

Financial Statements  
Askari Commercial Bank Limited  
for the year ended December 31, 2005



## Statement of Compliance with the Code of Corporate Governance

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

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

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes eleven non-executive Directors of which three independent Directors represent minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including Askari Commercial Bank Limited, except Mr. Tariq Iqbal Khan who has been exempted for the purpose of this clause by the Securities and Exchange Commission of Pakistan (SECP).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFC or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, one casual vacancy occurred on the Board, which was filled within the prescribed period.
5. The Bank has prepared a statement of ethics and business practices, which has been signed by all the directors and employees of the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members participated in orientation courses to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.

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

For and on behalf of the Board



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

Rawalpindi  
February 22, 2006

## Review Report to the Members

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


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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, as applicable to the Bank for the year ended December 31, 2005 with the best practices contained in the Code of Corporate Governance.

Islamabad  
February 22, 2006



A.F. Ferguson & Co.  
Chartered Accountants

**A.F. FERGUSON & CO.**

CHARTERED ACCOUNTANTS  
KARACHI-LAHORE-ISLAMABAD

## Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Commercial Bank Limited (the Bank) as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 13 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

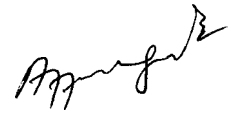
We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining,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

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

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2005 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2004 were audited by Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 10, 2005.

Islamabad  
February 22, 2006



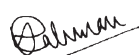
A.F. Ferguson & Co.  
Chartered Accountants

## Balance Sheet

as at December 31, 2005

(Rupees in thousand)	Notes	2005	2004
<b>Assets</b>			
Cash and balances with treasury banks	6	11,766,925	8,762,866
Balances with other banks	7	5,550,148	4,847,899
Lendings to financial institutions	8	10,172,242	2,324,839
Investments	9	25,708,194	17,239,156
Advances	10	85,976,895	69,838,392
Other assets	11	2,732,641	1,559,365
Operating fixed assets	12	3,192,862	2,595,023
Deferred tax assets		–	–
		145,099,907	107,167,540
<b>Liabilities</b>			
Bills payable	13	1,315,680	1,227,093
Borrowings from financial institutions	14	10,562,338	13,781,555
Deposits and other accounts	15	118,794,690	83,318,795
Sub-ordinated loans	16	2,999,700	1,000,000
Liabilities against assets subject to finance lease	17	1,459	14,159
Other liabilities	18	2,271,393	1,282,980
Deferred tax liabilities	19	567,217	526,866
		136,512,477	101,151,448
<b>Net assets</b>		<b>8,587,430</b>	<b>6,016,092</b>
<b>Represented by</b>			
Share capital	20	1,507,018	1,255,848
Reserves	21	5,862,074	4,317,301
Unappropriated profit		–	–
		7,369,092	5,573,149
Surplus on revaluation of assets - net of tax	22	1,218,338	442,943
		<b>8,587,430</b>	<b>6,016,092</b>
<b>Contingencies and commitments</b>	23		

The annexed notes 1 to 47 form an integral part of these financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

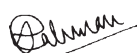


## Profit and Loss Account

for the year ended December 31, 2005

(Rupees in thousand)	Notes	2005	2004
Mark-up / return / interest earned	24	8,780,698	4,487,206
Mark-up / return / interest expensed	25	4,278,374	1,117,206
Net mark-up / interest income		4,502,324	3,370,000
Provision against non-performing loans and advances	10.3	638,547	277,398
(Reversal) / provision for impairment in the value of investments	9.11	(36,555)	38,066
Bad debts written off directly		–	7
		601,992	315,471
Net mark-up / interest income after provisions		3,900,332	3,054,529
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		838,561	708,377
Dividend income		51,143	26,318
Income from dealing in foreign currencies		356,218	180,992
Gain on sale of investments	26	99,825	540,193
Other income	27	206,819	177,648
Total non-markup / interest income		1,552,566	1,633,528
		5,452,898	4,688,057
<b>Non mark-up / interest expenses</b>			
Administrative expenses	28	2,591,985	1,845,179
Other provisions / write offs		–	–
Other charges	29	1,832	138
Total non-markup / interest expenses		2,593,817	1,845,317
		2,859,081	2,842,740
Extra ordinary / unusual items		–	–
<b>Profit before taxation</b>		2,859,081	2,842,740
Taxation – current		828,774	876,089
– prior years'		(188,247)	–
– deferred		196,558	43,611
	30	837,085	919,700
<b>Profit after taxation</b>		2,021,996	1,923,040
Unappropriated profit brought forward		–	–
Profit available for appropriation		2,021,996	1,923,040
<b>Appropriations:</b>			
Transfer to:			
Statutory reserve		404,399	384,608
Capital reserves (reserve for issue of bonus shares)		497,315	251,170
Revenue reserves		894,229	1,036,092
Proposed cash dividend (Rs 1.5 per share; 2004: Rs 2 per share)		226,053	251,170
		2,021,996	1,923,040
Unappropriated profit carried forward		–	–
<b>Basic / diluted earnings per share - Rupees</b>	31	13.42	12.76

The annexed notes 1 to 47 form an integral part of these financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



