180,805	268,661	175,625
Shoes & leather garments	178,190	154,602	157,719	135,256
Automobile and transportation equipment	317,633	273,066	116,883	78,849
Financial	66,404	39,019	184,905	184,905
Transportation	223,215	223,215	546,766	546,266
Real Estate Construction	138,071	105,164	103,245	98,443
Electronics and electrical appliances of energy	146,289	142,543	240,440	236,103
Food and tobacco	1,073,901	1,020,411	1,215,606	1,156,445
Fertilizer	190,795	160,680	184,699	164,861
Metal products	1,922,181	1,578,470	2,931,249	2,488,943
Oil, gas, petroleum and energy	978,385	626,507	973,885	655,297
Hotel and services	9,306	9,306	13,324	4,949
Individuals	355,485	210,654	284,650	105,614
General traders	3,880,361	3,429,779	4,786,751	4,215,035
Others	8,108,819	6,742,658	5,695,606	5,044,444
	36,259,886	29,528,672	33,737,771	28,388,730

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

Public/ Government	1,137,579	926,431	1,924,409	1,713,261
Private	35,122,307	28,602,241	31,813,362	26,675,469
	36,259,886	29,528,672	33,737,771	28,388,730

42.1.1.5 Geographical segments analysis

	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & Commitments
----- Rupees in '000 -----				
Pakistan	24,869,842	511,759,118	73,246,525	198,671,895
Asia Pacific (including South Asia)	567,267	24,163,128	4,988,391	5,745,747
Europe	(13,563)	6,975,050	1,648,668	4,304,417
United States of America and Canada	286,209	14,452,914	1,403,386	5,481,361
Middle East	600,822	77,782,501	667,148	32,208
	26,310,577	635,132,711	81,954,118	214,235,628

Notes to the Financial Statements

(for the year ended December 31, 2006)

42.2 Market risk

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

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

42.2.1 Foreign exchange risk

	2006			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupee	479,003,826	428,521,833	(17,303,401)	33,178,592
United States Dollar	116,810,799	99,319,572	13,066,227	30,557,454
Great Britain Pound	3,032,881	3,148,852	2,334,984	2,219,013
Euro	7,872,208	4,558,165	2,202,155	5,516,198
Japanese Yen	4,067,857	3,808,732	(269,550)	(10,425)
Other currencies	24,345,140	13,821,439	(30,415)	10,493,286
	156,128,885	124,656,760	17,303,401	48,775,526
	<u>635,132,711</u>	<u>553,178,593</u>	<u>-</u>	<u>81,954,118</u>

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

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

The liabilities in foreign currencies include a sum of Rs.787 million (2005: Rs.1,011 million) being deposits in foreign currencies of local branches against which the bank has obtained forward cover through SBP.

42.2.2 Equity position risk

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

- Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and/ or economy in general.

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

The bank mitigates the aforesaid risk as follows:

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

42.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

2006

Effective Yield/ Interest rate	Total	Exposed to Yield / Interest risk						Above 10 years	Non-interest bearing financial instruments
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Year	Over 2 Year to 3 Year		
----- Rupees in '000 -----									
On-balance sheet financial instruments									
Assets									
		5,328,059	18,265,650	13,209,920	-	-	-	-	41,821,598
		31,455,316	5,515,292	2,391,174	300,710	-	-	-	979,068
		23,012,732	16,747,792	52,610,720	2,618,761	-	-	-	-
		139,946,995	35,634,258	97,332,079	13,133,085	15,132,315	2,013,336	574,707	-
		316,110,406	52,350,176	97,332,079	48,312,632	158,300	1,597,900	5,345,100	-
		14,306,189	-	-	-	-	-	-	14,306,189
		612,643,228	115,411,555	182,291,685	64,365,188	15,290,615	3,611,236	10,501,874	57,106,855
Liabilities									
		1,610,623	8,828,364	109,600	-	-	-	-	10,605,663
		277,663,751	57,430,401	26,417,526	2,317,916	-	70,800	-	1,084,692
		-	-	-	-	-	-	-	138,042,649
		13,235	-	-	-	13,235	-	-	-
		20,339,091	-	-	-	-	-	-	20,339,091
		544,534,311	66,258,765	26,527,126	2,317,916	13,235	70,800	-	170,072,095
		68,108,917	49,152,790	155,764,559	62,047,272	15,277,380	3,540,436	5,919,807	(112,965,240)
		68,108,917	49,152,790	155,764,559	62,047,272	15,277,380	3,540,436	5,919,807	(112,965,240)
On-balance sheet gap									
Off-balance sheet financial instruments									
		-	339,816	-	-	-	-	-	-
		1,000,000	6,954,697	10,188,736	10,721,584	-	-	-	-
		5,210,218	2,532,404	3,510,552	5,298,085	-	-	-	-
		10,000,000	-	-	-	-	-	-	-
		22,500	-	-	-	-	-	-	-
		64,275,031	9,826,917	13,679,288	16,019,669	4,505,000	-	-	-
		132,383,948	58,979,707	189,443,847	78,086,941	57,553,871	15,277,380	10,501,874	5,919,807
		(153,934,675)	(94,954,968)	74,488,879	152,555,820	210,109,691	225,387,071	239,429,381	245,349,188
		132,383,948	58,979,707	189,443,847	78,086,941	57,553,871	15,277,380	10,501,874	5,919,807
		(153,934,675)	(94,954,968)	74,488,879	152,555,820	210,109,691	225,387,071	239,429,381	245,349,188
		132,383,948	58,979,707	189,443,847	78,086,941	57,553,871	15,277,380	10,501,874	5,919,807
		(153,934,675)	(94,954,968)	74,488,879	152,555,820	210,109,691	225,387,071	239,429,381	245,349,188

42.3 Liquidity Risk

Liquidity risk is the risk that the bank will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the bank maintains statutory deposits with central banks inside and outside Pakistan.

Notes to the Financial Statements

(for the year ended December 31, 2006)

42.3.1 Maturities of Assets and Liabilities

	2006									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Year	Over 2 to 3 Year	Over 3 to 5 Year	Over 5 to 10 Year	
	Rupees in '000									
Assets										
Cash and balances with treasury banks	78,625,227	47,149,657	18,265,650	13,209,920	-	-	-	-	-	-
Balances with other banks	40,641,679	32,434,384	5,515,292	2,391,174	300,710	119	-	-	-	-
Lending to financial institutions	23,012,732	-	3,646,179	16,747,792	2,618,761	-	-	-	-	-
Investments	139,946,995	3,854,699	31,149,258	9,280,763	30,284,514	21,737,459	20,723,117	8,337,711	11,369,974	3,239,500
Advances	316,110,406	42,973,488	38,507,774	46,047,045	74,029,411	29,867,599	30,681,841	38,739,435	14,744,980	518,833
Operating fixed assets	9,681,974	-	-	-	-	-	-	-	9,681,974	-
Deferred tax assets	-	-	-	-	-	3,033,699	8,910,611	327,067	-	-
Other assets	27,113,698	5,125,324	6,172,019	3,500,790	44,188	54,638,876	60,315,569	47,404,213	35,796,928	3,758,333
	635,132,711	131,537,552	103,256,172	91,177,484	107,247,584					
Liabilities										
Bills payable	10,605,663	10,605,663	-	-	188,000	-	-	-	-	-
Borrowings	11,704,079	2,064,408	9,016,364	109,600	7,621,612	254,907	-	70,800	-	-
Deposits and other accounts	501,872,243	391,728,528	69,631,553	14,454,044	-	4,055,681	2,386,141	2,954,218	4,081,889	4,958,577
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	13,235	-	-	-	-	-	13,235	-	-	-
Deferred tax liabilities	2,387,073	-	-	-	-	-	-	2,833,628	(446,555)	-
Other liabilities	26,596,300	8,492,615	708,782	3,714,835	-	10,322,820	2,399,376	1,974,852	3,635,334	1,382,396
	553,178,593	412,891,214	79,356,699	18,278,479	7,809,612	14,633,408	7,833,498	7,833,498	6,340,973	6,340,973
Net assets	81,954,118	281,353,662	23,899,473	72,899,005	99,437,972	40,005,468	57,916,193	39,570,715	32,161,594	(2,582,640)
Share capital	7,090,712									
Reserves	13,879,260									
Unappropriated profit	32,074,677									
Surplus on revaluation of assets	28,909,469									
	81,954,118									

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

42.4 Operational Risk

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

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

43. SUBSEQUENT EVENT

The Board of Directors has proposed a cash dividend of Rs.4 per share (2005: Rs. 2.5 per share) amounting to Rs. 2,836 million (2005: Rs. 1,477 million) and bonus shares in the proportion of 15 ordinary shares per 100 ordinary shares held (2005: 20) amounting to Rs. 1,064 million (2005: Rs. 1,182 million) in its meeting held on February 24, 2007 for approval of the members at the annual general meeting to be held on April 2, 2007. These financial statements do not reflect this appropriation as explained in note 5.1.

44. GENERAL

44.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

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

44.3 Prior year's figures have been reclassified, wherever necessary for the purposes of comparison, better presentation and changes in disclosure requirements. Significant changes are as follows:

- Interest earned on interest rate SWAP reclassified from other income to mark-up/ return/ interest amounting Rs. 58.930 million.
- Computer software reclassified from property and equipment to intangible assets amounting Rs. 4.087 million (written down value).

45. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 24, 2007 by the Board of Directors of the Bank.

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

your
Savings
reward



NBP Premium Saver
PLS Saving Account



PLS **Saving** Account

- Earn upto 7.25% p.a.+
- Minimum saving balance of Rs. 20,001 & a maximum balance of Rs. 300,000*
- Free NBP Cash Card (ATM + Debit)
- Convenience of NBP Online Aasan Banking (for online banking customers)
- Two debit withdrawals allowed in a month & no limit on number of deposit transactions
- Profit calculated monthly and paid on half yearly basis

+ Profit rates are expected
* Certain conditions apply.

NBP-Vision you can Trust



NBP

National Bank of Pakistan

*The Nation's
Bank*

Notes to the Financial Statements

(for the year ended December 31, 2006)

Annexure "I" Referred to in Note 9.15 to the financial statements

Details of Investment as at December 31, 2006

1.1 Government Compensation Bonds

Investee	Terms of Redemption		Rate of Interest %	2006	2005
	Principal	Interest		Cost	
				Rupees in '000	
Govt. Bond (Public Sector Enterprises)	1-Jun-09	Annually	6%	755,859	755,859
Govt. Bond (Heavy Mechanical Complex)	1-Mar-09	Annually	6%	385,996	385,996
Govt. Bond (Shahnawaz Bhutto Sugar Mills)	30-Sep-09	Annually	6%	56,364	56,364
Govt. Bond (Public Sector Enterprises)	1-Jul-10	Annually	9%	1,132,963	1,132,963
Govt. Bond (Pakistan Engineering Company)	Semi-annually	Semi-annually	6 months average of weighted average yield of T.Bills (*8.5614%)	-	92,806
Govt. Bond (Pakistan Engineering Company)	Semi-annually	Semi-annually		-	53,212
				2,331,182	2,477,200

1.2 Particulars of investments held in listed companies and Modarabas

1.2.1 Ordinary Shares

Investee	No. of shares/certificates held		Market Value		
	2006	2005	2006	2005	
Rupees in '000					
Held-for-trading					
Askari Commercial Bank	200,000	-	21,000	-	
Azgard Nine	-	28,000	-	1,302	
Bank Al - Falah	250,000	-	10,462	-	
Bank of Punjab	723,500	-	73,269	-	
Callmate Telips Tellcom	-	50,000	-	3,983	
DG Khan Cement	56,990	90,000	3,598	9,594	
Dewan Farooq Motors	-	50,000	-	1,670	
Fauji Fertilizer Bin Qasim	100,000	-	2,860	-	
Faysal Bank	200,000	-	12,110	-	
Hub Power Company Limited	1,297,000	498,500	35,029	11,964	
ICI Pakistan	-	50,000	-	7,025	
Lucky Cement	65,500	-	3,933	-	
MCB Bank	130,000	-	32,008	-	
Nishat (Chunian)	-	36,900	-	3,151	
Oil & Gas Development Corporation	150,000	-	17,220	-	
Pakistan Oil Fields	100,000	119,200	34,985	51,017	
Pakistan Petroleum Limited	95,000	100,000	22,050	21,025	
Pakistan State Oil	180,000	170,000	52,930	70,865	
Pakistan Telecommunication Company Limited	150,000	-	6,655	-	
		3,697,990	1,192,600	328,109	181,596
Available-for-sale					
	Rating				
	JCR-VIS	PACRA			
Al-Ghazi Tractors Limited	Unrated	Unrated	32,900	33,000	
Al-Noor Sugar Mills Limited	Unrated	Unrated	43,300	255,300	
Askari Leasing Limited	Unrated	Unrated	8,500	44,350	
Allied Bank Ltd	Unrated	A+	25,000	-	
Attock Cement Pakistan Ltd	A+	Unrated	100,000	-	
Attock Petroleum Ltd	Unrated	Unrated	178,000	-	
Baig Spinning Mills Limited	Unrated	Unrated	662,050	662,050	
Bank Al Habib	Unrated	Unrated	-	19,000	
Bank Al Falah Ltd	Unrated	AA	1,354,033	-	
Bankislami Pakistani Ltd	Unrated	AA	1,900,700	-	
Bawany Sugar Mills Ltd	Unrated	Unrated	35,200	-	
BOC Pakistan	Unrated	Unrated	61,957	25,486	
Bolan Casting Limited	Unrated	Unrated	714,300	714,500	
Brother Textile Mills Ltd	Unrated	Unrated	134,146	-	
Cherat Cement	Unrated	Unrated	28,750	-	
Chenab Limited	Unrated	Unrated	-	736,000	
Cherat Papersack Limited	Unrated	Unrated	190,800	190,800	
Colony Textile Mills	Unrated	Unrated	1,451,166	-	
Clariant Pakistan Limited	Unrated	Unrated	36,498	107,470	
Cynamid (Wyeth Pakistan)					
(Face value: Rs.100 each)	Unrated	Unrated	-	1,544	
Dandot Cement Limited	Unrated	Unrated	160,000	160,000	
Dadabhoi Cement Industries	Unrated	Unrated	137,400	-	
Dewan Automotive Engg. (formerly: Allied Motors Limited)	Unrated	Unrated	1,001,333	-	
Balance carried forward					
			257,862	125,226	

Notes to the Financial Statements

(for the year ended December 31, 2006)

Particulars of Investment held in listed companies and Modarabas

Investee	Rating		No. of shares/certificates held		Market Value	
	JCR-VIS	PACRA	2006	2005	2006	2005
Available-for-sale						
					Rupees in '000	
Balance brought forward					257,862	125,226
Dewan Hattar Cement Limited (formerly Saadi Cement Limited)	Unrated	Unrated	254,000	354,000	2,540	5,717
Dewan Cement	Unrated	Unrated	1,502,000	1,000	15,771	18
Dewan Salman Fibres Limited	Unrated	A	1,300,000	9,644	9,945	154
Escort Investment Bank Limited	Unrated	Unrated	1,184,092	1,050,000	16,104	16,958
Faran Sugar Mills Limited	A	Unrated	-	267,500	-	4,227
Fauji Fertilizer Company Limited	Unrated	Unrated	4,619,908	5,897,260	487,631	807,925
Fauji Cement Industries Ltd	Unrated	Unrated	41,691	-	630	-
FFC Bin Qasim	Unrated	Unrated	477	-	14	-
Frontier Ceramics Limited	Unrated	Unrated	1,371,000	1,370,600	4,456	8,361
Faysal Bank Ltd	Unrated	Unrated	367,355	-	22,225	-
First Dawood Investment Bank Limited (formerly: General Leasing Modaraba 1st.)	AA	AA	2,507	17,437	40	425
First National Equity	Unrated	A+	1,400,000	-	53,900	-
Glaxosmithkline (Glaxo Welcome)	BBB	Unrated	103,683	108,848	16,366	20,273
Guardian Leasing Modaraba	Unrated	Unrated	631,300	631,300	5,050	5,461
Ghribwal Cement	BBB+	Unrated	1,339,000	-	13,524	-
Habib Bank Modaraba 1st.	Unrated	Unrated	265,420	265,420	2,256	2,893
Haji Mohammad Ismail Mills	Unrated	Unrated	1,683,150	1,683,150	5,049	11,445
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	-	-
Harum Textile	Unrated	Unrated	128,000	138,000	-	-
Hub Power Company Limited	Unrated	Unrated	9,891,005	10,639,000	267,057	255,336
Honda Atlas Cars	Unrated	Unrated	-	1,000	-	114
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	-	83
Junaid Cotton Mills Limited	Unrated	Unrated	32,800	32,800	-	-
Kaisar Arts & Krafts	Unrated	Unrated	850,000	850,000	-	468
KASB Bank Limited	Unrated	Unrated	760	760	12	11
Khairpur Sugar Mills Limited	Unrated	BBB+	3,088,000	3,088,000	-	-
Kohinoor Mills Ltd	Unrated	Unrated	374,727	-	9,012	-
Khurshed Spinning Mills	Unrated	Unrated	60,400	-	-	-
Kohinoor Weaving Mills Limited	Unrated	Unrated	-	350,661	-	13,592
Kohinoor Textile Mills Limited	Unrated	Unrated	306,900	-	6,997	-
Kohinoor Industries Ltd	Unrated	Unrated	88,558	-	961	-
Kohat Cement	Unrated	Unrated	280,500	-	8,920	-
Kohat Textile Mills	Unrated	A	2,906,900	-	10,756	-
Kot Addu Power Co	Unrated	Unrated	494,100	-	20,110	-
Lucky Cement	Unrated	Unrated	58,449	-	3,501	-
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	-	-
Mehran Modaraba 1st.	Unrated	Unrated	1,000	1,000	2	2
Mehran Sugar Mills Limited (Face value: Rs.5 each)	Unrated	Unrated	-	-	-	-
Millat Tractors Limited	Unrated	Unrated	500	35,500	12	632
Mirza Sugar Mills Limited	Unrated	Unrated	407,160	339,300	114,819	100,263
Modaraba Al-Mali	Unrated	Unrated	627,740	900,000	1,789	3,015
Mohib Textile	Unrated	Unrated	-	23,004	-	213
Mohib Textile	Unrated	A-	425,600	425,600	-	-
MCB Bank	Unrated	Unrated	89,491	-	22,024	-
Muhammad Farooq Textile	Unrated	AA+	41,008	-	232	-
National Refinery Limited	Unrated	Unrated	-	-	-	-
NIB (NDLC-IFI Bank)	Unrated	AAA	174,373	174,373	4,255	6,077
Nishat Mills	Unrated	A+	400,180	50,000	35,136	5,675
Nishat Chunian	Unrated	A+	332,000	-	12,666	-
Oil & Gas Development Corporation	Unrated	Unrated	185,655	1,529,318	21,295	180,460
Orix Leasing Pakistan Limited	Unrated	Unrated	182,735	182,735	4,477	5,336
Packages Limited	AA(p)	AA+	168,167	153,167	35,315	30,940
Pakistan Engineering Company Limited	Unrated	AA	135,240	135,240	13,254	12,983
Pakistan Oilfields Limited	Unrated	Unrated	-	220,500	-	94,374
Pakistan Reinsurance	Unrated	Unrated	-	27,500	-	2,393
Pakistan Synthetic	Unrated	Unrated	22,500	-	158	-
PTA Pakistan Limited	Unrated	Unrated	70,296	-	344	-
Pakistan State Oil Company Limited	Unrated	Unrated	161,567	320,969	47,501	133,796
Pakistan Petroleum	Unrated	AAA	25,472	-	5,910	-
Pangrio Sugar	Unrated	Unrated	800	600,400	-	-
Parke Davis Company Limited	Unrated	Unrated	-	-	-	-
Pakistan International Airlines Corporation "A-class"	Unrated	Unrated	20,122,813	20,260,813	141,866	249,208
Pakistan National Shipping Corporation	Unrated	Unrated	399,636	386,236	16,625	37,195
Pakistan Telecommunication Company Limited	Unrated	Unrated	1,966,240	3,532,300	87,104	231,012
Punjab Oil Mills Limited	Unrated	Unrated	307,850	307,850	8,081	7,542
					2,746	-
Balance carried forward					1,813,554	1,892,936

Notes to the Financial Statements

(for the year ended December 31, 2006)

Particulars of Investment held in listed companies and Modarabas

Investee	Rating		No. of shares/certificates held		Market Value	
	JCR-VIS	PACRA	2006	2005	2006	2005
					Rupees in '000	
Available-for-sale					1,813,554	1,892,936
Balance brought forward					2,746	-
Prime Commercial Bank	Unrated	A+	56,562	-	-	-
Redco Textile Mills Limited	Unrated	Unrated	1,300	1,300	-	-
Saif Textile Mills Limited	A-	Unrated	6,000	6,308	93	170
Sahrish Textile Ltd	Unrated	Unrated	107,543	-	-	-
Sakrand Sugar Mills Limited	Unrated	Unrated	3,896,000	3,801,600	12,272	15,967
Saudi Pak Commercial Bank Limited	A-	Unrated	20,410	-	346	-
Searle Pakistan Limited	BBB	Unrated	76,909	129,780	1,969	5,386
Shahmurad Sugar Mills Limited	Unrated	Unrated	-	-	-	-
(Face value: Rs.5000 each)	Unrated	Unrated	-	47,300	-	473
Shell Pakistan Limited	Unrated	Unrated	257,202	272,562	102,379	215,869
Siemens (Pakistan) Engineering Company Ltd.	Unrated	Unrated	200,000	200,000	220,000	175,000
Sitara Chemicals Industries Limited	Unrated	Unrated	118,894	118,894	12,722	16,823
Soneri Bank Limited	Unrated	AA-	-	-	-	-
Southern Electric power	Unrated	Unrated	111,148	-	661	-
Standard Chartered Modarba Ist	Unrated	AA+	1,268,956	1,153,597	19,288	24,918
Sui Northern Gas Pipeline Company Limited	Unrated	AA-	6,426,429	5,842,209	420,931	397,270
Sui Southern Gas Pipeline Company Limited	Unrated	Unrated	-	758,694	-	20,295
Sunshine Cloth Mills	Unrated	Unrated	150,000	150,000	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	281,250	281,250	-	-
SME Leasing	BBB+	Unrated	1,230,477	-	13,535	-
Taj Textile Mills Limited	Unrated	Unrated	44,775	375	123	1
TRG Pakistan Limited	Unrated	Unrated	-	6,773,000	-	89,742
Twakkal Garments Industries Limited	Unrated	Unrated	112,500	112,500	-	-
Unilever (Pakistan) Limited	Unrated	Unrated	-	-	-	-
(Face value: Rs.50 each)	Unrated	Unrated	139,740	140,000	279,478	248,500
Unity Modaraba	Unrated	Unrated	1,000,000	100,000	-	-
World Call Telecom	Unrated	A+	1,081,259	-	11,624	-
Yousuf Weaving Mills	Unrated	Unrated	21,711	-	119	-
Total					2,911,840	3,590,217
					3,239,949	3,771,813

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

Cost of the above held-for-trading and available-for-sale investments amounted to Rs.331 million (2005: Rs.184 million) and Rs. 1,426 (2005: Rs. 1,306 million) respectively.

1.2.2 Particulars of Investment held in un-listed companies

1.2.2.1 Ordinary Shares - Holding 10%

Investee	Rating		Percentage of holding	No. of Shares held	Cont of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCR-VIS	PACRA			2006	2005			
Avari Hotel Limited	Unrated	Unrated	12.7%	9,459,200	-	94,592	(6,338)	June 30,2000	Mr. Byram D Avari
Digri Sugar Mills Limited	Unrated	Unrated	19.1%	2,000,000	4,063	4,063	8,126	Sep 30,1999	Mr. Naveed Ahmad Javeri
Engine System	Unrated	Unrated	16.5%	788,500	-	-	(10,132)	June 30,1998	Mr. Javed Burki
First Women Bank Limited	Unrated	Unrated	10.6%	2,532,000	21,100	21,100	62,667	Dec. 31, 2005	Ms. Zareen Aziz
Gelcaps Pakistan Limited	Unrated	Unrated	14.6%	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	Unrated	Unrated	18.6%	275,000	-	-	-	-	Mr. Hassan Zaidi
Investment Corporation of Pakistan (Face value: Rs.100 each)	Unrated	Unrated	19.9%	398,000	-	36,337	262,317	June 30,2005	Mr. Tariq Iqbal Khan
Pakistan Agriculture Storage Service Corp. (Face value: Rs.1,000 each)	Unrated	Unrated	18.3%	5,500	5,500	5,500	109,831	March 31,2003	Maj. Gen. Fahim Akhter Khan
Precision Engineering	Unrated	Unrated	16.8%	15,100	-	-	-	-	Mr. Zaheer Hussain
Resources and Engineering Management Corporation	Unrated	Unrated	10.0%	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Safa Rice Mills Limited	Unrated	Unrated	15.8%	450,000	-	-	-	-	-
Sigma Knitting Mills	Unrated	Unrated	14.1%	500,000	-	-	(6,793)	June 30,1999	Mr. Pervaiz Alam
Pakistan Textile City	Unrated	Unrated		5,000,000	50,000	50,000	50,650	June 30,2006	Mr. Nasir Sadruddin
					85,328	216,257			

Notes to the Financial Statements

(for the year ended December 31, 2006)

1.2.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cont of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCR-VIS	PACRA		2006	2005			
Al Ameen Textile	Unrated	Unrated	32,800	328	328		Not available	
Al Zamin Modarba Management	A-	Unrated	140,000	1,000	1,000	2,048	June 30, 2006	Mr. Bashir A. Chaudhry
Arabian Sea Country Club	Unrated	Unrated	650,000	-	-	4,067	June 30, 2002	Mr. Aslam Mohsin ali
Attock Textile Mills Limited	Unrated	Unrated	100,000	948	1,000	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-			Not available
Equity Participation Fund (Face value: Rs.100 each)	Unrated	Unrated	28,000	2,800	2,800	15,410	June 30, 2006	Mr. Muhammad Akhter
F.T.C. Management	Unrated	Unrated	50,000	250	250	366	June 30, 2005	Mr. Rehan-ul Ambia Riaz
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	22,541	June 30, 2006	Col (R) Ali Abbas
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	4,917	June 30, 2006	Mr. Kamran Ahmed Khalili
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoor
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200			Not available
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30,1997	Mr. Syed Tauqeer Haider
Indus Sugar	Unrated	Unrated	594,807	5,948	5,948	(4,829)	Sep 30,2003	Not available
Kashmir Textile	Unrated	Unrated	82,500	825	-			Not available
Kronos Corporation	Unrated	Unrated	-	-	-			Not available
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778			Not available
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-			Not available
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	-			Not available
Myfip Video Industries	Unrated	Unrated	537,300	5,373	-			Not available
National Construction Limited	Unrated	Unrated	50,000	250	-	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Fulltraton Asset Management Co. Ltd	Unrated	Unrated	-	-	-			Not available
National Institute of Banking and Finance	Unrated	Unrated	200,000	20,000	-	3,481	June 30, 2006	Mr. Kazi Abdul Muktadir
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,827)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	10	-	-			Not available
National Institution of Facilitation Technology (Pvt) Ltd	Unrated	Unrated	353,029	1,526	1,526	19,867	June 30, 2006	Mr. M. M. Khan
National Investment Trust (Face value: Rs.100 each)	Unrated	Unrated	52,800	100	100	130,081	June 30, 2006	Mr. Tariq Iqbal Khan
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183			Not available
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30,1998	Mr. Akhter Aziz khan
Newshehra Engineering Works Limited	Unrated	Unrated	4,950	41	41			Not available
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373			Not available
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30,1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	79,281	2004	
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276			Not available
Phalia Sugar Mills Limited	Unrated	Unrated	1,087,949	-	3,111			Not available
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	-			Not available
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589			Not available
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	5,799	June 30,2006	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750			Not available
SARF	Unrated	Unrated	5,000	287	287			Not available
Shoab Capital	Unrated	Unrated	100,000	272	272	544	Dec 31,04	Mr. Kandia Balendra
SME Bank Limited	BBB	Unrated	4,590,936	26,950	26,950	72,032	June 30,2000	Not available
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267		June 30, 2006	Mr. Mansur Khan
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-			Not available
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30,1997	Mr. Javed Burki
Zafar Textiles Mills Ltd.	Unrated	Unrated	247,100	256	256			Not available
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330			Not available
				246,313	217,607			
				331,641	433,864			

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

1.3 Particulars of Investments held in units of mutual funds

Investee	Rating		No. of shares/certificates held		Market Value	
	JCR-VIS	PACRA	2006	2005	2006	2005
Listed					Rupees in '000	
ABAMCO Composite Fund	Unrated	Unrated	-	2,500,000	-	23,875
ABAMCO Stock Market Fund	Unrated	Unrated	-	131,003	-	2,103
AKD Index Tracker Fund	Unrated	Unrated	4,159,350	4,159,350	41,178	38,058
Askari Income Fund	Unrated	Unrated	495,540	-	52,616	-
Atlas Income Fund	Unrated	5-Star	50,000	50,000	26,220	26,297
Atlas Islamic Fund	Unrated	Unrated	100,000	-	50,000	-
Atlas Stock Market Fund	Unrated	5-Star	100,000	-	55,288	-
BSJS Balanced Fund	Unrated	5-Star	1,237,500	1,237,500	14,108	16,706
Faysal Balance Growth Fund	3-Star	Unrated	694,353	500,000	69,970	63,175
First Dawood Mutual Fund	Unrated	4-Star	5,262,059	4,575,704	33,414	42,783
Meezan Balanced Fund	Unrated	4-Star	5,000,000	-	43,000	-
Meezan Islamic Fund-Type-A Series (nominal value: Rs.50 each)	5-Star	5-Star	1,475,772	1,000,400	89,638	75,300
NAFA Cash Fund	A(f)	Unrated	12,500,000	-	131,500	-
NAFA Multi Asset Fund	Unrated	Unrated	7,500,000	-	75,000	-
NAFA Stock Fund	Unrated	Unrated	7,500,000	-	75,000	-
NAMCO Balanced Fund	Unrated	Unrated	2,000,000	-	20,000	-
Pakistan Capital Market Fund	Unrated	3-Star	4,628,163	4,575,500	52,992	67,854
Pakistan International Element Islamic Fund	Unrated	Unrated	300,000	-	14,361	-
Pakistan Premier Fund	Unrated	4-Star	129,525	-	1,684	-
Pakistan Strategic Allocation Fund	Unrated	4-Star	2,500,000	2,500,000	21,250	29,250
PICIC Energy Fund	Unrated	Unrated	1,380,520	1,500,000	10,630	-
PICIC Growth Fund (formerly: Investment Corporation of Pakistan - SEMF)	4-Star	Unrated	7,703,051	7,168,875	216,841	355,576
PICIC Investment Fund	3-Star	Unrated	137,277	-	1,991	-
Reliance Income Fund	Unrated	Unrated	300,000	-	15,312	-
UTP Growth Fund	Unrated	Unrated	352,754	-	4,586	-
UTP Large Capital Fund	Unrated	4-Star	2,500,000	-	20,000	-
J.S. ABAMCO Limited (Formerly UTP ABAMCO Limited) (nominal value: Rs.5,000 each)	Unrated	AM 2+	26,427	15,000	194,687	121,860
			68,032,291	29,913,332	1,331,266	862,837
Cost of the above investment amounted to Rs. 1,028 million (2005: Rs. 582 million)						
Unlisted:						
Atlas Stock Market Fund	Unrated	5-Star	100,000	100,000	-	62,882
Meezan Balanced Fund	Unrated	4-Star	5,000,000	5,000,000	-	48,750
					-	111,632
					1,331,266	974,469

All certificate have a nominal value of Rs. 10 per unit unless otherwise mentioned

1.4 Particular of Investments held in preference shares

Investee	Rating		Cumulative non-cumulative	Rate	No. of certificate held		Market Value	
	JCRVIS	PACRA			2006	2005	2006	2005
Listed:							Rupees in '000	
Chenab Limited	Unrated	Unrated	Cumulative	9.25%	10,000,000	10,000,000	71,500	90,700
Cost of the above investment amounted to Rs.100 million (2005: Rs.100 million)								
Unlisted:								
Dalda Food	Unrated	Unrated	Cumulative	8.75%	9,300,000	9,300,000	93,000	93,000
Jamshoro Joint Venture limited	Unrated	Unrated	Cumulative	15.00%	2,500,000	2,500,000	25,000	25,000
Pak Elektron Limited	Unrated	Unrated	Cumulative	9.50%	10,000,000	10,000,000	100,000	100,000
South Asia Regional Fund (Face value: USD 1 each)	Unrated	Unrated	Cumulative	8.00%	3	1,093	184	65,500
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	10,000,000	10,000,000	50,000	50,000
							268,184	333,500
							339,684	424,200

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

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

1.5.1 Term finance certificate

Investee	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value/cent	
					2006	2005	2006	2005
							----- Rupees in '000 -----	
Listed								
Al - Zamin Leasing Modoraba	9.5%	Half yearly	2.06.2008	BBB+	1,902	1,902	9,510	9,510
Azgard Nine Ltd	11.45%	Half yearly	17.8.2012	A	20,000	20,000	99,960	100,000
Bank Al-Habib Limited	6 month Kibor + 2.4 % 10.55%	Half yearly	28.06.2012	AA	39,984	39,984	199,840	199,920
Sui Southern Gas Company Limited	6 month Kibor + 1.5 % 13.00%	Half yearly	26.05.2006	Unrated	-	4,540	-	24,288
Soneri Bank Limited	3-5 year discount rate 9% + 1.1% 10.65%	Half yearly	31.3.2013	AA	26,995	26,995	134,919	134,973
United Bank Limited	6 month Kibor + 1.6 % 10.39%	Half yearly	16.06.2012	AA	16,903	16,903	84,480	84,513
Sitara Chemical Industries Limited SUKUK	8 year PIB Reuter Page PKRV@8.62% 12.07%	Quarterly	30.06.2011	AA-	80,000	-	456,000	-
Financial Receivable Securitization Co. Ltd.	12.65% 6 month Kibor + 2%	Half yearly	27.12.2013	AA-	5,000	-	25,000	-
							1,009,709	553,204

Investee	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value/cent	
					2006	2005	2006	2005
							----- Rupees in '000 -----	
Term finance certificate - Unlisted								
Ados Pakistan Limited	-	-	-	Unrated	-	-	-	-
Agro Dairies Limited	22.00%	Overdue	Overdue	Unrated	20	20	4,237	4,237
Al-Azhar Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168
Al-Faham Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	-	14	-	1,907
Al-Qaim Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	357	357
Apex Fabrics Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640
Aqma Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,160	4,466
Aruj Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	5	5	-	493
Aswan Tentage & Canvas Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643
Azeem Tapes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	34	34	2,279	2,582
Bachani Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896
Baluchistan Cotres Limited	22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745
Bankers Equity Limited	22.00%	Overdue	Overdue	Unrated	10	10	104,449	104,449
Bela Chemical Limited	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595
Bentonite Pak Limited	22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417
Blue Star Spinning Mills Limited	22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252
Bosicor Pakistan Ltd	13.00%	Half yearly	12.2.2010	Unrated	20	20	86,190	100,000
Brother Steel Limited	6 month Kibor + 6.79 % 22.00%	Overdue	Overdue	Unrated	17	17	3,094	3,094
Cast-N-Link Product Limited	22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549
Chaudhry Wire Rope Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,565	1,565
Chiniot Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185
Chiragh Sun Engg Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,865	2,486
Dadabhoj Cement Limited	-	-	-	Unrated	-	-	-	-
Danneman Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,283	4,584
Dawood Leasing Company Limited	10.75%	Half yearly	07.09.2006	Unrated	-	5,000	-	25,000
Faruki Pulp Mills Limited	Discount Rate 9% + 1.75% 22.00%	Overdue	Overdue	Unrated	14	14	17,550	17,550
Frontier Ceramics Limited	22.00%	Overdue	Overdue	Unrated	46	46	3,517	3,563
General Dairies & Food Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350
Glorex Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	1	1	927	924
Gulistan Textile Mills Limited	14.00%	Half yearly	29.08.2006	Unrated	-	3,331	-	16,653
Gypsum Corporation Limited	SBP Discount Rate + 2% 22.00%	Overdue	Overdue	Unrated	10	10	900	900
Hospitex International Limited	22.00%	Overdue	Overdue	Unrated	16	16	511	511
Hub Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	3,887
Indus Sugar Mills	22.00%	Overdue	Overdue	Unrated	-	-	1,015	10,390
Jamshoro Joint Venture (Face value of Rs. 5,000,000)	9.94%	Half yearly	15.4.2009	Unrated	9	9	28,125	39,375
Jahangir Siddiqui & Company Limited	PIB 5 year latest cut off yield 10.55%	Half yearly	17.05.2014	AB+	39,960	39,976	199,800	199,880
Javedan Cement Ltd.	13.15% 6 month Kibor + 2.5 %	Half yearly	22.08.2011	Unrated	-	-	1,400,000	-
Balance carried forward							1,949,264	632,390

Notes to the Financial Statements

(for the year ended December 31, 2006)