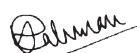
Lt. Gen. Waseem Ahmed Ashraf  
Chairman

# Cash Flow Statement

for the year ended December 31, 2005

(Rupees in thousand)	Notes	2005	2004
<b>Cash flow from operating activities</b>			
Profit before taxation		2,859,081	2,842,740
Less: Dividend income		(51,143)	(26,318)
		2,807,938	2,816,422
Adjustments for non-cash charges			
Depreciation		275,190	199,911
Provision against non-performing advances (net)		638,547	277,405
(Reversal) / provision for impairment in the value of investments		(36,555)	38,066
Net profit on sale of property and equipment		(6,712)	(5,235)
Finance charges on leased assets		474	2,395
		870,944	512,542
		3,678,882	3,328,964
(Increase) / decrease in operating assets			
Lendings to financial institutions		(5,867,403)	2,496,003
Held for trading securities		(340,534)	(203,078)
Advances		(16,777,050)	(25,437,901)
Other assets (excluding advance taxation)		(1,005,825)	(451,941)
		(23,990,812)	(23,596,917)
Increase / (decrease) in operating liabilities			
Bills payable		88,587	253,390
Borrowings from financial institutions		(3,219,217)	(2,121,500)
Deposits and other accounts		35,475,895	21,662,188
Other liabilities (excluding current taxation)		1,012,745	294,617
		33,358,010	20,088,695
Cash flow before tax		13,046,080	(179,258)
Income tax paid		(776,608)	(476,228)
Net cash flow from / (used in) operating activities		12,269,472	(655,486)
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(6,311,097)	4,496,641
Net investments in held-to-maturity securities		(1,093,031)	(470,451)
Net investments in subsidiary / associate		(100,000)	(3,678)
Dividend income		51,143	26,318
Investments in operating fixed assets - net of adjustment		(887,158)	(822,484)
Sale proceeds of operating fixed assets - disposed off		20,841	12,704
Net cash flow (used in) / from investing activities		(8,319,302)	3,239,050
<b>Cash flow from financing activities</b>			
Receipts of sub-ordinated loans-net		1,999,700	1,000,000
Payments of lease obligations		(13,277)	(25,965)
Dividends paid		(250,285)	(225,026)
Net cash flow from financing activities		1,736,138	749,009
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	32	13,610,765	10,278,192
Cash and cash equivalents at end of the year	32	19,297,073	13,610,765

The annexed notes 1 to 47 form an integral part of these financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



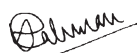
Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Statement of Changes in Equity

for the year ended December 31, 2005

(Rupees in thousand)	Share Capital	Capital Reserve for Issue of Bonus Shares	Statutory Reserve	Revenue Reserves		Un-appropriated profit	Total
				General Reserve	Reserve for Contingencies note: 21		
<b>Balance as at January 01, 2004</b>	1,141,680	114,168	1,060,262	1,275,169	310,000	–	3,901,279
Net profit for the year	–	–	–	–	–	1,923,040	1,923,040
Bonus shares issued	114,168	(114,168)	–	–	–	–	–
Final dividend	–	–	–	–	–	(251,170)	(251,170)
Transfer to:							
Statutory reserve	–	–	384,608	–	–	(384,608)	–
Reserve for issue of bonus shares	–	251,170	–	–	–	(251,170)	–
General reserve	–	–	–	1,036,092	–	(1,036,092)	–
<b>Balance as at January 01, 2005</b>	1,255,848	251,170	1,444,870	2,311,261	310,000	–	5,573,149
Net profit for the year	–	–	–	–	–	2,021,996	2,021,996
Bonus shares issued	251,170	(251,170)	–	–	–	–	–
Proposed dividend	–	–	–	–	–	(226,053)	(226,053)
Transfer to:							
Statutory reserve	–	–	404,399	–	–	(404,399)	–
Reserve for issue of bonus shares	–	497,315	–	–	–	(497,315)	–
General reserve	–	–	–	894,229	–	(894,229)	–
<b>Balance as at December 31, 2005</b>	1,507,018	497,315	1,849,269	3,205,490	310,000	–	7,369,092

The annexed notes 1 to 47 form an integral part of these financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Notes to the Financial Statements

for the year ended December 31, 2005

- 1. Status and nature of business** Askari Commercial Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi.
- The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 99 branches (2004: 75 branches); 98 in Pakistan and Azad Jammu and Kashmir and an Offshore Banking Unit in the Kingdom of Bahrain (OBU).
- The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.
- 2. Basis of presentation** In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- 3. Statement of compliance** These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40 Investment Property are not applicable for Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.
- The following published amendments to existing standards are not yet effective and are mandatory for the Bank's accounting periods beginning on or after January 1, 2006 or later periods:
- |     |  |                                |
|-----|--|--------------------------------|
| i.  | IAS 19 (Amendments) - Employee Benefits                          | effective from January 1, 2006 |
| ii. | IAS 1 Presentation of Financial Statements - Capital Disclosures | effective from January 1, 2007 |
- Effect of adoption of the above amendments on the future financial statements is not likely to be material.
- 4. Basis of measurement** These financial statements have been prepared under the historical cost convention as modified for certain investments and derivative contracts which are shown at revalued amounts.
- 5. Summary of significant accounting policies**
- 5.1 Cash and cash equivalents**  
Cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call money lendings.
- 5.2 Sale and repurchase agreements**  
Securities sold under repurchase agreement (repo) are retained in the financial statements as investments and a liability for consideration received is included in borrowings from financial institutions. Conversely, consideration for securities purchased under resale agreement (reverse

repo) are included in lendings to financial institutions. The difference between sale and repurchase / purchase and resale price is treated as mark-up / return expensed and earned, as the case may be. Repo and reverse repo balances are reflected under borrowings from and lendings to financial institutions respectively.