Term finance certificate - unlisted

Investee	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value/cent	
					2006	2005	2006	2005
							----- Rupees in '000 -----	
Balance forward							1,949,264	632,390
Kamal Ghee & Allied Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kashmir Polytext Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,483	1,483
Khairpur Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	28	28	5,128	5,128
Kiran Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	8,706	10,914
Larr Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	9,929	12,688
Latif Bawany Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,380	2,380
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	2,472	2,472
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,350	7,350
Munalisa Fruit Juices	-	-	-	Unrated	2	14	1,500	-
Mumtaz Shahbaz Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	1,500
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	2,043	2,043
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	1,113	1,113
National Fructose Company Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,450	1,450
National Tiles & Ceramics Limited *	22.00%	Overdue	Overdue	Unrated	16	16	-	941
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	941
Nishat Mills Limited	9.84%	Half yearly	29.08.2008	Unrated	149,880	149,940	599,400	749,400
Weighted Average of last 3 cut off rate 6 month T-Bills 8.1388% + 1.7%					38	38		
Novelty Fabric Processing Limited	22.00%	Overdue	Overdue	Unrated	14	14	12,896	13,870
Pak Pattan Dairies Limited	22.00%	Overdue	Overdue	Unrated	647,424	682,473	2,954	3,146
Pakistan International Airlines Corp. Ltd *	10.00%	Half yearly	26.02.2011	Unrated	1	1	3,237,371	3,412,364
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	19,074	28,611	95	95
Pakistan Services Limited *	11.75%	Half yearly	16.09.2008	A	26	26	95,371	143,057
Dewan Cement (Pakland Cement) *	11.55%	Half yearly	15.7.2013	Unrated	16	16	261,172	313,052
Pangrio Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,683	2,057
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	21,991	21,996	403	857
Prime Commercial Bank Limited *	12.55%	Half yearly	08.12.2012	A+	150,000	-	109,956	109,978
Pak Kuwait Investment Ltd. F *	11.82%	Quarterly	22.02.2011	AAA	100,000	-	750,000	-
Pak Kuwait Investment Ltd. G *	11.82%	Quarterly	22.02.2011	AAA	20	20	500,000	-
Prometals Limited	22.00%	Overdue	Overdue	Unrated	2	2	-	763
Qand Ghar (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,706	2,706
Qand Ghar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	7,915	7,915
Rai Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	510
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	3,831	3,831
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	6,081	6,081
Rehman Sharif Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	120	-	702	973
Reliance Pak Arab fertilizor Co.Ltd (Face value of Rs. 10,000,000) *	13.15%	Half yearly	13.7.2013	Unrated	26	26	1,200,000	1,200,000
Dewan Hattar Cement (Saadi Cement) *	11.55%	Half yearly	15.7.2013	A	32	32	810,461	972,037
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	17	17	6,749	6,748
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	24	24	774	774
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	5,423	5,423
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	104	104
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	13	13	2,202	2,202
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	6	6	2,320	2,320
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	15	15	1,650	1,650
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	2	2	7,445	7,445
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	16	16	4,302	4,302
Star Silica International	22.00%	Overdue	Overdue	Unrated	28	28	1,799	1,799
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	36	36	748	7,686
Taj Syringes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	22	22	4,917	5,606
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,315	1,315
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	5	5	759	759
Tharparkar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	2	2	23,332	23,332
Trubo Tubes Limited	22.00%	Overdue	Overdue	Unrated	16	16	122	122
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	1,211	1,211
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,196	2,196
Zamir Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,516	7,516
Zaver Petroleum Ltd.	13.90%	Half yearly	10.07.2011	Unrated	10,000	-	50,000	-
	6 month kibar + 3.25%	Half yearly						
							9,724,937	7,713,196

* Cost of the above TFCs amounted to Rs. 10,231 million (2005: Rs. 6,547 million)

Notes to the Financial Statements

(for the year ended December 31, 2006)

1.5.2 Debentures

Investee	Terms of Redemption		Rate of Interest	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Alleey Hosiery Mills Limited	-	-	-	-	-
Allied Ghee Industries Limited	Overdue	Overdue	14%	1,141	1,141
Allied Ghee Industries Limited	Overdue	Overdue	Interest free	572	572
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	Overdue	Interest free	15	15
Aslo Electrical Industries	Outstanding	Outstanding	11%	2,270	2,270
Aslo Electrical Industries	Outstanding	Outstanding	14%	6	6
Attock Textile Mills Limited	Regular	Regular	14%	-	432
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	318	318
Colony Textile Mills Limited	Outstanding	Outstanding	Interest free	-	184
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Daaman Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	Not Applicable	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	990
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Lahore Engineering Foundary Works	Regular	Regular	5%	-	1,160
Mansoor Textile Mills	Overdue	Overdue	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	134
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Pakistan Polypropylene Packages Limited	Outstanding	Outstanding	14%	-	2
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Overdue	Overdue	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Saleem Tanneries Project 1	Overdue	Overdue	12.5%	1,302	1,302
Sarhad Bricks Limited	Overdue	Overdue	11%	543	543
Sarhad Bricks Limited	Overdue	Overdue	14%	102	102
Balance carried forward				190,837	193,204

Notes to the Financial Statements

(for the year ended December 31, 2006)

Investee	Terms of Redemption		Rate of Interest	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
Balance brought forward				190,837	193,204
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
SDA-A/C Cold Storage Mardan -1	Regular	Regular	12%	204	1,278
SDA-A/C Cold Storage Mardan -2	Regular	Regular	12.5%	108	878
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	11%	368	368
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Oustanding	Oustanding	12.5%	200	200
Spinzer Towel Industries Limited	Oustanding	Oustanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				194,956	199,168

1.5.3 Participation Term Certificate

Investee	Number of certificate (s)	Rate of interest	Paid-up value per certificate Rupees	2006	2005
				Cost	
				----- Rupees in '000 -----	
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	1,250	1,250
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Balochistan Clay Products	17	17%	227,176	2,504	2,504
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Bela Ghee Mills Limited	14	17%	191,214	1,066	1,066
Calcium Limited	1	17%	300,000	300	300
Cotex Industries Limited	14	17%	16,357	229	229
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	10,863	11,601
Delta Tyre & Rubber Co.	7	17%	268,714	1,881	1,881
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gem Industries Limited	12	17%	126,417	1,518	1,517
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	6,761	6,761
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khalil Jute Mills Limited	16	17%	138,875	0	577
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	727	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	6,060	6,060
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	11,551	12,835
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Balance Carried forward				89,976	92,571

Notes to the Financial Statements

(for the year ended December 31, 2006)

Participation Term Certificate

Investee	Number of certificate (s)	Rate of interest	Paid -up value per certificate Rupees	Cost	
				2006	2005
				----- Rupees in '000 -----	
Balance brought forward	11	17%		89,976	92,571
Sampak Paper Board Mills	35	17%	14,909	165	165
Sarela Cement Limited	15	17%	406,629	14,232	14,232
Sethi Industries Limited	11	17%	240,667	3,260	3,522
Shafi Woolen Industries Limited	17	17%	89,455	490	489
Sindh Glass Industries Limited	15	17%	598,765	9,457	9,457
Star Silica Industries Limited	13	17%	137,467	1,803	1,803
Suhail Jute Mills Limited	15	17%	80,769	673	673
United Wood (Veener) Limited	13	17%	51,000	727	727
Waziristan Oil Industries Limited	11	17%	88,385	1,094	1,094
Zafar Oil Industries Limited			65,455	720	720
				122,597	125,458

1.5.4 Government of Pakistan Guaranteed bonds

Investee	Terms of Redemption		Rate of Interest %	Cost	
	Principal	Interest		2006	2005
				----- Rupees in '000 -----	
WAPDA Bonds (9th issue)	Bi-annual	Bi-annual	11.00%	-	720,003
Rice Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	575,420	918,861
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	380,000	570,000
Trading Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	309,153	463,775
Saindak Metals Limited - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	254,485	508,969
Saindak Metals Limited - Bonds	Annual	Bi-annual	15%	-	725,972
Shahnawaz Bhutto Sugar Mills	Lumpsum	Lumpsum	Average of last six months KIBOR rates	16,762	15,813
Public Sector Enterprises	Lumpsum	Lumpsum	6%	12,167	23,272
			11%	1,547,987	3,946,665
				11,590,477	11,984,488

1.5.5 OTHER GOVERNMENT BOND INVESTMENT

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

Notes to the Financial Statements

(for the year ended December 31, 2006)

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE PERIOD 01.01.2006 TO 31.12.2006

Annexure - II as referred to in Note 10.6 to the Financial Statements (Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10		12	
1	Yasrab Cotton Factory * Jhangiwali Road, Bahawalpur	Syed Abdul Aziz Shah 31202-3635490-9 M. Tahir Aziz Shah 31202-3625895-9 Irfan Aziz Shah 31202-0250777-9 Tahira Aziz, Mrs. 31202-3028767-0 Kanwal Aziz, M/s 31202-0939512-4 Manzoor Ahmed 31202-0258446-1 Ayyaz Mehmood 31202-3968731-5	Abdul Ghafoor Shah Abdul Aziz Abdul Aziz W/o Wasim A. Qureshi W/o Syed Amjad Bashir S. M. Manzoor Ahmed	1.950	0.350	0.000	2.300	0.000	2.606	1.271	0.000	3.877
2	Popular Textile Industries (Pvt) Ltd. * Chak No.211/RB, Humayun-Abad Jaranwala Road Fsd. 261-Panorama Center, Fatima Jinnah Road, Karachi.	M. Hussain Virik . 42101-6489751-7. Suleman Ahmad Virik 42101-0521832-3. Imran Ahmad Virik 42101-4263704-7.	Noor Muhammad M. Hussain Vrik M. Hussain Vrik	1.252	0.851	0.000	2.103	0.413	0.000	0.417	0.434	1.264
3	Bhatti Brotheran Cotton Ginning Pressing & Oil Factory* 514/GB Teh: Tandianwala Distt: Faisalabad	Abdul Sattar 33106-4224145-9 Muhammad Yar Mst. Zohra	Shahrah Bhatti Shahrah Bhatti W/o Shahrah Bhatti	1.752	2.721	0.177	4.650	0.289	0.182	2.222	0.494	3.187
4	Kamal-ud-Din H.No.1020, St. No.67, G-9/4, Islamabad	Kamal-ud-Din 101-85-372838	Muhammad Din	0.809	0.000	0.000	0.809	0.421	0.000	1.252	0.000	1.673
5	Muhammad Safer Khan	M. Safer Khan 82203-0482867-3	Fazal Din	0.372	0.235	0.000	0.607	0.372	0.067	0.168	0.000	0.607
6	F.F CANS (PVT)LTD.*	Fazal ur Rehman 42201-3946610-7		19.024	28.102	0.690	47.816	16.781	2.662	22.557	0.000	42.000
7	DAWN ENGG.*	Mirza Pervaiz Baig 42000-0380827-5	Mirza Nawab Baig	3.280	2.750	0.063	6.093	1.925	0.00	0.063	0.000	1.988
8	Lal Din Rishi & Sons Railway Road, Gujrat	Tariq Masood Rishi Mrs.Qamar Tariq Tahir Masood Rishi Mrs.Robina Tahir Tahawar Masood Rishi Mrs.Yasmin Tahawar Talat Masood Rishi Mst.Nadia Talat	Lal Din Rishi W/o Tariq Masood Lal Din Rishi W/o Tahir Masood Lal Din Rishi W/o Tahawar Masood Lal Din Rishi Lal Din Rishi	1.593	1.427	0.000	3.020	1.210	0.000	0.000	3.485	4.695
9	National Engineering Co.*	M. Aslam Bhatti M. Akram Bhatti M. Anwar Bhatti Farhat	D/o Muhammad Anwar	0.376	0.919	0.000	1.295	0.000	0.000	0.000	3.812	3.812
10	Fateh Sports Ltd*.	Rauf Alam 41304-2303231-9 Aftab Alam 41304-9857401-9 Saeed Alam 41304-2303234-3 Faraz Alam 41304-8084349-7 Jamila Alam 41304-4730956-6 Mohammad Mohsin 41304-2303244-7 Muhammad Naveed 41304-2303981-7	Janah Alam Janah Alam Janah Alam Rauf Alam Janah Alam Roshan Ali Roshan Ali	0.090	0.000	0.028	0.118	0.000	0.000	0.000	1.807	1.807

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1	2	3	4	5	6	7	8	9	10	11	12	
11	Fateh Finisher Ltd.*	Rauf Alam 41304-2303231-9 Saeed Alam 41304-2303234-3 Roshan Ali 41304-23036243-1	Janah Alam Janah Alam Abbas Bhai	0.296	0.000	0.034	0.330	0.000	0.000	0.000	1.828	1.828
12	Shahan Oil	Saeed Khan 44203-487846-1 Ajmal Khan 44203-1272236-7 Khuda Bukhsh 484-44-018908 M. Ismail 484-85-031582	Kamal Khan Kamal Khan Kauro Khan Jaind Khan	3.200	0.503	0.104	3.807	2.109	0.643	0.000	9.396	12.148
13	Saeed Khan*	Saeed Khan 44203-487846-1 Ajmal Khan 44203-1272236-7 Khuda Bukhsh 484-44-018908 M. Ismail 484-85-031582	Kamal Khan Kamal Khan Kauro Khan Jaind Khan	7.181	0.000	0.199	7.380	3.690	1.578	0.000	18.938	24.206
14	Qazi Enterprises B-67 Block-13 Fb Area Karachi	Zardar Malik	Mir Abdullah	0.200	0.044	0.002	0.246	0.194	0.002	0.048	0.558	0.802
15	Sind Textiles* C-41 Block-6 PECHS Dr. M. Hassan Road Karachi	Syed Ali Azhar Naqvi 101-46-323623 Mrs.Hameeda A Naqvi 518-46-332608 Syed Ali Athar Naqvi 514-86-136964 Syed Ali Akber Naqvi 501-35-342742 Dr. M.Hassan Rd. Khi.	S. Sharif Hussain Naqvi W/o Syed Ali Azhar Naqvi S. Sharif Hussain Naqvi S. Sharif Hussain Naqvi	9.435	1.547	0.360	11.342	6.745	0.360	3.877	31.602	42.584
16	M. Azam Khan B-29 Mebar Mabzil Bl-1 Scheme-5 Clifton Karachi	M. Azam Khan 42301-2352731-9	M. Akram Khan	0.496	0.531	0.011	1.038	0.496	0.011	0.052	0.479	1.038
17	Muhammad Sadiq F# B2 Nd Fl LSC (St-5 Row No 5 Bl-6 Gulshan Iqbal Kcy	Muhammad Sadiq 519-89-186252	Noor Muhammad	0.300	0.435	0.000	0.735	0.300	0.000	0.000	0.435	0.735
18	Raees Ahmed H.No.D-85, D17, Mehmoodabad, No.5, Karachi	Raees Ahmed 42301-1053091-1	Zaheeruddin	0.267	0.528	0.023	0.818	0.267	0.005	0.193	0.353	0.818
19	HPL Pharma (Pvt) Ltd.*S 20/2, Sec. 6/A, North Karachi Industrial Area, Karachi	M. Ziaul Hassan 42301-6965562-3 M. Ehsan Farooqui 91594-976473-3 M. Sohail Hassan	M. Zafarul Hassan Farooqui	6.428	1.515	0.094	8.037	6.503	0.094	1.421	4.566	12.584
20	SAK Garments* Plot #DP.6A, Sec.12-D North Karachi Industria Area, Karachi	A. H. Kazim 42101-7568292-3	Habib Ali Khan	21.171	7.424	6.346	34.941	29.124	10.210	11.590	9.831	60.755
21	Classic Garments* St.#8, Shah Baig Gabol Town, Block-22, F.B. Industrial Area, Karachi	Nazimuddin 503-056-008468	Baboo Khan	1.825	1.955	0.156	3.936	1.489	0.156	4.555	0.000	6.200

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1	2	3	4	5	6	7	8	9	10		12	
22	Adamjee Garments* 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi Adamjee Int'* 10th Floor, Adamjee House, I. I. Chundrigar Road, Karachi Golden Velly Trading Co.* 9th Floor, Adamjee House, I. I. Chundrigar Road, Karachi	Abdul Ghaffar Adamjee 42201-3940458-7 Akbar Adamjee 514-85-014028 Zakia Adamjee 42301-3005068-7 Aziz Fazal 512-22-149898	Akbar Adamjee Abdul Ghaffar Adamjee Abdul Ghaffar Adamjee Fazal Abdullah	74.636	30.666	0.000	105.302	61.645	24.921	5.745	146.721	239.032
23	M.M. Traders* B-266, Block-10, Gul-e-Iqbal, Karachi	Syed Saeed Raza Zaidi 42201-3590115-3 Syeda Saeeda Bano 42201-8790937-2 Sajda Bano 42201-5280141-6 Syed Tahir Raza Zaidi 42201-3593001-3 S.M. Raza Zaidi 42201-0782612-1 Ali Raza Zaidi 42201-3599115-2	Syed Saghir Raza Zaidi W/o S.M.Hassan Haider W/o Syed Mehtab Raza Syed Saghir Raza Zaidi Syed Saghir Raza Zaidi Syed Saghir Raza Zaidi	2.563	0.964	0.000	3.752	1.988	9.204	0.000	0.000	11.192
24	Dress Leathers* D-105, Zubaida Garden, Shah Faisal Colony, Karachi	Rahat Ali, Mrs. 42201-5579946-2 Maqsood Ahmed Sardar Mohammad Zareena Sarfraz, Mrs. Razia Ahmed, Mrs. M. Ibrahim 42201-7502820-5	W/o Rahat Ali Chaudhry	6.101	1.059	0.960	8.120	3.214	21.321	0.000	0.960	25.495
25	Tropex Enterprises (Pvt) Ltd. 1012 Business Centre, 10th Floor, Mumtaz Hassan Road, Karachi	Ehsan Ahmed Khan 37405-4817695-9	Ghulam Sarwar Khan	3.500	0.678	0.000	4.178	2.429	0.000	2.050	0.000	4.479
26	Ghazi Constructions* C-105, Off: Kh-e-Etehad, 11th Jami Comm. Street, Near Askari Comm. Bank, Ph-VII, DHA, Karachi .	Tanveer Hussain Frah Kazmi, Mst. Moeen Akhtar	Hadi Hassan Iqbal Kazmi	0.343	0.303	0.054	0.700	0.000	1.481	0.000	0.000	1.481
27	Javed Iqbal 1730/767, Mustufa Colony, Baldia Town, Karachi	Javed Iqbal 503-88-235956	Ch. Ghulam Rasool	0.227	0.944	0.000	1.171	0.227	0.000	0.944	0.000	1.171
28	Bahr-UI-Hidayat	Bahr-UI-Hidayat 42201-4311881-9	Abdul Bari	0.000	0.939	0.000	0.939	0.000	0.000	0.939	0.000	0.939
29	Abdul Qudoos	Abdul Qudoos 123-25-221725	Ghulam Ahmed Khan	0.389	3.024	0.417	3.830	0.000	0.417	3.024	0.000	3.441
30	Al-Ahmed Enterprises	Kafil Ahmed	Abdul Rehmen	0.000	0.939	0.000	0.939	0.000	0.000	0.504	0.435	0.939
31	Al-Misri Coach	Ghulam Hussain 42501-6313499-3	Yar Hussain	0.000	2.007	0.000	2.007	0.000	0.000	2.007	0.000	2.007

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				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
32	Shamsi Packages	Rashid Saleem Shamsi 42101-5630588-3	M. Saleemuddin Shamsi	0.000	0.558	0.000	0.558	0.000	0.000	0.558	0.000	0.558
33	Qasim Khalil	Qasim Khalil 515-91-015107	Khalil Ahmed	0.283	0.478	0.031	0.792	0.283	0.031	0.478	0.000	0.792
34	Misbahul Islam	Misbahul Islam 515-89-049456	Abdul Majeed	0.208	0.355	0.043	0.606	0.208	0.043	0.355	0.000	0.606
35	Ali Computer Services* 25-Bahawalpur Road, Lahore	Syed Tahir Khurshid 35202-2863903-3	Syed Sarwar Hussain	0.067	0.395	0.120	0.582	0.000	0.394	0.120	0.514	1.028
36	Ashraf Steel Pvt.Ltd.* 16-K.M.SKP. Road Lahore.	M.Akram Khan 35202-1740949-7 2 M.Azam Khan 35202-5731213-5 3 M.Akmal Khan 35202-7542358-3	Muhammad Ashraf Khan Muhammad Ashraf Khan Muhammad Ashraf Khan	6.365	11.624	0.027	18.016	0.281	0.000	12.169	29.200	41.650
37	Maj. Muhammad Rafique 41-SD House Badian Road Lahore	Maj.Muhammad Rafique 760-46-017817	Sher Ahmed	0.129	0.374	0.080	0.583	0.129	0.047	0.407	0.000	0.583
38	M.Tehseen Butt H.No.12,ST No.10 Nisbat Road Lahore.	M.Tehseen Butt 35202-0372355-3	Muhammad Yasin	0.614	0.655	0.041	1.310	0.252	0.041	0.614	0.000	0.907
39	Kashmir Chemical 401-Circular Road Lhr.	M. Aslam Qureshi Shazia Aslam 35202-4901684-9	Jalal Din M. Aslam Qureshi	0.500	0.099	0.069	0.668	0.000	0.000	0.000	0.800	0.800
40	Muslim Ghee Mills Ltd. Qadirabad, Distt. Sahiwal.	Muhammad Imran 35201-6517426-5 Kh.Rahat Latif 35201-8248179-1 Faiz Ur Rehman 35201-1520355-5	Fazalur Rehman Kh..Abdul Latif Fazalur Rehman Malik	1.268	7.541	0.297	9.106	1.162	0.000	7.838	0.000	9.000
41	Rehmat Transport Services 127-A DHA Lahore	Allah Wasaia Hashmi 309-38-306715 Amir Shahbaz Hashmi 309-85-306718 Mst.Tahira Fahima 271-48-121009	Mian Sher M. Hashmi. Allah Wasaia Hashmi Khuad Bux Farooqi	0.000	1.115	0.000	1.115	0.000	1.115	0.000	1.115	2.230
42	Unitec Paper Products Pvt.Ltd.* 127-A, DHA Lahore.	Nusrat Hussain Siddique 35202-2320155-1	Iqbal Hussain	5.701	1.975	0.247	7.923	3.914	0.960	1.262	3.933	10.069
43	Rehman Spezial Paper Products* Chughtai Manzil 72 Beadon Road Lahore.	Asad Shafiq 35201-5972183-1	Sh.Muhammad Shafique	1.921	2.338	0.043	4.302	1.422	0.008	2.381	3.756	7.567
44	Sana Electrodes (Pvt.) Ltd. R.N.9,2nd Floor Davis Hytes 38-Davis Road Lahore.	Syed Burhan Ahmed 285-88-371856 Muhammad Aslam 518-49-086743 Muhammad Akhtar 502-50-640016	Syed Hafiz Ahmad Abdul Wahab Hussain Mian Qazi	9.620	2.096	1.314	13.030	9.620	17.748	0.987	28.355	56.710
45	A.S. Plastic Industries Muslim Street No.1, Misri Shah, Lahore	Kh. Muhammad Saleem 35202-7968615-9	Kh. Anwar Hussain	0.325	0.109	0.017	0.451	0.325	0.000	0.000	0.521	0.846
46	M. Iftikhar Bhatti H. No.82, College Block Allama Iqbal Town,Lahore	Shahid Mehmod 273-91-119801	Anayatullah Akhtar Bhatti	1.305	0.305	0.051	1.661	0.000	0.051	1.559	.0313	1.610

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1	2	3	4	5	6	7	8	9	10		12	
47	Shahid Mehmood H.No.114, St. # 48, Lower Mall Behind M.A.O. College, LHR	Shahid Mehmood 273-91-119801	Muhammad Tufail	0.271	0.430	0.044	0.745	0.271	0.000	0.464	0.313	1.048
48	Osprey International (Pvt) Ltd.* Mauza Guju Matta, 20 k.m. Off: Ferozepur Road, Lahore	Shahid Zafar Abbasi 35201-9078198-5 Mrs. Yasmin Ch. 35201-8282134-8	M. Yousaf Abasi Shahid Zafar Abbasi	5.964	1.827	0	7.791	0.922	0.303	0.000	4.835	6.060
49	Shalimar Engineering Works 406- E.G.T. Road, Lahore	Mirza M. Ahmed Baig 269-32-299092 Mirza Shafqat Mehmood 264-57-299894	Mirza M. Usman Baig Mirza Mahmood A. Baig	0.450	0.346	0.047	0.843	0.000	0.000	0.000	2.284	2.284
50	Awais Bilal Industries 17 k.m. Lahore Sheikhupura Road, Lahore	Sh. Muhamamd Younas 273-92-273361	Sheikh Chiragh Din	2.888	1.030	0.355	4.273	1.761	0.000	0.000	2.212	3.973
51	Ali Brothers Cotton Factory Multan Road Burewala	Faqir Muhammad 36601-6090247-5 Muhammad Arshad 324-58-626461 Muhammad Akhtar 324-62-214588 Muhammad Anwar 253-45-0705509	Noor Muhammad Noor Muhammad Noor Muhammad Ali Muhammad	1.753	0.518	0.215	2.486	0.000	0.000	1.072	3.001	4.073
52	New Trend Fabrics* Chak # 14/15-LVehari Road Mian Channu	Akhtar Hussain 36104-9906444-1 Muhammad Saleem 35302-1856965-1	Ghulam Mustafa Muhammad Sadiq	17.386	1.826	1.182	20.394	4.494	7.531	1.755	5.233	19.013
53	Ch. Mukhtar & Sons Cotton Ginners Chak # 121/15-L, Mian Channu	Ch.Khushi Muhammad 36104-3806531-7 Arfan Aziz 36104-3900486-7 Mst.Sajida Aziz 35201-9606141-6 Mst Jamila Begum 329-46-54106562	Aziz Ud Din Ch. Khushi Muhammad D/o Khushi Muhammad W/o Khushi Muhammad	1.148	0.480	0.288	1.916	0.000	0.222	1.768	0.000	1.990
54	Rahim Textile Mills Dehli Gate Multan	Abdul Rahim	Mushtaq Ahmad	5.643	0.635	2.698	8.976	4.063	0.719	2.607	0.389	7.778
55	M.H.Textile Inds.* Mouza Faizwah 15 Km, Hasilpur Rd. Vehari.	Muhammad Anwar 36603-7495795-9 Mst.Shahnaz Anwar 36603-9580703-6	Ch.Muhammad Ali W/o Muhammad Anwar	0.955	0.629	0.193	1.777	0.322	0.670	0.485	1.057	2.534
56	Taj Solvex (Pvt)* Ltd. Gopalpur, Bahawalpur Road, Multan	M.Islam Khokhar 36302-7016300-5 M.Iqbal Khokhar 322-85-034974 M.Arif Khokhr 36302-5865738-3	Rehmatullah Khokhar Rehmatullah Khokhar Rehmatullah Khokhar	25.491	7.987	1.216	34.694	21.979	4.395	4.808	28.212	59.394
57	National Wood Industries * Mouza Jungle Faizpur Bahawalpur Rd. Multan	Tariq Iqbal Khalid Iqbal 36302-0997112-5 Zubair Iqbal 36302-8172881-522	Ahmed Qureshi Ahmed Qureshi	7.414	11.664	4.452	23.530	2.657	0.000	11.439	4.452	18.548
58	Nasir Paper Mills (Pvt) Ltd. * Chak-9/14-L, Chichawatni	Muhammad Ahsan Khan 35201-3824545-5 Aisha Ahsan Khan 35201-5741350-0	Fazal Ahmad Khan W/o M. Ahsan Khan	3.896	1.434	0.335	5.665	2.388	1.197	1.056	4.200	8.841
59	Hasina Bibi, Mst. St.#12, Hadieria Road, Gulgasht, Multan	Hasina Bibi, Mst. 322-59-530877	Saeed Ahmed Malik	0.656	0.689	0.000	1.345	0.656	0.000	0.689	0.000	1.345

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1	2	3	4	5	6	7	8	9	10	11	12	
60	M. Saleem Khan Khakwani House, Katchery Road, Multan	M. Saleem Khan 322-92-909929	Haji Inayatullah Khan	1.253	1.662	0.168	3.083	1.084	0.168	1.662	0.000	2.914
61	Muzamil Traders (Pvt) Ltd. Karampur Road, Mailsi	Muhammad Hussain 325-40-417949 Muhammad Nasir 36602-1000704-3	Nabi Bux Khurshid Ali	4.528	0.361	0.332	5.221	3.836	0.266	0.550	5.199	9.851
62	Al-Tawakal Industries Anser Colony, Multan	Haji Muhammad Yousuf 322-16-466230 Khushi Muhammad 322-45-70052 Muhammad Suleman 322-55-466232 Muhammad Saleem 322-58-466235	Mian Nanak Haji Muhammad Yousuf Haji Muhammad Yousuf Haji Muhammad Yousuf	0.624	0.521	0.241	1.386	0.000	0.158	0.521	0.000	0.679
63	Shakoor Industries (Pvt) Ltd. 10-KM Karampur Road Mailsi, Distt: Vehari	Rao Bu Ali Qalandar 36602-9857508-7 Rao M. Abdul Shakoor 36602-0994557-7 Rao Waliyullah 36602-4729292-5	Rao M. Abdul Shakoor Haji Abdul Ghafoor Rao M. Abdul Shakoor	7.422	3.205	0.647	11.274	6.079	2.807	1.267	0.000	10.153
64	Saeed Ahmad Malik H.No.524/1, Haidria Road, Gali No.2, New Gulgasht Colony, Multan	Saeed Ahmad Malik 36302-8833058-5	Malik Hussain Bux	0.642	0.671	0.440	1.753	0.202	0.440	0.671	0.000	1.313
65	Abbas Enterprises (Pvt) Ltd. Mouza Kothey Wala Budhla Sant Road, Multan	Gulrez Ahmad Awan 36302-9734477-3 Abdul Haq 323-14-023259 Rehana Fatima 36302-5716250-8 Saima Awan 36302-0268235-8	Mukhtar Ahmad Awan Mohkam Din Mukhtar Ahmad Awan Zubair Ahmad	3.793	1.830	0.177	5.800	0.000	0.000	7.382	0.000	7.382
66	Capital Packages Industries * Mouza Sujianpur Khanewal Road, Multan	Haji Abdul Latif 36302-0354181-7 Zafar Iqbal 322-49-423136 M. Tahir Nadeem 247-55-151912	Sh. Shamsuddin Abdul Aziz Muhammad Yaqoob	6.258	3.403	0.378	10.039	5.348	0.773	2.768	8.949	17.838
67	Mangol Industries (Pvt) Ltd. * 355-B Gulgasht, Multan	S. Rizwan-ul-Azeem 36302-1932546-9 Iffat Jabeen Saima Naz S. Raza-ul-Kabir Tahira Ahmad	Mohammad Ahmed W/o S. Rizwan-ul-Azam	7.720	4.294	0.708	12.722	3.938	2.768	2.114	0.000	8.820
68	Naeem Weaving Industries (Pvt) Ltd. * Seetal Mari, Budhla Road, Multan	Naeem Saif Mrs. Naseem Akhtar Shoukat Ali Arshad Ali	Saif Ali Saif Ali Amir Ahmad Amir Ahmad	1.358	0.145	0.067	1.570	1.156	0.319	0.313	2.444	4.232
69	Shaheen Cotton Industries * Mauza Ojla, Multan Road Mailsi Distt. Vehari	Muhammad Yaqoob 325-48-055330 Safdar Abbas Khan 325-64-055332 Zaighum Abbas Khan 325-65-055333	Khan Muhammad Khan M. Yaqoob Khan M. Yaqoob Khan	1.105	0.872	0.373	2.350	0.000	0.000	0.000	0.000	0.000

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				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10		12	
70	Madina Jute Mills Ltd. 14-Km Muzaffargarh M.M. Road, Khanpur Baghasher	Haji Miraj Din 36302-5851964-9 Haji M. Siddique 36302-0481976-9 Haji Wahid Bukhsh Muhammad Farooq 36302-0361963-5 Muhammad Anwar Muhammad Hussain 36302-0482010-7 Naseeruddin Qureshi 36302-9810473-7 Muhammad Iqbal	Wahid Bux Wahid Bux Haji Meraj Din Haji Meraj Din Hashimuddin Qureshi	8.233	13.625	0.219	22.077	0.000	0.000	0.000	0.000	0.000
71	Quality Weaving Mills Ltd. 36-A, Industrial Estate, Multan	Sh. Abdul Hakeem 36302-3354549-1 Sh. Abdul Hadeem 36302-0784439-1 Hakim-un-Nisa 36302-8877734-4 Bilqise Abdul Hakeem 36302-6648015-2 Nasir Hameed 36302-7013384-0 Tahira Fahim 54400-2443240-0 Najma Shafqat 54400-3769995-2	Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Hakeem Sh. Abdul Hameed Fahimuddin Shafqat Hussain	28.415	21.723	0.130	50.268	18.511	0.000	50.791	0.000	69.302
72	Janjua Textile Mills (Pvt) Ltd. Mouza Bakhsheeshgarh, Mattital Road, Multan	Mian Maqbool Ahmed Mian Muhammad Saeed 36302-8025350-5 Mian Iqbal Waheed Muhammad Fayyaz	Mian Ghulam Nabi Mian Ghulam Nabi Mian Ghulam Nabi Faiz Buksh	4.109	0.145	0.288	4.542	3.149	0.000	0.000	0.000	3.149
73	Indo Saigon Enterprises Gold Coast Phase-I, Tower2, 20th Floor, Suite-B, 1 Castle Peak Road, Tuen Mun New Territories, Hong Kong	Chullari Niranjan Kishanchand	N.A.	2.352	0.000	0.000	2.352	2.365	0.000	0.000	0.000	2.365
74	Nick Fung Textile Co. E-2/F, Far East Mansion, 5-6, Middle Road, TST Kowloon, Hong Kong	Nick Tsui Tak Shing		85.715	0.000	0.000	85.715	85.713	0.000	0.000	0.000	85.713
75	Jani's (Pvt) Ltd. Jani Plaza, Khyber Super Market, Peshawar Cantt.	Muhammad Yousuf 136-89-036915 Asif Yousuf 136-89-113200 Anwar Sultana 136-44-036916 Shahzia Asif 136-89-123259	Rahim Buksh Mohd. Yousuf W/o Mohd. Yousuf D/o Amir Bashir	0.000	1.099	0.043	1.142	0.000	0.000	0.000	0.742	0.742
76	Sughra Begum	Sughra Begum 135-24-12330	Ghulam Mustafa	0.000	0.558	0.000	0.558	0.000	0.000	0.000	0.558	0.558
77	Abdul Qadir H.No.5/14, Block #5, Satellite Town, Quetta	Abdul Qadir 54400-8840521-3	Juma Khan	0.739	1.371	0.000	2.110	0.000	0.000	1.371	0.486	1.857
78	Abdul Kabbir Aslam Goods, Transport Co. Sirki Road, Quetta	Abdul Kabbir Aslam 601-41-071422	Kashmir Khan	0.000	0.630	0.000	0.630	0.000	0.000	0.630	0.000	0.630
79	Abdul Ali Killi Qasim Pishin	Abdul Ali 602-46-328869	Shair Muhammad	0.000	0.570	0.082	0.652	0.000	0.000	0.570	0.082	0.652

Notes to the Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
80	Nasrullah H.No.2/31/22, Quetta	Nasrullah 601-91-201360	Niaz Muhammad	0.000	0.596	0.128	0.724	0.000	0.000	0.596	0.128	0.724
81	Afzal Gichki Tehsil Tumb, Distt: Turbat	Afzal Gichki 632-89-005850	Abdullah Khan	0.000	0.445	0.066	0.511	0.000	0.000	0.445	0.066	0.511
82	Electronic Information & Energy System * Industrial Triangle Kahuta Road, Islamabad	Waqar Azim 101-87-396243 Sajjad Azim 514-30-007756 Nusrat Azim 514-28-123692 Shaukat Azim 514-32-123691 Sardar Imtiaz Ahmed Khan Begum Sureya Waqar Saulat Azim	Muhammad Azim Muhammad Azim Muhammad Azim Muhammad Azim Sardar Nawazish Ali W/O Waqar Azim Nusrat Azim	20.25	47.474	0.979	68.703	14.260	47.474	0.000	0.979	62.713
83	Sheikh Jamil & Co. Cotton Ginners, Wool Merchant Grain Market Sahiwal	Sheikh Jamil Ahmed (Deceased) NIC # 330-51-132297	Sh Muhammad Rafique	2.125	0.573	0.152	2.850	0.969	0.000	0.000	7.921	8.890
84	Nisar & Co. Cotton Ginners Grain Market Branch, Chichawatni	Abdul Ghani Abdul Sattar Abdul Jabbar Nisar Ahmed Habib-ur-Rehman Dildar Hussain Mst Iqbal Bibi Mst Farzana Shaheen Mst Rasoolan Bibi Mst Amna Bibi	Ali Ahmed Ali Ahmed Ali Ahmed Ali Ahmed Abdul Sattar Akbar Ali D/o Ali Muhammad Abdul Ghani Abdul Jabbar W/o Muhammad Jameel	2.339	1.551	0.016	3.906	0.000	0.000	0.000	1.141	1.141
85	Rizwan Brothers (Pvt) Ltd. * Chest Branch, Haroonabad	Mian Naved A. Bhatti 31101-8017979-9 Mian Muhammad Yasin 31101-7973807-7 Rizwan-ul-Azim 31104-4408943-9 Mrs. Saiqa Hamayoun 31202-3804215-8	Mian Badar Din Mian Muhammad Yasin Hamayoun Bashir	4.278	6.031	0.109	10.418	2.778	3.467	0.000	2.673	8.918
86	Mian Ghulam Hussain & Co. Grain Market, Sahiwal (Sahiwal City)	Mian Ghulam Hussain Neik Muhammad 36502-7511338-7 Muhammad Jamil Mst. Razia Begum 36502-2022307-4 Mst. Rabia Begum 36502-1304949-0	Rakhan Din Mian Ghulam Hussain Sh. Muhammad Chohan Sh. Muhammad Chohan Muhammad Saleem	0.990	0.277	0.094	1.361	0.000	0.295	0.000	2.314	2.609
87	Progressive Engineer Bahawalnagar	Manzoor Javed 354-49-164843	Muhammad Saleem	0.330	0.461	0.017	0.808	0.000	0.230	0.000	0.342	0.572
88	Wahid Corporation Railway Road, Pakpattan	Haji Abdul Wahid 36402-0816654-9	Ch. Pir Muhammad	1.920	0.000	0.550	2.470	0.000	0.000	0.000	0.518	0.518
89	Akbar Enterprises Ltd. * 128/4, Industrial EstaeTownship Lahore	Aleem Ahmad Khan 35202-2514455-3 Mrs.Samuna Tauqeer 35202-5727103-6 Mrs.Samina Tanveer 35202-2454790-6	Tauqeer Ahmad Khan Tauqeer Ahmad Khan Tauqeer Ahmad Khan	31.401	5.226	0.000	36.627	26.182	3.592	1.905	0.000	31.679

Notes to the Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10		12	
90	Kamran Steel Re-Rolling * 7/83, Shahrah-e-Qaid-e-Azam, Lahore	Anis Gul 35202-5831094-5 Masoor Gul 35202-9677320-3 Nabila Masood Gul 35202-2333459-8 Razia Begum 35202-9125486-6	Gul Muhammad Gul Muhammad Masood Gul Gul Muhammad	21.928	48.152	0.000	70.080	0.000	0.000	20.667	0.000	20.667
91	Sidra Rice Mills (Pvt) Ltd.*	Syed Nazim Hussain Sh. 35202-8726846-3 Syeda Tahawar Shahzad 3520-5626269-0	Syed Shaukat Ali Shah S. Nazim Hussain Shah	32.593	32.445	0.606	65.644	29.826	0.606	32.520	3.284	66.236
92	Ch. Electrods (Pvt) Ltd. * 29-Kilometer, Lahore Sheikhpura Road	Ch. Muhammad Qasim 35202-2937694-1 Mrs.Salamat Qasim 35202-4471323-2 Ahmad Naeem Qasim 35202-7154990-9 Ch. Muhammad Akram 35202-4519175-1 Ahmad Faheem Qasim 35202-4932463-3 Nuzhar Faheem 35202-9662840-6	Ch. Sirajuddin Ch. Muhammad Qasim Ch. Muhammad Qasim Ch. Sirajuddin Ch. Muhamamad Qasim Ahmad Fahim Qasim	33.872	2.427	0.000	36.299	17.872	0.000	2.427	16.727	37.026
93	Mumtaz Shahbaz Textile Mills Ltd. * Mumtaz Centre, 15 Shahrah-e-Fatima Jinnah, Lahore	Mirza Iftikhar Baig 35202-2379853-5 Mirza Mumtaz Baig 35202-4330287-5 Mirza Mukhtar Baig 35202-2317316-1	Mirza Mumtaz Baig Mirza Niaz Baig Mirza Mumtaz Baig	56.706	5.667	0.000	62.373	56.683	0.000	44.060	0.000	100.743
94	Shaheen Wood Works & Furniture Ind.	Tahir Hussain, 61101-4758309-1 Hooran, Miss Azra, Miss	Tayab Hussain Qureshi	1.336	0.000	0.144	1.480	0.091	1.784	0.000	0.144	2.019
			Sub Total NBP	645.611	360.882	30.277	1036.770	478.982	176.542	293.000	415.213	1363.737
95	Siraj Steels Limited * Mouza Rakh Bawli Jamandar, G.T. Road, Monoabad, Muredke	Ch. Muhammad Qasim 35202-2937694-1 Mrs.Salamat Qasim 35202-4471323-2 Ahmad Naeem Qasim 35202-7154990-9 Ch. Muhammad Akram 35202-4519175-1	Ch. Sirajuddin Ch. Muhammad Qasim Ch. Muhammad Qasim Ch. Sirajuddin	335.625	195.575	108.136	639.336	180.506	0.000	1124.020	108.136	1412.662
96	Hasan Spinning Mills Ltd. * 5th floor, MCB Building Circular Road, Faisalabad	Mrs.Nazish Umar Shah 33100-8480315-2 Mrs.Ayesha Rehman 42301-0938338-0	Syed Umar Shah Asif-ur-Rehman	13.283	6.082	14.694	38.059	4.976	0.000	20.777	0.000	25.753
97	Hill Park General Hospital & Trauma Centre * (Former New York Poly Clinic) S.N.C.C. 3/4 Block-3, shaheed-e-Millat Road, Karachi	Azizur Rehman 601-25-024225 Inamur Rehman 601-72-024231	Munshi Ahmed Khan Azizur Rehman	3.362	0.000	5.58	8.942	0.000	0.000	0.000	4.511	4.511
98	Haji Muhammad Ismail Mills Ltd. * 408 Commerce Centre,Hasrat Mohani Road, Karachi	Mushtaq Ahmed Vohra 517-93-219564 Gulshad Begum 517-92-109025 Nasir Mushtaq Vohra 517-92-219545 Misrah Nisar 270-66-042184	Haji Muhammad Ismail W/o Mushtaq A. Vohra Mushtaq Ahmed W/o Nasir Ahmed Vohra	18.048	0.000	21.803	39.851	17.487	0.000	0.000	21.803	39.290

Notes to the Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
99	Jet Era Textile Mills Ltd. 7-Larechs Housing Society, Lahore	Abdul Hameed Khan 35201-7693230-3 Razia Hameed 35201-6432074-0 Muhammad Arif 42000-0441087-3	Haji Muhammad Khan Abdul Hameed Khan Abdul Habib	6.467	13.486	0.070	20.023	0.000	0.000	10.277	0.000	10.277
			Sub-Total Ex-NDFC	376.785	215.143	150.283	742.211	202.969	0.000	1155.074	134.450	1492.493
100	Fateh Weaving Mills Ltd. * 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4 Naila Ashfaq, Mrs. 41303-2929820-4	Abbas Bhai Abbas Bhai Abbas Bhai M. Habib M. Sharif M. Ashfaq	16.893	0.701	2.028	19.622	0.139	20.247	2.028	0.000	22.414
101	Fateh Apparel * 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Sumera Waheed 41303-2929820-4 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4	Abbas Bhai Abbas Bhai Abbas Bhai Abdul Waheed M. Habib M. Sharif	4.583	0.434	0.000	5.017	2.317	6.441	0.117	0.000	8.875
102	Nephew & Nephew* 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4 Naila Ashfaq, Mrs. 41303-2929820-4	Abbas Bhai Abbas Bhai Abbas Bhai M. Habib M. Sharif M. Ashfaq	4.713	0.297	0.120	5.130	2.448	6.518	0.120	0.000	9.086
103	Admani * Corporation Bill Apartment Flat#14, Mc-Neil Road, Frear Town, P.O. Box No.15523, Karachi	Ayaz Admani 42301-0762274-1	Sattar Ahmed	0.471	0.000	0.010	0.481	0.312	0.002	0.010	0.000	0.324
			Sub Total EX-MBL	26.660	1.432	2.158	30.250	5.216	33.208	2.275	0.000	40.699
			TOTAL	1049.056	577.457	182.718	1809.231	687.167	209.750	1450.349	549.663	2896.929

* Accounts settled under SBP Circular No. 29 dated 15-10-2002

Islamic Banking Business

(for the year ended December 31, 2006)

Annexure III

The bank is operating 1 Islamic banking branch at the end of current year as compared to nil Islamic banking Branches at the end of Prior year.

	2006	2005
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	4,724	-
Balances with and Due from Financial Institutions	99,000	-
Investments	-	-
Financing and Receivables	-	-
-Murahaba	-	-
-Ijara	-	-
-Musharaka	-	-
-Diminishing Musharaka	-	-
-Salam	-	-
-Other Islamic Modes	-	-
Other assets	-	-
	103,724	-
LIABILITIES		
Bills payable	800	-
Due to Financial Institutions	-	-
Deposits and other accounts	-	-
- Current Accounts	2,911	-
- Saving Accounts	-	-
- Term Deposits	-	-
- Others	-	-
- Deposit from Financial Institutions -Remunerative	-	-
- Deposits from Financial Institutions-Non-Remunerative	-	-
Due to Head Office	-	-
Other liabilities	11	-
	3,722	-
	100,002	-
REPRESENTED BY		
Islamic Banking Fund	100,000	-
Reserves	-	-
Unappropriated/unremitted profit	2	-
	100,002	-
Surplus /(Deficit) on revaluation of assets	-	-
	100,002	-
Remuneration to Shariah Advisor/Board	-	-
CHARITY FUND		
Opening Balance	-	-
Additions during the period	-	-
Payments/Utilization during the period	-	-
Closing Balance	-	-

Unprecedented
Safety
Unprecedented
Return



NBP Premium Aamdani
Monthly Income Scheme

Monthly Income Scheme

- Earn upto 11% p.a.+
 - Minimum deposit of Rs. 500,000 and a maximum deposit of Rs. 5,000,000 for 5 years
 - Free Demand Draft, Pay Order and Cheque Book*
 - Convenience of NBP Online Aasan Banking (for online banking customers)
 - Free NBP Cash Card (ATM + Debit)
- Profit paid every month as follows:

Year **	Profit Rate(%)***
1	7.50
2	8.50
3	9.50
4	10.50
5	11.00

+ Profit rates are expected
* Conditions apply
** Premature encashment will result in lower rates of return.
*** Expected rates are for the given year.

NBP-Vision you can Trust



NBP

National Bank of Pakistan

The Nation's
Bank



**CONSOLIDATED FINANCIAL
STATEMENTS OF NBP
AND ITS SUBSIDIARY
COMPANIES - 2006**

Auditors' Report To The Members

We have audited the accompanying consolidated financial statements of **National bank of Pakistan** (the holding company) and its subsidiary companies (together, the Group) which comprise the consolidated balance sheet as of December 31, 2006 and the consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the note forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for sixty branches, which have been audited by us and fourteen branches audited by auditors abroad. We have also expressed separate opinion on the financial statements of National Bank of Pakistan. These financial statements are responsibility of management of the Group. 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 sixty 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, give a true and fair view of the financial position of the Group as at December 31, 2006 and the results as operation, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Comparative financial information has been compiled from the audited financial statements of the holding company and its subsidiaries. The holding company's financial statements were audited by Ford Rhodes Sidat Hyder & Co., Chartered Accountants, and KPMG Taseer Hadi & Co., Chartered Accountants, whose report dated March 18, 2006 expressed an unqualified opinion. Audited financial statements of the Group for the year ended December 31, 2005 were not published as the holding company was exempted from preparing the consolidated financial statements by the Securities and Exchange Commission of Pakistan.

FORD RHODES SIDAT HYDER & CO.

Chartered Accountants
Karachi

M. YOUSUF ADIL SALEEM & CO.

Chartered Accountants
Karachi

Date: February 24, 2007

Consolidated Balance Sheet

(as at December 31, 2006)

2005 (Restated)	2006		Note	2006	2005 (Restated)
US Dollar in '000				Rupees in '000	
ASSETS					
1,171,820	1,295,165	Cash and balances with treasury banks	6	78,862,625	71,352,128
518,954	680,121	Balances with other banks	7	41,412,546	31,599,103
271,679	380,425	Lendings to financial institutions	8	23,164,082	16,542,546
2,580,497	2,311,382	Investments	9	140,740,067	157,126,472
4,413,483	5,197,172	Advances	10	316,455,800	268,736,986
156,378	159,960	Operating fixed assets	11	9,739,938	9,521,854
-	-	Deferred tax assets		-	-
406,711	452,844	Other assets	12	27,573,646	24,764,611
9,519,522	10,477,069			637,948,704	579,643,700
LIABILITIES					
28,595	174,177	Bills payable	13	10,605,662	1,741,156
153,426	208,284	Borrowings	14	12,682,412	9,342,096
7,607,100	8,244,650	Deposits and other accounts	15	502,016,711	463,196,347
-	-	Sub-ordinated loans		-	-
331	235	Liabilities against assets subject to finance lease	16	14,336	20,177
73,117	39,031	Deferred tax liabilities	17	2,376,606	4,452,092
400,808	446,482	Other liabilities	18	27,186,290	24,405,181
8,263,377	9,112,859			554,882,017	503,157,049
1,256,145	1,364,210			83,066,687	76,486,651
NET ASSETS					
REPRESENTED BY					
97,043	116,451	Share capital	19	7,090,712	5,908,927
207,388	236,243	Reserves		14,384,857	12,627,849
323,550	535,778	Unappropriated profit		32,623,507	19,700,932
627,981	888,472			54,099,076	38,237,708
1,410	1,607	Minority Interest		97,827	85,877
629,391	890,079			54,196,903	38,323,585
626,754	474,131	Surplus on revaluation of assets	20	28,869,784	38,163,066
1,256,145	1,364,210			83,066,687	76,486,651
CONTINGENCIES AND COMMITMENTS					
			21		

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Consolidated Profit and Loss Account

(for the year ended December 31, 2006)

2005 (Restated)	2006		Note	2006	2005 (Restated)
US Dollar in '000				Rupees in '000	
555,005	722,848	Mark-up/return/interest earned	23	44,014,204	33,794,232
170,533	225,384	Mark-up/return/interest expensed	24	13,723,656	10,383,750
384,472	497,464	Net mark-up/ interest income		30,290,548	23,410,482
40,183	50,513	Provision against non-performing loans and advances	10.4	3,075,723	2,446,739
(4,038)	(11,613)	Provision for diminution in the value of investments	9.12	(707,105)	(245,881)
379	87	Bad debts written off directly	10.5	5,284	23,069
36,524	38,987			2,373,902	2,223,927
347,948	458,477	Net mark-up/ interest income after provisions		27,916,646	21,186,555
NON MARK-UP/INTEREST INCOME					
83,062	102,669	Fee, commission and brokerage income		6,251,485	5,057,616
28,375	47,681	Dividend income		2,903,290	1,727,739
19,940	22,568	Income from dealing in foreign currencies		1,374,163	1,214,137
22,590	19,630	Gain on sale of securities	25	1,195,249	1,375,494
(25)	(73)	Unrealized loss on revaluation of investments classified as held for trading	9.14	(4,463)	(1,493)
1,487	2,123	Share of profits from joint ventures		129,296	90,531
167	169	Share of profits from an associate		10,268	10,139
3,915	10,339	Other income	26	629,545	238,401
159,511	205,106	Total non-markup/interest income		12,488,833	9,712,564
507,459	663,583			40,405,479	30,899,119
NON MARK-UP/INTEREST EXPENSES					
187,240	224,104	Administrative expenses	27	13,645,699	11,401,026
3,711	(284)	Other (reversals) / provisions / write offs		(17,283)	225,942
1,038	3,421	Other charges	28	208,327	63,206
191,989	227,241	Total non-markup/interest expenses		13,836,743	11,690,174
315,470	436,342			26,568,736	19,208,945
-	-	Extra ordinary/unusual items		-	-
315,470	436,342	Profit Before Taxation		26,568,736	19,208,945
117,678	143,232	Taxation - Current	29	8,721,386	7,165,385
(18,044)	8,715	- Prior year(s)		530,652	(1,098,709)
4,925	1,018	- Deferred		61,981	299,879
104,559	152,965			9,314,019	6,366,555
210,911	283,377	Profit After Taxation		17,254,717	12,842,390
(285)	(196)	Profit attributable to minority shareholders		(11,950)	(17,377)
210,626	283,181	Profit attributable to shareholders of the holding company		17,242,767	12,825,013
183,201	323,550	Unappropriated profit brought forward		19,700,932	11,155,128
393,827	606,731	Profit available for appropriation		36,943,699	23,980,141
0.30	0.40	Basic earnings per share (Rupees)	30	24.32	18.09
0.30	0.40	Diluted earnings per share (Rupees)	31	24.32	18.09

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

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Consolidated Cash Flow Statement

(for the year ended December 31, 2006)

2005 (Restated)	2006		Note	2006	2005 (Restated)
US Dollar in '000				Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES					
315,470	436,340	Profit before taxation		26,568,736	19,208,945
28,375	47,681	Less: Dividend income		2,903,290	1,727,739
287,095	388,659			23,665,446	17,481,206
Adjustments:					
9,451	8,158	Depreciation		496,763	575,478
58	67	Amortization		4,074	3,525
40,183	50,513	Provision against non-performing advances		3,075,723	2,446,739
(4,038)	(11,613)	Provision for diminution in the value of investments		(707,105)	(245,881)
(282)	(148)	Gain on sale of fixed assets		(9,010)	(17,174)
42	33	Financial charges on leased assets		1,994	2,571
379	87	Bad debts written off directly		5,284	23,069
(470)	-	Reversal for voluntary handshake scheme		-	(28,635)
(1,487)	(2,123)	Share of profits from joint ventures		(129,296)	(90,531)
(167)	(169)	Share of profits from an associate		(10,268)	(10,139)
3,711	(284)	Other(reversals) / provisions / write offs		(17,283)	225,942
47,380	44,521			2,710,876	2,884,964
334,475	433,180			26,376,322	20,366,170
(Increase)/decrease in operating assets					
(96,430)	(108,746)	Lendings to financial institutions		(6,621,536)	(5,871,595)
3,600	(2,657)	Held-for-trading securities		(161,757)	219,203
(834,466)	(834,288)	Advances		(50,799,821)	(50,810,652)
(57,425)	(56,750)	Other assets		(3,455,515)	(3,496,583)
(984,721)	(1,002,441)			(61,038,629)	(59,959,627)
Increase/(decrease) in operating liabilities					
(89,892)	145,582	Bills payable		8,864,507	(5,473,515)
(31,444)	57,797	Borrowings		3,519,282	(1,914,636)
(39,680)	637,549	Deposits		38,820,364	(2,416,126)
30,640	45,631	Other liabilities (excluding current taxation)		2,778,482	1,865,673
(130,376)	886,559			53,982,635	(7,938,604)
(132,723)	(137,728)	Income tax paid		(8,386,228)	(8,081,500)
445	-	Voluntary handshake scheme cost received		-	27,106
(42)	(33)	Financial charges paid		(1,994)	(2,571)
(132,320)	(137,761)			(8,388,222)	(8,056,965)
(912,942)	179,537			10,932,106	(55,589,026)
Net cash from / (used in) operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES					
107,222	125,054	Net investments in available-for-sale securities		7,614,555	6,528,731
116,455	(25,698)	Net investments in held-to-maturity securities		(1,564,722)	7,090,915
28,375	47,681	Dividend income received		2,903,290	1,727,739
(14,040)	(12,029)	Investment in operating fixed assets		(732,436)	(854,892)
(488)	(616)	Investment in associates and joint ventures		(37,500)	(29,705)
380	364	Sale proceeds of property and equipment disposed off		22,170	23,113
237,904	134,756	Net cash from investing activities		8,205,357	14,485,901
CASH FLOWS FROM FINANCING ACTIVITIES					
(382)	(162)	Payments of lease obligations		(9,854)	(23,270)
(12,096)	(24,218)	Dividend paid		(1,474,605)	(736,529)
(12,478)	(24,380)	Net cash used in financing activities		(1,484,459)	(759,799)
(2,287)	(2,465)	Effects of exchange rate changes on cash and cash equivalents		(150,098)	(139,261)
(689,803)	(287,448)	Increase / (decrease) in cash and cash equivalents		17,502,906	(42,002,185)
2,370,185	1,680,382	Cash and cash equivalents at beginning of the year	32	102,318,480	144,320,665
1,680,382	1,967,830	Cash and cash equivalents at end of the year	32	119,821,386	102,318,480

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

Syed Ali Raza
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Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Consolidated Statement of Changes in Equity

(for the year ended December 31, 2006)

	Attributable to the shareholders of the Bank							Total
	Share Capital	Capital			Reserves		Minority Interest	
		Exchange equalisation	Issue of bonus shares	Statutory	General	Unappropriated Profit		
	(Rupees in '000)							
Balance as at January 1, 2005 as previously reported	4,924,106	3,893,558	984,821	5,803,221	521,338	9,431,691	68,500	25,627,235
Effect of change in accounting policy (refer to note 5.1)								
Transfer to reserve for issue of bonus shares	-	-	(984,821)	-	-	984,821	-	-
Proposed cash dividend	-	-	-	-	-	738,616	-	738,616
			(984,821)			1,723,437		738,616
Balance as at January 1, 2005 (restated)	4,924,106	3,893,558	-	5,803,221	521,338	11,155,128	68,500	26,365,851
Exchange adjustments on revaluation of capital of foreign branches, subsidiaries & joint venture	-	(139,261)	-	-	-	-	-	(139,261)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	43,221	-	43,221
Net income recognized directly in equity	-	(139,261)	-	-	-	43,221	-	(96,040)
Profit after taxation for the year ended December 31, 2005	-	-	-	-	-	12,825,013	17,377	12,842,390
Total recognized income and expense for the year	-	(139,261)	-	-	-	12,868,234	17,377	12,746,350
Issue of bonus shares 20%	984,821	-	-	-	-	(984,821)	-	-
Cash dividend (Rs.1.5 per share)	-	-	-	-	-	(788,616)	-	(788,616)
Transfer to statutory reserve	-	-	-	2,548,993	-	(2,548,993)	-	-
Balance as at December 31, 2005 (restated)	5,908,927	3,754,297	-	8,352,214	521,338	19,700,932	85,877	38,323,585
Balance as at January 1, 2006 as previously reported	5,908,927	3,754,297	1,181,785	8,352,214	521,338	17,041,915	85,877	36,846,353
Effect of change in accounting policy (refer to note 5.1)								
Transfer to reserve for issue of bonus shares	-	-	(1,181,785)	-	-	1,181,785	-	-
Proposed cash dividend	-	-	-	-	-	1,477,232	-	1,477,232
			(1,181,785)			2,659,017		1,477,232
Balance as at January 1, 2006 (restated)	5,908,927	3,754,297	-	8,352,214	521,338	19,700,932	85,877	38,323,585
Exchange adjustments on revaluation of capital of foreign branches, subsidiaries & joint venture	-	553,269	-	-	-	-	-	553,269
Adjustment due to closure of Cairo branch	-	(498,496)	-	-	-	-	-	(498,496)
Transfer from surplus on revaluation of fixed assets-incremental depreciation - net of tax	-	-	-	-	-	41,060	-	41,060
Net income recognized directly in equity	-	54,773	-	-	-	41,060	-	95,833
Profit after taxation for the year ended December 31, 2006	-	-	-	-	-	17,242,767	11,950	17,254,717
Total recognised income and expense for the year	-	54,773	-	-	-	17,283,827	11,950	17,350,550
Issue of bonus shares 20%	1,181,785	-	-	-	-	(1,181,785)	-	-
Cash dividend (Rs.2.5 per share)	-	-	-	-	-	(1,477,232)	-	(1,477,232)
Transfer to statutory reserve	-	-	-	-	-	(1,702,235)	-	-
Balance as at December 31, 2006	7,090,712	3,809,070	-	10,054,449	521,338	32,623,507	97,827	54,196,903

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

Syed Ali Raza
Chairman & President

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Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" Consist of:

Holding Company
National Bank of Pakistan (the bank)

Subsidiary Companies

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

The Group is engaged in commercial banking, modaraba management, brokerage, leasing and mutual funds.

The bank was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on all the stock exchanges in Pakistan. Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The bank is engaged in providing commercial banking and related services in Pakistan and overseas. The bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The bank operates 1,232 (2005: 1,224) branches in Pakistan and 18 (2005: 18) overseas branches (including the Export Processing Zone branch, Karachi). Under a Trust Deed, the bank also provides services as trustee to National Investment Trust (NIT) including safe custody of securities on behalf of NIT.

NBP Capital Limited, JSC Subsidiary Bank of NBP in Kazakhstan, NBP Exchange Company Limited, NBP Modaraba Management Company Limited and National Agricultural & Storage Company Limited are wholly owned subsidiaries of the bank while the controlling interest in Taurus Securities Limited is 58.32% and Cast-N-Link Products Limited is 76.51%.

1.2 BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of the bank (holding company) and its subsidiary companies - "the Group".
- Subsidiary companies are consolidated for the first time, as in prior years the holding company had obtained exemption from the Securities and Exchange Commission of Pakistan (SECP) to prepare consolidated financial statements.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the bank is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the bank.
- Material intra-group balances and transactions have been eliminated.
- National Agriculture & Storage Company Limited and Cast-N-Link Product Limited have not been consolidated, as these investments are fully provided and financial statements of these subsidiaries are not available.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with the directives issued by the State Bank of Pakistan, the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 or directives issued by the State Bank of Pakistan and the SECP differ with the requirements of these standards, the requirements of Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the requirements of the said directives take precedence.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property". The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards has been deferred by SBP, vide BSD circular number 01 dated August 26, 2002, for banks in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

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

The preparation of financial statements in conformity with approved accounting standards and statutory requirements require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying 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 below:

Accounting estimates and judgments

a) Provision against non performing loans and advances

The Bank reviews its loan portfolio to assess amount of non performing loans and advances and provision required there against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of prudential regulations are considered. The estimates of forced sale values are supported by independent valuations of the assets mortgaged/ pledged.

Last year the management based on a review of the bank's portfolio of branches affected by the earthquake and the security there against had made an estimated general provision of Rs.450 million. During 2006 no further damages were reported therefore management, based on its review of this portfolio, considers no further provision to be made against the portfolio and provision required as at December 31, 2006 is Rs. 332 million.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

The amount of general provision against consumer advances is determined in accordance with the relevant prudential regulations. The data about historical experience is being accumulated.

(b) Fair value of derivatives

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

(c) Impairment of available for-sale equity investments

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

(d) Held-to-maturity investments

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

(e) Income taxes

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

(f) Pension / Gratuity

The cost of the defined benefit pension/gratuity plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

5.1 Change in accounting policy

During the year the Institute of Chartered Accountants of Pakistan issued a circular number 06-2006 dated June 19, 2006 which requires that all declarations of dividend to holders of equity instruments including declaration of bonus issues and other appropriations except appropriations which are required by law after the balance sheet date should not be recognised as liabilities or appropriations of profit at the balance sheet date. Previously all declarations of dividends to holder of equity instruments and transfer to reserve relating to profit for the year although declared subsequent to year end, were accounted for in the year to which those related. This change has been applied retrospectively and comparatives have been restated. The change in accounting policy has been reflected in statement of changes in equity.

The change in accounting policy has been accounted for retrospectively and comparative information has been restated in accordance with the IAS - 8 "Accounting Policies, Changes in Accounting Estimate and Errors". Had there been no change in accounting policy, the unappropriated profit brought forward would have been lower by

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Rs. 2,659 million (2005: Rs.1,723 million) and the liability for proposed dividend and reserve for bonus issue would have been higher by Rs. 1,477 million (2005: Rs. 738 million) and Rs.1,182 million (2005: Rs.985 million) respectively. The effect of change in accounting policy has been reflected in the comparative balance sheet and the statement of changes in Equity. The change in accounting policy has not resulted in any change in the net profit for the current year.

5.2 Standard, interpretation and amendment to published approved accounting standards that are not yet effective

- (i) IAS - 1, "Presentation of Financial Statements"
- Capital Disclosures effective from January 1, 2007
- (ii) IFRIC 11, IFRS 2 - "Group Treasury Share Transactions" effective from March 1, 2007
- (iii) IFRIC 12, "Service Concession Arrangements" effective from January 1, 2009

Adoption of the above amendments / interpretations may only impact the extent of disclosures presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven IFRSs have been issued by International Accounting Standard Board. Out of these following four IFRSs have been adopted by the SECP vide its S.R.O. (I)/2006 dated December 06, 2006:

- (i) IFRS-2 "Share-based Payments";
- (ii) IFRS-3 "Business Combinations";
- (iii) IFRS-5 "Non-current Asset Held for Sale and Discontinued Operations"; and
- (iv) IFRS-6 "Exploration for and Evaluation of Mineral Resources".

The Group expects that the adoption of the pronouncements mentioned above will have no significant impact on the Group's financial statements in the period of initial application.

5.3 Cash and cash equivalents

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

5.4 Investments

All investments acquired by the bank are initially recognized at cost, being the fair value of consideration given including acquisition cost.

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

- Held-for-trading These are securities which are acquired with the intention to trade by taking advantage of short term market/interest rate movements and are to be sold within 90 days. These are carried at market value, with the related surplus/(deficit) being taken to profit and loss account.
- Held-to-maturity These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value with the surplus/(deficit) taken to 'surplus/(deficit) on

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

revaluation of assets' account below equity, except that available-for-sale investments in unquoted shares, debentures, bonds, participation term certificates, term finance certificates, federal, provincial and foreign government securities (except for Treasury Bills, Federal Investment Bonds and Pakistan Investment Bonds) are stated at cost less provision for impairment, if any. Provision in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential Regulations.

- **Subsidiaries** - Subsidiaries are all entities over which the bank has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the bank. They are de-consolidated from the date on which control ceases.
- **Associates** - Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. However, in case where associates are fully provided and financial statements are not available these investments are stated at cost less provision.
- **The Group's share of its associates' post-acquisition profits or losses** is recognized in the income statement; its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.
- **Joint ventures** - The Group has interests in joint ventures which are jointly controlled entities. A joint venture is contractual arrangement whereby two or more parties undertake in economical activity that is subject to a joint control and a jointly controlled entity in a joint venture that involves the establishment of separate entity in which each ventures has an interest. The bank recognizes its interest in joint venture using the equity method of accounting and is initially recognized at cost.

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

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

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

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

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

5.5 Discounting of negotiable instruments

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

5.6 Repurchase and resale agreements

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

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

5.7 Net investment in lease finance

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

5.8 Derivative financial instruments

Derivative financial instruments include forward foreign exchange contracts, equity futures and interest rate swaps. These are initially recognized at fair value and subsequently remeasured at fair value. Fair value is calculated by reference to quoted market price. In the event of non-availability of market prices, discounted cash flow model is used to determine the fair value. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.9 Trade date accounting

All regular way purchases/sales of investment are recognised on the trade date, i.e., the date the bank commits to purchase/sell the investments. Regular way purchases or sales of investment require delivery of securities within three days after the transaction date as required by stock exchange regulations.

5.10 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the bank becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

5.11 Advances

Advances are stated net of provisions for non-performing advances. Provision is made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. Provision in respect of overseas branches are made in accordance with the respective central bank's requirements. Advances are written off where there are no realistic prospects of recovery.

In respect of advances of former Mehran Bank Limited (MBL) amalgamated with the bank, the provision is calculated inline with the guiding principles of the amalgamation deed (the Deed), whereby the bank shall not suffer any loss as a direct consequence of amalgamation. Considering the guideline of the Deed, the funded credits are provided on the basis of security shortfall and the provision is made against unfunded credits to the extent of subsequent cash payments made against them on the basis of shortfall in the value of security.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

5.12 Operating fixed assets and depreciation

Property and equipment

Owned assets

Fixed assets except land and buildings are stated at cost less accumulated depreciation and impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation. Depreciation is charged to income applying the diminishing balance method except vehicles, computers and furnishing limit to executives, which are depreciated on straight-line method at the rates stated in note 11.2. From 2005 the bank had changed its accounting estimate for charging depreciation. Depreciation is now charged from the month in which the assets are brought into use and no depreciation is charged from the month the assets are deleted.

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

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

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

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

Surplus on revaluation of fixed assets to the extent of incremental depreciation charged to the related assets is transferred to retained earnings (net of deferred tax).

Leased assets

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

Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 11.4.

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

Capital work in progress

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

Impairment

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

5.13 Taxation

Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax in consolidated financial statements using prevailing tax rates or tax rate expected to apply to the profits for the year at enacted rate or minimum tax at the rate of 0.5% of turnover whichever is higher. The charge for the current tax also includes adjustments wherever considered necessary relating to prior year, arising from assessments framed during the year.

Deferred

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

Deferred income tax liabilities are not recognised in respect of taxable temporary differences associated with interests in joint ventures and branches, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

5.14 Employees benefits

5.14.1 Defined benefit plans

Pension scheme

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

Employees' compensated absences

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

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(for the year ended December 31, 2006)

Post retirement medical benefits

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

Benevolent scheme

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

Gratuity scheme

The group operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

The group's policy with regard to actuarial gains / (losses) is to follow minimum recommended approach under IAS 19 and recognize these over the average expected remaining life of the members of the scheme.

Transitional cost is recognised over a period of five years.

5.14.2 Defined contribution plan

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

Retirement and other benefit obligations

The Group withholds amounts of pension contributions from employee salaries and pays them to state pension fund. In accordance with the requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

5.15 Revenue recognition

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

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

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

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

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

Financing method is used in accounting for recognition of finance income (excess of aggregate lease rental and the residual value over the cost of leased assets) is determined and then amortized over the term of the lease, applying the annuity method to produce a consistent rate on the net investment in lease finance. Rental income from assets given in operating lease is recognized on an accrual basis over the lease period.

5.16 Foreign currencies translation

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies including assets/liabilities of foreign branches, subsidiaries and joint ventures are translated into Rupees at the rates of exchange prevailing at the balance sheet date. Forward exchange contracts are valued at rates applicable to their respective maturities.

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

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

5.17 Business combinations and goodwill

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

5.18 Provision for off balance sheet obligations

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

5.19 Off setting

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

5.20 Fiduciary assets

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	Note	2006	2005
		Rupees in '000	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		5,001,665	5,030,502
Foreign currency		1,540,702	1,517,370
		6,542,367	6,547,872
With State Bank of Pakistan in			
Local currency current account	6.1	34,314,554	23,817,928
Local currency deposit account		29	29
		34,314,583	23,817,957
Foreign currency current account	6.2	1,192,907	1,358,494
Foreign currency deposit account	6.2	3,578,722	4,075,481
Foreign currency collection account		193,307	1,432,952
Foreign currency placement account	6.3	30,442,750	29,898,000
		35,407,686	36,764,927
With other central banks in			
Foreign currency current account	6.4	1,448,110	3,361,897
Foreign currency deposit account	6.5	1,149,879	859,475
		2,597,989	4,221,372
		78,862,625	71,352,128
6.1	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
6.2	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the State Bank of Pakistan.		
6.3	This represents US Dollar placements and carry interest rate at 6.71% to 7.46% per annum (2005: 5.31% to 6.53%) and mature within six months		
6.4	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central banks' regulatory requirements.		
6.5	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and central bank regulatory requirements. These carry mark-up at the rate of 4.5% to 5.05% per annum (2005: 3.63%).		
7. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		194,771	-
On deposit account		165,208	176,386
Outside Pakistan			
On current account		1,029,343	2,950,565
On deposit account	7.1	40,023,224	28,472,152
		41,052,567	31,422,717
		41,412,546	31,599,103

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

7.1 These includes various deposits with correspondent banks and carry mark-up rates ranging from 0.015% to 8% per annum (2005:0.005% to 7% per annum).

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2006 Rupees in '000	2005
Call money lendings	8.2	8,165,350	6,463,604
Repurchase agreement lendings (Reverse Repo)	8.3 & 8.4	14,998,732	10,078,942
	8.1	<u>23,164,082</u>	<u>16,542,546</u>
8.1 Particulars of lending			
In local currency		23,164,082	16,542,564
In foreign currencies		-	-
		<u>23,164,082</u>	<u>16,542,564</u>

8.2 These carry mark-up at rates ranging from 10.05% to 11.25% per annum (2005:7.75% to 9.75% per annum).

8.3 These carry mark-up at rates ranging from 8.5% to 9.4% per annum (2005: 7.0% to 8.65% per annum).

8.3.1 Securities held as collateral against lendings to financial institutions.

	2006			2005		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	11,363,732	-	11,363,732	6,753,942	-	6,753,942
Pakistan Investment Bonds	3,635,000	-	3,635,000	3,325,000	-	3,325,000
	<u>14,998,732</u>	<u>-</u>	<u>14,998,732</u>	<u>10,078,942</u>	<u>-</u>	<u>10,078,942</u>

8.4 Market value of the securities under repurchase agreement lendings amount to Rs.14,868 million (2005:Rs,10,276 million)

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

9. INVESTMENTS

9.1 INVESTMENTS BY TYPES:

	Note	2006			2005		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
..... Rupees in '000							
Held-for-trading securities							
Ordinary shares of listed companies		405,201	-	405,201	243,444	-	243,444
Available -for-sale-securities							
Ordinary shares of listed companies		1,426,566	-	1,426,566	1,232,195	-	1,232,195
Ordinary shares of unlisted companies		331,641	-	331,641	433,864	-	433,864
		1,758,207	-	1,758,207	1,666,059	-	1,666,059
Market Treasury Bills		50,524,649	381,964	50,906,613	54,238,995	2,845,789	57,084,784
Preference shares		398,184	-	398,184	463,500	-	463,500
Pakistan investment bonds		3,154,718	-	3,154,718	7,923,813	-	7,923,813
Federal investment bonds		940,000	-	940,000	1,142,465	-	1,142,465
Debentures, Bonds, Participation term							
Certificates and Term Finance Certificates		8,373,727	-	8,373,727	7,029,616	-	7,029,616
Investment in mutual funds		1,145,369	-	1,145,369	699,399	-	699,399
Investment outside Pakistan		463,295	-	463,295	463,295	-	463,295
National Investment Trust Units		5,667,018	-	5,667,018	5,060,656	-	5,060,656
Total available-for-sale securities		72,425,167	381,964	72,807,131	78,687,798	2,845,789	81,533,587
Held-to-maturity securities							
Government Compensation Bonds		2,331,182	-	2,331,182	2,477,200	-	2,477,200
Provincial Government Securities		36,513	-	36,513	36,513	-	36,513
Pakistan Investment Bonds		11,974,039	-	11,974,039	12,099,907	-	12,099,907
Market Treasury Bills		381,473	-	381,473	-	-	-
GoP Foreign Currency Bonds		10,445,224	-	10,445,224	9,457,014	-	9,457,014
Foreign Government Securities		5,693,075	-	5,693,075	6,057,028	-	6,057,028
Debentures, Bonds, Participation term							
Certificates & Term Finance Certificates	9.7	4,595,963	-	4,595,963	6,000,021	-	6,000,021
Certificates of investment	9.16	3,172,000	-	3,172,000	-	-	-
Total Held to maturity securities	9.3	38,629,469	-	38,629,469	36,127,683	-	36,127,683
Investments in associates	9.9	1,132,790	-	1,132,790	1,157,776	-	1,157,776
Investments in joint ventures	9.10	1,950,628	-	1,950,628	1,578,961	-	1,578,961
Investments in subsidiaries	9.11	3,245	-	3,245	3,245	-	3,245
Investments at cost		114,546,500	381,964	114,928,464	117,798,907	2,845,789	120,644,696
Less: provision for diminution in value of investments		(1,255,785)	-	(1,255,785)	(1,965,003)	-	(1,965,003)
investments (net of provisions)	9.12.1	113,290,715	381,964	113,672,679	115,833,904	2,845,789	118,679,693
Deficit on revaluation of							
Held-for-trading securities	9.14	(4,463)	-	(4,463)	(1,493)	-	(1,493)
Surplus/(deficit) on revaluation of							
Available-for-sale securities	20.2	27,072,030	(179)	27,071,851	38,448,272	-	38,448,272
Total investments at market value		140,358,282	381,785	140,740,067	154,280,683	2,845,789	157,126,472

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(for the year ended December 31, 2006)

	Note	2006	2005
		Rupees in '000	
9.2 Investment by segments			
Federal Government Securities			
Market Treasury Bills		51,288,086	57,084,784
Pakistan Investment Bonds	9.4	15,128,757	20,023,720
Federal Investment Bonds	9.5	940,000	1,142,465
Others			
- Government Compensation Bonds	9.15	2,331,182	2,477,200
- GoP Foreign Currency Bonds		10,445,224	9,457,014
		<u>80,133,249</u>	<u>90,185,183</u>
Provincial Government Securities		36,513	36,513
Foreign Government Securities		5,693,075	6,057,028
Fully Paid Up Ordinary Shares			
- Listed Companies	9.15	1,831,767	1,475,639
- Unlisted Companies	9.15	331,641	433,864
		<u>2,163,408</u>	<u>1,909,503</u>
Investments in mutual funds	9.15	1,145,369	699,399
National Investment Trust Units	9.6	5,667,018	5,060,656
Preference Shares	9.15	398,184	463,500
Certificates of Investment	9.16	3,172,000	-
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates			
- Listed	9.15	1,062,972	669,911
- Unlisted	9.7&9.15	11,906,718	12,359,726
		<u>12,969,690</u>	<u>13,029,637</u>
Investment outside Pakistan	9.8	463,295	463,295
Investments in Associates	9.9	1,132,790	1,157,776
Investments in Joint Ventures	9.10	1,950,628	1,578,961
Investments in Subsidiaries	9.11	3,245	3,245
Total Investment at cost		<u>114,928,464</u>	<u>120,644,696</u>
Less: Provision for diminution in value of investments	9.12.1	<u>(1,255,785)</u>	<u>(1,965,003)</u>
Investments (Net of Provisions)		<u>113,672,679</u>	<u>118,679,693</u>
Deficit on revaluation of held-for-trading securities	9.14	(4,463)	(1,493)
Surplus on revaluation of Available-for-sale securities	20.2	27,071,851	38,448,272
Total investments at market value		<u>140,740,067</u>	<u>157,126,472</u>

9.3 Market value of held-to-maturity investments is Rs. 36,558 million (2005: Rs.33,358 million).

9.4 These include Pakistan Investment Bonds amounting to Rs.75 million (2005: Rs.75 million) against demand loans and TT/DD discounting facilities.