### 5.3 Investments

Investments are classified as follows:

#### Held for trading

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

#### Available for sale

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

#### Held to maturity

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

Investments in subsidiary and associates are carried at cost.

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

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

### 5.4 Advances

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

The Bank has created a general provision on the consumer finance portfolio in order to comply with the requirements of Prudential Regulations for Consumer Finance issued by the State Bank of Pakistan requiring banks to maintain a general provision at an amount equal to 1.5% of the fully secured consumer finance portfolio and 5% of the unsecured consumer finance portfolio to protect them from the risks associated with the cyclical nature of this business.

These provisions are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

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

Capital work-in-progress is stated at cost.

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold/ leasehold land which is not depreciated. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. The cost of assets is depreciated

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

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

## 5.6 Taxation

### Current

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

### Deferred

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

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

## 5.7 Staff retirement benefits

### Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The Actuarial gains / losses of one accounting period are recognized in the following accounting period.

### Defined contribution plan

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

### Compensated absences

The Bank grants compensated absences to all its regular employees. During the year, the Bank changed the method of recognition of liability for compensated absences and the obligation under the unfunded scheme for compensated absences is now recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations. Previously, annual provision for liabilities towards compensated absences was made on the basis of last drawn basic salary. Had the above mentioned change not taken place, the provision for compensated absences would have been higher and profit before tax for the year would have been lower by Rs.33 million.

## 5.8 Revenue recognition

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

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

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

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

#### **5.9 Foreign currencies**

Foreign currency transactions

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

Foreign branch

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

Translation gains and losses

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

Commitments

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

#### **5.10 Provisions**

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

#### **5.11 Off-setting**

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

#### **5.12 Use of critical accounting estimates and judgements**

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

#### **5.13 Related party transactions**

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

(Rupees in thousand)	Notes	2005	2004
<b>6. Cash and balances with treasury banks</b>			
<b>In hand:</b>			
Local currency		1,592,860	1,404,127
Foreign currency		424,135	335,685
		2,016,995	1,739,812
<b>National Prize Bonds</b>		8,834	10,851
<b>With the State Bank of Pakistan in:</b>			
Local currency current accounts	6.1	5,619,232	3,048,986
Foreign currency current account	6.1	917,317	919,608
Foreign currency deposit account	6.2	2,805,483	2,805,858
		9,342,032	6,774,452
<b>With National Bank of Pakistan in:</b>			
Local currency current accounts		399,064	237,751
		11,766,925	8,762,866

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

**6.2** This represents statutory cash reserve maintained against foreign currency deposit mobilised under F.E. Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate of one month LIBOR less 1% service charges.

(Rupees in thousand)	Note	2005	2004
<b>7. Balances with other banks</b>			
<b>In Pakistan</b>			
On current accounts		179,221	63,539
On deposit accounts		102	6,585
<b>Outside Pakistan</b>			
On current accounts		421,655	589,945
On deposit accounts	7.1	4,949,170	4,187,830
		5,550,148	4,847,899

**7.1** This represents placements on overnight and upto three months with correspondent banks, carrying interest rates determined with respect to underlying currencies benchmarks at the rates ranging from 2.30% to 4.53% (2004 : 1.25% to 2.50%) per annum receivable on maturity.

(Rupees in thousand)	Notes	2005	2004
<b>8. Lendings to financial institutions</b>			
Call money lendings		1,980,000	–
Repurchase agreement lendings (reverse repo)	8.1	4,313,011	750,000
Purchase under resale arrangement of listed equity securities	8.2	100,000	150,000
		4,413,011	900,000
Trade related deals	8.3	404,946	619,839
Others	8.4	3,374,285	805,000
		10,172,242	2,324,839

**8.1** These are secured against underlying Government Securities, the differential of the contracted purchase and re-sale prices is amortised over the period of contract and recorded under mark-up / return / interest earned. These carry mark-up rates ranging from 6.75% to 8.75% (2004 : 3.35% to 5.50%) per annum and maturities of upto 6 months (2004 : 3 months).

**8.2** Shares of a listed company have been purchased under resale agreement at a rate of 15% (2004 : 11%) per annum with maturities of upto 3 months (2004 : 1 month).

**8.3** These are trade related risk participation deals made by Bank's Offshore Banking Unit with returns ranging from 4.85% to 7.88% (2004 : 3.0% to 4.0%) per annum with maturities of upto 11 months (2004 : 10 months).

**8.4** This represents lendings to various financial institutions at mark-up ranging from 9.60% to 11.50% (2004 : 3.25% to 8.75%) per annum with maturities of upto 3 to 6 months (2004 : 6 months).