9.5 These include Federal Investment Bonds amounting to Rs.940 million (2005: Rs.940 million) provided to Payoff liabilities relating to former MBL.

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9.6 NIT Units

Includes 365,284,216 NIT units in respect of which Government of Pakistan (GoP) issued a letter of comfort (LoC) dated June 20, 2006 stating that on bank's willingness to continue holding the units upto June 30, 2007 from the date of LoC, NIT will be facilitated to redeem the units at Rs.13.70 per unit. During 2005 on the directives of MoF, the bank acquired 5,542,620 units from small sized LoC holders for a sum of Rs.205.077 million. In accordance with SBP's concurrence vide their letter no. BSD/SU-15/503/1504/2005 dated March 16, 2005, these units have been valued at market value (repurchase price) aggregating to Rs.16,632 million (2005: Rs.18,684 million). Also, during 2005, the Privatisation Commission of the GoP offered all the NIT LoC holders, including the bank, the following two options under the scheme of Privatisation of the Trust:

- (a) Right to manage the fund represented by the respective LoC holder's portion of the assets / shares and pay for the management rights as per the terms contained in the "Scheme" (scheme for the split-sell and settlement of NIT under GoP's privatisation campaign); or
- (b) The LoC holder's holding of NIT Units would continue to be managed by NIT as part of a separate split fund.

The bank has conveyed its concurrence to option (a).

9.6.1 Rating of NIT mutual fund is 4 Star by PACRA.

9.7 Term Finance Certificates, Debentures, Bonds and Participation Term Certificates include Rs.705 million (2005: Rs.741 million) which are considered non-performing.

9.8 Bank Al-Jazira

The bank holds 6,562,500 (2005: 875,000) shares in Bank Al-Jazira incorporated in the Kingdom of Saudi Arabia, being 5.83% (2005: 5.83%) holding in total equity. From 2005, in accordance with SBP's concurrence vide their letter no. BSD/SU-13/331/685/2006 dated February 17, 2006, the investment has been valued at market value using closing price as quoted on the Saudi Stock Exchange aggregating Rs. 13,957 million (2005: Rs. 22,111 million) (Rating: BBB + by Fitch rating).

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(for the year ended December 31, 2006)

9.9	Investments in associates	Number of shares	Percentage holding	Note	2006	2005
					Rupees in '000	
Un-quoted						
	Pakistan Emerging Venture Limited	12,500,000	33.33		64,415	64,415
	First Credit And Investment Bank Limited	5,979,085	50.00		224,777	214,508
	Information System Associates Limited	2,300,000	28.07		1,719	1,719
	National Fructose Company Limited	1,300,000	39.50		6,500	6,500
	Pakistan Insulation Limited	494,500	24.79		695	695
	Ali Textile (Jhang) Limited	719,500	25.21		7,195	9,265
	Venture Capital Fund Management	33,333	33.33		-	-
	Ashraf Sugar Mills Limited	2,059,271	20.44		-	-
	Kamal Enterprises Limited	11,000	20.37		-	-
	Mehran Industries Limited	37,500	32.05		-	-
	Qurell Cassettes Limited	46,250	30.83		-	-
	Tharparkar Sugar Mills Limited	2,500,000	21.50		-	-
	Youth Investment Promotion Society	644,508	25.00		-	-
	Khushali Bank	400	23.45		400,000	400,000
	Dadabhoy Energy Supply Company Limited	9,900,000	33.00		32,105	32,105
	K-Agricole Limited	5,000	20.00		-	-
	New Pak Limited	200,000	20.00		-	-
	Prudential Fund Management	150,000	20.00		-	-
					737,406	729,207
Quoted						
	National Fibres Limited	17,119,476	20.19		-	-
	Asian Leasing Company Limited	2,863,600	27.39		-	3,866
	Taha Spinning Mills Limited	833,800	20.59		2,501	2,501
	Kohat Textile Mills Limited	2,906,900	33.03	9.9.3	-	29,069
	Land Mark Spinning Mills Limited	3,970,960	32.75		39,710	39,710
	S.G. Fibres Limited	3,754,900	25.03		218,535	218,535
	Nina Industries Limited	4,906,000	20.27		49,060	49,060
	First National Bank Modaraba	7,500,000	30.00		85,578	85,828
					395,384	428,569
					1,132,790	1,157,776
	Less: Provision for diminution in value of investments			9.12.1	(422,435)	(457,440)
					710,355	700,336

9.9.1 Market value of quoted associates amount to Rs. 305.327 million (2005: Rs.356.637 million).

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

9.9.3 During 2006, Kohat Textile Mills issued right shares which the bank did not subscribe. As a result the bank's holding reduced from 33.03% to 13.98%. Accordingly investment has been classified in ordinary shares of listed companies.

Notes to the Consolidated Financial Statements

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

	Year ended	Break-up value of bank's share Rs. in '000
Pakistan Emerging Venture Limited	June 30, 2006	15,421
First Credit And Investment Bank Limited (FCIBL)	December 31, 2006	258,247
Information System Associates Limited	June 30, 2006	3,788
Pakistan Insulation Limited	June 30, 2001	2,630
Ali Textile (Jhang) Limited	September 30, 2001	10,049
Ashraf Sugar Mills Limited	September 30, 2004	(17,199)
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Khushhali Bank	December 31, 2005	410,372
Dadabhoy Energy Supply Company Limited	June 30, 2006	79,318

	Note	2006 Rupees in '000	2005
9.10 Investment in joint ventures			
United National Bank Limited (UNBL)	9.10.1 & 9.10.2	1,892,148	1,548,961
National Fullerton Asset Management (NAFA)	9.10.1 & 9.10.3	58,480	30,000
		<u>1,950,628</u>	<u>1,578,961</u>

9.10.1 Movement Schedule for Associate and Joint Ventures

	2006			2005		
	Associate FCIBL	Joint Ventures NAFA UNBL		Associate FCIBL	Joint Ventures NAFA UNBL	
Opening Balance	214,508	30,000	1,548,961	204,369	-	1,428,413
Addition	-	37,500	-	-	30,000	-
Share of Profit/(loss) for the year	10,268	(9,020)	138,316	10,139	-	90,531
Exchange adjustment	-	-	204,871	-	-	30,017
Closing Balance	224,776	58,480	1,892,148	214,508	30,000	1,548,961

- 9.10.2 Under a joint venture agreement, the bank holds 13.5 million ordinary shares (45%) and United Bank Limited (UBL) holds 16.5 million ordinary shares (55%) in the venture. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value. Upto December 31, 2006 the bank's share of undistributed profits amounts to Rs.293.043 million (2005: Rs.142.349 million).

- 9.10.3 The company has been set up for the purpose of providing asset management services and investment advisory services with a paid-up capital of Rs.250 million (2005: Rs.100 million) as a joint venture between the bank, NDLC-IFIC Bank Limited and Alexandra Fund Management PTE Limited. The bank has 27% (2005: 30%) holding as at December 31, 2006.

- 9.10.4 Investments of the Group in First Credit & Investment Bank Limited (the associated company), United National Bank Limited and National Fullerton Assets Management (Joint Venture companies) has been accounted for under equity method of accounting as at December 31, 2006 in accordance with the treatment specified in International Accounting Standard 28 "Accounting for investments in Associates" and International Accounting Standard 31 "Investment in Joint Venture". As per Khushhali Bank Ordinance, 2000, Khushhali Bank is not allowed

Notes to the Consolidated Financial Statements

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distribute its profits as dividends to its shareholders. Based on this fact, investment in Khushhali Bank (associated company) is not accounted for using the equity method of accounting.

9.11 Investments in Subsidiaries

	Percentage holding	Note	2006 Rupees in '000	2005
National Agriculture & Storage Company Limited	100.00		2,000	2,000
Cast-N-Link Products Limited	76.51		1,245	1,245
			<u>3,245</u>	<u>3,245</u>
Less: Provision for diminution in value of investments		9.12.1	<u>(3,245)</u>	<u>(3,245)</u>
			<u>-</u>	<u>-</u>

9.12 Particulars of provision for diminution in value of investments

	2006 Rupees in '000	2005
Opening Balance	1,965,003	2,249,295
Charge for the year	2,356	-
Reversals	(709,461)	(245,881)
	<u>(707,105)</u>	<u>(245,881)</u>
Amount written off	(2,113)	(38,411)
Closing Balance	<u>1,255,785</u>	<u>1,965,003</u>

9.12.1 Particulars of provision in respect of type and segment

Available-for-sale securities				
Ordinary Shares of unlisted companies			125,392	179,853
Held-to-maturity securities				
Debentures, Bonds, Participation Term Certificates and Term Finance Certificates			704,713	1,324,465
Associates		9.9	422,435	457,440
Subsidiaries		9.11	3,245	3,245
			<u>1,255,785</u>	<u>1,965,003</u>

9.13 Quality of Available-for-Sale Securities

Information relating to quality of available for sale securities is given in Annexure "I" and is an integral part of these financial statements.

9.14 Unrealized loss on revaluation of Investments classified as held-for-trading

Ordinary shares of listed companies			<u>(4,463)</u>	<u>(1,493)</u>
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Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

9.15 Information relating to investments in shares of listed and unlisted companies, redeemable capital and bonds is given in Annexure "I" and is an integral part of these financial statements.

9.16 These carry mark-up at the rate from 11.25% to 14.33% (2005:Nil) per annum.

10. ADVANCES

	Note	2006	2005
Rupees in '000			
Loans, cash credits, running finances etc.			
In Pakistan	10.9	304,164,016	262,095,537
Outside Pakistan		26,421,169	22,093,891
		330,585,185	284,189,428
Net investment in finance lease			
In Pakistan	10.2	558,883	204,243
Outside Pakistan		-	-
		558,883	204,243
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,502,819	2,387,740
Payable outside Pakistan		14,881,699	12,471,568
		17,384,518	14,859,308
Margin Financing	10.8	187,266	68,039
Advances - gross	10.1	348,715,852	299,321,018
Less: provision for non-performing advances	10.4	(32,260,052)	(30,584,032)
Advances - net of provision		316,455,800	268,736,986

10.1 Particulars of advances - gross

10.1.1 In local currency	307,412,984	264,755,559
In foreign currencies	41,302,868	34,565,459
	348,715,852	299,321,018
10.1.2. Short term (for upto one year)	202,063,151	187,514,925
Long Term (for over one year)	146,652,701	111,806,093
	348,715,852	299,321,018

10.2 Net investment in finance lease

	2006				2005			
	Not later than one year	Later than one and less than five years	Over five year	Total	Not later than one year	Later than one and less than five years	Over five year	Total
Rupees in '000								
Lease rentals receivable	218,927	350,936	-	569,863	64,870	144,367	-	209,237
Residual value	-	95,212	-	95,212	-	38,948	-	38,948
Minimum lease payments	218,927	446,148	-	665,075	64,870	183,315	-	248,185
Financial charges for future periods	57,154	49,038	-	106,192	19,417	24,525	-	43,942
Present value of minimum lease payments	161,773	397,110	-	558,883	45,453	158,790	-	204,243

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

The leases executed are for a term of 3 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessees to insure the leased assets in favour of the Group and maintained financial ratios, as required under the SBP Prudential Regulations for Non-Banking Finance Companies. Additional surcharge is charged on delayed rentals. The fixed return implicit in these ranges from 10.75% to 18% and KIBOR + 2% (2005: 10.75% to 18% and KIBOR + 2%) per annum.

10.3 Advances include Rs.36,260 million (2005: 33,738 million) which have been placed under non-performing status as detailed below:

	2006			2006			2006		
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Category of Classification									
Other Assets Especially Mentioned	396,998	-	396,998	-	-	-	-	-	-
Substandard	2,602,626	-	2,602,626	597,408	-	597,408	597,408	-	597,408
Doubtful	1,877,859	-	1,877,859	828,886	-	828,886	828,886	-	828,886
Loss	30,820,501	561,902	31,382,403	28,042,748	59,630	28,102,378	28,042,748	59,630	28,102,378
	<u>35,697,984</u>	<u>561,902</u>	<u>36,259,886</u>	<u>29,469,042</u>	<u>59,630</u>	<u>29,528,672</u>	<u>29,469,042</u>	<u>59,630</u>	<u>29,528,672</u>

10.4 Particulars of provision against non-performing advances

	Note	2006			2005		
		Domestic	Overseas	Total	Domestic	Overseas	Total
		Rupees in '000					
Opening Balance		28,388,730	2,195,302	30,584,032	28,372,354	678,424	29,050,778
Exchange adjustments		2,851	19,282	22,133	(140)	(18,181)	(18,321)
Charge for the year		5,225,418	622,648	5,848,066	3,115,568	1,535,059	4,650,627
Reversal during the year		(2,772,343)	-	(2,772,343)	(2,203,888)	-	(2,203,888)
		2,453,075	622,648	3,075,723	911,680	1,535,059	2,446,739
Amounts written off	10.5	(705,125)	-	(705,125)	(895,164)	-	(895,164)
Other movements		(610,859)	(105,852)	(716,711)	-	-	-
Closing balance		<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>	<u>28,388,730</u>	<u>2,195,302</u>	<u>30,584,032</u>

10.4.1 Particulars of provisions against non-performing advances:

	2006			2005		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	29,469,042	2,493,782	31,962,824	28,237,053	1,906,925	30,143,978
In foreign currencies	59,630	237,598	297,228	151,677	288,377	440,054
	<u>29,528,672</u>	<u>2,731,380</u>	<u>32,260,052</u>	<u>28,388,730</u>	<u>2,195,302</u>	<u>30,584,032</u>

10.5 Particulars of write offs:

	Note	2006		2005	
		Rupees in '000		Rupees in '000	
10.5.1 Against Provisions	10.4	705,125	895,164		
Directly charged to Profit & Loss account		5,284	23,069		
		<u>710,409</u>	<u>918,233</u>		
10.5.2 Write Offs of Rs. 500,000 and above	10.6	687,167	896,526		
Write Offs of Below Rs. 500,000		23,242	21,707		
		<u>710,409</u>	<u>918,233</u>		

10.6 Details of loan write off of Rs. 500,000/- and above:

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2006 is given in Annexure-II.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	Note	2006	2005	
		Rupees in '000		
10.7	Particulars of loans and advances to Directors, Associated Companies, etc.:			
	Debts due by directors, executives or officer & staff of the bank or any of them either severally or jointly with any other persons			
	Balance at beginning of year	11,340,452	9,766,179	
	Loans granted during the year	2,401,776	2,111,025	
	Repayments	(426,118)	(536,752)	
	Balance at end of year	<u>13,316,110</u>	<u>11,340,452</u>	
	Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members			
	Balance at beginning of year	119,319	119,896	
	Loans granted during the year	222,759	-	
	Repayments	(119,319)	(577)	
	Balance at end of year	<u>222,759</u>	<u>119,319</u>	
	Debts due by controlled firms, managed modarabas and other related parties			
	Balance at beginning of year	1,970,002	1,674,012	
	Loans granted during the year	38,755	698,845	
	Repayments	(408,687)	(402,855)	
	Balance at end of year	<u>1,600,070</u>	<u>1,970,002</u>	
10.8	These are secured against shares of listed companies, market value of which amounted to Rs.214.359 million (2005: Rs.195.537 million) at the balance sheet date. These carry mark-up at the rate of 3 months KIBOR + 4% and 6 months KIBOR + 3% (2005: 3 months KIBOR + 4%)			
10.9	This includes Rs.138.187 million (2005: Rs.107.346 million) on account of discounting of negotiable instruments.			
11.	OPERATING FIXED ASSTES			
	Capital work-in-progress	11.1	378,917	319,051
	Property and equipment	11.2	9,330,976	9,181,421
	Intangible assets	11.4	30,045	21,382
			<u>9,739,938</u>	<u>9,521,854</u>
11.1	Capital work-in-progress			
	Civil works		326,066	301,378
	Equipments		4,419	-
	Advances to suppliers and contractors		48,432	17,673
			<u>378,917</u>	<u>319,051</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

11.2 Property and equipment

	Cost/revalued amount			Accumulated depreciation			Book Value at December 31, 2006	Rate of Depreciation
	At January 1, 2006	Revaluation Surplus/ (deficit)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
	Rupees in '000							
Owned								
Land								
- freehold	2,781,313	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	-	2,798,186	-	-	-	2,798,186	Nil
Buildings on land:								
- freehold	1,746,793	-	1,773,312	449,538	33,435	482,973	1,290,339	5% on book value
- leasehold	1,241,553	-	1,312,416	266,505	90,929	357,434	954,982	5% on book value
Furniture and fixtures	1,137,620	-	1,229,608	760,639	49,048 (1,607)	808,080	421,528	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives
Computer & peripheral equipments	1,063,803	-	1,285,023	825,203	128,804 (54)	953,953	331,070	33.33% on cost
Electrical & office equipments	1,324,807	-	1,460,644	863,416	121,912 (4,276)	981,052	479,592	20% on book value
Vehicles	370,902	-	411,988	158,147	47,708 (19,295)	186,560	225,428	20% on cost
	12,433,573	-	13,052,490	3,323,448	471,836 (25,232)	3,770,052	9,282,438	
Assets held under finance lease								
Vehicles	1,28,921	-	1,31,090	59,289	24,529	83,818	47,272	
Office equipment	2,249	-	2,249	585	398	983	1,266	20% on cost
2006	12,564,743	-	13,185,829	3,383,322	496,763 (25,232)	3,854,853	9,330,976	

* This includes fixed assets amounting to Rs. 5.615 million (2005: Nil) acquired from Corporate and Industrial Restructuring Corporation (CIRC), consequent upon its dissolution with effect from September 22, 2006.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Property and equipment

	Cost/revalued amount			Accumulated depreciation			Book Value at December 31, 2005	Rate of Depreciation	
	At January 1, 2005	Revaluation Surplus/ (deficit)	Additions/ (deletions)	At December 31, 2005	At January 1, 2005	Charge for the year/ (deletions)			At December 31, 2005
	-----			Rupees in '000			-----		
Owned									
Land									
- freehold	2,781,313	-	-	2,781,313	-	-	-	2,781,313	Nil
- leasehold	2,766,782	-	-	2,766,782	-	-	-	2,766,782	Nil
Buildings on land:									
- freehold	1,718,048	-	28,745	1,746,793	380,115	69,423	449,538	1,297,255	5% on book value
- leasehold	1,224,160	-	17,393	1,241,553	213,495	53,010	266,505	975,048	5% on book value
Furniture and fixtures	1,038,823	-	103,732 (4,935)	1,137,620	719,720	45,895 (4976)	760,639	376,981	10% to 30% on book value and 20% on straight-line on new furnishing limit to executives
Computer & peripheral equipments	905,359	-	159,305 (861)	1,063,803	592,930	232,740 (467)	825,203	238,600	33.33% on cost
Electrical & office equipments	1,080,106	-	247,085 (2,384)	1,324,807	756,363	108,969 (1,916)	863,416	461,391	20% on book value
Vehicles	227,035	-	170,713 (26,846)	370,902	119,034	63,830 (24,717)	158,147	212,755	20% on cost
	11,741,626	-	726,973* (35,026)	12,433,573	2,781,657	573,867 (32,076)	3,323,448	9,110,125	
Under finance lease									
Vehicles	120,235	-	20,350 (11,664)	128,921	65,538	1,190 (7,439)	59,289	69,632	20% on cost
Office equipment	2,249	-	-	2,249	164	421	585	1,664	
2005	11,864,110	-	747,323 (46,690)	12,564,743	2,847,359	575,478 (39,515)	3,383,322	9,181,421	

11.3 In the year 2004, certain of the bank's properties were revalued by M/s Younus Mirza & Co. on the basis of market value which resulted in net surplus of Rs.25.802 million over the book value of the assets.

In the year 2003, certain bank's properties were revalued by M/s Younus Mirza & Co. and M/s Iqbal A. Nanji & Co. on the basis of market value which resulted in net surplus of Rs.547 million over the book value of the assets.

In the year 2002, the bank's properties were revalued by M/s Younus Mirza & Co. on the basis of market value which resulted in net surplus of Rs.1,199.625 million over the book value of the assets.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

11.4 Intangible assets

	Cost			Accumulated amortisation			Book Value at December 31, 2006	Rate of Amortisation
	At January 1, 2006	Additions/ (deletions)	At December 31, 2006	At January 1, 2006	Charge for the year/ (deletions)	At December 31, 2006		
	Rupees in '000							
Computer Software	15,023	12,737	27,760	7,309	3,609	10,918	16,842	33.33% on Cost
Website	1,041	-	1,041	1,041	-	1,041	-	33.33% on Cost
Room & Membership Card	12,591	-	12,591	-	-	-	12,591	
Others	2,601	-	2,601	1,524	465	1,989	612	20% on Cost
2006	31,256	12,737	43,993	9,874	4,074	13,948	30,045	
	Cost			Accumulated amortisation			Book Value at December 31, 2005	Rate of Amortisation
At January 1, 2005	Additions/ (deletions)	At December 31, 2005	At January 1, 2005	Charge for the year/ (deletions)	At December 31, 2005			
	Rupees in '000							
Computer Software	8,922	6,101	15,023	4,125	3,184	7,309	7,714	33.33% on Cost
Website	1,041	-	1,041	962	79	1,041	-	33.33% on Cost
Room & Membership Card	12,591	-	12,591	-	-	-	12,591	
Others	2,601	-	2,601	1,262	262	1,524	1,077	20% on Cost
2005	25,155	6,101	31,256	6,349	3,525	9,874	21,382	

11.5 Had the revaluation not been carried out, the net book value of the revalued assets at December 31, 2005 would have been as follows:

	Land		Buildings on land		Total
	Freehold	Leasehold	Freehold	Leasehold	
	Rupees in '000				
	284,179	369,986	109,917	107,715	871,797

11.6 Carrying amount of temporarily idle property and equipment as at December 31, 2006 is Rs. Nil (2005: Rs. 400 million)

11.7 Details of disposals of fixed assets

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

Particulars of assets	Original cost	Book value	Sale proceeds	Profit/ (loss)	Mode of Disposal	Particulars of Purchaser
	-----Rupees in '000-----					
Motor Vehicle	939	751	751	-	As per service rules on retirement	Mr. Hanif Bux - EVP
Motor Vehicle	849	509	509	-	As per service rules on retirement	Mr. Raheemuddin - SVP
Motor Vehicle	849	396	396	-	As per service rules on retirement	Mr. S. Javed Ali Noshah - SVP
Motor Vehicle	849	679	679	-	As per service rules on retirement	Mr. Yousuf Hussain Jaffri - SVP
Motor Vehicle	849	580	580	-	As per service rules on retirement	Mr. Abid Mahmood - SVP
Motor Vehicle	8,950	7,217	7,661	443	Negotiation	Pakistan Transport Network
Motor Vehicle	1,003	651	865	213	Negotiation	Mr. Agha Ashraf
Motor Vehicle	862	280	280	-	Negotiation	Mr. Amir Zaidi
Office equipment	2,069	353	800	447	Tender	M/s Merin (pvt.) Ltd.
Other assets (having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000)	21,524	1,741	9,649	7,907	As per service rules on retirement/ Auction	Various
	38,743	13,157	22,170	9,010		

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

12. OTHER ASSETS	Note	2006	2005
Rupees in '000			
Income/mark-up accrued in local currency		7,685,121	6,812,452
Income/mark-up accrued in foreign currencies		1,490,816	1,243,628
Advances, deposits, advance rent and other prepayments		804,086	717,859
Advance taxation (payments less provisions)	21.4.2	8,802,180	9,466,490
Receivable from CIRC	12.1	278,501	278,501
Assets acquired from CIRC	12.2	817,667	-
Branch Adjustment Account		128,552	-
Un-realized gain on forward foreign exchange contracts		126,371	137,520
Commission receivable		1,791,556	1,301,156
Stationary and stamps on hand		220,939	199,148
Barter trade balance		182,503	182,503
Receivable on account of Government transactions	12.3	323,172	323,172
Receivable from Government under VHS scheme	12.4	412,561	437,211
Less: amount charged / provision		(412,561)	(437,211)
Receivable from pension fund	34.1	2,951,933	2,523,668
Prize bonds on hand		320,023	297,755
Receivable from brokers		-	616,218
Others		3,421,833	2,457,416
		<u>29,345,253</u>	<u>26,557,486</u>
Less: Provision held against other assets			
Income/mark-up accrued in local currency/foreign currencies		296,592	335,592
Stationary and stamps on hand		51,200	51,200
Barter trade balances		182,503	182,503
Receivable on account of Government Transactions		323,172	323,172
Others		918,140	900,408
	12.5	<u>1,771,607</u>	<u>1,792,875</u>
Other assets (net of provision)		<u>27,573,646</u>	<u>24,764,611</u>

12.1 Upon dissolution of Corporate and Industrial Restructuring Corporation (CIRC), and take over by the bank with effect from September 22, 2006 the said amount represents receivable from GoP.

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

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

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	Note	2006	2005
Rupees in '000			
12.5 Provisions against other assets			
Opening balance		1,792,875	1,594,577
Charge for the year		17,732	198,298
Reversals		(39,000)	-
Closing balance		<u>1,771,607</u>	<u>1,792,875</u>
13. BILLS PAYABLE			
In Pakistan		10,549,446	1,714,500
Outside Pakistan		56,216	26,656
		<u>10,605,662</u>	<u>1,741,156</u>
14. BORROWINGS			
In Pakistan		11,069,740	8,993,770
Outside Pakistan		1,612,672	348,326
		<u>12,682,412</u>	<u>9,342,096</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		11,069,740	8,993,770
In foreign currencies		1,612,672	348,326
		<u>12,682,412</u>	<u>9,342,096</u>
14.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from State Bank of Pakistan			
Under export refinance scheme / LTF *		7,580,045	4,034,703
Under locally Manufactured Machinery (LMM) scheme		1,160	3,408
Finance to payoff liabilities relating to former MBL	14.2.1	564,000	752,000
Others		66,907	66,907
		<u>8,212,112</u>	<u>4,857,018</u>
Repurchase agreement borrowings		504,710	2,783,201
		<u>8,716,822</u>	<u>7,640,219</u>
Unsecured			
Call borrowings		3,441,005	998,326
Overdrawn nostro accounts		453,785	632,751
Others		70,800	70,800
		<u>3,965,590</u>	<u>1,701,877</u>
		<u>12,682,412</u>	<u>9,342,096</u>

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

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

- Export refinance loans from SBP are at the rate of 6.5% per annum (2005: 7.5% per annum).
- Locally Manufactured Machinery Loans from SBP are at the rate of 11% per annum (2005: 8% to 9.5% per annum).
- Secured borrowings "Others" from SBP are interest free.
- Call borrowings carry interest ranging from 7.75% to 10.20% per annum (2005: 1.4% to 8.15% per annum)
- Overdrawn nostro accounts carry interest at the rate of 1% to 5% per annum (2005: 1% to 5% per annum).

* Long Term Financing under Export Oriented Project

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

- Repurchase agreement borrowings carry mark-up at the rate of 8.5% per annum (2005: 3% to 8.4% per annum).
- Unsecured borrowings "Others" carry interest at the rate of 10% per annum (2005: 10% per annum).

14.2.3 The group has obtained facilities under repurchase agreements and call borrowings from other banks amounting to Rs. 383.333 million. Against these borrowings carrying amounts of assets kept as collateral are as follows:

	Note	2006	2005
Rupees in '000			
Charge on lease receivables		155,102	155,102
Promissory note		276,970	276,970
Term finance certificates		101,987	101,987
Pakistan Investment Bonds and certificates of investments		234,791	304,103

15. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	100,054,476	80,913,734
Savings deposits	170,234,938	165,514,570
Current accounts - Remunerative	54,352,618	54,497,426
Current accounts - Non- remunerative	119,604,794	102,492,003
	444,246,826	403,417,733

Financial Institutions

Remunerative deposits	39,196,100	38,174,088
Non-remunerative deposits	18,573,785	21,604,526
	57,769,885	59,778,614
	502,016,711	463,196,347

15.1 Particulars of deposits

In local currency	390,575,413	356,713,452
In foreign currencies [including deposits of foreign branches of Rs. 86,816 million including vostro balances of Rs. 1,069 million (2005:Rs. 81,124 million including vostro balances of Rs. 2,383 million)]	111,441,298	106,482,895
	502,016,711	463,196,347

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2006			2005		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
Rupees in '000						
Not later than one year	9,314	1,260	8,054	9,799	1,856	7,943
Later than one year and not later than five years	7,187	905	6,282	1,801	234	1,567
Over five years	-	-	-	12,131	1,464	10,667
	16,501	2,165	14,336	23,731	3,554	20,177

The group has entered into lease agreements with various leasing companies for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 12% to 16% and KIBOR plus 2%. (2005: 12% to 16% and KIBOR plus 2%). At the end of lease term, the group has the option to acquire the assets subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

17. DEFERRED TAX LIABILITIES

	Note	2006 Rupees in '000	2005
Deferred tax (assets) arising in respect of			
Provision for diminution in the value of investments		(246,650)	(463,563)
Provision against advances - general provisions		(872,824)	(667,424)
Other provision		(103,806)	(123,983)
Charge against defined benefits plans		(291,768)	(255,404)
Difference between accounting book value of fixed assets and tax base		(12,145)	(95,643)
Provision against off-balance sheet obligation		(115,222)	(115,222)
Deferred tax liabilities arising in respect of		(1,642,415)	(1,721,239)
Excess of accounting book value of leased assets over lease liabilities	20.1	2,026	972
Revaluation of securities	20.3	3,570,166	5,694,365
Revaluation of fixed assets		446,556	468,665
Others		273	9,329
		<u>4,019,021</u>	<u>6,173,331</u>
Net deferred tax liabilities		<u>2,376,606</u>	<u>4,452,092</u>

18. OTHER LIABILITIES

Mark-up/ Return/ Interest payable in local currency		3,372,024	2,880,722
Mark-up/ Return/ Interest payable in foreign currencies		1,064,216	741,762
Unearned commission and income on bills discounted		72,207	52,965
Accrued expenses		1,543,832	976,982
Advance payments		105,062	55,801
Unclaimed dividends		8,259	5,632
Un-realized loss on forward foreign exchange contracts		35,500	-
Un-realized loss on derivative financial instruments		240,525	432,269
Provision against off-balance sheet obligations	18.1	425,824	425,824
Branch adjustment account - net		-	815,417
Post retirement medical benefits	34.2	2,276,587	2,001,749
Compensated absences	34.3	1,639,708	1,521,326
Liabilities relating to:			
Bangladesh (Former East Pakistan)		227,089	227,089
Barter trade agreements		8,660,061	8,505,559
Special separation packages		78,422	78,422
Benevolent fund	34.4	802,937	729,725
Gratuity Scheme	34.5	33,409	-
Staff welfare fund		686,401	748,795
		<u>10,488,319</u>	<u>10,289,590</u>
Payable to GoP for NDFC amalgamation		-	57,351
Payable to GOP for acquisition of assets from CIRC	12.2	673,282	73,805
Payable on account of Government transactions		34,246	72,050
Payable to brokers		89,665	
Others [(including provision of Rs.178 million (2005: Rs.178 million) for contingencies)]		5,117,034	4,001,936
		<u>27,186,290</u>	<u>24,405,181</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	2006	2005
	Rupees in '000	
18.1 Opening balance	425,824	425,824
Charge for the year	-	-
Closing balance	<u>425,824</u>	<u>425,824</u>

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

19. SHARE CAPITAL

19.1 Authorized Capital

	2005	2006		2006	2005
	Number of Shares			Rupees in '000	
	<u>750,000,000</u>	<u>750,000,000</u>	Ordinary shares of Rs. 10 each	<u>7,500,000</u>	<u>7,500,000</u>

19.2 Issued, subscribed and paid up

140,388,000	<u>140,388,000</u>	Ordinary shares of Rs. 10 each	<u>1,403,880</u>	1,403,880
450,504,700	<u>568,683,295</u>	Fully paid in Cash	<u>5,686,832</u>	4,505,047
590,892,700	<u>709,071,295</u>	Issued as fully paid bonus shares	<u>7,090,712</u>	<u>5,908,927</u>

20. SURPLUS ON REVALUATION OF ASSETS

20.1 Surplus on revaluation of fixed assets - net of tax 20.3 5,368,099 5,409,159

20.2 Surplus on revaluation of available-for-sale securities - net of tax

Federal Government Securities	47,663	32,539
Term Finance Certificates	60,310	4,128
Quoted Shares	1,748,937	2,732,396
NIT Units	11,721,554	14,031,893
Bank Al-Jazira	13,493,387	21,647,316
	<u>27,071,851</u>	38,448,272
Deferred tax liability recognised	17 (3,570,166)	(5,694,365)
	<u>28,869,784</u>	<u>38,163,066</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

20.3	Movement in surplus on revaluation of fixed assets	Note	2006 Rupees in '000	2005
	Surplus on revaluation on January 1,		5,877,824	5,944,318
	net surplus on revaluation of bank's properties during the year		-	-
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(41,060)	(43,221)
	Related deferred tax liability		(22,109)	(23,273)
			(63,169)	(66,494)
			5,814,655	5,877,824
	Less: Related deferred tax liability on:			
	Revaluation as at January 1,		468,665	491,938
	Revaluation of bank's properties during the year		-	-
	Incremental depreciation charged during the year		(22,109)	(23,273)
	transferred to profit and loss account	17	446,556	468,665
	Surplus on revaluation of fixed assets on December 31		5,368,099	5,409,159
21.	CONTINGENCIES AND COMMITMENTS			
21.1	Direct credit substitutes			
	Includes general guarantees of indebtedness, bank acceptance guarantees and standby letters, of credit serving as financial guarantees for loans and securities in favor of:			
	- Government		345,847	2,269,358
	- Financial institutions		4,885,235	504,595
	- Others		24,807,965	13,012,983
			30,039,047	15,786,936
21.2	Transaction-related contingent liabilities			
	Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions in favor of:			
	- Government		18,138,591	12,488,526
	- Financial institutions		30,735	-
	- Others		5,484,271	9,971,136
			23,653,597	22,459,662
21.3	Trade-related contingent liabilities			
	Letters of credit issued in favor of			
	- Government		128,295,046	69,418,144
	- Financial institutions		522,542	8,121,679
	- Others		31,725,396	26,211,138
			160,542,984	103,750,961
21.4	Other Contingencies			
	Claims against the bank not acknowledged as debts [including SBP liabilities on Bangladesh borrowing and interest thereon amounting to Rs. 164 million (2005: Rs. 158 million) and claims relating to former MBL amounting to Rs. 1,053 million (2005: Rs. 1,117 million)]		11,544,592	13,271,740

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

21.4.1 Taxation

The income tax assessments of the bank for global operations as well as Azad Kashmir have been finalized upto and including the tax year 2005 (accounting year ended December 31, 2004). The income tax returns for the tax year 2006 (accounting year ended December 31, 2005) have been filed for global operations and Azad Kashmir and the same are deemed to be assessment order under the provisions of section 120 of the Income Tax Ordinance, 2001, unless amended otherwise. Appeals filed by the bank and tax department for certain assessment year including tax year 2005 are pending before various appellate forum / court of law. The major issues involved include taxability of interest credited to suspense account and disallowances of cost incurred in respect of employees' special separation scheme. While amending the assessment order for the Tax Year 2005, the Taxation Officer has disallowed / added provision against bad & doubtful debts as certified by SBP, allocation of expenses relating to exempt income and revaluation loss of barter trade agreements, the tax impact of which amounting to Rs. 941 million.

In the event that the appeals are decided against the bank, a further tax liability of Rs. 8,721 million (2005: Rs. 7,780 million) may arise in addition to amount already provided.

Contingencies in respect of tax amounting to Rs.28.670 million (2005: Rs.29.084 million) relates to subsidiaries. These mainly pertains to disallowed expenses and additional tax.

No provision has been made in these accounts for the above as the management, based on the opinion of tax lawyers and consultants, considers that provision is not necessary because the Group is subjected to tax exceeding its normal tax liability and will get relief in the appeals process.

21.4.2 Provident Fund

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

Subsequently, three employees filed a writ petition in 1980 before a Single Bench of Lahore High Court claiming the balance lying in their Provident Fund Account. This petition was dismissed by the Single Bench in July, 1982. Against this petition of the Single Bench, the aggrieved employees filed Intra Court Appeal before the High Court which was heard by a Division Bench of the Lahore High Court on a number of dates, extending over 16 years. Appeal against the Order of Single Bench was finally dismissed by the Division Bench vide Order dated July 31, 1998. One employee filed an appeal in the Supreme Court against the judgment of the Lahore High Court. In 2003, such appeals were finally decided by the Supreme Court of Pakistan against the bank. The Supreme Court directed the bank that the employees shall be paid contribution made by the bank together with the Interest upto the date of payment. The bank in accordance with the legal opinion obtained, has commenced settlement of dues of eligible employees who had joined service of the bank prior to 1977. For the purpose of settlement, interest has been calculated in accordance with Rule 12 of the Provident Fund Rules at average redemption yield through the year of Central Government Rupee Loans of twenty years maturity or thereabout and such interest has been calculated in accordance with Rule 19 i.e. to ex-employees upto the date of retirement or death and to date in case of serving employees.

During 2004, certain employees have filed a contempt of court application before the Supreme Court, pointing out the issue of rate of interest and date of payment. The bank filed a reply and submitted before the Honourable Court the rate of interest which the petitioner are claiming is not admissible as payment on the said account is covered by Provident Fund Rules.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

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

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

	Note	2006	2005
Rupees in '000			
21.5	Commitments in respect of forward lending		
	Forward call lending	1,000,000	-
21.6	Commitments in respect of forward exchange contracts		
	Purchase	33,055,235	36,816,486
	Sale	15,352,480	15,623,954
21.7	Commitments in respect of trading of government securities		
	Sale	22,500	500,000
	Purchase	10,000,000	-
21.8	Commitments for the acquisition of operating fixed assets	590,073	56,085

22. DERIVATIVE INSTRUMENTS

22.1 Product Analysis

Counterparties	Interest Rate Swaps		Forward rate Agreements		FX Options	
	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
With Banks for						
Hedging	-	-	-	-	-	-
Market Making	6	4,400,000	-	-	-	-
With FIs other than banks						
Hedging	-	-	-	-	-	-
Market Making	-	-	-	-	-	-
With other entities for						
Hedging	-	-	-	-	-	-
Market Making	7	4,505,000	-	-	-	-
Total						
Hedging	-	-	-	-	-	-
Market Making	13	8,905,000	-	-	-	-
	13	8,905,000	-	-	-	-

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

22.2 Maturity Analysis

Interest Rate Swaps

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

The scope of derivatives activities range from zero cost plain vanilla to more complex structured products such as barrier options, participatory forwards etc.. The bank is involved in derivative transactions for trading as well as hedging purpose.

The management is committed to managing risk and to controlling business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events. The bank's business is conducted within a developed control framework, underpinned by written policies and procedures duly approved by the Board of Directors. The management has developed a structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities and responsibilities are documented and communicated.

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

Accounting policies in respect of derivative financial instruments are described in note 5.8.

23. MARK-UP/RETURN/INTEREST EARNED

	2006	2005
	Rupees in '000	
On loans and advances to:		
Customers and financial institutions	29,414,512	21,048,976
On Investments in:		
Available-for-sale securities	5,471,554	5,794,870
Held-to-maturity securities	3,840,682	3,064,074
	9,312,236	8,858,944
On deposits with financial institutions	4,042,198	3,014,591
On securities purchased under resale agreements	1,029,828	812,791
On interest rate SWAP	215,430	58,930
	<u>44,014,204</u>	<u>33,794,232</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

24. MARK-UP/RETURN/INTEREST EXPENSED

Note	2006 Rupees in '000	2005
	13,038,151	9,805,954
	299,551	158,233
	150,733	86,927
	19,791	2,442
	215,430	330,194
	<u>13,723,656</u>	<u>10,383,750</u>

25. GAIN / (LOSS) ON SALE OF SECURITIES

Federal Government Securities		
Market Treasury Bills	(2,341)	66
Pakistan Investment Bonds	(2,307)	(34,803)
	(4,648)	(34,737)
Share -Listed	855,221	1,399,304
- Unlisted	344,676	-
	1,199,897	1,399,304
Term Finance Certificates - Unlisted	-	10,927
	<u>1,195,249</u>	<u>1,375,494</u>

25.1 This includes gain of Rs. 296.443 million (2005: Nil) on disposal of shares of Investment Corporation of Pakistan

26. OTHER INCOME

Rent on property	24,974	22,531
Net profit on sale of property and equipment	9,010	17,174
Reversal for voluntary handshake scheme	-	28,635
Others	595,561	170,061
	<u>629,545</u>	<u>238,401</u>

26.1 Other income includes Rs. 498 million (2005: Nil) on account of reversal of exchange equalisation of Cairo Branch which was closed during the year ended December 31, 2005.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
27. ADMINISTRATIVE EXPENSES			
Salaries and allowances, etc.		8,341,775	6,650,366
Charge for defined benefit plan		717,016	872,039
One time special award to staff		259,180	-
Non-executive directors' fee, allowances and other expenses	35	1,795	881
Rent, taxes, insurance, electricity, etc.		703,690	695,894
Legal and professional charges		127,968	98,333
Communications		289,006	229,612
Repairs and maintenance		237,001	229,619
Finance charges on leased assets		1,994	2,571
Stationery and printing		302,746	297,126
Advertisement and publicity		210,716	94,297
Donations	27.1	1,850	108,419
Auditors' remuneration	27.2	55,368	55,507
Depreciation	11.2	496,763	575,478
Amortization	11.4	4,074	3,525
Conveyance		83,312	75,399
Entertainment		30,807	26,968
Travelling		239,385	160,268
Security services		515,958	440,972
Staff welfare fund	27.3	300,000	300,000
Others		725,295	503,679
		<u>13,645,699</u>	<u>11,401,026</u>

27.1 Donations include following amounts exceeding Rs. 0.1 million

President's Earthquake Relief Fund	-	100,000
Supply of relief goods to earthquake affected areas	-	2,436
Zindagi Trust	-	5,983
Layton Rehmatullah Benevolent Trust	1,000	-
Auj International Karachi	200	-
Institute of Technology Pakistan Aeronautical Complex Kamra	500	-
	<u>1,700</u>	<u>108,419</u>

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

27.2 Auditors' Remuneration

	M. Yousuf Adil Saleem & Co.	Ford Rhodes Sidat Hyder & Co.	2006 Total	2005 Total
	----- Rupees in '000 -----			
Audit fee - Annual	2,378	2,378	4,756	3,756
- Interim	1,320	1,320	2,640	2,640
Fee for audit of domestic branches	2,492	2,492	4,984	4,984
Fee for special certifications and sundry advisory services	1,555	1,036	2,591	1,824
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	34,173	37,485
Fee for audit of subsidiaries	-	-	2,264	2,302
Fee for audit of pension and other funds	-	-	1,185	-
Out-of-pocket expenses	1,420	1,355	2,775	2,516
	<u>9,165</u>	<u>8,581</u>	<u>55,368</u>	<u>55,507</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

27.3 The charge for staff welfare fund is based on estimated payments to be made out of current year's profits

	Note	2006 Rupees in '000	2005
28. OTHER CHARGES			
Penalties imposed by SBP		<u>208,327</u>	<u>63,206</u>
29. TAXATION			
For the year			
Current		8,721,386	7,165,385
Deferred		61,981	299,879
	29.1	<u>8,783,367</u>	<u>7,465,264</u>
For prior year(s)			
Current		530,652	(1,098,709)
Deferred		-	-
		<u>530,652</u>	<u>(1,098,709)</u>
		<u>9,314,019</u>	<u>6,366,555</u>

Current taxation includes Rs.504 million (2005: Rs.490 million) of overseas branches.

The tax provision for 2006 has been made on estimated taxable income after charging provision against non-performing advances for which certificates from SBP, as required by the taxation authorities, are yet to be received.

29.1 Relationship between tax expense and accounting profit

Accounting profit before tax		<u>26,568,736</u>	<u>19,208,945</u>
Income tax at statutory rate @ 35% (2005: 38%)		<u>9,299,058</u>	<u>7,299,399</u>
Increase/(decrease) in taxes resulting from:			
Inadmissible differences		222,751	525,074
Income taxed at reduced rate		(219,312)	(166,647)
Income exempt from tax		(1,069,228)	(895,574)
Provisions no longer considered as temporary differences		-	539,010
Overseas taxation		550,098	164,002
Tax charge for current year		<u>8,783,367</u>	<u>7,465,264</u>

30. BASIC EARNINGS PER SHARE

Profit attributable to shareholders of the holding company	Rupees '000	<u>17,242,767</u>	<u>12,825,013</u>
Weighted average number of ordinary shares	Numbers '000	<u>709,071</u>	<u>709,071</u>
Basic earnings per share	Rupees	<u>24.32</u>	<u>18.09</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

31. DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are same.

32. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks
Balances with other banks
Overdrawn nostro accounts

Note	2006	2005
	Rupees in '000	
	78,862,625	71,352,128
	41,412,546	31,599,103
	(453,785)	(632,751)
	<u>119,821,386</u>	<u>102,318,480</u>

33. STAFF STRENGTH

Permanent
Temporary/on contractual basis
Group's own staff strength at the end of the year
Outsourced
Total Staff Strength

	2006	2005
	Numbers	
	13,434	13,406
	775	592
	<u>14,209</u>	<u>13,998</u>
	1,362	1,377
	<u>15,571</u>	<u>15,375</u>

34. DEFINED BENEFIT PLANS

National Bank of Pakistan

General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.14 to the financial statements.

Principal actuarial assumptions

The financial assumptions used in actuarial valuation at December 31, 2006 of pension fund, post retirement medical benefits, non-encashable leaves, leave encashment, benevolent fund and gratuity schemes are as follows:

	Note	2006	2005
		Rupees in '000	
Salary increase		9% per annum	9% per annum
Discount rate		9% per annum	9% per annum
Expected rate of return on plan assets		9% per annum	9% per annum
Pension indexation rate		5% per annum	5% per annum
Rate of inflation in the cost of medical benefits		7% per annum	7% per annum
Number of employees covered under retirement benefit plan		13,084	13,050

34.1 Reconciliation of (recoverable from) pension fund

Present value of defined benefit obligations
Fair value of any plan assets
Net actuarial gains or losses not recognized

Note	2006	2005
	Rupees in '000	
	12,069,249	10,085,072
	(17,333,982)	(13,615,308)
	2,312,800	1,006,568
12	<u>(2,951,933)</u>	<u>(2,523,668)</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

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

34.1.1 Included herein is a sum of Rs. 3.078 million (2005: Rs. 2,598 million) placed under deposit maintained with the bank.

	Note	2006	2005
		-----Rupees in '000-----	
Movement in (recoverable from) pension fund			
Opening net assets		(2,523,668)	(2,047,859)
Charge for the year		1,866	137,521
Contribution to the fund made during the year		(4,30,131)	(613,330)
Closing balance	12	<u>(2,951,933)</u>	<u>(2,523,668)</u>
Charge for pension fund			
Current service cost		319,588	302,640
Interest cost		907,656	711,133
Expected return on plan assets		(1,225,378)	(876,252)
Actuarial (gains)/losses recognized		-	-
		<u>1,866</u>	<u>137,521</u>
Actual return on plan assets		<u>1,454,739</u>	<u>1,139,733</u>

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

	2006	2005	2004	2003	2002
	-----Rupees '000-----				
Present value of defined benefit obligations	12,069,249	10,085,072	8,889,166	7,721,627	5,923,230
Fair value of plan assets	(17,333,982)	(13,615,308)	(10,953,151)	(10,900,651)	(7,779,927)
Net actuarial gains not recognized	2,312,800	1,006,568	16,126	1,506,095	458,722
	<u>(2,951,933)</u>	<u>(2,523,668)</u>	<u>(2,047,859)</u>	<u>(1,672,929)</u>	<u>(1,397,975)</u>

34.2 Reconciliation of payable to medical benefit plan

	Note	2006	2005
		-----Rupees in '000-----	
Present value of defined benefit obligations		2,595,291	2,303,706
Fair value of plan assets		-	-
Net actuarial losses not recognized		(318,705)	(301,957)
	18	<u>2,276,586</u>	<u>2,001,749</u>
Movement in net liability recognized			
Opening net assets		2,001,749	1,771,898
Charge for the year		289,469	291,650
Benefits paid		(14,631)	(61,799)
		<u>2,276,587</u>	<u>2,001,749</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	Note	2006 Rupees in '000	2005
Charge for medical benefit plan			
Current service cost		73,187	90,318
Interest cost		207,334	176,982
Actuarial (gains)/losses recognized		8,948	24,350
		<u>289,469</u>	<u>291,650</u>
34.3 Movement in net liability recognized for compensated absences			
Opening net assets		1,521,326	1,219,566
Charge for the year		118,382	301,760
	18	<u>1,639,708</u>	<u>1,521,326</u>
34.4 Movement in net liability recognized for benevolent fund			
Opening net assets		729,725	733,572
Charge for the year		129,185	56,242
Benefits paid		(55,973)	(60,089)
	18	<u>802,937</u>	<u>729,725</u>
Charged for benevolent fund			
Current service cost		19,407	20,462
Interest cost		65,675	58,686
Actuarial losses / (gains) recognized		44,103	(22,906)
		<u>129,185</u>	<u>56,242</u>
34.5 Reconciliation of payable to gratuity benefit plan			
Present value of defined benefit obligations		58,205	-
Net actuarial losses not recognized		(2,635)	-
Unrecognized Past Service Cost		(22,161)	-
	18	<u>33,409</u>	<u>-</u>
Movement in net liability recognized			
Opening liability		-	-
Charge for the year		33,409	-
Benefits paid		-	-
		<u>33,409</u>	<u>-</u>
Charge for gratuity benefit plan			
Current service cost		7,272	-
Interest cost		2,080	-
Past service cost to be recognized		24,057	-
		<u>33,409</u>	<u>-</u>
34.6 Actual return on plan assets			
		<u>15,181</u>	<u>33,578</u>

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	Rupees in '000					
Fees	-	-	1,116	769	-	-
Managerial remuneration	6,600	3,600	-	-	122,997	117,231
Charge for defined benefit plan	-	-	-	-	48,467	17,823
Rent and house maintenance	3,192	3,490	-	-	58,424	52,936
Utilities	598	578	-	-	12,227	10,381
Medical	1,631	1,356	-	-	1,302	10,018
Conveyance	-	-	-	-	24,709	35,091
Leave fare assistance	3,000	2,250	-	-	-	-
Bonus & others	17,369	7,978	-	-	53,474	27,909
	32,390	19,252	1,116	769	321,600	271,389
Number of persons	1	1	7	7	135	131

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

The particulars in the note do not include particulars of Chief Executive and Executives employed by the subsidiaries.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	Rupees in '000			
Assets				
Cash and balances with treasury banks	78,862,625	78,862,625	71,352,128	71,352,128
Balances with other banks	41,412,546	41,412,546	31,599,103	31,599,103
Lendings to financial institutions	23,164,082	23,164,082	16,542,546	16,542,546
Investments	140,740,067	138,758,810	157,126,472	155,410,686
Advances	316,455,800	316,455,800	268,736,986	268,736,986
Other assets	14,712,257	14,712,257	12,774,453	12,774,453
	615,347,377	613,366,120	558,131,688	556,415,902
Liabilities				
Bills payable	10,605,662	10,605,662	1,741,156	1,741,156
Borrowings	12,682,412	12,682,412	9,342,096	9,342,096
Deposits and other accounts	502,016,711	502,016,711	463,196,347	463,196,347
Liabilities against assets subject to finance lease	14,336	14,336	20,177	20,177
Other liabilities	20,919,030	20,919,030	19,403,586	19,403,586
	546,238,151	546,238,151	493,703,362	493,703,362

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

36.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	33,055,235	33,147,690	36,816,486	36,954,006
Forward sale of foreign exchange	15,352,480	15,354,064	15,623,954	15,761,474
Coupon swap and quanta interest rate swaps	4,505,000	4,264,475	4,557,500	4,125,307
Equity futures sold	339,816	339,017	-	-
Forward call lending	1,000,000	1,000,000	-	-
Forward purchases of trading in government securities	10,000,000	10,000,000	-	-
Forward sale of trading in government securities	22,500	22,500	500,000	500,000

All quoted investments have been stated at their market values. All un-quoted investments have been stated at lower of cost or realisable value, being their estimated fair values.

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

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of deposits are frequently repriced.

37. Segment Details with respect to Business Activities

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

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Others
	----- Rupees in '000 -----								
2006									
Total income	168,813	11,521,284	11,707,918	16,138,851	592,940	2,554,070	-	95,503	-
Total expenses	1,439	(359,089)	7,221,922	6,277,953	504,351	2,503,560	-	60,503	-
Net income (Loss)	167,374	11,880,373	4,485,996	9,860,898	88,589	50,510	-	35,000	-
Segment Assets (Gross)	-	272,897,093	93,292,013	305,717,946	-	-	-	623,379	-
Segment Non Performing Loans	-	-	1,458,278	34,801,608	-	-	-	-	-
Segment Provision Required	-	-	473,902	29,054,770	-	-	-	-	-
Segment Liabilities	-	8,518,257	128,818,479	417,138,461	-	-	-	406,369	-
Segment Return on net Assets (ROA) (%)	0.00%	4.49%	3.48%	2.36%	0.00%	0.00%	0.00%	16.13%	0.00%
Segment Cost of funds (%)	0.00%	0.00%	1.07%	3.19%	0.00%	0.00%	0.00%	0.00%	0.00%
2005									
Total income	91,014	11,822,774	7,377,702	11,430,012	418,028	1,833,121	-	121,320	-
Total expenses	861	796,018	5,892,934	4,285,774	391,488	2,448,545	-	69,846	-
Net income (Loss)	90,153	11,026,756	1,484,768	7,144,238	26,540	(615,424)	-	51,474	-
Segment Assets (Gross)	-	272,293,987	76,103,560	264,188,719	-	-	-	1,048,193	-
Segment Non Performing Loans	-	-	799,435	32,938,336	-	-	-	-	-
Segment Provision Required	-	-	253,117	28,135,613	-	-	-	-	-
Segment Liabilities	-	10,224,874	103,297,032	388,803,623	-	-	-	842,258	-
Segment Return on net Assets (ROA) (%)	0.00%	4.21%	1.44%	1.84%	0.00%	0.00%	0.00%	25.00%	0.00%
Segment Cost of funds (%)	0.00%	0.00%	1.18%	2.32%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

38. TRUST ACTIVITIES

38.1 National Investment Trust (NIT)

Under a trust deed, the bank provides services, as a trustee to NIT and is performing functions of sale/purchase of NIT units, safe custody and maintaining unit holders accounts. The bank is keeping approximately 1.3 billion shares with market value of Rs.72,832 million (2005: Rs.77,724 million) in safe custody/Central Depository Company on behalf of NIT.

38.2 Long Term Credit Fund (LTCF)

Consequent upon the NDFC amalgamation, the bank manages on behalf of the GoP, LTCF established from the proceeds of loans disbursed by various international funding agencies for financing private sector energy development projects. Fund assets are accounted for separately from those of the bank and amounted to Rs.38 billion (2005: Rs.41 billion). Administrative fee relating to the management of LTCF is accounted for on receipt basis. However, the bank is in process of negotiating the charge of fee in consideration of administrative services to the LTCF.

38.3 Qarz-e-Hasna Fund

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

Till December 31, 2006 SBP had transferred Rs.244 million (2005: Rs.244 million) to the bank. Assets and Liabilities relating to the Fund have been treated as off-balance sheet item in the financial statements.

39. RELATED PARTY TRANSACTIONS

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

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

Detail of loan and advances to the companies or firms, in which the directors of the bank are interested as directors, partners or in case of private companies as members, are given in note 10.7 to these financial statements. There are no transactions with key management personnel other than under their terms of employment. Contributions to an approval in respect of staff retirement and other benefit plans as disclosed in note 34 to these financial statements. Remuneration to the executive and disposal of vehicles are disclosed in notes 35 and 11.7 to the financial statements.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

	2006	2005
	Rupees in '000	
Balance outstanding at year end		
Advances to:		
Associates	1,600,070	1,970,002
Key management executives *	65,225	52,117
Debts due by company in which a director of the bank is interested as director	222,759	119,319
Placements with:		
Joint venture	349,550	211,414
Investments with associates	27,331	27,331
* This includes loans extended to certain key management executives in accordance with the terms of employment.		
Deposits from:		
Pension fund		
Opening balance	2,598,358	1,694,934
Received during the year - net	478,178	903,424
Repaid during the year - net	-	-
Closing balance	<u>3,077,536</u>	<u>2,598,358</u>
Provident fund		
Opening balance	6,665,252	4,927,090
Received during the year - net	732,235	1,738,162
Repaid during the year - net	-	-
Closing balance	<u>7,397,487</u>	<u>6,665,252</u>
Income for the year		
On advances placements with:		
Associates	46,105	58,199
Joint ventures	9,619	5,309
Debts due by company in which director of the bank is interested as director	9,102	4,341
Commission received from associates	-	1,824
Interest on money market transaction from associates	16,520	15,394
Expenses for the year		
Remuneration to key management executives	66,157	54,997
Charge for defined benefit plan	14,577	2,302
Finance cost paid to associates	1,867	2,940
On deposits of		
Provident fund **	976,870	730,385
Gratuity fund	981	922
Other receivables	23,284	32,111
Other payables	144	-

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

- 39.1 Although the Federal Government and the SBP held about 75.60% shares of the bank (2005: 75.60%), the transactions with these entities have not been treated as related party transactions for the purpose of this disclosure.

40. CAPITAL ADEQUACY

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

Regulatory Capital Base

Tier I Capital

Shareholders Capital	7,090,712	5,908,927
Reserves	10,575,787	8,873,552
Unappropriated profit	32,623,507	19,700,932
Minority interest	97,827	85,877
Total Tier I Capital	50,387,833	34,569,288

Tier II Capital

Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	2,162,008	-
Exchange equalization reserve	3,809,070	3,754,297
Revaluation Reserve (upto 50%)	14,395,186	19,069,172
Total Tier II Capital	20,366,264	22,823,469

Eligible Tier III Capital

Total Regulatory Capital	70,754,097	57,392,757
---------------------------------	-------------------	-------------------

(a)

Risk-Weighted Exposures

	2006		2005	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	Rupees in '000			
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	120,275,171	8,282,509	102,951,231	6,319,706
Money at call	23,164,082	1,796,270	16,542,546	1,505,350
Investments	140,740,067	49,364,989	157,126,472	51,866,574
Loans and Advances	312,418,520	244,527,684	266,317,945	203,725,105
Fixed Assets	9,739,938	9,739,938	9,521,854	9,521,854
Other Assets	27,573,646	18,077,586	24,764,611	14,255,982
	633,911,424	331,788,976	577,224,659	287,194,571
Off Balance Sheet items				
Loan Repayment Guarantees	30,039,047	15,510,825	15,786,936	10,993,521
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	23,653,597	8,340,146	22,459,662	7,094,877
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit	160,542,984	16,745,802	103,750,961	15,559,035
Outstanding Foreign Exchange Contracts				
- Purchase	33,055,235	232,166	36,816,486	174,123
- Sale	15,352,480	131,394	15,623,954	160,319
Single currency Interest Rate SWAP	4,505,000	36,040	4,557,500	22,788
	267,148,343	40,996,373	198,995,499	34,004,663
Credit risk-weighted exposures		372,785,349		321,199,234
Market Risk				
General market risk		43,220,066		41,298,613
Specific market Risk		405,201		482,225
Market risk-weighted exposures		43,625,267		41,780,838
Total Risk-Weighted exposures		416,410,616		362,980,072
Capital Adequacy Ratio [(a) / (b) x 100]		16.99		15.81

(b)



Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

41. RISK MANAGEMENT

41.1 Credit risk

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

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

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

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

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

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

41.1.1 SEGMENTAL INFORMATION

Segmental Information is presented in respect of the class of business and geographical distribution of Advances, Deposits, Contingencies and Commitments.

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

41.1.1.1 Segments by class of business

	2006					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Chemical and pharmaceuticals	4,693,230	1.35	461,974	0.09	2,431,576	1.14
Agribusiness	20,268,072	5.81	12,054,588	2.40	162,534	0.08
Textile	56,452,813	16.19	1,640,154	0.33	8,169,668	3.81
Cement	11,369,161	3.26	304,041	0.06	1,844,936	0.86
Sugar	6,509,554	1.87	202,139	0.04	48,562	0.02
Flour	907,409	0.26	86,439	0.02	-	-
Rice processing	7,082,252	2.03	1,574,744	0.31	6,656	0.00
Shoes & leather garments	1,103,387	0.32	197,288	0.04	32,004	0.01
Automobile and transportation equipment	4,549,772	1.30	331,255	0.07	451,410	0.21
Financial	12,883,678	3.69	54,779,487	10.91	6,680,552	3.12
Insurance	6,521	0.00	1,001,831	0.20	-	-
Transportation	6,936,637	1.99	1,549,778	0.31	191,911	0.09
Real Estate Construction	3,002,214	0.86	1,519,324	0.30	467,788	0.22
Electronics and electrical appliances	4,568,911	1.31	479,109	0.10	1,502,778	0.70
Production and transmission of energy	13,141,297	3.77	2,254,106	0.45	18,954,713	8.85
Food and tobacco	2,409,530	0.69	483,804	0.10	17,604	0.01
Fertilizer	2,538,269	0.73	380,349	0.08	60,705	0.03
Metal products	5,266,100	1.51	114,790	0.02	897,844	0.42
Oil, gas, petroleum and energy	24,136,167	6.92	14,068,691	2.80	9,735,568	4.54
Telecommunication	7,677,171	2.20	18,653,001	3.72	4,897,886	2.29
Hotel and services	2,962,337	0.85	5,808,852	1.16	511,459	0.24
Public sector commodity operations	20,272,868	5.81	5,689,310	1.13	468,784	0.22
Individuals	79,171,657	22.70	188,168,759	37.48	1,474,146	0.69
General traders	11,447,551	3.28	16,312,828	3.25	1,496,007	0.70
Others	39,359,293	11.29	173,900,071	34.64	153,730,537	71.76
	348,715,852	100.00	502,016,711	100.00	214,235,628	100.00

41.1.1.2 Segment by sector

	2006					
	Advances (Gross)		Deposits		Contingencies & Commitments	
	Rupees in '000	Percentage %	Rupees in '000	Percentage %	Rupees in '000	Percentage %
Public/ Government	63,218,048	18.13	171,696,101	34.20	151,780,179	70.85
Private	285,497,804	81.87	330,320,610	65.80	62,455,449	29.15
	348,715,852	100.00	501,016,711	100.00	214,235,628	100.00

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

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

	2006		2005	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	----- Rupees in '000 -----			
Chemical and pharmaceuticals	1,553,889	1,484,888	1,498,584	1,448,439
Agribusiness	1,102,793	263,248	514,785	147,503
Textile	11,883,548	10,067,133	9,939,566	8,549,330
Cement	2,182,965	1,479,413	2,314,712	1,479,041
Sugar	1,523,504	1,256,677	1,630,832	1,350,595
Flour	102,895	80,434	134,903	122,787
Rice processing	321,257	180,805	268,661	175,625
Shoes & leather garments	178,190	154,602	157,719	135,256
Automobile and transportation equipment	317,633	273,066	116,883	78,849
Financial	66,404	39,019	184,905	184,905
Transportation	223,215	223,215	546,766	546,266
Real Estate Construction	138,071	105,164	103,245	98,443
Electronics and electrical appliances	146,289	142,543	240,440	236,103
Food and tobacco	1,073,901	1,020,411	1,215,606	1,156,445
Fertilizer	190,795	160,680	184,699	164,861
Metal products	1,922,181	1,578,470	2,931,249	2,488,943
Oil, gas, petroleum and energy	978,385	626,507	973,885	655,297
Hotel and services	9,306	9,306	13,324	4,949
Individuals	355,485	210,654	284,650	105,614
General traders	3,880,361	3,429,779	4,786,751	4,215,035
Others	8,108,819	6,742,658	5,695,606	5,044,444
	36,259,886	29,528,672	33,737,771	28,388,730

41.1.1.4 Details of non-performing advances and specific provision by sector

Public/ Government	1,137,579	926,431	1,924,409	1,713,261
Private	35,122,307	28,602,241	31,813,362	26,675,469
	36,259,886	29,528,672	33,737,771	28,388,730

41.1.1.5 Geographical Segment Analysis

	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & Commitments
	----- Rupees in '000 -----			
Pakistan	25,126,948	513,872,043	73,876,220	200,983,175
Asia Pacific (including South Asia)	576,096	24,866,196	5,471,265	2,793,186
Europe	(21,339)	6,975,050	1,648,668	2,426,621
United States of America and Canada	286,209	14,452,914	1,403,386	8,025,098
Middle East	600,822	77,782,501	667,148	7,548
	26,568,736	637,948,704	83,066,687	214,235,628

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(for the year ended December 31, 2006)

41.2 Market Risk

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

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

41.2.1 Foreign Exchange Risk

	2006			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	Rupees in '000			
Pakistan Rupee	481,115,939	430,005,064	(17,303,401)	33,807,474
United States Dollar	117,514,679	99,539,765	13,066,227	31,041,141
Great Britain Pound	3,032,881	3,148,852	2,334,984	2,219,013
Euro	7,872,208	4,558,165	2,202,155	5,516,198
Japanese Yen	4,067,857	3,808,732	(269,550)	(10,425)
Other currencies	24,345,140	13,821,439	(30,415)	10,493,286
	156,832,765	124,976,953	17,303,401	49,259,213
	637,948,704	554,882,017	-	83,066,687

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

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

The liabilities in foreign currencies include a sum of Rs.787 million (2005: Rs.1,011 million) being deposits in foreign currencies of local branches against which the bank has obtained forward cover through SBP.

41.2.2 Equity Position Risk

Investments in equities are generally regarded as riskier relative to Fixed Income Securities owing to the inherent volatility of stock market prices. The risk from various factors that include, but are not limited to:

- Changes in business cycle affecting the business of the company in which the investment is made. Change in business circumstances (i.e. fundamentals) of the company, its business sector, industry and /or economy in general.



Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

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

The bank mitigates the aforesaid risk as follows:

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

41.2.3 Mismatch of interest rate sensitive assets and liabilities

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

	2006										Non-interest bearing financial instruments	
	Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Year	Over 2 to 3 Year	Over 3 to 5 Year	Over 5 to 10 Year		Above 10 years
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		78,862,625	5,328,059	18,265,650	13,212,181	-	-	-	-	-	-	42,056,011
Balances with other banks	3.05%	41,412,546	31,493,350	5,844,885	2,391,174	470,287	-	-	-	-	-	1,212,731
Lending to financial institutions	5.43%	23,164,082	-	3,797,529	16,747,792	2,618,761	-	-	-	-	-	-
Investments	5.07%	140,740,067	5,722,061	35,704,315	52,610,720	13,577,494	15,132,315	2,274,244	8,794,060	574,707	85,626	
Advances	8.56%	316,455,800	62,590,392	52,488,983	97,332,079	48,669,198	158,300	2,055,574	1,541,900	4,736,285	876	
Other assets	10.08%	14,712,257	-	16,694	-	1,876	-	522	-	-	-	14,693,165
	0.00%	615,347,377	105,133,862	116,118,056	182,293,946	65,337,616	53,146,857	4,330,340	10,336,684	5,310,992	-	58,048,409
Liabilities												
Bills payable	0.00%	10,605,662	-	-	-	66,666	-	-	-	-	-	10,605,662
Borrowings	3.78%	12,682,412	1,610,623	9,706,697	109,600	-	-	204,133	-	-	-	984,693
Deposits and other accounts	2.73%	502,016,711	277,664,090	57,459,492	26,417,526	2,326,660	-	-	-	-	-	138,146,943
Liabilities against assets subject to finance lease		14,336	116	19,946	879	23,030	-	13,238	103	-	-	-
Other liabilities		20,919,030	-	-	-	-	-	-	95,212	-	-	20,780,842
	0.00%	546,238,151	279,274,829	67,186,135	26,528,005	2,416,356	53,146,857	299,448	10,336,684	5,310,992	-	170,520,140
On-balance sheet gap		69,109,226	(174,140,967)	(48,831,921)	155,765,941	62,921,260	15,277,377	4,030,892	-	-	-	(112,471,731)
Off-balance sheet financial instruments												
Forward purchase of foreign exchange		33,055,235	5,210,218	6,954,697	10,168,736	10,721,548	-	-	-	-	-	-
Forward sale of foreign exchange		15,352,480	4,011,439	2,532,404	3,510,552	5,298,085	-	-	-	-	-	-
Coupon swap and quanta interest rate swap		4,505,000	-	-	-	-	4,505,000	-	-	-	-	-
Equity futures sold		339,816	-	-	339,186	-	-	-	-	-	-	-
Forward call lending		1,000,000	1,000,000	-	-	-	-	-	-	-	-	-
Forward Purchase of trading in government securities		10,000,000	10,000,000	-	-	-	-	-	-	-	-	-
Forward Sales of trading in government securities		22,500	22,500	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		64,275,031	20,244,157	9,487,101	14,019,104	16,019,669	4,505,000	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		133,384,257	(153,896,810)	58,419,022	169,785,045	78,940,929	57,651,857	15,277,377	4,030,892	10,336,684	5,310,992	(112,471,731)
Cumulative Yield/Interest Risk Sensitivity Gap		-	(153,896,810)	(95,477,788)	74,307,257	153,248,186	210,900,043	226,177,420	230,208,312	240,544,996	245,855,988	133,384,257

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(for the year ended December 31, 2006)

42.3 Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its liability when they fall due. To limit this risk, management has arranged diversified funded sources, manages assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintain statutory deposits with central banks inside and outside Pakistan.

42.3.1 Maturities of Assets and Liabilities

2006

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Year	Over 2 to 3 Year	Over 3 to 5 Year	Over 5 to 10 Year	Above 10 years
Assets										
Cash and balances with treasury banks	78,862,625	47,149,657	18,265,650	13,209,920	236,674	-	-	-	724	-
Balances with other banks	41,412,546	32,434,384	5,541,734	2,391,174	1,045,135	119	-	-	-	-
Lending to financial institutions	23,164,082	-	3,797,529	16,747,792	2,618,761	-	-	-	-	-
Investments	140,740,067	3,854,699	31,219,315	9,280,763	30,698,923	21,737,459	20,723,117	8,782,231	11,369,974	3,073,586
Advances	316,455,800	42,973,488	38,541,562	46,047,045	74,401,036	29,867,599	30,681,841	39,197,210	14,127,166	518,833
Operating fixed assets	9,736,938	-	-	-	-	-	8,896,418	329,098	-	-
Other assets	27,573,646	5,127,879	6,188,713	3,500,789	497,050	3,033,699	60,301,376	48,329,397	9,719,080	-
	637,948,704	131,540,107	103,654,523	91,177,483	109,497,579	54,638,876	60,301,376	48,329,397	35,216,944	3,592,419
Liabilities										
Bills payable	10,605,662	10,605,662	-	-	-	-	-	-	-	-
Borrowings	12,682,412	2,064,408	9,794,689	109,600	254,666	254,907	-	204,133	-	-
Deposits and other accounts	502,016,711	391,728,528	69,631,553	14,454,044	7,796,143	4,055,681	2,386,141	2,954,218	4,081,889	4,928,514
Liabilities against assets subject to finance lease	14,336	-	116	-	886	-	13,231	103	-	-
Deferred tax liabilities	2,376,606	-	-	-	30	-	-	2,823,131	(446,555)	-
Other liabilities	27,186,290	8,492,615	728,728	3,714,835	465,207	10,322,820	-	2,079,689	-	1,382,396
No assets	554,882,017	412,891,213	80,155,095	18,278,479	8,516,932	14,633,408	2,399,372	8,061,274	3,635,334	6,310,910
	83,066,687	(281,351,107)	23,499,428	72,899,004	100,980,647	40,005,468	57,902,004	40,268,123	31,581,610	(2,718,491)
Share capital	7,090,712	-	-	-	-	-	-	-	-	-
Reserves	14,384,857	-	-	-	-	-	-	-	-	-
Unappropriated profit	32,623,507	-	-	-	-	-	-	-	-	-
Minority interest	97,827	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	28,869,784	-	-	-	-	-	-	-	-	-
	83,066,687	-	-	-	-	-	-	-	-	-

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

42.4 Operational Risk

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

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

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

43. SUBSEQUENT EVENT

The Board of Directors of the holding company has proposed a cash dividend of Rs.4 per share (2005: Rs. 2.5 per share) amounting to Rs. 2,836 million (2005: Rs. 1,477 million) and bonus shares in the proportion of 15 ordinary shares per 100 ordinary shares held (2005: 20) amounting to Rs. 1,064 million (2005: Rs. 1,182 million) in its meeting held on February 24, 2007 for approval of the members at the Annual General Meeting to be held on April 2, 2007. These financial statements do not reflect this appropriation as explained in note 5.1.

44. GENERAL

44.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

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

44.3 Comparative figures have been reclassified and re-arranged to facilitate comparison as per revised form of annual financial statement.

45. DATE OF AUTHORIZATION FOR ISSUE

The consolidated financial statements were authorized for issue on February 24, 2007 by the Board of Directors of the holding company.

Syed Ali Raza
Chairman & President

Dr. Waqar Masood Khan
Director

Sikandar Hayat Jamali
Director

M. Zubair Motiwala
Director

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Annexure "I" Referred to in Note 9.13 & 9.15 to the financial statements

Details of Investment as at December 31, 2006

1.1 Government Compensation Bonds

	Terms of Redemption		Rate of Interest %	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
Govt. Bond (Public Sector Enterprises)	1-Jun-09	Annually	6%	755,859	755,859
Govt. Bond (Heavy Mechanical Complex)	1-Mar-09	Annually	6%	385,996	385,996
Govt. Bond (Shahnawaz Bhutto Sugar Mills)	30-Sep-09	Annually	6%	56,364	56,364
Govt. Bond (Public Sector Enterprises)	1-Jul-10	Annually	9%	1,132,963	1,132,963
			6 months average of		
Govt. Bond (Pakistan Engineering Company)	Semi-annually	Semi-annually	weighted average yield of	-	92,806
Govt. Bond (Pakistan Engineering Company)	Semi-annually	Semi-annually	T.Bills ('8.5614%)	-	53,212
				2,331,182	2,477,200

1.2 Particulars of investments held in listed companies and Modarabas

1.2.1 Ordinary Shares

Investee	No. of shares/certificates held		Market Value		
	2006	2005	2006	2005	
				----- Rupees in '000 -----	
Held-for-trading					
Askari Commercial Bank	200,000	-	21,000	-	
Azgard Nine	-	28,000	-	1,302	
Bank Al - Falah	250,000	-	10,462	-	
Bank of Punjab	723,500	-	73,269	-	
Callmate Telips Tellcom	-	50,000	-	3,983	
DG Khan Cement	56,990	90,000	3,598	9,594	
Dewan Farooq Motors	-	50,000	-	1,670	
Fauji Fertilizer Bin Qasim	100,000	-	2,860	-	
Faysal Bank	200,000	-	12,110	-	
Hub Power Company Limited	1,297,000	498,500	35,029	11,964	
ICI Pakistan	-	50,000	-	7,025	
Lucky Cement	65,500	-	3,933	-	
MCB Bank	130,000	-	32,008	-	
Nishat (Chunian)	-	36,900	-	3,151	
Oil & Gas Development Corporation	150,000	-	17,220	-	
Pakistan Oil Fields	100,000	119,200	34,985	51,017	
Pakistan Petroleum Limited	95,000	100,000	22,050	21,025	
Pakistan State Oil	180,000	170,000	52,930	70,865	
Pakistan Telecommunication Company Limited	150,000	-	6,655	-	
Others*	-	-	72,629	60,355	
			400,738	241,951	

* These include Rs. 73 million (2005 Rs. 60 million) of equity investments purchased and simultaneously sold in future market with a view to generate a spread on the transaction.