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

(Rupees in thousand)	2005			2004		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	2,468,011	–	2,468,011	–	–	–
Pakistan Investment Bonds	1,845,000	–	1,845,000	750,000	–	750,000
Purchase under resale arrangement of listed shares	100,000	–	100,000	150,000	–	150,000
	4,413,011	–	4,413,011	900,000	–	900,000

**9. Investments**

(Rupees in thousand)	Notes	2005			2004		
		Held by the Bank	given as collateral	Total	Held by the Bank	given as collateral	Total
<b>9.1 Investments by types:</b>							
<b>Held for trading securities</b>							
Fully paid ordinary shares		544,197	–	544,197	203,663	–	203,663
<b>Available for sale securities</b>							
Market Treasury Bills		14,009,426	482,769	14,492,195	6,946,844	723,442	7,670,286
Pakistan Investment Bonds		4,290,462	344,000	4,634,462	2,699,692	2,400,000	5,099,692
Federal Investment Bonds		–	–	–	106,174	44,000	150,174
Fully paid ordinary shares		844,562	–	844,562	719,786	–	719,786
Fully paid preference shares		125,000	–	125,000	100,000	–	100,000
Askari Income Fund - Units		250,000	–	250,000	–	–	–
Foreign Government Bonds		–	–	–	296,604	–	296,604
Foreign securities	9.2.2	298,570	–	298,570	297,150	–	297,150
		19,818,020	826,769	20,644,789	11,166,250	3,167,442	14,333,692
<b>Held to maturity securities</b>							
Term Finance Certificates (TFCs)		1,886,579	–	1,886,579	1,454,827	–	1,454,827
Government of Pakistan Sukuk Bonds	9.2.2	541,063	–	541,063	–	–	–
Government of Pakistan Euro Bonds	9.2.2	719,224	–	719,224	599,008	–	599,008
		3,146,866	–	3,146,866	2,053,835	–	2,053,835
<b>Investment in associate</b>							
Askari General Insurance Company Limited	9.7	11,182	–	11,182	11,182	–	11,182
<b>Investment in subsidiary</b>							
Askari Investment Management Limited	9.4	100,000	–	100,000	–	–	–
		23,620,265	826,769	24,447,034	13,434,930	3,167,442	16,602,372
Add: Surplus on revaluation of available for sale securities - net		1,291,107	(27,854)	1,263,253	309,554	365,881	675,435
Less: Deficit on revaluation of held for trading securities - net		(582)	–	(582)	(585)	–	(585)
Less: Provision for impairment in value of investments in unlisted shares	9.11	(1,511)	–	(1,511)	(38,066)	–	(38,066)
		24,909,279	798,915	25,708,194	13,705,833	3,533,323	17,239,156

**9.2 Investments by segments:**

(Rupees in thousand)	Notes	2005	2004
<b>Federal Government Securities:</b>	9.2.1		
Market Treasury Bills		14,492,195	7,670,286
Pakistan Investment Bonds		4,634,462	5,099,692
Federal Investment Bonds		–	150,174
Government of Pakistan Euro Bonds	9.2.2	719,224	599,008
Government of Pakistan Sukuk Bonds	9.2.2	541,063	–
		20,386,944	13,519,160
Add: Surplus on revaluation of Government Securities - net		128,328	566,329
		20,515,272	14,085,489
<b>Fully paid up ordinary shares:</b>			
Listed companies	9.3	1,344,261	878,951
Add: Surplus on revaluation of listed securities - net		1,153,703	107,797
		2,497,964	986,748
Unlisted companies	9.4	405,680	55,680
		2,903,644	1,042,428
<b>Fully paid preference shares</b>			
Listed companies	9.5	125,000	100,000
Less: Deficit on revaluation		(9,300)	–
		115,700	100,000
<b>Term Finance Certificates (TFCs)</b>	9.6		
Listed Term Finance Certificates		1,252,300	867,089
Unlisted Term Finance Certificates		634,279	587,738
		1,886,579	1,454,827
<b>Overseas Government Securities</b>			
Foreign Government Bonds		–	296,604
Add: Surplus on revaluation		–	546
		–	297,150
<b>Other Overseas Securities</b>	9.2.2		
Callable notes	9.10	298,570	297,150
Add: (Deficit) / surplus on revaluation		(10,060)	178
		288,510	297,328
		25,709,705	17,277,222
Less: Provision for impairment in value of investments in unlisted shares	9.11	(1,511)	(38,066)
		25,708,194	17,239,156

**9.2.1 Principal terms of investments in Federal Government securities**

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2006 to December 2006	On maturity	7.96% to 8.79%	at maturity
Pakistan Investment Bonds	October 2006 to October 2013	On maturity	6% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually

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

**9.3 Investments in listed shares**

	No. of ordinary shares		Paid-up value per share		Name of companies / mutual funds	Note	(Rupees in thousand)	
	2005	2004	Rupees				2005	2004
	2,350,020	2,375,020	10.05		Sui Northern Gas Pipelines Limited		23,624	23,976
	5,250,000	5,200,000	9.52		Atlas Fund of Funds		50,000	50,000
	2,500,000	2,500,000	10.00		Meezan Balanced Fund		25,000	25,000
	80,000	–	191.18		National Bank of Pakistan		15,294	–
	476,500	–	159.61		MCB Bank Limited		76,055	–
	20,000	–	44.10		Maple leaf Cement Co. Limited		882	–
	460,000	–	107.78		D. G. Khan Cement Co. Limited		49,580	–
	1,532,753	1,532,753	7.30		Askari General Insurance Company Ltd.	9.7	11,182	11,182
	2,633,000	450,000	64.37		Pakistan Telecommunication Company Ltd.		169,477	19,744
	2,536,000	210,000	24.94		Hub Power Company Limited		63,243	7,511
	235,000	70,000	116.29		Oil and Gas Development Company Limited		27,328	5,217
	5,000,000	5,000,000	10.00		ABAMCO Composite Fund		50,000	50,000
	4,659,500	5,000,000	10.00		Pakistan Strategic Allocation Fund		46,595	50,000
	100,200	200,500	420.53		Pakistan State Oil Company Limited		42,137	56,833
	19,170	7,350	120.24		Fauji Fertilizer Company Limited		2,305	837
	150,000	75,000	84.03		Lucky Cement Limited		12,605	3,104
	65,000	50,000	422.66		Pakistan Oilfields Limited		27,473	11,651
	443,000	170,000	209.02		Pakistan Petroleum Limited		92,595	24,164
	92,000	350,000	165.52		Engro Chemical (Pakistan) Limited		15,228	46,205
	50,700	–	82.17		Crescent Steel Mills Limited		4,166	–
	19,000	–	120.53		Honda Atlas Cars Limited		2,290	–
	37,000	–	184.65		Packages Limited		6,832	–
	70,000	–	136.93		ICI Pakistan Limited		9,585	–
	48,000	–	100.10		Bank of Punjab		4,805	–
	289,000	–	108.60		Nishat Textile Mills Limited		31,384	–
	295,500	–	38.24		Fauji Fertilizer Bin Qasim Limited		11,299	–
	113,000	–	139.92		Adamjee Insurance Company Limited		15,811	–
	250,000	–	5.70		Japan Power Generation Limited		1,425	–
	488,500	–	73.39		Faysal Bank Limited		35,850	–
	16,376,106	16,376,106	25.66		Allied Bank of Pakistan		420,211	420,211
	–	50,300	–		Indus Motor Company Limited		–	5,253
	–	2,080	–		Unilever Pakistan Limited		–	3,211
	–	37,000	–		Gadoon Textile Mills Limited		–	3,217
	–	123,000	–		Saif Textile Mills Limited		–	4,430
	–	55,000	–		Kohinoor Textile Mills Limited		–	3,082
	–	1,000,000	–		Dewan Salman Fibre Limited		–	18,002
	–	25,000	–		Pioneer Cement Limited		–	494
	–	1,350,000	–		Sui Southern Gas Pipelines Limited		–	35,627
							1,344,261	878,951
							1,153,703	107,797
							2,497,964	986,748

Add: Surplus on revaluation of shares - (net)

Market value as on December 31

**9.4 Particulars of investments held in unlisted companies / mutual fund**

Investee	Notes	Percentage of holding %	Number of shares / units held	Cost / Paid-up value per share / unit	Total Paid-up value	Break up value	Based on accounts audited as at	Name of Chief Executive
<b>Bank / Companies</b>								
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,006	31 Dec 2004	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party		5.26	568,044	10.00	5,680	4,169	31 Dec 2004	Mr. S.M. Zaeem
Askari Investment Management Limited - subsidiary		100.00	10,000,000	10.00	100,000	94,747	31 Dec 2005	Mr. Adnan Afaq
<b>Mutual Fund</b>								
Askari Income Fund - a related party	9.4.2		25,000,000	10.00	250,000			
					405,680			

- 9.4.1** This represent the Bank's subscription towards the paid up capital of Khushhali Bank in terms of SBP letter No. BSD (RU-26)/625-MfB/13817/00 dated August 07, 2000.
- 9.4.2** This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.
- 9.4.3** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 1,511 thousand (2004: 892 thousand) is considered as impairment and has been fully provided for.

#### 9.5 Particulars investments held in preference shares - Listed

	No. of preference shares		Paid-up value per share		Rate-%	Book Value		Market Value	
	2005	2004	Rupees	Investee		2005 (Rupees in thousand)	2004	2005 (Rupees in thousand)	2004
	10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	90,700	100,000
	2,500,000	–	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2 percent per annum.	25,000	–	25,000	–
						125,000	100,000	115,700	100,000

#### 9.6 Investment in Term Finance Certificates

	No. of certificates		Company's Name	Redeemed value per certificate Rupees	2005 (Rupees in thousand)		2004	
	2005	2004			2005	2004		
<b>Listed</b>								
	–	20,000	Dewan Salman Fibre Limited	1,560	–	31,200		
	15,000	15,000	Sui Southern Gas Company Limited	1,943	29,144	54,124		
	–	3,000	Al-Noor Sugar Mills Limited	1,250	–	3,749		
	6,000	6,000	Gulistan Textile Mills Limited	1,665	9,992	19,984		
	–	25,000	Packages Limited	3,000	–	75,000		
	20,000	20,000	Dewan Farooq Spinning Mills Limited	5,000	100,000	100,000		
	30,000	30,000	Bank Al-Habib Limited	4,998	149,940	150,000		
	35,000	20,000	Bank Alfalah Limited	4,999	174,961	100,000		
	9,600	9,600	Prime Commercial Bank Limited	4,999	47,990	48,000		
	15,000	–	Soneri Bank Limited	4,999	74,985	–		
	10,000	–	Union Bank Limited	5,000	50,000	–		
	20,000	20,000	United Bank Limited	4,998	99,962	100,000		
	–	4,380	Engro Chemical (Pakistan) Limited	4,997	–	21,878		
	6,000	6,000	Shakar Ganj Mills Limited	1,999	11,993	23,987		
	100,000	–	Pak Arab Fertilizer Limited	5,000	500,000	–		
	8,000	8,000	Securetel SPV Limited	417	3,333	16,667		
	–	5,500	Paramount Spinning Mills Limited	5,000	–	27,500		
	–	19,000	Gulshan Spinning Mills Limited	5,000	–	95,000		
			Book value as on December 31		1,252,300	867,089		
<b>Unlisted</b>								
	30,000	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	5,000	150,000	150,000		
	–	6,000	Dewan Sugar Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf Farooqui)	1,500	–	9,000		
	70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Tariq Kirmani)	4,875	341,236	349,989		
	18,000	18,000	Kohinoor Textile Mills Limited (Chief Executive: Mr. Taufique Sayeed Saigol)	3,125	56,250	78,749		
	18,995	–	Dewan Cement Limited (Formerly Pakland Cement Limited) (Chief Executive: Syed Moonis Abdulah Alvi)	4,569	86,793	–		
			Book value as on December 31		634,279	587,738		

These carry rate of return ranging from 8.45% to 14.00% (2004 : 6.00% to 17.00%) per annum and having maturity periods of upto 8 years (2004 : 5 years).