Available-for-sale	Rating					
	JCR-VIS	PACRA				
Al-Ghazi Tractors Limited	Unrated	Unrated	32,900	33,000	7,189	6,501
Al-Noor Sugar Mills Limited	Unrated	Unrated	43,300	255,300	1,310	5,042
Askari Leasing Limited	Unrated	A+	8,500	44,350	230	1,464
Allied Bank Ltd	A+	Unrated	25,000	-	2,338	-
Attock Cement Pakistan Ltd	Unrated	Unrated	100,000	-	6,610	-
Attock Petroleum Ltd	Unrated	Unrated	178,000	-	69,055	-
Baig Spinning Mills Limited	Unrated	Unrated	662,050	662,050	2,350	6,289
Bank Al Habib	Unrated	AA	-	19,000	-	1
Bank Al Falah Ltd	Unrated	AA	1,354,033	-	56,599	-
Bankislami Pakistan Ltd	Unrated	Unrated	1,900,700	-	19,577	-
Bawany Sugar Mills Ltd	Unrated	Unrated	35,200	-	-	-
BOC Pakistan	Unrated	Unrated	61,957	25,486	8,745	4,473
Bolan Casting Limited	Unrated	Unrated	714,300	714,500	51,430	50,015
Brother Textile Mills Ltd	Unrated	Unrated	134,146	-	335	-
Cherat Cement	Unrated	Unrated	28,750	-	1,179	-
Chenab Limited	Unrated	Unrated	-	736,000	-	15,456
Cherat Papersack Limited	Unrated	Unrated	190,800	190,800	8,157	12,593
Colony Textile Mills	Unrated	Unrated	1,451,166	-	12,625	-
Clariant Pakistan Limited			36,498	107,470	7,373	20,366
Cynamid (Wyeth Pakistan)						
(Face value: Rs.100 each)	Unrated	Unrated	-	1,544	-	3,026
Dandot Cement Limited	Unrated	Unrated	160,000	160,000	1,936	-
Dadabhoi Cement Industries	Unrated	Unrated	137,400	-	824	-
Dewan Automotive Engg. formerly: Allied Motors Limited	Unrated	Unrated	1,001,333	-	-	-
Balance carried forward					257,862	125,226

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Particulars of Investment held in listed companies and Modarabas

Investee	Rating		No. of shares/certificates held		Market Value	
	JCR-VIS	PACRA	2006	2005	2006	2005
Available-for-sale						
					Rupees in '000	
Balance brought forward					257,862	125,226
Dewan Hattar Cement Limited (formerly Saadi Cement Limited)	Unrated	Unrated	254,000	354,000	2,540	5,717
Dewan Cement	Unrated	A	1,502,000	1,000	15,771	18
Dewan Salman Fibres Limited	Unrated	Unrated	1,300,000	9,644	9,945	154
Escort Investment Bank Limited	A	Unrated	1,184,092	1,050,000	16,104	16,958
Faran Sugar Mills Limited	Unrated	Unrated	-	267,500	-	4,227
Fauji Fertilizer Company Limited	Unrated	Unrated	4,619,908	5,897,260	487,631	807,925
Fauji Cement Industries Ltd	Unrated	Unrated	41,691	-	630	-
FFC Bin Qasim	Unrated	Unrated	477	-	14	-
Frontier Ceramics Limited	Unrated	Unrated	1,371,000	1,370,600	4,456	8,361
Faysal Bank Ltd	AA	AA	367,355	-	22,225	-
First Dawood Investment Bank Limited (formerly: General Leasing Modaraba 1st.)	Unrated	A+	2,507	17,437	40	425
First National Equity	Unrated	BBB	1,400,000	-	53,900	-
Glaxosmithkline (Glaxo Welcome)	Unrated	Unrated	103,683	108,848	16,366	20,273
Guardian Leasing Modaraba	Unrated	BBB+	631,300	631,300	5,050	5,461
Ghribwal Cement	Unrated	Unrated	1,339,000	-	13,524	-
Habib Bank Modaraba 1st.	Unrated	Unrated	265,420	265,420	2,256	2,893
Haji Mohammad Ismail Mills	Unrated	Unrated	1,683,150	1,683,150	5,049	11,445
Hala Spinning Mills Limited	Unrated	Unrated	1,639,500	1,639,500	-	-
Harum Textile	Unrated	Unrated	128,000	138,000	-	-
Hub Power Company Limited	Unrated	Unrated	9,891,005	10,639,000	267,057	255,336
Honda Atlas Cars	Unrated	Unrated	-	1,000	-	114
Inter Asia Leasing Company Limited	Unrated	Unrated	50,000	50,000	-	83
Junaid Cotton Mills Limited	Unrated	Unrated	32,800	32,800	-	-
Kaisar Arts & Krafts	Unrated	Unrated	850,000	850,000	-	468
KASB Bank Limited	Unrated	BBB+	760	760	12	11
Khairpur Sugar Mills Limited	Unrated	Unrated	3,088,000	3,088,000	-	-
Kohinoor Mills Ltd	Unrated	Unrated	374,727	-	9,012	-
Khurshed Spinning Mills	Unrated	Unrated	60,400	-	-	-
Kohinoor Weaving Mills Limited	Unrated	Unrated	-	350,661	-	13,592
Kohinoor Textile Mills Limited	Unrated	Unrated	306,900	-	6,997	-
Kohinoor Industries Ltd	Unrated	Unrated	88,558	-	961	-
Kohat Cement	Unrated	A	280,500	-	8,920	-
Kohat Textile Mills	Unrated	Unrated	2,906,900	-	10,756	-
Kot Addu Power Co	Unrated	Unrated	494,100	-	20,110	-
Lucky Cement	Unrated	Unrated	58,449	-	3,501	-
Libaas Textile Limited	Unrated	Unrated	250,000	250,000	-	-
Mehran Modaraba 1st.	Unrated	Unrated	1,000	1,000	2	2
Mehran Sugar Mills Limited (Face value: Rs.5 each)	Unrated	Unrated	-	-	-	-
Millat Tractors Limited	Unrated	Unrated	500	35,500	12	632
Mirza Sugar Mills Limited	Unrated	Unrated	407,160	339,300	114,819	100,263
Modaraba Al-Mali	Unrated	A-	627,740	900,000	1,789	3,015
Mohib Textile	Unrated	Unrated	-	23,004	-	213
MCB Bank	Unrated	AA+	425,600	425,600	-	-
Muhammad Farooq Textile	Unrated	AAA	89,491	-	22,024	-
National Refinery Limited	Unrated	AAA	41,008	-	232	-
NIB (NDLC-IFI Bank)	Unrated	A+	174,373	174,373	4,255	6,077
Nishat Mills	Unrated	A+	400,180	50,000	35,136	5,675
Nishat Chunian	Unrated	Unrated	332,000	-	12,666	-
Oil & Gas Development Corporation	Unrated	Unrated	185,655	1,529,318	21,295	180,460
Orix Leasing Pakistan Limited	AA(p)	AA+	182,735	182,735	4,477	5,336
Packages Limited	Unrated	AA	168,167	153,167	35,315	30,940
Pakistan Engineering Company Limited	Unrated	Unrated	135,240	135,240	13,254	12,983
Pakistan Oilfields Limited	Unrated	Unrated	-	220,500	-	94,374
Pakistan Reinsurance	Unrated	Unrated	-	27,500	-	2,393
Pakistan Synthetic	Unrated	Unrated	22,500	-	158	-
PTA Pakistan Limited	Unrated	Unrated	70,296	-	344	-
Pakistan State Oil Company Limited	Unrated	AAA	161,567	320,969	47,501	133,796
Pakistan Petroleum	Unrated	Unrated	25,472	-	5,910	-
Pangrio Sugar	Unrated	Unrated	800	600,400	-	-
Parke Davis Company Limited	Unrated	Unrated	-	-	-	-
Pakistan International Airlines Corporation "A-class"	Unrated	Unrated	20,122,813	20,260,813	141,866	249,208
Pakistan National Shipping Corporation	Unrated	Unrated	399,636	386,236	16,625	37,195
Pakistan Telecommunication Company Limited	Unrated	Unrated	1,966,240	3,532,300	87,104	231,012
Punjab Oil Mills Limited	Unrated	Unrated	307,850	307,850	8,081	7,542
Balance carried forward					1,813,554	1,892,936

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Particulars of Investment held in listed companies and Modarabas

Investee	Rating		No. of shares/certificates held		Market Value	
	JCR-VIS	PACRA	2006	2005	2006	2005
					Rupees in '000	
Available-for-sale					1,813,554	1,892,936
Balance brought forward					1,813,554	1,892,936
Prime Commercial Bank	Unrated	A+	56,562	-	2,746	-
Redco Textile Mills Limited	Unrated	Unrated	1,300	1,300	-	-
Saif Textile Mills Limited	A-	Unrated	6,000	6,308	93	170
Sahrish Textile Ltd	Unrated	Unrated	107,543	-	-	-
Sakrand Sugar Mills Limited	Unrated	Unrated	3,896,000	3,801,600	12,272	15,967
Saudi Pak Commercial Bank Limited	A-	Unrated	20,410	-	346	-
Searle Pakistan Limited	BBB	Unrated	76,909	129,780	1,969	5,386
Shahmurad Sugar Mills Limited	Unrated	Unrated	-	-	-	-
(Face value: Rs.5000 each)	Unrated	Unrated	-	47,300	-	473
Shell Pakistan Limited	Unrated	Unrated	257,202	272,562	102,379	215,869
Siemens (Pakistan) Engineering Company Ltd.	Unrated	Unrated	200,000	200,000	220,000	175,000
Sitara Chemicals Industries Limited	Unrated	Unrated	118,894	118,894	12,722	16,823
Soneri Bank Limited	Unrated	AA-	-	-	-	-
Southern Electric power	Unrated	Unrated	111,148	-	661	-
Standard Chartered Modarba Ist	Unrated	AA+	1,268,956	1,153,597	19,288	24,918
Sui Northern Gas Pipeline Company Limited	Unrated	AA-	6,426,429	5,842,209	420,931	397,270
Sui Southern Gas Pipeline Company Limited	Unrated	Unrated	-	758,694	-	20,295
Sunshine Cloth Mills	Unrated	Unrated	150,000	150,000	-	-
Sunshine Cotton Mills Limited	Unrated	Unrated	281,250	281,250	-	-
SME Leasing	BBB+	Unrated	1,230,477	-	13,535	-
Taj Textile Mills Limited	Unrated	Unrated	44,775	375	123	1
TRG Pakistan Limited	Unrated	Unrated	-	6,773,000	-	89,742
Twakkal Garments Industries Limited	Unrated	Unrated	112,500	112,500	-	-
Unilever (Pakistan) Limited	Unrated	Unrated	-	-	-	-
(Face value: Rs.50 each)	Unrated	Unrated	139,740	140,000	279,478	248,500
Unity Modaraba	Unrated	Unrated	1,000,000	100,000	-	-
World Call Telecom	Unrated	A+	1,081,259	-	11,624	-
Yousuf Weaving Mills	Unrated	Unrated	21,711	-	119	-
Total					2,911,840	3,590,217
					3,312,578	3,832,168

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

Cost of the above held-for-trading and available-for-sale investments amounted to Rs.399 million (2005: Rs.243 million) and Rs. 1,426 (2005: Rs. 1,306 million) respectively.

1.2.2 Particulars of Investment held in un-listed companies

1.2.2.1 Ordinary Shares - Holding 10%

Investee	Percentage of holding	Rating		No. of Shares held	Cont of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
		JCRVIS	PACRA		2006	2005			
Avari Hotel Limited	12.7%	Unrated	Unrated	9,459,200	-	94,592	(6,338)	June 30,2000	Mr. Byram D Avari
Digri Sugar Mills Limited	19.1%	Unrated	Unrated	2,000,000	4,063	4,063	8,126	Sep 30,1999	Mr. Naveed Ahmad Javeri
Engine System	16.5%	Unrated	Unrated	788,500	-	-	(10,132)	June 30,1998	Mr. Javed Burki
First Women Bank Limited	10.6%	Unrated	Unrated	2,532,000	21,100	21,100	62,667	Dec. 31, 2005	Ms. Zareen Aziz
Gelcaps Pakistan Limited	14.6%	Unrated	Unrated	2,000,000	4,665	4,665	25,340	30-Jun-06	Mr. Sadruddin Hashwani
Intech International	18.6%	Unrated	Unrated	275,000	-	-	Not Available		Mr. Hassan Zaidi
Investment Corporation of Pakistan (Face value: Rs.100 each)	19.9%	Unrated	Unrated	398,000	-	36,337	262,317	June 30,2005	Mr. Tariq Iqbal Khan
Pakistan Agriculture Storage Service Corp. (Face value: Rs.1,000 each)	18.3%	Unrated	Unrated	5,500	5,500	5,500	109,831	March 31,2003	Maj. Gen. Fahim Akhter Khan
Precision Engineering	16.8%	Unrated	Unrated	15,100	-	-	Not Available		Mr. Zaheer Hussain
Resources and Engineering Management Corporation	10.0%	Unrated	Unrated	66,125	-	-	(484,696)	June 30,2005	Mr. Shafaat Ahmed
Safa Rice Mills Limited	15.8%	Unrated	Unrated	450,000	-	-	Not Available		Mr. Pervaiz Alam
Sigma Knitting Mills	14.1%	Unrated	Unrated	500,000	-	-	(6,793)	June 30,1999	Mr. Nasir Sadruddin
Pakistan Textile City		Unrated	Unrated	5,000,000	50,000	50,000	50,650	June 30,2006	
					85,328	216,257			

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

1.2.2.2 Ordinary Shares - Holding below 10%

Investee	Rating		No. of Shares held	Cont of Investment		Break-up value of investment	Based on accounts as at	Name of Chief Executive
	JCRVIS	PACRA		2006	2005			
Al Ameen Textile	Unrated	Unrated	32,800	328	328		Not available	
Al Zamin Modarba Management	A-	Unrated	140,000	1,000	1,000	2,048	June 30, 2006	Mr. Bashir A. Chaudhry
Arabian Sea Country Club	Unrated	Unrated	650,000	-	-	4,067	June 30, 2002	Mr. Aslam Mohsin ali
Attock Textile Mills Limited	Unrated	Unrated	100,000	948	1,000	(1,412)	Sept. 30, 1998	Mr. Arshad Ali Chaudhry
Brikks Pvt Limited	Unrated	Unrated	39,050	-	-			Not available
Equity Participation Fund (Face value: Rs.100 each)	Unrated	Unrated	28,000	2,800	2,800	15,410	June 30, 2006	Mr. Muhammad Akhter
F.T.C. Management	Unrated	Unrated	50,000	250	250	366	June 30, 2005	Mr. Rehan-ul Ambia Riaz
Fauji Oil Terminals	Unrated	Unrated	1,088,600	10,886	10,886	22,541	June 30, 2006	Col (R) Ali Abbas
Fortune Securities Limited	Unrated	Unrated	500,000	5,000	5,000	4,917	June 30, 2006	Mr. Kamran Ahmed Khalili
Frontier Textile Mills Limited	Unrated	Unrated	50,000	500	500	272	Sep. 30, 2002	Not available
Gulistan Power Generation Limited	Unrated	Unrated	220,000	2,200	2,200	8,096	June 30, 2000	Mr. Abdul Shakoore
Hazara Woolen Mills Limited	Unrated	Unrated	20,000	200	200			Not available
Insecta Pakistan Limited	Unrated	Unrated	50,000	-	-	315	June 30, 1997	Mr. Syed Tauqeer Haider
Indus Sugar	Unrated	Unrated	594,807	5,948	5,948	(4,829)	Sep 30, 2003	Not available
Kashmir Textile	Unrated	Unrated	82,500	825	-			Not available
Kronos Corporation	Unrated	Unrated	-	-	-			Not available
Kaytex Mills Limited	Unrated	Unrated	377,800	3,778	3,778			Not available
Mohib Textile Mills Limited	Unrated	Unrated	125,600	-	-			Not available
Muslim Ghee Mills Limited	Unrated	Unrated	181,000	1,810	-			Not available
Myfip Video Industries	Unrated	Unrated	537,300	5,373	-			Not available
National Construction Limited	Unrated	Unrated	50,000	250	-	597	June 30, 2005	Mr. Ali Mohammad Shaikh
National Fulltraton Asset Management Co. Ltd	Unrated	Unrated	-	-	-			Not available
National Institute of Banking and Finance	Unrated	Unrated	200,000	20,000	-	3,481	June 30, 2006	Mr. Kazi Abdul Muktadir
National Film Development Corporation Limited	Unrated	Unrated	10,000	-	-	(1,827)	June 30, 2000	Mr. Sajjad Haider
National Industry Cooperative Bank of Gujrat	Unrated	Unrated	10	-	-			Not available
National Institution of Facilitation Technology (Pvt) Ltd	Unrated	Unrated	353,029	1,526	1,526	19,867	June 30, 2006	Mr. M. M. Khan
National Investment Trust (Face value: Rs.100 each)	Unrated	Unrated	52,800	100	100	130,081	June 30, 2006	Mr. Tariq Iqbal Khan
National Woolen Mills Limited	Unrated	Unrated	18,300	183	183			Not available
Newyork Poly Clinic of Karachi	Unrated	Unrated	220,133	-	-	(241)	June 30, 1998	Mr. Akhter Aziz khan
Newshehra Engineering Works Limited	Unrated	Unrated	4,950	41	41			Not available
Pakistan Paper Corporation Limited	Unrated	Unrated	37,250	373	373			Not available
Pakistan Tourism Development Corporation	Unrated	Unrated	100,000	100	100	24,983	June 30, 1996	Not available
Pakistan Export Finance Guarantee Agency Limited	Unrated	Unrated	1,152,938	11,529	11,529	79,281	2004	
People Steel Mills Limited	Unrated	Unrated	1,076,880	3,276	3,276			Not available
Phalia Sugar Mills Limited	Unrated	Unrated	1,087,949	-	3,111			Not available
Qadri Textile Mills Limited	Unrated	Unrated	50,000	500	-			Not available
Refrigerator Manufacturing Company Limited	Unrated	Unrated	45,737	4,589	4,589			Not available
Rousch Power Pakistan Limited	Unrated	Unrated	39,729,000	132,888	132,888	5,799	June 30, 2006	Mr. Naseem Akhter
Ruby Rice and General Mills Limited	Unrated	Unrated	75,000	750	750			Not available
SARF	Unrated	Unrated	5,000	287	287			Not available
Shoab Capital	Unrated	Unrated	100,000	272	272	544	Dec 31, 04	Mr. Kandia Balendra
SME Bank Limited	BBB	Unrated	4,590,936	26,950	26,950	72,032	June 30, 2000	Not available
Star Salica Industries Limited	Unrated	Unrated	26,650	267	267		June 30, 2006	Mr. Mansur Khan
Sunshine Cloth Mills	Unrated	Unrated	150,000	-	-			Not available
Transmobile Limited	Unrated	Unrated	644,508	-	-	(44)	June 30, 1997	Mr. Javed Burki
Zafar Textiles Mills Ltd.	Unrated	Unrated	247,100	256	256			Not available
Zulsham Engineering Works Limited	Unrated	Unrated	3,300	330	330			Not available
				246,313	217,607			
				331,641	433,864			

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

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(for the year ended December 31, 2006)

1.3 Particulars of Investments held in units of mutual funds

Listed:	Rating		No. of shares/certificates held		Market Value/Cost	
	JCRVIS	PACRA	2006	2005	2006	2005
----- Rupees in '000 -----						
ABAMCO Composite Fund	Unrated	Unrated	-	2,500,000	-	23,875
ABAMCO Stock Market Fund	Unrated	Unrated	-	131,003	-	2,103
AKD Index Tracker Fund	Unrated	Unrated	4,159,350	4,159,350	41,178	38,058
AMZ Plus Income Fund (nominal value: Rs. 100 each)	A(f)	Unrated	141,423	-	15,019	-
Askari Income Fund	Unrated	Unrated	495,540	-	52,616	-
Atlas Fund of Funds	Unrated	5-Star	1,159,500	84,000	9,276	748
Atlas Income Fund (nominal value: Rs. 500 each)	Unrated	5-Star	500,000	117,013	26,220	61,541
Atlas Islamic Fund	Unrated	Unrated	100,000	-	50,000	-
Atlas Stock Market Fund	Unrated	5-Star	100,000	-	55,288	-
BSJS Balanced Fund	Unrated	5-Star	1,237,500	1,237,500	14,108	16,706
Dawood Money Market Fund (nominal value: Rs.100 each)	Unrated	5-Star	190,518	234,254	20,085	24,526
Faysal Balance Growth Fund (nominal value: Rs.100 each)	3-Star	Unrated	792,354	500,000	79,546	63,175
Faysal Income and Growth Fund (nominal value: Rs.100 each)	A+(f)	Unrated	46,874	-	4,985	-
First Dawood Mutual Fund	Unrated	4-Star	5,842,809	5,080,704	37,102	47,505
Meezan Balanced Fund	Unrated	4-Star	5,928,500	-	50,985	-
Meezan Islamic Fund-Type-A Series (nominal value: Rs.50 each)	5-Star	5-Star	1,475,772	1,000,400	89,638	75,300
NAFA Cash Fund	5(f)	Unrated	12,500,000	-	131,500	-
NAFA Multi Asset Fund	Unrated	Unrated	7,500,000	-	75,000	-
NAFA Stock Fund	Unrated	Unrated	7,500,000	-	75,000	-
NAMCO Balanced Fund	Unrated	Unrated	2,000,000	-	20,000	-
Pakistan Capital Market Fund	Unrated	3-Star	4,628,163	4,575,500	52,992	67,854
Pakistan International Element Islamic Fund	Unrated	Unrated	300,000	-	14,361	-
Pakistan Premier Fund	Unrated	4-Star	416,025	-	4,999	-
Pakistan Strategic Allocation Fund	Unrated	4-Star	4,500,000	4,500,000	38,250	52,650
PICIC Energy Fund	Unrated	Unrated	1,380,520	1,500,000	10,630	-
PICIC Growth Fund (formerly: Investment Corporation of Pakistan - SEMF)	4-Star	Unrated	7,703,051	7,168,875	216,841	355,576
PICIC Income Fund	Unrated	Unrated	524,500	-	7,605	-
PICIC Investment Fund	3-Star	Unrated	137,277	-	1,991	-
Reliance Income Fund	Unrated	Unrated	300,000	-	15,312	-
UTP Growth Fund	Unrated	Unrated	352,754	-	4,586	-
UTP Large Capital Fund	Unrated	4-Star	3,466,500	2,090,500	27,732	19,96400
J.S. ABAMCO Limited (Formerly UTP ABAMCO Limited) (nominal value: Rs.5,000 each)	Unrated	AM 2+	26,427	15,000	194,687	121,860
					1,437,532	971,441
Cost of the above investment amounted to Rs. 1,145 million (2005: Rs. 688 million)						
Unlisted:						
Atlas Stock Market Fund	Unrated	5-Star		100,000	-	62,882
Meezan Balanced Fund	Unrated	4-Star		5,000,000	-	48,750
					-	111,632
					1,437,532	1,083,073

All certificate have a nominal value of Rs. 10 per unit unless otherwise mentioned

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

1.4 Particulars of Investments held in Preference shares

	Rating		Cumulative non-cumulative	Rate	No. of certificate held		Market Value / Cost		
	JCRVIS	PACRA			2006	2005	2006	2005	
							Rupees in '000		
Listed:									
Chenab Limited	Unrated	Unrated	Cumulative	9.25%	10,000,000	10,000,000	71,500	90,700	
Cost of the above investment amounted to Rs.100 million (2005: Rs.100 million)									
Unlisted:									
Dalda Food	Unrated	Unrated	Cumulative	8.75%	9,300,000	9,300,000	93,000	93,000	
Jamshoro Joint Venture limited	Unrated	Unrated	Cumulative	15.00%	2,500,000	2,500,000	25,000	25,000	
Pak Elektron Limited	Unrated	Unrated	Cumulative	9.50%	13,000,000	13,000,000	130,000	130,000	
South Asia Regional Fund (Face value: USD 1 each)	Unrated	Unrated	Cumulative	8.00%	3	1,093	184	65,500	
Masood Textile Mills	Unrated	Unrated	Floating	12.65%	10,000,000	10,000,000	50,000	50,000	
							298,184	363,500	
							369,684	454,200	

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

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

1.5.1 Term finance certificate

Investee		Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value		
						2006	2005	2006	2005	
								Rupees in '000		
Listed										
Al - Zamin Leasing Modoraba	*	9.5%	Half yearly	2.06.2008	BBB+	1,902	1,902	9,510	9,510	
Al-Zamin Leasing Modarba	*	12.65%	Yearly	31.05.2010	BBB+	1,903	1,903	9,515	9,515	
Azgard Nine Ltd	*	11.45%	Half yearly	17.8.2012	A	20,000	20,000	99,960	100,000	
		6 month Kibor - 2.4%								
Azgard Nine Ltd	*	2.40% above	Half yearly	20.09.2012	A	4,000	4,000	19,992	20,000	
		6 month Kibor				39,984	39,984			
Bank Al-Habib Limited	*	10.55%	Half yearly	28.06.2012	AA	3,000	3,000	199,840	199,920	
		6 month Kibor + 1.5 %								
Bank Al-Habib Limited	*	0.65% above cut of yield of last	Half yearly	15.07.2012	AA	1,030	1,030	14,988	14,994	
		successful five years PIBS with 4.5 % as floor & 9.5% as ceiling								
Crescent leasing corporation limited -2nd issue*		2.00% above the cut of yield of last SBP	Half yearly	05.09.2007	A-	-	-	5,272	5,273	
		successful five years PIBS with 12% as floor & 15.75% as ceiling								
Sui Southern Gas Company Limited	*	13.00%	Half yearly	26.05.2006	Unrated	-	4,540	-	24,288	
		3-5 year discount rate 9% + 1.1%								
Soneri Bank Limited	*	10.65%	Half yearly	31.3.2013	AA	26,995	26,995	134,919	134,973	
		6 month Kibor + 1.6 %								
Tele Card Limited	*	3.75% above 6 month KIBOR	Half yearly	22.04.2011	BBB	7,000	7,000	32,799	34,993	
Trust Leasing Limited	*	2% above SBP discount rate with 9% as floor and 14.00% as ceiling	Half yearly	03.06.2008	AA	2,379	2,379	9,097	11,443	
Trust Leasing Limited -2nd issue	*	2% above 6 month KIBOR with no floor and ceiling	Half yearly	-	AA	-	1,807	-	9,035	
United Bank Limited	*	10.39%	Half yearly	16.06.2012	AA	16,903	16,903	84,480	84,513	
		8 year PIB Reuter Page PKRV@8.62%								
Sitara Chemical Industries Limited SUKUK	*	12.07%	Quarterly	30.06.2011	AA-	80,000	-	456,000	-	
		3 month Kibor + 2.5%								
Sitara Chemical Industries Limited	*	12%	Half yearly	20.06.2007	AA-	1	1	2	4	
Sui Southern Gas Company Limited -2nd issue*		1.10% above SBPs discount rate with 11.50, as floor and 16.00 as ceiling	Half yearly	04.06.2007	Unrated	5,001	5,001	4,658	13,990	
World Call Telecom	*	2.75% above 6 months KIBOR	Half yearly	28.11.2011	AA-	3,000	-	17,250	-	
		12.65%								
Financial Receivable Securitization Co. Ltd.		6 month KIBOR + 2%	Half yearly	27.12.2013	AA-	5,000	-	25,000	-	
All term finance certificate have a face value of Rs. 5,000 each unless otherwise mentioned								1,123,282	672,451	

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Investee	Term finance certificate - Unlisted	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value/cost		
						2006	2005	2006	2005	
----- Rupees in '000 -----										
Ados Pakistan Limited		-	-	-	Unrated	-	-	-	-	
Agro Dairies Limited		22.00%	Overdue	Overdue	Unrated	20	20	4,237	4,237	
Al-Azhar Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	5,168	5,168	
Al-Faham Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	-	14	-	1,907	
Al-Qaim Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	16	16	357	357	
Apex Fabrics Limited		22.00%	Overdue	Overdue	Unrated	16	16	2,640	2,640	
Aqma Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	4,160	4,466	
Aruj Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	5	5	-	493	
Aswan Tentage & Canvas Mills Limited		22.00%	Overdue	Overdue	Unrated	1	1	3,643	3,643	
Atlas Investment Bank Limited - 2nd Issue		15.00%	Half Yearly	15.08.2006	Unrated	-	1	-	2	
Azeem Tapes (Pvt) Limited		22.00%	Overdue	Overdue	Unrated	34	34	2,279	2,582	
Bachani Sugar Mills Limited		22.00%	Overdue	Overdue	Unrated	28	28	35,896	35,896	
Baluchistan Cotres Limited		22.00%	Overdue	Overdue	Unrated	22	22	2,745	2,745	
Bank Al-Falah Limited		1.35% above cut-off yield of the Last SBP auction of five year PIBS	Half Yearly	19.12.2008	AA-	6,422	6,422	33,880	34,680	
Bankers Equity Limited		22.00%	Overdue	Overdue	Unrated	10	10	104,449	104,449	
Bela Chemical Limited	*	22.00%	Overdue	Overdue	Unrated	24	24	24,595	24,595	
Bentonite Pak Limited		22.00%	Overdue	Overdue	Unrated	31	31	3,417	3,417	
Blue Star Spinning Mills Limited		22.00%	Overdue	Overdue	Unrated	17	17	2,252	2,252	
Bosicor Pakistan Ltd		13.00%	Half yearly	12.2.2010	Unrated	20	20	86,190	100,000	
Brother Steel Limited		6 month Kibor + 6.79 %	22.00%	Overdue	Overdue	Unrated	17	17	3,094	3,094
Cast-N-Link Product Limited		22.00%	Overdue	Overdue	Unrated	16	16	2,549	2,549	
Crescent Commercial Bank Limited (Formerly Mashriq Bank Pakistan Limited)		3.00% above weighted average yield of last three cut off of three years PIBS	Half Yearly	23.10.2006	Unrated	-	11,000	-	27,539	
Crescent Standard Investment Bank Limited (Formerly First Standard Investment Bank Limited)		2.00% above SBPs discount rate	Half Yearly	08.07.2007	Unrated	1,000	1,000	2,356	3,332	
Chaudhry Wire Rope Industries Limited		22.00%	Overdue	Overdue	Unrated	14	14	1,565	1,565	
Chiniot Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	6	6	1,185	1,185	
Chiragh Sun Engg Limited		22.00%	Overdue	Overdue	Unrated	6	6	1,865	2,486	
Dadabhoy Cement Limited		-	-	-	Unrated	-	-	-	-	
Danneman Fabrics Limited	*	22.00%	Overdue	Overdue	Unrated	14	14	3,283	4,584	
Dawood Leasing Company Limited		10.75%	Half Yearly	07.09.2006	Unrated	-	5,000	-	25,000	
Development Securitisation Trust		Discount Rate 9% + 1.75%	4.00% above 90 days average of ASK rates of six months KIBOR for first semi annual payment, subsequently 30 days average of three	Quarterly	18.03.2007	BBB-	3,000	3,000	3,406	7,935
Faruki Pulp Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	17,550	17,550	
Frontier Ceramics Limited	*	22.00%	Overdue	Overdue	Unrated	46	46	3,517	3,563	
First Dawood Investment Bank Limited -2nd Issue (Formerly Dawood Leasing Co. Ltd.)	*	1.75% above SBPs discount rate with 12.25% as floor and 16.25% as ceiling	Half yearly	27.07.2007	AA-	1,000	1,000	5,011	5,041	
First Dawood Investment Bank Limited - 1st Issue (Formerly Dawood Leasing Co. Ltd)		1.75% above SBPs discount rate with 13.50% as floor and 17.50 as ceiling	Half yearly	12.06.2006	Unrated	-	615	-	3,120	
First International Investment Bank		2.25% above six month KIBOR	Overdue	11.07.2011	Unrated	1,190	-	6,000	-	
General Diaries & Food Limited		22.00%	Overdue	Overdue	Unrated	6	6	1,350	1,350	
Glorex Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	1	1	927	924	
Grays Leasing Limited		3.75% above Government Treasury Bills cut-off rate of last one year	Half yearly	13.01.2008	A-	4000	4000	7,500	12,500	
Gulistan Textile Mills Limited		14.00%	Half Yearly	29.08.2006	Unrated	-	3,331	-	16,653	
Gulistan Textile Mills Limited - 1st issue		SBP Discount Rate + 2%	2.00% above SBP's discount rate	Half Yearly	05.09.2006	Unrated	-	1	3	
Gypsum Corporation Limited		22.00%	Overdue	Overdue	Unrated	10	10	900	900	
Hospitex International Limited		22.00%	Overdue	Overdue	Unrated	16	16	511	511	
Hub Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	-	3,887	
Indus Sugar Mills		22.00%	Overdue	Overdue	Unrated	-	-	1,015	10,390	
Jamshoro Joint Venture (Face value of Rs. 5,000,000)		9.94%	Half Yearly	15.4.2009	Unrated	9	9	28,125	39,375	
Jahangir Siddiqui & Company Limited		PIB 5 year latest cut off yield	10.55%	Half Yearly	17.05.2014	AB+	39,960	39,976	199,800	199,880
Javedan Cement Ltd.		13.15%	Half Yearly	22.08.2011	Unrated	-	-	1,400,000	-	
Kamal Ghee & Allied Industries Limited		6 month Kibor + 2.5 %	22.00%	Overdue	Overdue	Unrated	14	14	4,238	4,238
Kashmir Polytex Limited		22.00%	Overdue	Overdue	Unrated	16	16	1,483	1,483	
Khairpur Sugar Mills Limited		22.00%	Overdue	Overdue	Unrated	28	28	5,128	5,128	
Kiran Sugar Mills Limited		22.00%	Overdue	Overdue	Unrated	24	24	8,706	10,914	
Larr Sugar Mills Limited		22.00%	Overdue	Overdue	Unrated	14	14	9,929	12,688	
Latif Bawany Textile Mills Limited		22.00%	Overdue	Overdue	Unrated	38	38	2,380	2,380	
Balance carried forward								2,039,281	765,276	

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(for the year ended December 31, 2006)

Term finance certificate - unlisted

Investee	Rate of Interest	Profit Payment	Maturity	Long Term Rating	No. of certificate held		Market Value/cost		
					2006	2005	2006	2005	
							----- Rupees in '000 -----		
Balance forward							2,039,281	765,276	
Malik Food Industries Limited	22.00%	Overdue	Overdue	Unrated	11	11	2,472	2,472	
Minaco Fabrics Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,350	7,350	
Munalisa Fruit Juices	-	-	-	Unrated	2	14	1,500	-	
Mumtaz Shahbaz Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	-	1500	
Munawar Engineering Company Limited	22.00%	Overdue	Overdue	Unrated	28	28	2,043	2,043	
Munro & Millar Mills Limited	22.00%	Overdue	Overdue	Unrated	20	20	1,113	1,113	
National Fructose Company Limited	22.00%	Overdue	Overdue	Unrated	14	14	1,450	1,450	
National Tiles & Ceramics Limited	22.00%	Overdue	Overdue	Unrated	16	16	-	941	
National Tiles & Ceramics Limited	22.00%								
Nishat Mills Limited	9.84%	Half yearly	29.08.2008	Unrated	149,880	149,940	599,400	749,400	
	Weighted Average of last 3 cut off rate 6 month T-Bills 8.1388% + 1.7%								
Novelty Fabric Processing Limited	22.00%	Overdue	Overdue	Unrated	38	38	12,896	13,870	
Orix Leasing Pakistan Limited - 2nd Issue	2.00% above SBPs discount rate	Half Yearly	25.06.2006	Unrated	-	1000	-	5,550	
Pak Pattan Dairies Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,954	3,146	
Pakistan International Airlines Corp. Ltd *	10.00%	Half yearly	26.02.2011	Unrated	647,424	682,473	3,237,371	3,412,364	
	SBP Discount Rate + 50 bps								
Pakistan International Airlines Corp. Ltd *	SBP Discount rate + 50 bps	Half Yearly	20.02.2011	Unrated	25,000	25,000	115,112	121,870	
	2.00% above average of the last three six month Treasury bill cut-off-yields								
Pakistan Mobile Communication (Private) Ltd	22.00%	Half yearly	16.09.2008	AA-	5,000	5,000	21,006	24,603	
Pakistan Laminates Limited	22.00%	Overdue	Overdue	Unrated	1	1	95	95	
Pakistan Services Limited *	11.75%	Half Yearly	16.09.2008	A	19,074	28,611	95,371	143,057	
	BR + 2.5% SBP Discount Rate 9%								
Pakistan Services Limited	2.25% above SBPs discount rate	Half Yearly	12.11.2008	A	3,318	3,318	9,895	13,787	
Dewan Cement (Pakland Cement) *	11.55%	Half yearly	15.07.2013	Unrated	26	26	261,172	313,052	
	6 month Kibor + 2.5 %								
Pangrio Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,683	2,057	
Pirjee Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	16	16	403	857	
Prime Commercial Bank Limited *	12.55%	Half Yearly	08.12.2012	A+	21,991	21,996	109,956	109,978	
Pak Kuwait Investment Ltd. F *	11.82%	Quarterly	22.02.2011	AAA	150,000	-	750,000	-	
	3 month Kibor + 1.4 %								
Pak Kuwait Investment Ltd. G *	11.82%	Quarterly	22.02.2011	AAA	100,000	-	500,000	-	
	3 month Kibor + 1.4 %								
Prometals Limited	22.00%	Overdue	Overdue	Unrated	20	20	-	763	
Qand Ghar (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	2	2	2,706	2,706	
Qand Ghar Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	7,915	7,915	
Rai Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	-	510	
Raja Weaving Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	3,831	3,831	
Regency Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	6,081	6,081	
Rehman Sharif Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	14	14	702	973	
Reliance Pak Arab fertilizer Co.Ltd *	13.15%	Half yearly	13.7.2013	Unrated	120	-	1,200,000	1,200,000	
	(Face value of Rs. 10,000,000)								
	6 month Kibor + 2.5 %								
Reliance Weaving Mills Limited	2.25% above SBPs discount rate	Half yearly	07.02.2007	A-	-	1	-	3	
Dewan Hattar Cement (Saadi Cement) *	11.55%	Half yearly	15.7.2013	A	26	26	810,461	972,037	
	6 month Kibor + 2.5 %								
Sarela Cement Limited	22.00%	Overdue	Overdue	Unrated	32	32	6,749	6,748	
Scan Recycling (Pak) Limited	22.00%	Overdue	Overdue	Unrated	17	17	774	774	
Seri Sugar Mills Limited	22.00%	Overdue	Overdue	Unrated	24	24	5,423	5,423	
Shah Jewana Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	26	26	104	104	
Shazeb Industries Limited	22.00%	Overdue	Overdue	Unrated	14	14	2,202	2,202	
Sialkot Dairies	22.00%	Overdue	Overdue	Unrated	13	13	2,320	2,320	
Silverland Textile Mills Limited	22.00%	Overdue	Overdue	Unrated	6	6	1,650	1,650	
Sind Textile Industries	22.00%	Overdue	Overdue	Unrated	15	15	7,445	7,445	
Sinsas Enterprises Limited	22.00%	Overdue	Overdue	Unrated	2	2	4,302	4,302	
Star Silica International	22.00%	Overdue	Overdue	Unrated	16	16	1,799	1,799	
Sui Southern Gas Company Limited - 1st issue	1.10% above SBPs discount rate with 14.15% as floor and 18.00% as ceiling for the first two years and thereafter a floor of 13.00% and a cooling of 18.00%	Half Yearly	01.06.2006	Unrated	-	273	-	262	
Sunflo Juices Limited	22.00%	Overdue	Overdue	Unrated	28	28	748	7,686	
Taj Syringes (Pvt) Limited	22.00%	Overdue	Overdue	Unrated	36	36	4,917	5,606	
Tanocraft Limited	22.00%	Overdue	Overdue	Unrated	22	22	1,315	1,315	
Tawakkal Garments Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	759	759	
Tharparkar Sugar Mills Limited	3.75% above Government Treasury Bills	Overdue	Overdue	Unrated	5	5	23,332	23,332	
Transport Securitisation Trust	cut-off rate of last one year	Quarterly	28.01.2007	Unrated	2000	2000	833	3,769	
	22.00%								
Trubo Tubes Limited	22.00%	Overdue	Overdue	Unrated	2	2	122	122	
Ultra Engineering Industries Limited	22.00%	Overdue	Overdue	Unrated	16	16	1,211	1,211	
Waleed Leather Industries Limited	22.00%	Overdue	Overdue	Unrated	38	38	2,196	2,196	
Zamir Textile Mills Limited	13.90%	Overdue	Overdue	Unrated	14	14	7,516	7,516	
Zaver Petroleum Ltd.	6 month kibor + 3.25%	Half yearly	10.07.2011		10,000	-	50,000	-	
							9,929,936	7,977,192	