- 9.7** This represents 15% (2004: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2005: Rs.41,538 thousand ; 2004: Rs. 38,549 thousand).
- 9.8** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT/DD discounting facilities.
- 9.9** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.
- 9.10** This represents callable notes issued by Federal Home Loan Mortgage Corporation, USA with rates ranging from 3.25% to 5% (2004 : 3.25% to 5%) per annum maturing on July 8, 2008.

**9.11 Particulars of provision for impairment in value of investments**

(Rupees in thousand)	Note	2005	2004
Opening balance		38,066	–
Charge for the year		619	38,066
Reversals		(37,174)	–
		(36,555)	38,066
Closing balance		1,511	38,066

**10. Advances**

**Loans, cash credits, running finances, etc.**

In Pakistan 73,272,718 56,456,782

**Bills discounted and purchased (excluding treasury bills)**

Payable in Pakistan 5,297,919 5,096,256

Payable outside Pakistan 9,463,507 9,406,325

14,761,426 14,502,581

88,034,144 70,959,363

**Financing in respect of continuous funding system / carry over transactions**

361,718 659,480

88,395,862 71,618,843

Provision against loans and advances 10.3

Specific provision (1,410,802) (944,256)

General provision (765,867) (700,381)

General provision against consumer loans (242,298) (135,814)

(2,418,967) (1,780,451)

85,976,895 69,838,392

**10.1 Particulars of advances**

**10.1.1** In local currency 76,712,364 66,097,018

In foreign currencies 11,683,498 5,521,825

88,395,862 71,618,843

**10.1.2** Short term (for upto one year) 67,353,484 57,282,993

Long term (for over one year) 21,042,378 14,335,850

88,395,862 71,618,843

**10.2** Advances include Rs. 2,373,166 thousand (2004: Rs.1,101,382 thousand) which have been placed under non-performing status as detailed below :

(Rupees in thousand)		2005				
Category of classification	Note	Domestic	Overseas	Total	Provision required	Provision held
Special mention	10.2.1	–	–	–	63,832	63,832
Substandard		304,886	–	304,886	52,165	52,165
Doubtful		551,335	–	551,335	174,896	174,896
Loss		1,516,945	–	1,516,945	1,119,909	1,119,909
		2,373,166	–	2,373,166	1,410,802	1,410,802

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

**10.3 Particulars of provision against non-performing advances**

(Rupees in thousand)	Note	2005				2004			
		Specific	General	Consumer Loans-General	Total	Specific	General	Consumer Loans-General	Total
Opening balance		944,256	700,381	135,814	1,780,451	878,719	651,313	33,502	1,563,534
Charge for the year		466,577	65,486	106,484	638,547	126,018	49,068	102,312	277,398
Amounts written off	10.4	(31)	–	–	(31)	(60,481)	–	–	(60,481)
Closing balance		1,410,802	765,867	242,298	2,418,967	944,256	700,381	135,814	1,780,451

During the year, the Bank changed the method of computation of provision for non-performing advances in order to comply with instructions contained in BSD Circular No. 07 dated November 01, 2005 issued by the State Bank of Pakistan. The amendments in Prudential Regulations for classification and provisioning for loans and advances made vide this Circular include, elimination of Other Assets Especially Mentioned category, revision of aging criteria, increase in provisioning requirement for Substandard category to 25 percent and benefit of forced sale value (FSV) of collateral will now be allowed over certain financing thresholds. Had the above mentioned changes not taken place, the provision against non-performing advances would have been lower and profit before tax for the year would have been higher by Rs. 115.804 million.

(Rupees in thousand)	Notes	2005	2004
<b>10.4 Particulars of write-offs:</b>			
<b>10.4.1</b> Against provisions	10.3	31	60,481
Directly charged to profit and loss account		–	7
		31	60,488
<b>10.4.2</b> Write offs of Rs. 500,000 and above	10.5	–	59,911
Write offs of below Rs. 500,000		31	577
		31	60,488

**10.5** 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, 2005 is given at Annexure-I.

**10.6 Particulars of loans and advances to directors and associated company etc.**

(Rupees in thousand)	Note	Balance as at December 31, 2005	*Maximum total amount of advances including temporary advances granted during the year
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons		77,407	77,434
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		–	–
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties		764,619	764,619
		842,026	842,053

\* The maximum amount has been calculated by reference to month-end balances.

**11. Other assets**

Income / mark-up accrued in local currency	11.1	1,903,444	992,856
Income / mark-up accrued in foreign currencies		148,277	48,076
Advances, deposits, advance rent and other prepayments		280,372	290,937
Advance taxation (payments less provisions)		182,152	14,701
Un-realized gain on forward foreign exchange contracts-net		68,446	–
Suspense account		24,192	81,279
Stationary and stamps in hand		43,289	38,311
Dividend receivable		9,023	10,304
Others		73,446	82,901
		2,732,641	1,559,365

**11.1** This balance has been arrived at after adjusting interest in suspense of Rs. 494,423 thousand (2004: 390,463 thousand).