* Cost of the above TFCs amounted to Rs. 10,457 million (2005: rs. 6,786 million)

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

1.5.2 Debentures

Investee	Terms of Redemption		Rate of Interest	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
Aaj Textile Mills Limited	Outstanding	Outstanding	14%	1,005	1,005
Aaj Textile Mills Limited	Outstanding	Outstanding	12.5%	270	270
Ajax Industries Limited	Overdue	Overdue	11%	1,397	1,397
Ajax Industries Limited	Overdue	Overdue	14%	269	269
Ali Asbestose Industries Limited	Overdue	Overdue	14%	175	175
Ali Asbestose Industries Limited	Overdue	Overdue	11%	1,510	1,510
Alleey Hosiery Mills Limited	-	-	-	-	-
Allied Ghee Industries Limited	Overdue	Overdue	14%	1,141	1,141
Allied Ghee Industries Limited	Overdue	Overdue	Interest free	572	572
Allied Marbles Industries	Overdue	Overdue	14%	23	23
Allied Marbles Industries	Overdue	Overdue	Interest free	15	15
Aslo Electrical Industries	Outstanding	Outstanding	11%	2,270	2,270
Aslo Electrical Industries	Outstanding	Outstanding	14%	6	6
Attock Textile Mills Limited	Regular	Regular	14%	-	432
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12%	3,286	3,286
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	14%	1,998	1,998
Azad Kashmir Mineral Development Corporation	Overdue	Overdue	12.5%	2,336	2,336
Carbon Dioxide Limited	Outstanding	Outstanding	11%	495	495
Carbon Dioxide Limited	Outstanding	Outstanding	14%	95	95
Chillya Corrugated Board	Overdue	Overdue	14%	318	318
Colony Textile Mills Limited	Outstanding	Outstanding	Interest free	-	184
Consolidated Spinning & Textile Mills Limited	Overdue	Overdue	14%	180	180
Consolidated Sugar Mills	Overdue	Overdue	14%	1,875	1,875
Daaman Oil Mills	Overdue	Overdue	14%	204	204
Effef Industries Limited	Overdue	Overdue	14%	1,799	1,799
Effef Industries Limited	Overdue	Not Applicable	Interest free	3,828	3,828
Electric Lamp Manufacturing	Outstanding	Outstanding	11%	75	75
Electric Lamp Manufacturing	Overdue	Overdue	14%	150	150
Hassan Tanneries Limited	Outstanding	Outstanding	14%	437	437
Hassan Tanneries Limited	Outstanding	Outstanding	12.5%	58	58
Hazara Woolen Mills.	Overdue	Overdue	14%	1,148	1,148
Hydri Gas Limited	Outstanding	Outstanding	11%	47	47
Hydri Gas Limited	Outstanding	Outstanding	14%	50	50
Junaid Cotton Mills Limited	Overdue	Overdue	12.5%	165	165
Junaid Cotton Mills Limited	Overdue	Overdue	14%	470	990
Karachi Development Authority	Overdue	Overdue	12.5%	156,034	156,034
Khyber Textile Mills Limited	Overdue	Overdue	14%	1,000	1,000
Lahore Dyeing & Printing Mill	Outstanding	Outstanding	11%	1,013	1,013
Lahore Engineering Foundary Works	Regular	Regular	5%	-	1,160
Mansoor Textile Mills	Overdue	Overdue	14%	510	510
Morgah Valley Limited	Overdue	Overdue	11%	400	400
Morgah Valley Limited	Overdue	Overdue	14%	160	160
National Woolen Mills	Overdue	Overdue	14%	66	134
Pakistan Paper Corporation	Overdue	Overdue	11%	506	506
Pakistan Polypropylene Packages Limited	Outstanding	Outstanding	14%	-	2
Progressive Tobacco Co.	Overdue	Overdue	14%	144	144
Qadri Textile Mills Limited	Overdue	Overdue	14%	489	489
Regal Ceramics Limited	Overdue	Overdue	14%	105	105
Rising Sun Knitwear Industries	Overdue	Overdue	14%	57	57
Rose Textile Mills Limited	Overdue	Overdue	14%	740	740
Saleem Tanneries Project 1	Overdue	Overdue	12.5%	1,302	1,302
Sarhad Bricks Limited	Overdue	Overdue	11%	543	543
Sarhad Bricks Limited	Overdue	Overdue	14%	102	102
Balance carried forward				190,837	193,204

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Investee	Terms of Redemption		Rate of Interest	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
Balance brought				190,837	193,204
SDA-A/C Cold Storage Haripur -1	Overdue	Overdue	12%	955	955
SDA-A/C Cold Storage Haripur -2	Overdue	Overdue	12.5%	1,170	1,170
SDA-A/C Cold Storage Mardan -1	Regular	Regular	12%	204	1,278
SDA-A/C Cold Storage Mardan -2	Regular	Regular	12.5%	108	878
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	11%	368	368
Shafaq Lamp Manufacturing Corporation	Overdue	Overdue	14%	83	83
Shahdin Limited	Overdue	Overdue	14%	163	163
Shahyar Textile Mills Limited	Overdue	Overdue	14%	280	280
Spinzer Towel Industries Limited	Oustanding	Oustanding	12.5%	200	200
Spinzer Towel Industries Limited	Oustanding	Oustanding	14%	175	175
Sun Publications Limited	Overdue	Overdue	13.5%	178	178
Zulsham Engineering Works Limited	Overdue	Overdue	14%	236	236
				194,956	199,168

1.5.3 Participation Term Certificate

Investee	Number of certificate (s)	Rate of interest	Paid -up value per certificate Rupees	2006	2005
				Cost	
				----- Rupees in '000 -----	
Ali Paper Industries Limited	13	17%	261,000	3,393	3,393
Alipure Jute Mills Limited	53	17%	172,113	7,081	7,081
American Marbals Limited	12	17%	104,167	1,250	1,250
Azmat Oil Industries Limited	1	17%	226,000	226	226
Annis Garments Limited	12	17%	32,917	395	395
Bhawalpur Board Mills Limited	14	17%	137,000	1,918	1,918
Balochistan Clay Products	17	17%	227,176	2,504	2,504
Bela Chemicals limited	1	17%	10,500,000	10,500	10,500
Bela Ghee Mills Limited	14	17%	191,214	1,066	1,066
Calcium Limited	1	17%	300,000	300	300
Cotex Industries Limited	14	17%	16,357	229	229
Crystal Chemicals Limited	15	17%	259,800	3,897	3,897
Dadabhoy Cement Limited	1	17%	11,601,000	10,863	11,601
Delta Tyre & Rubber Co.	7	17%	268,714	1,881	1,881
Frontier Ceramics Limited	10	17%	226,200	2,262	2,262
Gem Industries Limited	12	17%	126,417	1,518	1,517
Gypsum Corporation Limited	32	17%	32,594	1,043	1,043
Ittehad Industries Limited	1	17%	600,000	451	451
Jubilee Paper Board Mills	16	17%	431,938	6,761	6,761
Kamal Enterprises Limited	17	17%	64,294	1,093	1,093
Khalil Jute Mills Limited	16	17%	138,875	0	577
Khattak Edible Oil Limited	15	17%	82,467	1,237	1,237
Leatherite Limited	14	17%	69,643	727	727
Mass Dairies Limited	11	17%	229,364	2,523	2,523
Meditex International Limited	15	17%	87,800	508	508
Morgah Valley Limited	16	17%	29,250	468	468
National Fructose Limited	11	17%	550,818	6,060	6,060
Pak Belt Industries Limited	13	17%	94,692	757	757
Pangrio Sugar Mills Limited	29	17%	442,586	11,551	12,835
Punjab Building Products	12	17%	121,500	1,458	1,458
Punjab Cables Mills Limited	12	17%	388,667	3,833	3,833
Rainbow Packages Limited	23	17%	122,174	2,223	2,223
Balance Carried forward				89,976	92,571

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

Participation Term Certificate

Investee	Number of certificate (s)	Rate of interest	Paid-up value per certificate Rupees	2006	2005
				Cost	
				----- Rupees in '000 -----	
Balance brought forward	11	17%		89,976	92,571
Sampak Paper Board Mills	35	17%	14,909	165	165
Sarela Cement Limited	15	17%	406,629	14,232	14,232
Sethi Industries Limited	11	17%	240,667	3,260	3,522
Shafi Woolen Industries Limited	17	17%	89,455	490	489
Sindh Glass Industries Limited	15	17%	598,765	9,457	9,457
Star Silica Industries Limited	13	17%	137,467	1,803	1,803
Suhail Jute Mills Limited	15	17%	80,769	673	673
United Wood (Veener) Limited	13	17%	51,000	727	727
Waziristan Oil Industries Limited	11	17%	88,385	1,094	1,094
Zafar Oil Industries Limited			65,455	720	720
				122,597	125,458

1.5.4 Government of Pakistan-Guaranteed bonds

Investee	Terms of Redemption		Rate of Interest %	2006	2005
	Principal	Interest		Cost	
				----- Rupees in '000 -----	
WAPDA Bonds (9th issue)	Bi-annual	Bi-annual	11.00%	-	720,003
WAPDA Bonds (10th issue)	Bi-Annual	Bi-annual	9.25%	100,000	100,000
Rice Export Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	575,420	918,861
Ghee Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	380,000	570,000
Trading Corporation of Pakistan - Bonds	Annual	Bi-annual	Average of last six months FIB rates (15%)	309,153	463,775
Saindak Metals Limited - Bonds	Annual	Bi-annual	15%	254,485	508,969
Saindak Metals Limited - Bonds	Annual	Bi-annual	Average of last six months KIBOR rates	-	725,972
Shahnawaz Bhutto Sugar Mills	Lumpsum	Lumpsum	6%	16,762	15,813
Public Sector Enterprizes	Lumpsum	Lumpsum	11%	12,167	23,272
				1,647,987	4,046,665
				11,895,476	12,348,488

1.5.5 OTHER GOVERNMENT BOND INVESTMENT

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

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE PERIOD 01.01.2006 TO 31.12.2006

Annexure - II as referred to in Note 10.6 to the Financial Statements
(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief/waiver provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waier	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
1	Yasrab Cotton Factory * Jhangiwal Road, Bahawalpur	Syed Abdul Aziz Shah 31202-3635490-9 M. Tahir Aziz Shah 31202-3625895-9 Irfan Aziz Shah 31202-0250777-9 Tahira Aziz, Mrs. 31202-3028767-0 Kanwal Aziz, M/s 31202-0939512-4 Manzoor Ahmed 31202-0258446-1 Ayyaz Mehmood 31202-3968731-5	Abdul Ghafoor Shah Abdul Aziz Abdul Aziz W/o Wasim A. Qureshi W/o Syed Amjad Bashir S. M. Manzoor Ahmed	1.950	0.350	0.000	2.300	0.000	2.606	1.271	0.000	3.877
2	Popular Textile Industries (Pvt) Ltd, * Chak No.211/RB, Humayun-Abad Jaranwala Road Fsd. 261-Panaroma Center, Fatima Jinnah Road, Karachi.	M. Hussain Virik . 42101-6489751-7. Suleman Ahmad Virik 42101-0521832-3. Imran Ahmad Virik 42101-4263704-7.	Noor Muhammad M. Hussain Virik M. Hussain Virik	1.252	0.851	0.000	2.103	0.413	0.000	0.417	0.434	1.264
3	Bhatti Brotheran Cotton Ginning Pressing & Oil Factory* 514/GB Teh: Tandianwala Distt: Faisalabad	Abdul Sattar 33106-4224145-9 Muhammad Yar Mst. Zohra	Shahrah Bhatti Shahrah Bhatti W/o Shahrah Bhatti	1.752	2.721	0.177	4.650	0.289	0.182	2.222	0.494	3.187
4	Kamal-ud-Din H.No.1020, St. No.67, G-9/4, Islamabad	Kamal-ud-Din 101-85-372838	Muhammad Din	0.809	0.000	0.000	0.809	0.421	0.000	1.252	0.000	1.673
5	Muhammad Safeer Khan	M. Safeer Khan 82203-0482867-3	Fazal Din	0.372	0.235	0.000	0.607	0.372	0.067	0.168	0.000	0.607
6	F.F CANS (PVT)LTD.*	Fazal ur Rehman 42201-3946610-7		19.024	28.102	0.690	47.816	16.781	2.662	22.557	0.000	42.000
7	DAWN ENGG.*	Mirza Pervaiz Baig 42000-0380827-5	Mirza Nawab Baig	3.280	2.750	0.063	6.093	1.925	0.00	0.063	0.000	1.988
8	Lal Din Rishi & Sons Railway Road, Gujrat	Tariq Masood Rishi Mrs.Qamar Tariq Tahir Masood Rishi Mrs.Robina Tahir Tahawar Masood Rishi Mrs.Yasmin Tahawar Talat Masood Rishi Mst.Nadia Talat	Lal Din Rishi W/o Tariq Masood Lal Din Rishi W/o Tahir Masood Lal Din Rishi W/o Tahawar Masood Lal Din Rishi Lal Din Rishi	1.593	1.427	0.000	3.020	1.210	0.000	0.000	3.485	4.695
9	National Engineering Co.*	M. Aslam Bhatti M. Akram Bhatti M. Anwar Bhatti Farhat	D/o Muhammad Anwar	0.376	0.919	0.000	1.295	0.000	0.000	0.000	3.812	3.812
10	Fateh Sports Ltd*.	Rauf Alam 41304-2303231-9 Aftab Alam 41304-9857401-9 Saeed Alam 41304-2303234-3 Faraz Alam 41304-8084349-7 Jamila Alam 41304-4730956-6 Mohammad Mohsin 41304-2303244-7 Muhammad Naveed 41304-2303981-7	Janah Alam Janah Alam Janah Alam Rauf Alam Janah Alam Roshan Ali Roshan Ali	0.090	0.000	0.028	0.118	0.000	0.000	0.000	1.807	1.807

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10		12	
11	Fateh Finisher Ltd.*	Rauf Alam 41304-2303231-9 Saeed Alam 41304-2303234-3 Roshan Ali 41304-23036243-1	Janah Alam Janah Alam Abbas Bhai	0.296	0.000	0.034	0.330	0.000	0.000	0.000	1.828	1.828
12	Shahan Oil	Saeed Khan 44203-487846-1 Ajmal Khan 44203-1272236-7 Khuda Bukhsh 484-44-018908 M. Ismail 484-85-031582	Kamal Khan Kamal Khan Kauro Khan Jaind Khan	3.200	0.503	0.104	3.807	2.109	0.643	0.000	9.396	12.148
13	Saeed Khan*	Saeed Khan 44203-487846-1 Ajmal Khan 44203-1272236-7 Khuda Bukhsh 484-44-018908 M. Ismail 484-85-031582	Kamal Khan Kamal Khan Kauro Khan Jaind Khan	7.181	0.000	0.199	7.380	3.690	1.578	0.000	18.938	24.206
14	Qazi Enterprises B-67 Block-13 Fb Area Karachi	Zardar Malik	Mir Abdullah	0.200	0.044	0.002	0.246	0.194	0.002	0.048	0.558	0.802
15	Sind Textiles* C-41 Block-6 PECHS Dr. M. Hassan Road Karachi	Syed Ali Azhar Naqvi 101-46-323623 Mrs.Hameeda A Naqvi 518-46-332608 Syed Ali Athar Naqvi 514-86-136964 Syed Ali Akber Naqvi 501-35-342742 Dr. M.Hassan Rd. Khi.	S. Sharif Hussain Naqvi W/o Syed Ali Azhar Naqvi S. Sharif Hussain Naqvi S. Sharif Hussain Naqvi	9.435	1.547	0.360	11.342	6.745	0.360	3.877	31.602	42.584
16	M. Azam Khan B-29 Mebar Mabzil Bl-1 Scheme-5 Clifton Karachi	M. Azam Khan 42301-2352731-9	M. Akram Khan	0.496	0.531	0.011	1.038	0.496	0.011	0.052	0.479	1.038
17	Muhammad Sadiq F#B2 Nd Fl LSC (St-5 Row No 5 Bl-6 Gulshan Iqbal Kcy	Muhammad Sadiq 519-89-186252	Noor Muhammad	0.300	0.435	0.000	0.735	0.300	0.000	0.000	0.435	0.735
18	Raees Ahmed H.No.D-85, D17, Mehmoodabad, No.5, Karachi	Raees Ahmed 42301-1053091-1	Zaheeruddin	0.267	0.528	0.023	0.818	0.267	0.005	0.193	0.353	0.818
19	HPL Pharma (Pvt) Ltd.*S 20/2, Sec. 6/A, North Karachi Industrial Area, Karachi	M. Ziaul Hassan 42301-6965562-3 M. Ehsan Farooqui 91594-976473-3 M. Sohail Hassan	M. Zafarul Hassan Farooqui	6.428	1.515	0.094	8.037	6.503	0.094	1.421	4.566	12.584
20	SAK Garments* Plot #DP.6A, Sec.12-D North Karachi Industria Area, Karachi	A. H. Kazim 42101-7568292-3	Habib Ali Khan	21.171	7.424	6.346	34.941	29.124	10.210	11.590	9.831	60.755
21	Classic Garments* St.#8, Shah Baig Gabol Town, Block-22, F.B. Industrial Area, Karachi	Nazimuddin 503-056-008468	Baboo Khan	1.825	1.955	0.156	3.936	1.489	0.156	4.555	0.000	6.200

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				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
22	Adamjee Garments* 9th Floor, Adamjee House, I.I. Chundrigar Road, Karachi Adamjee Int'I* 10th Floor, Adamjee House, I. I. Chundrigar Road, Karachi Golden Velly Trading Co.* 9th Floor, Adamjee House, I. I. Chundrigar Road, Karachi	Abdul Ghaffar Adamjee 42201-3940458-7 Akbar Adamjee 514-85-014028 Zakia Adamjee 42301-3005068-7 Aziz Fazal 512-22-149898	Akbar Adamjee Abdul Ghaffar Adamjee Abdul Ghaffar Adamjee Fazal Abdullah	74.636	30.666	0.000	105.302	61.645	24.921	5.745	146.721	239.032
23	M.M. Traders* B-266, Block-10, Gul-e-Iqbal, Karachi	Syed Saeed Raza Zaidi 42201-3590115-3 Syeda Saeeda Bano 42201-8790937-2 Sajda Bano 42201-5280141-6 Syed Tahir Raza Zaidi 42201-3593001-3 S.M. Raza Zaidi 42201-0782612-1 Ali Raza Zaidi 42201-3599115-2	Syed Saghir Raza Zaidi W/o S.M.Hassan Haider W/o Syed Mehtab Raza Syed Saghir Raza Zaidi Syed Saghir Raza Zaidi Syed Saghir Raza Zaidi	2.563	0.964	0.000	3.752	1.988	9.204	0.000	0.000	11.192
24	Dress Leathers* D-105, Zubaida Garden, Shah Faisal Colony, Karachi	Rahat Ali, Mrs. 42201-5579946-2 Maqsood Ahmed Sardar Mohammad Zareena Sarfraz, Mrs. Razia Ahmed, Mrs. M. Ibrahim 42201-7502820-5	W/o Rahat Ali Chaudhry	6.101	1.059	0.960	8.120	3.214	21.321	0.000	0.960	25.495
25	Tropex Enterprises (Pvt) Ltd. 1012 Business Centre, 10th Floor, Mumtaz Hassan Road, Karachi	Ehsan Ahmed Khan 37405-4817695-9	Ghulam Sarwar Khan	3.500	0.678	0.000	4.178	2.429	0.000	2.050	0.000	4.479
26	Ghazi Constructions* C-105, Off. Kh-e-Etehad, 11th Jami Comm. Street, Near Askari Comm. Bank, Ph-VII, DHA, Karachi .	Tanveer Hussain Frah Kazmi, Mst. Moeen Akhtar	Hadi Hassan Iqbal Kazmi	0.343	0.303	0.054	0.700	0.000	1.481	0.000	0.000	1.481
27	Javed Iqbal 1730/767, Mustufa Colony, Baldia Town, Karachi	Javed Iqbal 503-88-235956	Ch. Ghulam Rasool	0.227	0.944	0.000	1.171	0.227	0.000	0.944	0.000	1.171
28	Bahr-Ul-Hidayat	Bahr-Ul-Hidayat 42201-4311881-9	Abdul Bari	0.000	0.939	0.000	0.939	0.000	0.000	0.939	0.000	0.939
29	Abdul Qudoos	Abdul Qudoos 123-25-221725	Ghulam Ahmed Khan	0.389	3.024	0.417	3.830	0.000	0.417	3.024	0.000	3.441
30	Al-Ahmed Enterprises	Kafil Ahmed	Abdul Rehmen	0.000	0.939	0.000	0.939	0.000	0.000	0.504	0.435	0.939
31	Al-Misri Coach	Ghulam Hussain 42501-6313499-3	Yar Hussain	0.000	2.007	0.000	2.007	0.000	0.000	2.007	0.000	2.007

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1	2	3	4	5	6	7	8	9	10		12	
32	Shamsi Packages	Rashid Saleem Shamsi 42101-5630588-3	M. Saleemuddin Shamsi	0.000	0.558	0.000	0.558	0.000	0.000	0.558	0.000	0.558
33	Qasim Khalil	Qasim Khalil 515-91-015107	Khalil Ahmed	0.283	0.478	0.031	0.792	0.283	0.031	0.478	0.000	0.792
34	Misbahul Islam	Misbahul Islam 515-89-049456	Abdul Majeed	0.208	0.355	0.043	0.606	0.208	0.043	0.355	0.000	0.606
35	Ali Computer Services* 25-Bahawalpur Road, Lahore	Syed Tahir Khurshid 35202-2863903-3	Syed Sarwar Hussain	0.067	0.395	0.120	0.582	0.000	0.394	0.120	0.514	1.028
36	Ashraf Steel Pvt.Ltd.* 16-K.M.SKP. Road Lahore.	M.Akram Khan 35202-1740949-7 2 M.Azam Khan 35202-5731213-5 3 M.Akmal Khan 35202-7542358-3	Muhammad Ashraf Khan Muhammad Ashraf Khan Muhammad Ashraf Khan	6.365	11.624	0.027	18.016	0.281	0.000	12.169	29.200	41.650
37	Maj. Muhammad Rafique 41-SD House Badian Road Lahore	Maj.Muhammad Rafique 760-46-017817	Sher Ahmed	0.129	0.374	0.080	0.583	0.129	0.047	0.407	0.000	0.583
38	M.Tehseen Butt H.No.12,ST No.10 Nisbat Road Lahore.	M.Tehseen Butt 35202-0372355-3	Muhammad Yasin	0.614	0.655	0.041	1.310	0.252	0.041	0.614	0.000	0.907
39	Kashmir Chemical 401-Circular Road Lhr.	M. Aslam Qureshi Shazia Aslam 35202-4901684-9	Jalal Din M. Aslam Qureshi	0.500	0.099	0.069	0.668	0.000	0.000	0.000	0.800	0.800
40	Muslim Ghee Mills Ltd. Qadirabad, Distt. Sahiwal.	Muhammad Imran 35201-6517426-5 Kh.Rahat Latif 35201-8248179-1 Faiz Ur Rehman 35201-1520355-5	Fazalur Rehman Kh..Abdul Latif Fazalur Rehman Malik	1.268	7.541	0.297	9.106	1.162	0.000	7.838	0.000	9.000
41	Rehmat Transport Services 127-A DHA Lahore	Allah Wasaia Hashmi 309-38-306715 Amir Shahbaz Hashmi 309-85-306718 Mst.Tahira Fahima 271-48-121009	Mian Sher M. Hashmi. Allah Wasaia Hashmi Khuad Bux Farooqi	0.000	1.115	0.000	1.115	0.000	1.115	0.000	1.115	2.230
42	Unitec Paper Products Pvt.Ltd.* 127-A, DHA Lahore.	Nusrat Hussain Siddique 35202-2320155-1	Iqbal Hussain	5.701	1.975	0.247	7.923	3.914	0.960	1.262	3.933	10.069
43	Rehman Spezial Paper Products* Chughtai Manzil 72 Beadon Road Lahore.	Asad Shafiq 35201-5972183-1	Sh.Muhammad Shafique	1.921	2.338	0.043	4.302	1.422	0.008	2.381	3.756	7.567
44	Sana Electrodes (Pvt.) Ltd. R.N.9,2nd Floor Davis Hytes 38-Davis Road Lahore.	Syed Burhan Ahmed 285-88-371856 Muhammad Aslam 518-49-086743 Muhammad Akhtar 502-50-640016	Syed Hafiz Ahmad Abdul Wahab Hussain Mian Qazi	9.620	2.096	1.314	13.030	9.620	17.748	0.987	28.355	56.710
45	A.S. Plastic Industries Muslim Street No.1, Misri Shah, Lahore	Kh. Muhammad Saleem 35202-7968615-9	Kh. Anwar Hussain	0.325	0.109	0.017	0.451	0.325	0.000	0.000	0.521	0.846
46	M. Iftikhar Bhatti H. No.82, College Block Allama Iqbal Town,Lahore	Shahid Mehmod 273-91-119801	Anayatullah Akhtar Bhatti	1.305	0.305	0.051	1.661	0.000	0.051	1.559	.0313	1.610

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1	2	3	4	5	6	7	8	9	10	11	12	
47	Shahid Mehmood H.No.114, St. # 48, Lower Mall Behind M.A.O. College, LHR	Shahid Mehmood 273-91-119801	Muhammad Tufail	0.271	0.430	0.044	0.745	0.271	0.000	0.464	0.313	1.048
48	Osprey International (Pvt) Ltd.* Mauza Gujju Matta, 20 k.m. Off: Ferozepur Road, Lahore	Shahid Zafar Abbasi 35201-9078198-5 Mrs. Yasmin Ch. 35201-8282134-8	M. Yousaf Abasi Shahid Zafar Abbasi	5.964	1.827	0	7.791	0.922	0.303	0.000	4.835	6.060
49	Shalimar Engineering Works 406- E.G.T. Road, Lahore	Mirza M. Ahmed Baig 269-32-299092 Mirza Shafqat Mehmood 264-57-299894	Mirza M. Usman Baig Mirza Mahmood A. Baig	0.450	0.346	0.047	0.843	0.000	0.000	0.000	2.284	2.284
50	Awais Bilal Industries 17 k.m. Lahore Sheikhupura Road, Lahore	Sh. Muhamamd Younas 273-92-273361	Sheikh Chiragh Din	2.888	1.030	0.355	4.273	1.761	0.000	0.000	2.212	3.973
51	Ali Brothers Cotton Factory Multan Road Burewala	Faqir Muhammad 36601-6090247-5 Muhammad Arshad 324-58-626461 Muhammad Akhtar 324-62-214588 Muhammad Anwar 253-45-0705509	Noor Muhammad Noor Muhammad Ali Muhammad	1.753	0.518	0.215	2.486	0.000	0.000	1.072	3.001	4.073
52	New Trend Fabrics* Chak # 14/15-LVehari Road Mian Channu	Akhtar Hussain 36104-9906444-1 Muhammad Saleem 35302-1856965-1	Ghulam Mustafa Muhammad Sadiq	17.386	1.826	1.182	20.394	4.494	7.531	1.755	5.233	19.013
53	Ch. Mukhtar & Sons Cotton Ginners Chak # 121/15-L, Mian Channu	Ch.Khushi Muhammad 36104-3806531-7 Arfan Aziz 36104-3900486-7 Mst.Sajida Aziz 35201-9606141-6 Mst Jamila Begum 329-46-54106562	Aziz Ud Din Ch. Khushi Muhammad D/o Khushi Muhammad W/o Khushi Muhammad	1.148	0.480	0.288	1.916	0.000	0.222	1.768	0.000	1.990
54	Rahim Textile Mills Dehli Gate Multan	Abdul Rahim	Mushtaq Ahmad	5.643	0.635	2.698	8.976	4.063	0.719	2.607	0.389	7.778
55	M.H.Textile Inds.* Mouza Faizwah 15 Km, Hasilpur Rd. Vehari.	Muhammad Anwar 36603-7495795-9 Mst.Shahnaz Anwar 36603-9580703-6	Ch.Muhammad Ali W/o Muhammad Anwar	0.955	0.629	0.193	1.777	0.322	0.670	0.485	1.057	2.534
56	Taj Solvex (Pvt)* Ltd. Gopalpur, Bahawalpur Road, Multan	M.Islam Khokhar 36302-7016300-5 M.Iqbal Khokhar 322-85-034974 M.Arif Khokhr 36302-5865738-3	Rehmatullah Khokhar Rehmatullah Khokhar Rehmatullah Khokhar	25.491	7.987	1.216	34.694	21.979	4.395	4.808	28.212	59.394
57	National Wood Industries * Mouza Jungle Faizpur Bahawalpur Rd. Multan	Tariq Iqbal Khalid Iqbal 36302-0997112-5 Zubair Iqbal 36302-8172881-522	Ahmed Qureshi Ahmed Qureshi	7.414	11.664	4.452	23.530	2.657	0.000	11.439	4.452	18.548
58	Nasir Paper Mills (Pvt) Ltd. * Chak-9/14-L, Chichawatni	Muhammad Ahsan Khan 35201-3824545-5 Aisha Ahsan Khan 35201-5741350-0	Fazal Ahmad Khan W/o M. Ahsan Khan	3.896	1.434	0.335	5.665	2.388	1.197	1.056	4.200	8.841
59	Hasina Bibi, Mst. St.#12, Hadieria Road, Gulgasht, Multan	Hasina Bibi, Mst. 322-59-530877	Saeed Ahmed Malik	0.656	0.689	0.000	1.345	0.656	0.000	0.689	0.000	1.345

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1	2	3	4	5	6	7	8	9	10		12	
60	M. Saleem Khan Khakwani House, Katchery Road, Multan	M. Saleem Khan 322-92-909929	Haji Inayatullah Khan	1.253	1.662	0.168	3.083	1.084	0.168	1.662	0.000	2.914
61	Muzamil Traders (Pvt) Ltd. Karampur Road, Mailsi	Muhammad Hussain 325-40-417949 Muhammad Nasir 36602-1000704-3	Nabi Bux Khurshid Ali	4.528	0.361	0.332	5.221	3.836	0.266	0.550	5.199	9.851
62	Al-Tawakal Industries Anser Colony, Multan	Haji Muhammad Yousuf 322-16-466230 Khushi Muhammad 322-45-70052 Muhammad Suleman 322-55-466232 Muhammad Saleem 322-58-466235	Mian Nanak Haji Muhammad Yousuf Haji Muhammad Yousuf Haji Muhammad Yousuf	0.624	0.521	0.241	1.386	0.000	0.158	0.521	0.000	0.679
63	Shakoore Industries (Pvt) Ltd. 10-KM Karampur Road Mailsi, Distt: Vehari	Rao Bu Ali Qalandar 36602-9857508-7 Rao M. Abdul Shakoor 36602-0994557-7 Rao Waliyullah 36602-4729292-5	Rao M. Abdul Shakoor Haji Abdul Ghafoor Rao M. Abdul Shakoor	7.422	3.205	0.647	11.274	6.079	2.807	1.267	0.000	10.153
64	Saeed Ahmad Malik H.No.524/1, Haidria Road, Gali No.2, New Gulgasht Colony, Multan	Saeed Ahmad Malik 36302-8833058-5	Malik Hussain Bux	0.642	0.671	0.440	1.753	0.202	0.440	0.671	0.000	1.313
65	Abbas Enterprises (Pvt) Ltd. Mouza Kothay Wala Budhla Sant Road, Multan	Gulrez Ahmad Awan 36302-9734477-3 Abdul Haq 323-14-023259 Rehana Fatima 36302-5716250-8 Saima Awan 36302-0268235-8	Mukhtar Ahmad Awan Mohkam Din Mukhtar Ahmad Awan Zubair Ahmad	3.793	1.830	0.177	5.800	0.000	0.000	7.382	0.000	7.382
66	Capital Packages Industries * Mouza Sujjanpur Khanewal Road, Multan	Haji Abdul Latif 36302-0354181-7 Zafar Iqbal 322-49-423136 M. Tahir Nadeem 247-55-151912	Sh. Shamsuddin Abdul Aziz Muhammad Yaqoob	6.258	3.403	0.378	10.039	5.348	0.773	2.768	8.949	17.838
67	Mangol Industries (Pvt) Ltd. * 355-B Gulgasht, Multan	S. Rizwan-ul-Azeem 36302-1932546-9 Iffat Jabeen Saima Naz S. Raza-ul-Kabir Tahira Ahmad	Mohammad Ahmed W/o S. Rizwan-ul-Azam	7.720	4.294	0.708	12.722	3.938	2.768	2.114	0.000	8.820
68	Naeem Weaving Industries (Pvt) Ltd. * Seetal Mari, Budhla Road, Multan	Naeem Saif Mrs. Naseem Akhtar Shoukat Ali Arshad Ali	Saif Ali Saif Ali Amir Ahmad Amir Ahmad	1.358	0.145	0.067	1.570	1.156	0.319	0.313	2.444	4.232
69	Shaheen Cotton Industries * Mauza Ojla, Multan Road Mailsi Distt. Vehari	Muhammad Yaqoob 325-48-055330 Safdar Abbas Khan 325-64-055332 Zaighum Abbas Khan 325-65-055333	Khan Muhammad Khan M. Yaqoob Khan M. Yaqoob Khan	1.105	0.872	0.373	2.350	0.000	0.000	0.000	0.000	0.000

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1	2	3	4	5	6	7	8	9	10	11	12	
70	Madina Jute Mills Ltd. 14-Km Muzaffargarh M.M. Road, Khanpur Baghasher	Haji Miraj Din 36302-5851964-9 Haji M. Siddique 36302-0481976-9 Haji Wahid Bukhsh Muhammad Farooq 36302-0361963-5 Muhammad Anwar Muhammad Hussain 36302-0482010-7 Naseeruddin Qureshi 36302-9810473-7 Muhammad Iqbal	Wahid Bux Wahid Bux Haji Meraj Din Haji Meraj Din Hashimuddin Qureshi	8.233	13.625	0.219	22.077	0.000	0.000	0.000	0.000	0.000
71	Quality Weaving Mills Ltd. 36-A, Industrial Estate, Multan	Sh. Abdul Hakeem 36302-3354549-1 Sh. Abdul Hadeem 36302-0784439-1 Hakim-un-Nisa 36302-8877734-4 Bilquse Abdul Hakeem 36302-6648015-2 Nasir Hameed 36302-7013384-0 Tahira Fahim 54400-2443240-0 Najma Shafqat 54400-3769995-2	Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Rehman Sh. Abdul Hakeem Sh. Abdul Hameed Fahimuddin Shafqat Hussain	28.415	21.723	0.130	50.268	18.511	0.000	50.791	0.000	69.302
72	Janjua Textile Mills (Pvt) Ltd. Mouza Bakhsheeshgarh, Mattital Road, Multan	Mian Maqbool Ahmed Mian Muhammad Saeed 36302-8025350-5 Mian Iqbal Waheed Muhammad Fayyaz	Mian Ghulam Nabi Mian Ghulam Nabi Mian Ghulam Nabi Faiz Buksh	4.109	0.145	0.288	4.542	3.149	0.000	0.000	0.000	3.149
73	Indo Saigon Enterprises Gold Coast Phase-I, Tower2, 20th Floor, Suite-B, 1 Castle Peak Road, Tuen Mun New Territories, Hong Kong	Chullari Niranjan Kishanchand	N.A.	2.352	0.000	0.000	2.352	2.365	0.000	0.000	0.000	2.365
74	Nick Fung Textile Co. E-2/F, Far East Mansion, 5-6, Middle Road, TST Kowloon, Hong Kong	Nick Tsui Tak Shing		85.715	0.000	0.000	85.715	85.713	0.000	0.000	0.000	85.713
75	Jani's (Pvt) Ltd. Jani Plaza, Khyber Super Market, Peshawar Cantt.	Muhammad Yousuf 136-89-036915 Asif Yousuf 136-89-113200 Anwar Sultana 136-44-036916 Shahzia Asif 136-89-123259	Rahim Buksh Mohd. Yousuf W/o Mohd. Yousuf D/o Amir Bashir	0.000	1.099	0.043	1.142	0.000	0.000	0.000	0.742	0.742
76	Sughra Begum	Sughra Begum 135-24-12330	Ghulam Mustafa	0.000	0.558	0.000	0.558	0.000	0.000	0.000	0.558	0.558
77	Abdul Qadir H.No.5/14, Block #5, Satellite Town, Quetta	Abdul Qadir 54400-8840521-3	Juma Khan	0.739	1.371	0.000	2.110	0.000	0.000	1.371	0.486	1.857
78	Abdul Kabbir Aslam Goods, Transport Co. Sirki Road, Quetta	Abdul Kabbir Aslam 601-41-071422	Kashmir Khan	0.000	0.630	0.000	0.630	0.000	0.000	0.630	0.000	0.630
79	Abdul Ali Killi Qasim Pishin	Abdul Ali 602-46-328869	Shair Muhammad	0.000	0.570	0.082	0.652	0.000	0.000	0.570	0.082	0.652

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1	2	3	4	5	6	7	8	9	10	11	12	
80	Nasrullah H.No.2/31/22, Quetta	Nasrullah 601-91-201360	Niaz Muhammad	0.000	0.596	0.128	0.724	0.000	0.000	0.596	0.128	0.724
81	Afzal Gichki Tehsil Tumb, Distt: Turbat	Afzal Gichki 632-89-005850	Abdullah Khan	0.000	0.445	0.066	0.511	0.000	0.000	0.445	0.066	0.511
82	Electronic Information & Energy System * Industrial Triangle Kahuta Road, Islamabad	Waqar Azim 101-87-396243 Sajjad Azim 514-30-007756 Nusrat Azim 514-28-123692 Shaukat Azim 514-32-123691 Sardar Imtiaz Ahmed Khan Begum Sureya Waqar Saulat Azim	Muhammad Azim Muhammad Azim Muhammad Azim Muhammad Azim Sardar Nawazish Ali W/O Waqar Azim Nusrat Azim	20.25	47.474	0.979	68.703	14.260	47.474	0.000	0.979	62.713
83	Sheikh Jamil & Co. Cotton Ginners, Wool Merchant Grain Market Sahiwal	Sheikh Jamil Ahmed (Deceased) NIC # 330-51-132297	Sh Muhammad Rafique	2.125	0.573	0.152	2.850	0.969	0.000	0.000	7.921	8.890
84	Nisar & Co. Cotton Ginners Grain Market Branch, Chichawatni	Abdul Ghani Abdul Sattar Abdul Jabbar Nisar Ahmed Habib-ur-Rehman Dildar Hussain Mst Iqbal Bibi Mst Farzana Shaheen Mst Rasoolan Bibi Mst Amna Bibi	Ali Ahmed Ali Ahmed Ali Ahmed Ali Ahmed Abdul Sattar Akbar Ali D/o Ali Muhammad Abdul Ghani Abdul Jabbar W/o Muhammad Jameel	2.339	1.551	0.016	3.906	0.000	0.000	0.000	1.141	1.141
85	Rizwan Brothers (Pvt) Ltd. * Chest Branch, Haronabad	Mian Naved A. Bhatti 31101-8017979-9 Mian Muhammad Yasin 31101-7973807-7 Rizwan-ul-Azim 31104-4408943-9 Mrs. Saiqa Hamayoun 31202-3804215-8	Mian Badar Din Mian Muhammad Yasin Hamayoun Bashir	4.278	6.031	0.109	10.418	2.778	3.467	0.000	2.673	8.918
86	Mian Ghulam Hussain & Co. Grain Market, Sahiwal (Sahiwal City)	Mian Ghulam Hussain Neik Muhammad 36502-7511338-7 Muhammad Jamil Mst. Razia Begum 36502-2022307-4 Mst. Rabia Begum 36502-1304949-0	Rakhan Din Mian Ghulam Hussain Sh. Muhammad Chohan Sh. Muhammad Chohan Muhammad Saleem	0.990	0.277	0.094	1.361	0.000	0.295	0.000	2.314	2.609
87	Progressive Engineer Bahawalnagar	Manzoor Javed 354-49-164843	Muhammad Saleem	0.330	0.461	0.017	0.808	0.000	0.230	0.000	0.342	0.572
88	Wahid Corporation Railway Road, Pakpattan	Haji Abdul Wahid 36402-0816654-9	Ch. Pir Muhammad	1.920	0.000	0.550	2.470	0.000	0.000	0.000	0.518	0.518
89	Akbar Enterprises Ltd. * 128/4, Industrial EstaeTownship Lahore	Aleem Ahmad Khan 35202-2514455-3 Mrs.Samuna Tauqeer 35202-5727103-6 Mrs.Samina Tanveer 35202-2454790-6	Tauqeer Ahmad Khan Tauqeer Ahmad Khan Tauqeer Ahmad Khan	31.401	5.226	0.000	36.627	26.182	3.592	1.905	0.000	31.679

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10	11	12	
90	Kamran Steel Re-Rolling * 7/83, Shahrah-e-Qaid-e-Azam, Lahore	Anis Gul 35202-5831094-5 Masoor Gul 35202-9677320-3 Nabila Masood Gul 35202-2333459-8 Razia Begum 35202-9125486-6	Gul Muhammad Gul Muhammad Masood Gul Gul Muhammad	21.928	48.152	0.000	70.080	0.000	0.000	20.667	0.000	20.667
91	Sidra Rice Mills (Pvt) Ltd.*	Syed Nazim Hussain Sh. 35202-8726846-3 Syeda Tahawar Shahzad 3520-5626269-0	Syed Shaukat Ali Shah S. Nazim Hussain Shah	32.593	32.445	0.606	65.644	29.826	0.606	32.520	3.284	66.236
92	Ch. Electrods (Pvt) Ltd. * 29-Kilometer, Lahore Sheikhpura Road	Ch. Muhammad Qasim 35202-2937694-1 Mrs.Salamat Qasim 35202-4471323-2 Ahmad Naeem Qasim 35202-7154990-9 Ch. Muhammad Akram 35202-4519175-1 Ahmad Faheem Qasim 35202-4932463-3 Nuzhar Faheem 35202-9662840-6	Ch. Sirajuddin Ch. Muhammad Qasim Ch. Muhammad Qasim Ch. Sirajuddin Ch. Muhamamad Qasim Ahmad Fahim Qasim	33.872	2.427	0.000	36.299	17.872	0.000	2.427	16.727	37.026
93	Mumtaz Shahbaz Textile Mills Ltd. * Mumtaz Centre, 15 Shahrah-e-Fatima Jinnah, Lahore	Mirza Iftikhar Baig 35202-2379853-5 Mirza Mumtaz Baig 35202-4330287-5 Mirza Mukhtar Baig 35202-2317316-1	Mirza Mumtaz Baig Mirza Niaz Baig Mirza Mumtaz Baig	56.706	5.667	0.000	62.373	56.683	0.000	44.060	0.000	100.743
94	Shaheen Wood Works & Furniture Ind.	Tahir Hussain, 61101-4758309-1 Hooran, Miss Azra, Miss	Tayab Hussain Qureshi	1.336	0.000	0.144	1.480	0.091	1.784	0.000	0.144	2.019
			Sub Total NBP	645.611	360.882	30.277	1036.770	478.982	176.542	293.000	415.213	1363.737
95	Siraj Steels Limited * Mouza Rakh Bawli Jamandar, G.T. Road, Monooabad, Muredke	Ch. Muhammad Qasim 35202-2937694-1 Mrs.Salamat Qasim 35202-4471323-2 Ahmad Naeem Qasim 35202-7154990-9 Ch. Muhammad Akram 35202-4519175-1	Ch. Sirajuddin Ch. Muhammad Qasim Ch. Muhammad Qasim Ch. Sirajuddin	335.625	195.575	108.136	639.336	180.506	0.000	1124.020	108.136	1412.662
96	Hasan Spinning Mills Ltd. * 5th floor, MCB Building, Circular Road, Faisalabad	Mrs.Nazish Umar Shah 33100-8480315-2 Mrs.Ayesha Rehman 42301-0938338-0	Syed Umar Shah Asif-ur-Rehman	13.283	6.082	14.694	38.059	4.976	0.000	20.777	0.000	25.753
97	Hill Park General Hospital & Trauma Centre * (Former New York Poly Clinic) S.N.C.C. 3/4 Block-3, shaheed-e-Millat Road, Karachi	Azizur Rehman 601-25-024225 Inamur Rehman 601-72-024231	Munshi Ahmed Khan Azizur Rehman	3.362	0.000	5.58	8.942	0.000	0.000	0.000	4.511	4.511
98	Haji Muhammad Ismail Mills Ltd. * 408 Commerce Centre,Hasrat Mohani Road, Karachi	Mushtaq Ahmed Vohra 517-93-219564 Gulshad Begum 517-92-109025 Nasir Mushtaq Vohra 517-92-219545 Misrah Nisar 270-66-042184	Haji Muhammad Ismail W/o Mushtaq A. Vohra Mushtaq Ahmed W/o Nasir Ahmed Vohra	18.048	0.000	21.803	39.851	17.487	0.000	0.000	21.803	39.290

Notes to the Consolidated Financial Statements

(for the year ended December 31, 2006)

(Rupees in Million)

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Director with NIC	Father's / Husband's Name	Outstanding liabilities at beginning of year				Principal written off.	Interest/ Mark-up written off.	Other financial relief provided		Total (9+10+11)
				Principle	Interest/ mark-up	Others	Total			Waiver	Reversal	
1	2	3	4	5	6	7	8	9	10		12	
99	Jet Era Textile Mills Ltd. 7-Larechs Housing Society, Lahore	Abdul Hameed Khan 35201-7693230-3 Razia Hameed 35201-6432074-0 Muhammad Arif 42000-0441087-3	Haji Muhammad Khan Abdul Hameed Khan Abdul Habib	6.467	13.486	0.070	20.023	0.000	0.000	10.277	0.000	10.277
			Sub-Total Ex-NDFC	376.785	215.143	150.283	742.211	202.969	0.000	1155.074	134.450	1492.493
100	Fateh Weaving Mills Ltd. * 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4 Naila Ashfaq, Mrs. 41303-2929820-4	Abbas Bhai Abbas Bhai Abbas Bhai Abbas Bhai M. Habib M. Sharif M. Ashfaq	16.893	0.701	2.028	19.622	0.139	20.247	2.028	0.000	22.414
101	Fateh Apparel * 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Sumera Waheed 41303-2929820-4 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4	Abbas Bhai Abbas Bhai Abbas Bhai Abbas Bhai Abdul Waheed M. Habib M. Sharif	4.583	0.434	0.000	5.017	2.317	6.441	0.117	0.000	8.875
102	Nephew & Nephew* 4th Floor, Sarwar Shaheed Road, Karachi	M. Habib 41304-6497882-3 M. Sharif 41304-4220853-7 M. Ashfaq 42201-0771559-5 Abdul Waheed 41303-7481833-7 Perveen Habib, Mrs. 41303-4804521-2 Rukhsana Sharif, Mrs. 41304-4346680-4 Naila Ashfaq, Mrs. 41303-2929820-4	Abbas Bhai Abbas Bhai Abbas Bhai Abbas Bhai M. Habib M. Sharif M. Ashfaq	4.713	0.297	0.120	5.130	2.448	6.518	0.120	0.000	9.086
103	Admani * Corporation Bill Apartment Flat#14, Mc-Neil Road, Frear Town, P.O. Box No.15523, Karachi	Ayaz Admani 42301-0762274-1	Sattar Ahmed	0.471	0.000	0.010	0.481	0.312	0.002	0.010	0.000	0.324
			Sub Total EX-MBL	26.660	1.432	2.158	30.250	5.216	33.208	2.275	0.000	40.699
			TOTAL	1049.056	577.457	182.718	1809.231	687.167	209.750	1450.349	549.663	2896.929

* Accounts settled under SBP Circular No. 29 dated 15-10-2002

Islamic Banking Business

(for the year ended December 31, 2006)

Annexure III

The bank is operating 1 Islamic banking branch at the end of current year as compared to nil Islamic banking Branches at the end of Prior year.

	2006	2005
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	4,724	-
Balances with and Due from Financial Institutions	99,000	-
Investments	-	-
Financing and Receivables	-	-
-Murahaba	-	-
-Ijara	-	-
-Musharaka	-	-
-Diminishing Musharaka	-	-
-Salam	-	-
-Other Islamic Modes	-	-
Other assets	-	-
	103,724	-
LIABILITIES		
Bills payable	800	-
Due to Financial Institutions	-	-
Deposits and other accounts	2,911	-
- Current Accounts	-	-
- Saving Accounts	-	-
- Term Deposits	-	-
- Others	-	-
- Deposit from Financial Institutions -Remunerative	-	-
- Deposits from Financial Institutions-Non-Remunerative	-	-
Due to Head Office	-	-
Other liabilities	11	-
	3,722	-
	100,002	-
REPRESENTED BY		
Islamic Banking Fund	100,000	-
Reserves	-	-
Unappropriated/unremitted profit	2	-
	100,002	-
Surplus /(Deficit) on revaluation of assets	-	-
	100,002	-
Remuneration to Shariah Advisor/Board	-	-
CHARITY FUND		
Opening Balance	-	-
Additions during the period	-	-
Payments/Utilization during the period	-	-
Closing Balance	-	-

One Card

Does it all



NBP CASH CARD
ATM + Debit Card

ATM + Debit Card

- Use it as an ATM in any of the ATM's in Pakistan
- Use it as Debit Card in any of the outlets with ORIX POS machine
- Cash withdrawal upto Rs. 20,000 per day
- Account Balance Enquiry
- Mini Statement (Only at NBP ATM)
- PIN Change facility (Only at NBP ATM)

* Subject to the availability of subsidy from Gov

NBP-Vision you can Trust



NBP

National Bank of Pakistan

The Nation's
Bank

 **0800-80080**
your
Helpline




NBP Helpline
Call Center
Product Information and
Complaint Resolution Center

Call Center
Product Information
& Complaint Resolution Centre

- For all NBP Products
- Home Sales Call facility

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National Bank of Pakistan

*The Nation's
Bank*

Pattern of Shareholding (as of December 31, 2006)

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
1423	1	100	78634	.0110
2017	101	500	645828	.0910
1594	501	1000	1342331	.1893
4081	1001	5000	9170526	1.2933
473	5001	10000	3541043	.4993
166	10001	15000	2089045	.2946
109	15001	20000	1975480	.2786
66	20001	25000	1533656	.2162
42	25001	30000	1177418	.1660
30	30001	35000	984699	.1388
18	35001	40000	681764	.0961
11	40001	45000	470864	.0664
20	45001	50000	987000	.1391
7	50001	55000	365641	.0515
19	55001	60000	1103608	.1556
6	60001	65000	373400	.0526
14	65001	70000	954816	.1346
7	70001	75000	515060	.0726
8	75001	80000	627800	.0885
7	80001	85000	576796	.0813
12	85001	90000	1053877	.1486
3	90001	95000	282000	.0397
12	95001	100000	1182858	.1668
4	100001	105000	410894	.0579
4	105001	110000	433000	.0610
4	110001	115000	447290	.0630
6	115001	120000	710100	.1001
6	120001	125000	737371	.1039
6	125001	130000	763688	.1077
4	130001	135000	534100	.0753
2	140001	145000	284100	.0400
2	145001	150000	292504	.0412
1	150001	155000	152700	.0215
3	155001	160000	473388	.0667
1	160001	165000	162000	.0228
4	165001	170000	674500	.0951
3	170001	175000	518000	.0730
2	175001	180000	351300	.0495
1	180001	185000	185000	.0260
1	185001	190000	190000	.0267
3	190001	195000	582500	.0821
6	195001	200000	1194592	.1684
1	205001	210000	208000	.0293
2	215001	220000	431896	.0609
1	220001	225000	221500	.0312
1	225001	230000	226444	.0319
2	230001	235000	462400	.0652
2	235001	240000	474000	.0668
2	240001	245000	486400	.0685
3	245001	250000	746100	.1052
1	250001	255000	250591	.0353
1	255001	260000	256000	.0361
2	260001	265000	525500	.0741
3	265001	270000	799700	.1127

Pattern of Shareholding (as of December 31, 2006)

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
1	275001	280000	277500	.0391
2	285001	290000	574600	.0810
1	290001	295000	290600	.0409
1	295001	300000	296700	.0418
1	310001	315000	312126	.0440
3	325001	330000	981580	.1384
2	330001	335000	664300	.0936
2	335001	340000	675196	.0952
2	345001	350000	696583	.0982
1	350001	355000	352500	.0497
1	365001	370000	370000	.0521
1	370001	375000	375000	.0528
1	375001	380000	377000	.0531
1	380001	385000	383100	.0540
1	385001	390000	386129	.0544
1	390001	395000	390660	.0550
1	395001	400000	400000	.0564
2	405001	410000	816700	.1151
1	415001	420000	415016	.0585
1	420001	425000	421188	.0593
2	435001	440000	875500	.1234
1	440001	445000	442500	.0624
2	445001	450000	894700	.1261
1	450001	455000	450280	.0635
3	495001	500000	1492220	.2104
1	500001	505000	500988	.0706
1	510001	515000	510500	.0719
1	530001	535000	533664	.0752
1	540001	545000	544300	.0767
1	555001	560000	560000	.0789
1	560001	565000	562300	.0793
1	565001	570000	565396	.0797
1	570001	575000	575000	.0810
2	590001	595000	1189000	.1676
2	605001	610000	1216400	.1715
1	615001	620000	615800	.0868
1	620001	625000	624600	.0880
1	650001	655000	654000	.0922
1	670001	675000	670900	.0946
1	675001	680000	675300	.0952
1	695001	700000	700000	.0987
1	715001	720000	718241	.1012
1	745001	750000	749847	.1057
2	760001	765000	1523236	.2148
1	770001	775000	775000	.1092
1	790001	795000	790122	.1114
1	800001	805000	801860	.1130
1	805001	810000	805600	.1136
1	820001	825000	822000	.1159
1	850001	855000	854900	.1205
2	865001	870000	1739216	.2452
1	895001	900000	900000	.1269
1	935001	940000	935900	.1319

Pattern of Shareholding (as of December 31, 2006)

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
1	955001	960000	959500	.1353
1	1040001	1045000	1045000	.1473
1	1090001	1095000	1092600	.1540
1	1105001	1110000	1106600	.1560
1	1145001	1150000	1146893	.1617
1	1210001	1215000	1210300	.1706
1	1225001	1230000	1229196	.1733
1	1315001	1320000	1315500	.1855
1	1435001	1440000	1436600	.2026
1	1620001	1625000	1621400	.2286
1	1815001	1820000	1815200	.2559
1	1825001	1830000	1825056	.2573
1	2075001	2080000	2079348	.2932
2	2535001	2540000	5076790	.7159
1	2835001	2840000	2839200	.4004
1	3530001	3535000	3532567	.4981
1	3805001	3810000	3807500	.5369
1	5680001	5685000	5683000	.8014
1	7620001	7625000	7623220	1.0750
1	10505001	10510000	10509000	1.4820
1	14255001	14260000	14259282	2.0109
1	23025001	23030000	23025164	3.2472
1	533205001	533210000	533206929	75.1979
10321			709071295	100.0000

Banking made **AASAN**



Online Branch Banking

- Balance Enquiry
- Statement of Account
- Stop Payment
- Cash Deposit to own and third party account
- Cash Withdrawal through Cheque
- Transfer of funds to own and third party account

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National Bank of Pakistan

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Categories of Shareholders (as of December 31, 2006)

PARTICULARS	SHAREHOLDERS	SHAREHOLDING	PERCENTAGE
GOVERNMENT OF PAKISTAN	2	2305792	.3251
THE PRESIDENT OF PAKISTAN	2	552187	.0778
STATE BANK OF PAKISTAN	1	533206929	75.1979
ASSOCIATED COMPANIES - TAURUS SECURITIES LTD.	2	4600	.0006
EXECUTIVES OF THE BANK	1	25,000	.0035
NIT & ICP	3	3299513	.4653
BANKS, DFI & NBF1	69	15973203	2.2526
INSURANCE COMPANIES	21	20432768	2.8816
MODARABAS & MUTUAL FUNDS	68	18992154	2.6784
PUBLIC SECTOR COS. & CORP.	21	3544557	.4998
GENERAL PUBLIC (LOCAL)	9591	33541498	4.7303
GENERAL PUBLIC (FOREIGN)	251	930269	.1311
OTHERS	255	12155297	1.7142
FOREIGN COMPANIES	34	64107528	9.0410
COMPANY TOTAL	10321	709071295	100.0000

Agriculture made easy



NBP Kisan Dost
Agriculture Farming Program



Agriculture Farming Program

- Competitive mark-up rate
- Quick & easy processing
- Delivery at the farmer's doorstep
- Technical guidance to farmers
- Wide range of financing schemes for farmers
- Financing against pass book, residential / commercial property, gold ornaments and papers security
- Finance facility upto Rs. 500,000 for landless farmers against personal guarantee
- Loan facility on revolving basis for three years (renewable without documentation & approval)

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National Bank of Pakistan

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Headoffice Management

S. Ali Raza

Chairman & President

Suleman Shamsuddin
PS to the President
Tel: (021) 9212208, 9212200
Fax: (021) 9212774

PRESIDENT'S SECRETARIAT

Amim Akhtar
Executive Vice President &
PSO to the President / Head of P.R.
Tel: (021) 9212234
Fax: (021) 9212253

SECRETARY BOARD OF DIRECTORS

Ekhlaq Ahmed
Executive Vice President & Secretary Board
Tel: (021) 9212224
Fax: (021) 9212239

CORPORATE & INVESTMENT BANKING GROUP

Masood Karim Shaikh
Senior Executive Vice President & Group Chief
Tel: (021) 9212741
Fax: (021) 9212795

Corporate Banking (South) Karachi

Ms. Fareena Lodhi
Senior Vice President / Head of Corporate (South)
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Corporate Banking (North) Lahore

Rizwan Hameed
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Investment Banking

Syed Misbah Maqbool
Vice President / Head of Equity Investment
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Fax: (021) 9212257

CREDIT MANAGEMENT GROUP

Shahid Anwar Khan
Senior Executive Vice President & Group Chief
Tel: (021) 9212177, 9212255
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Credit Management Service and Coordination, Administration & Student Loans

Muhammad Riaz Khokhar
Executive Vice President
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Fax: (021) 9212278

Commercial/Corp./Consumer Credit (North)

Wajahat A. Baqai
Senior Vice President
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Fax: (021) 9212863

Credit Monitoring

Muhammad Rashid Ghani
Senior Vice President
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Fax: (021) 9212863

Industry Research & Analysis

K. Ahsan Elahi
Senior Vice President
Tel: (021) 9213115
Fax: (021) 9213116

Commercial/Corp./Consumer Credit (South)

Muhammad Mubashir Ahmed
Vice President
Tel: (021) 9212277
Fax: (021) 9212748

Policy / Procedure & SME Credit

Mrs. Azra Naila Uzair
Vice President
Tel: (021) 9212222
Fax: (021) 9213118

Financial Institutions

Ms. Amna Hafeez
Vice President
Tel: (021) 9213104
Fax: (021) 9212765

Headoffice Management

Economic Research

Ms. Aysha Mehmood
Vice President
Tel: (021) 9212274
Fax: (021) 9212846

Technology Support

Usman Hameed
Senior Vice President
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OPERATIONS GROUP

Dr. Asif A. Brohi
Senior Executive Vice President & Group Chief
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Fax: (021) 9212266

Financial Institutional & Cash Manag. Division

Muhammad Nadeem
Senior Vice President
Tel: (021) 9213101, 9213013

Treasury & Settlement

Moizuddin Khan
Executive Vice President
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Fax: (021) 9212816

AUDIT & INSPECTION GROUP

Imam Bakhsh Baloch
Senior Executive Vice President & Group Chief
Tel: (021) 9212758, 9212267
Fax: (021) 9212192, 9213190

Logistic Support & Security

Agha Asadullah
Executive Vice President
Tel: (021) 9212720
Fax: (021) 9212831

Zahir Shah
Executive Vice President
Tel: (021) 9212721
Fax: (021) 9212721

Customer Facilitation & Admn.

Syed Najamuddin
Senior Vice President
Tel: (021) 9212700
Fax: (021) 9212268

Internal Audit & Inspection

Muhammad Khalid Idrees
Senior Vice President
Tel: (021) 9212240
Fax: (021) 9217289

Customer Services & Govt. Business

Khalid Mehmood
Senior Vice President
Tel: (021) 9213171
Fax: (021) 9217297

Monitoring & Evaluation

Syed Mohsin Iqbal Rizvi
Vice President
Tel: (021) 9212210
Fax: (021) 9212210

Engineering

Kh. Abdul Jalil
EVP / Chief Engineer
Karachi Office:
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Fax: (042) 9211223

Administration (A&IG)

Muhammad Nasir Khan
Vice President
Tel: (021) 9212283
Fax: (021) 9212283

Inter Branch Reconciliation (IBR)

Mushtaq Ahmed Madraswala
Senior Vice President
Tel: (021) 9212294
Fax: (021) 9212189

Systems & Secretarial Support

Mrs. Ayesha Khalid
Assistant Vice President
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Life is **Precious**



NBP Protection Shield
Personal Accident Insurance

Personal Accident **Insurance**

- No Medical Required
- No Documentation
- Preimum Auto Deduction Facility
- Choice of Deactivation includes death due to:
 - Natural Calamities e.g. Earthquake, Flood, Ccyclone etc.
 - Accident
 - Riots*
 - Civil Commotion*
 - Strikes*
 - Acts of Terrorism*

* Provided the insured is not actively involved in these activities.

NBP-Vision you can Trust

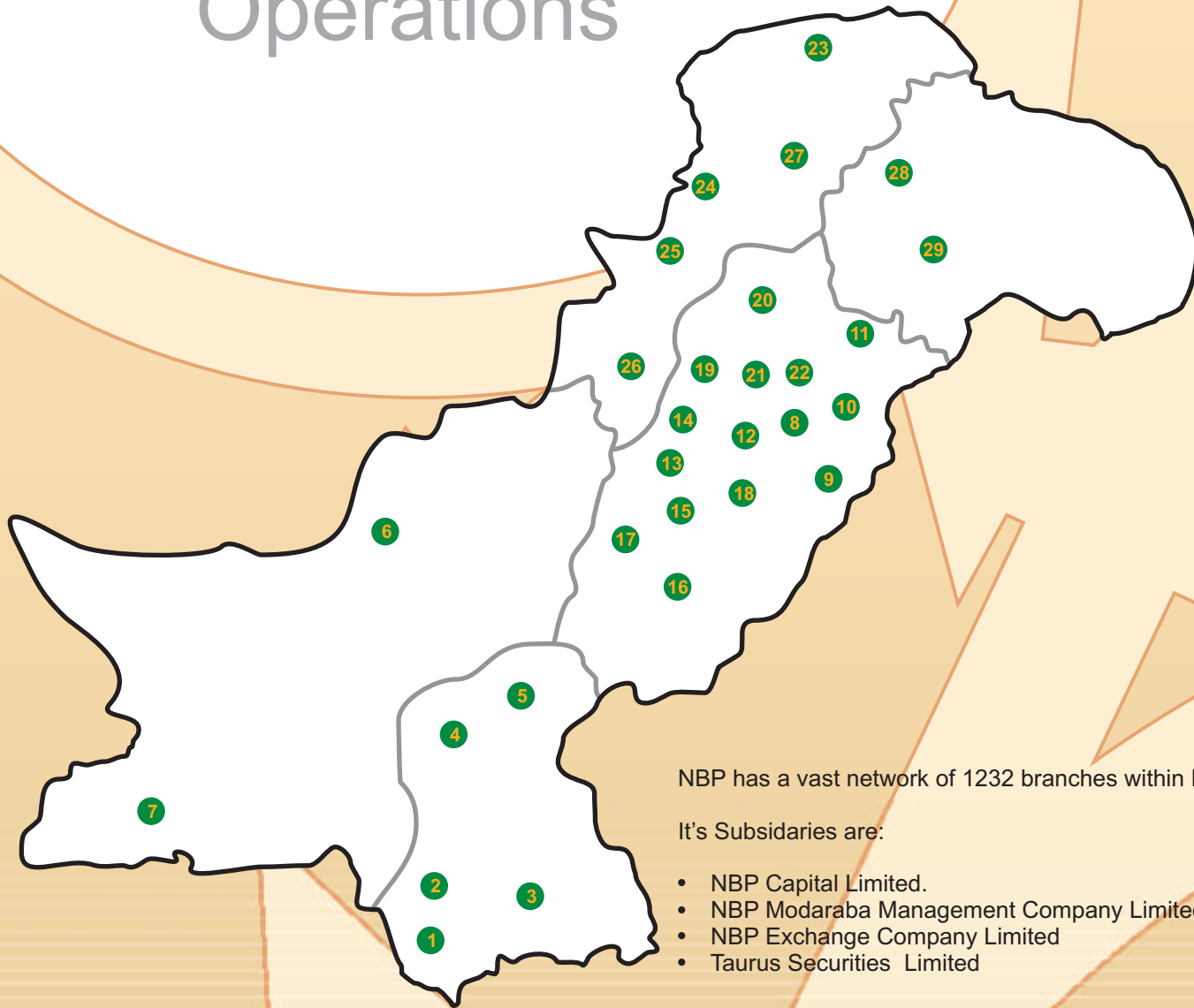


NBP

National Bank of Pakistan

The Nation's
Bank

Domestic Operations



NBP has a vast network of 1232 branches within Pakistan.

It's Subsidiaries are:

- NBP Capital Limited.
- NBP Modaraba Management Company Limited.
- NBP Exchange Company Limited
- Taurus Securities Limited

REGIONAL OFFICES

1.	Karachi (South)	11.	Sialkot	21.	Jhelum
2.	Karachi (West)	12.	Faisalabad	22.	Gujrat
3.	Hyderabad	13.	Jhang	23.	Gilgit
4.	Larkana	14.	Sargodha	24.	Peshawar
5.	Sukkur	15.	Multan	25.	Mardan
6.	Quetta	16.	Bahawalpur	26.	Dera Ismail Khan
7.	Gawadar	17.	Dera Ghazi Khan	27.	Abbottabad
8.	Lahore (Central)	18.	Sahiwal	28.	Muzaffarabad (A.K)
9.	Lahore (East)	19.	Federal Capital - Islamabad	29.	Mirpur (A.K)
10.	Gujranwala	20.	Rawalpindi		

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Fax: (058610) 46007

Small steps make the **Difference**



NBP Investor Advantage
Margin Finance Facility



Margin **Finance** Facility

- Comfortable and secure environment for trading
- Easy terms requiring minimum documentation
- Minimum turnaround time
- No security requirement from the customer except for the customer's equity
- Customer's equity freely available for investment
- Equity acceptable in cash or approved shares

NBP-Vision you can Trust



NBP

National Bank of Pakistan

*The Nation's
Bank*

Encash & meet your **needs**



NBPCash n Gold
Ready Cash against Gold

Ready cash against **Gold**

- Facility of Rs. 7,000 against each 10 gms of net weight of gold ornaments
- No maximum limit of cash
- Repayment after one year
- Roll over facility
- No penalty for early repayment

NBP-Vision you can Trust

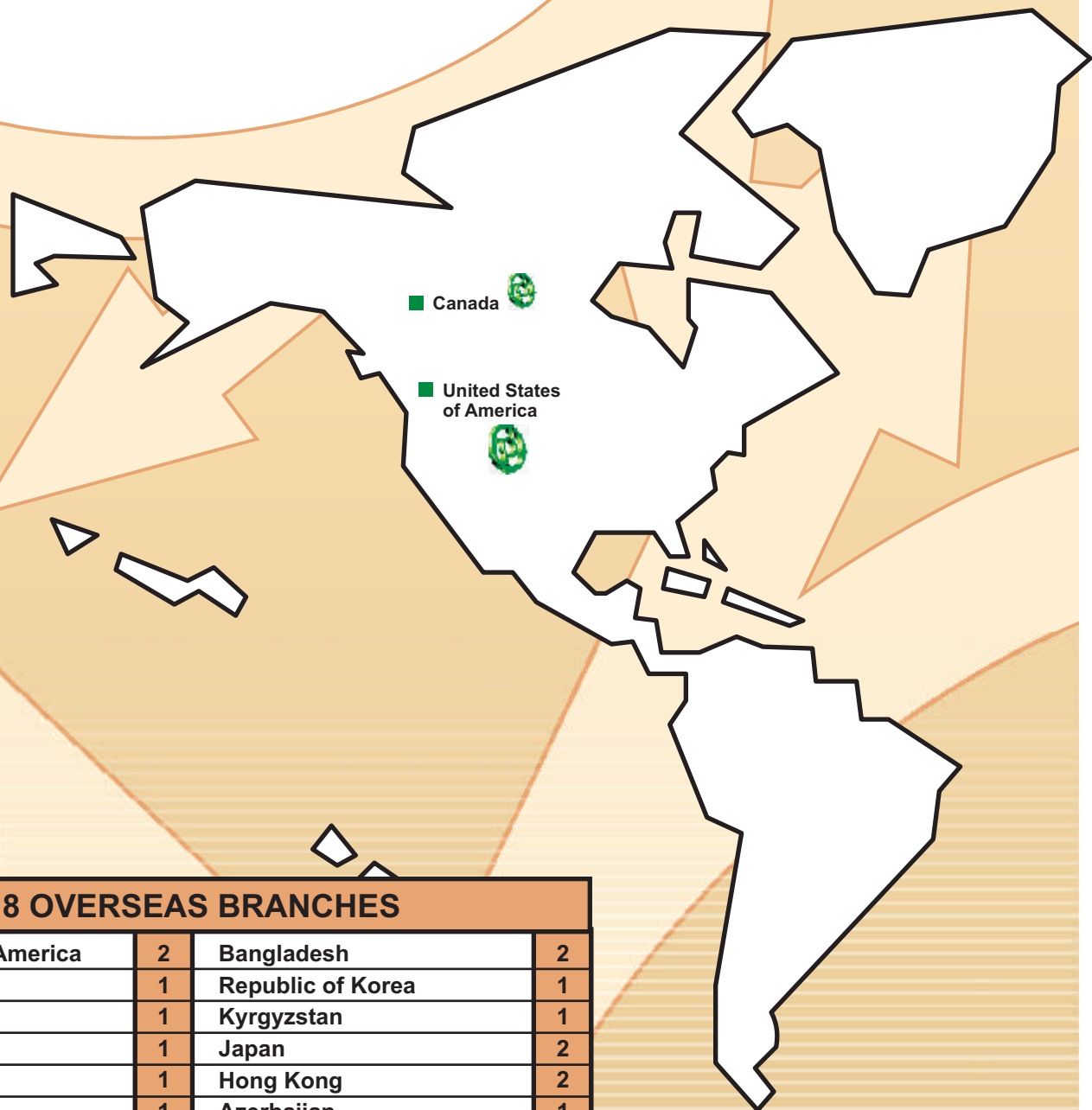


NBP

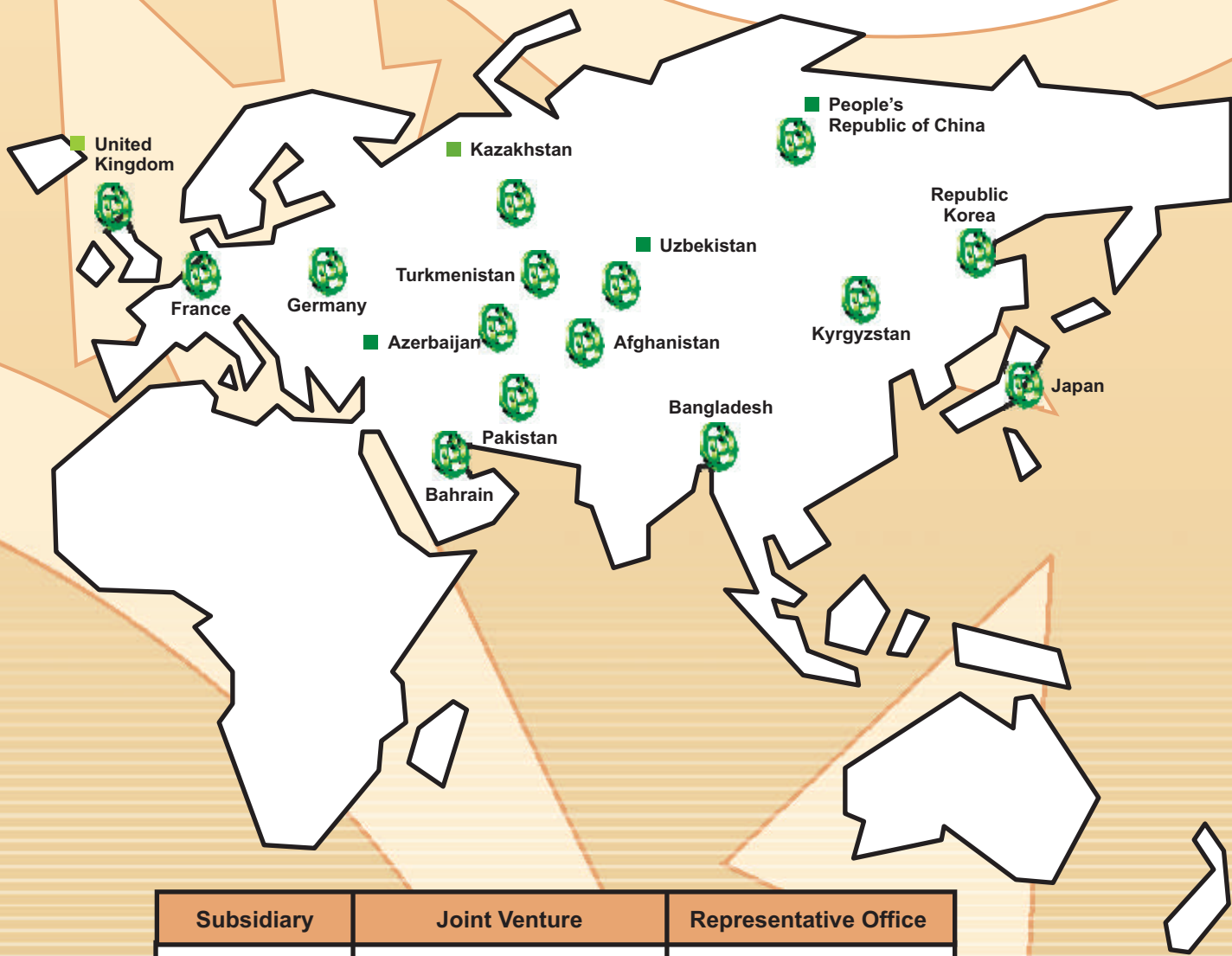
National Bank of Pakistan

The Nation's
Bank

Overseas Operations



18 OVERSEAS BRANCHES			
United States of America	2	Bangladesh	2
France	1	Republic of Korea	1
Germany	1	Kyrgyzstan	1
Bahrain	1	Japan	2
Turkmenistan	1	Hong Kong	2
Pakistan EPZ	1	Azerbaijan	1
Afghanistan	2		



Subsidiary	Joint Venture	Representative Office
■ NBP Almaty	■ United National Bank (UK)	■ Canada ■ USA (Chicago) ■ China ■ Uzbekistan

Senior Management Overseas Operations

R.A. Kaleemi

SEVP / Chief Representative, Canada Office

M. Rafiq Bengali

SEVP / Regional Chief Executive, Americas Region

Asif Hassan

SEVP / Regional Chief Executive, Far East Region

Nausherwan Adil

SEVP / Regional Chief Executive, Europe Region

M. Farooq Saleem

EVP / Regional Chief Executive, Central Asian Republics Region

Zubair Ahmed

EVP / Regional Chief Executive, Middle East, Africa & South Asia Region

Overseas Operations

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58th Annual General Meeting of National Bank of Pakistan

FORM OF PROXY

Folio NO. _____ or CDC participant identity No. _____ CDC A/C No. _____

I/We _____

of _____

being a member(s) of the National Bank of Pakistan holding shares No. _____

HEREBY APPOINT _____ of _____

also a member of the National Bank of Pakistan (Folio No. _____) or failing him/her _____

_____ of _____ also a member of National Bank of Pakistan (Folio No. _____) as my/our proxy to

vote for me / us and on my / our behalf at the 58th Annual General Meeting of National Bank of Pakistan, to be held at 10.00 A.M. on Monday the 2nd April 2007 and at any adjournment thereof.

Signed this _____ day of _____ 2007.

Witnesses:

1. Name: _____

Address: _____

NIC No.: _____

**Affix Revenue Stamp
of Five Rupees**

2. Name: _____

Address: _____

NIC No.: _____

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 / Corporation 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 corporation (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 the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with our Registrar / Transfer Agents, Messrs THK Associates (Pvt.) Ltd. Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi, 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 instrument of proxy are deposited by a member with the bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Accounts Holders:

1. The proxy form shall be witnessed by two person whose names, addresses and NIC numbers shall be mentioned on the form.
2. Attested copies of NIC 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 NIC 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.