(Rupees in thousand)	Notes	2005	
<b>12. Operating fixed assets</b>			
Capital work-in-progress	12.1	236,012	219,150
Property and equipment	12.2	2,956,850	2,375,873
		3,192,862	2,595,023
<b>12.1 Capital work-in-progress</b>			
Civil works		10,468	10,468
Advances to suppliers and contractors		225,544	208,682
		236,012	219,150

**12.2 Property and equipment**

(Rupees in thousand)	COST				DEPRECIATION				Book Value	Rate of Depreciation %
	as at January 1, 2005	additions	transfers/ (deletions)/ adjustments*	as at December 31, 2005	as at January 1, 2005	charge for the year	on transfers/ (deletions)/ adjustments*	as at December 31, 2005	as at December 31, 2005	
Land -freehold	365,588	39,355	-	404,943	-	-	-	-	404,943	-
Land -leasehold	304,496	104,279	-	408,775	-	-	-	-	408,775	-
Buildings on freehold land	515,281	13,376	(13,964)	514,693	82,574	20,530	16,633	119,737	394,956	5
Buildings on leasehold land	616,677	151,940	13,964	782,581	78,396	33,640	(16,606)	95,430	687,151	5
Renovation of leased premises	275,722	94,121	(5,197)	364,646	158,490	46,468	(4,594)	200,364	164,282	20
Furniture, fixtures and office equipments	147,699	61,134	(1,451)	207,382	47,382	13,311	(518)	60,175	147,207	10
Carpets	12,099	1,404	(562)	12,941	8,801	1,172	(477)	9,496	3,445	20
Machine and equipments	366,337	117,296	(7,871)	475,762	170,099	52,539	(4,311)	218,327	257,435	20
Computer equipments	361,515	160,325	(356)	520,504	164,478	58,438	(112)	222,739	297,765	20
Vehicles	98,697	127,803	(37,428)	215,333	27,893	30,520	(31,724)	43,833	171,500	20
Other assets	45,599	205	(1,849)	43,955	29,980	4,716	(213)	34,483	9,472	20
	3,109,710	871,238	26,261	3,951,515	768,093	261,334	17,144	1,004,584	2,946,931	
			(54,714)				(41,949)			
			(980)*				(38)*			
Assets held under finance lease:										
Vehicles	82,755	-	(26,261)	54,096	48,499	13,856	(17,144)	44,177	9,919	20
		-	(2,398)				(1,034)			
	82,755	-	(28,659)	54,096	48,499	13,856	(18,178)	44,177	9,919	
<b>2005</b>	3,192,465	871,238	(57,112)	4,005,611	816,592	275,190	(42,983)	1,048,761	2,956,850	
			(980)*				(38)*			
2004	2,488,656	733,826	(30,017)	3,192,465	639,229	199,911	(22,548)	816,592	2,375,873	

The gross carrying amount of fully depreciated property and equipments still in use amounted to Rs.107,320 thousand (2004: Rs. 109,906 thousand).

**12.3 Detail of disposals of operating fixed assets**

Particulars of assets (Rupees in thousand)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
Toyota Corolla	769	487	282	378	As per Bank policy	Mr. Nazimuddin A. Chaturbhai - Executive
Suzuki Cultus	550	367	183	268	-do-	Mr. Abdul Majeed - ex-Executive
Suzuki Khyber	467	467	-	175	-do-	Mr. Ijaz Ahmed Butt - Executive
Suzuki Baleno	649	649	-	227	-do-	Mr. Azhar Imtiaz Bhatti - Executive
Kia Sportage	1,549	723	826	1,300	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Toyota Corolla	769	525	244	368	As per Bank policy	Mr. Ahmed Khan - Executive
Toyota Corolla	769	564	205	351	-do-	Mr. Muhammad Saghir - ex-Executive
Suzuki Baleno	699	466	233	336	-do-	Mr. Amjad Yaqoob Kiyani - Executive
Suzuki Khyber	434	434	-	152	-do-	Syed Altaf Haider Shah - Executive
Suzuki Cultus	524	419	105	201	-do-	Mr. Zubair Ahmed Sheikh - Executive
Suzuki Cultus	424	424	-	152	-do-	Mr. Aftab Ahmed - Executive
Suzuki Cultus	560	37	523	540	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Cultus	525	464	61	203	As per Bank policy	Mr. Ejaz M. Siddiqui - Executive
Toyota Corolla	849	381	468	500	-do-	Mr. Muhammad Afzal - Executive
Suzuki Baleno	699	466	233	331	-do-	Syed Shahid Raza - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Raja Waheed Zaman - Executive
Toyota Corolla	739	677	62	289	-do-	Mr. Hafeez R. Quraishy - Executive
Suzuki Cultus	550	385	165	262	-do-	Mr. Shahbaz Saboor - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Waqar Ahsan - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Shahid Iqbal - Executive
Toyota Corolla	739	690	49	278	-do-	Mr. Agha Ali Imam - Executive
Suzuki Cultus	550	358	192	280	-do-	Mr. Tariq Siddique Ghauri - Executive
Suzuki Khyber	434	434	-	152	-do-	Mr. Imtiaz Ahmed - Executive
Suzuki Baleno	699	466	233	332	-do-	Mr. Safdar Hussain Bukhari - Executive
Suzuki Baleno	699	466	233	333	-do-	Mr. Nasir Javed - Executive
Suzuki Cultus	550	358	192	274	-do-	Mr. Faheem Ahmed Qureshi - Executive
Honda City	878	249	629	750	-do-	Mr. Waqar Hameed - Executive
Toyota Corolla	739	690	49	265	-do-	Mr. Shaukat Ali - ex-Executive
Honda CD 70	43	6	37	43	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Baleno	699	478	221	331	As per Bank policy	Mr. Niaz Muhammad - Executive
Suzuki Baleno	699	489	210	331	-do-	Mr. Khawaja Safdar Hussain - Executive
Suzuki Cultus	520	520	-	182	-do-	Mr. Atiq Hussain - Executive
Suzuki Cultus	525	516	9	184	-do-	Mr. Adnan Qamar - Executive
Toyota Corolla	739	702	37	259	-do-	Mr. Qaiser Iqbal Khan - ex-Executive
Suzuki Baleno	699	524	175	343	-do-	Mr. Sajjad Ali Sheikh - Executive
Suzuki Baleno	699	524	175	301	-do-	Mr. Yaqoob Ismail - Executive
Toyota Corolla	739	739	-	259	-do-	Mr. M. Munir Ahmed - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Mahmood Hussain - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Ghulam Sabir - Executive
Suzuki Baleno	699	501	198	301	-do-	Mr. Abdul Jabbar - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Akmal Waheed - Executive
Toyota Corolla	769	769	-	256	-do-	Mr. Sajjad Ahmed Qureshi - Executive
Toyota Corolla	849	311	538	538	Transfer	Askari Investment Management Limited - Subsidiary
	27,642	20,665	6,977	13,192		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	29,470	22,318	7,152	7,649		
<b>2005</b>	<b>57,112</b>	<b>42,983</b>	<b>14,129</b>	<b>20,841</b>		
2004	30,017	22,548	7,469	12,704		



	(Rupees in thousand)	Notes	2005	2004
<b>13. Bills payable</b>	In Pakistan		1,315,680	1,227,093
<b>14. Borrowings from financial institutions</b>	In Pakistan		10,560,524	13,089,993
	Outside Pakistan		1,814	691,562
			10,562,338	13,781,555
<b>14.1 Particulars of borrowings from financial institutions</b>				
	In local currency		10,560,524	13,089,993
	In foreign currencies		1,814	691,562
			10,562,338	13,781,555
<b>14.2 Details of borrowings from financial institutions</b>				
	<b>In Pakistan - local currency</b>			
	<b>Secured</b>			
	Borrowings from the State Bank of Pakistan:			
	Export refinance scheme	14.2.1	9,465,394	9,776,551
	Long term financing of export oriented projects	14.2.2	312,361	–
	Repurchase agreement borrowings (repo)	14.2.3	782,769	3,123,442
	<b>Unsecured</b>			
	Call borrowings		–	190,000
			10,560,524	13,089,993
	<b>Outside Pakistan - foreign currencies</b>			
	Overdrawn nostro accounts - unsecured		1,814	691,562
			10,562,338	13,781,555

**14.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 7.50% per annum payable on a quarterly basis.

**14.2.2** These carry mark-up ranging from 2.0% to 4.9% per annum payable on a quarterly basis.

**14.2.3** These are secured against pledge of Government Securities, and carry mark-up ranging from 8.10% to 8.45% per annum and have maturities of upto 1 month.

	(Rupees in thousand)	2005	2004
<b>15. Deposits and other accounts</b>	<b>Customers</b>		
	Fixed deposits	37,999,587	13,275,201
	Savings deposits	57,854,949	49,911,504
	Current accounts - non-remunerative	20,089,228	18,463,536
	Special exporters' account	304,924	75,836
	Margin accounts	1,076,511	1,207,079
	Others	125,010	97,829
	<b>Financial institutions</b>		
	Remunerative deposits	1,344,481	287,810
		118,794,690	83,318,795
<b>15.1 Particulars of deposits</b>			
	In local currency	98,378,918	64,205,425
	In foreign currencies	20,415,772	19,113,370
		118,794,690	83,318,795

**15.1.1** The above include deposits of related parties amounting to Rs. 886,721 thousand (2004: Rs.1,065,845 thousand).

(Rupees in thousand)	2005	2004
<b>16. Sub-ordinated loans</b>		
Term Finance Certificates	2,999,700	1,000,000

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

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount -		
Rupees in thousand	1,499,700	1,500,000
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA	AA
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5%	Payable six monthly - Base Rate plus 1.5%
	Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

#### 17. Liabilities against assets subject to finance lease

(Rupees in thousand)	2005			2004		
	Minimum lease payments	Financial charges for future periods	Principal Outstanding	Minimum lease payments	Financial charges for future periods	Principal Outstanding
Not later than one year	1,482	23	1,459	13,687	603	13,084
Later than one year and not later than five years	-	-	-	1,099	24	1,075
	1,482	23	1,459	14,786	627	14,159

The Bank has entered into various lease agreements with leasing companies and modarabas for vehicles. Lease rentals are payable on quarterly basis and include finance charges ranging between 7.75% to 10.50% per annum which have been used as discounting factor. The Bank has the option to purchase the assets upon completion of lease period, and has the intention to exercise such option.

(Rupees in thousand)	2005	2004
<b>18. Other liabilities</b>		
Mark-up / return / interest payable in local currency	905,564	196,817
Mark-up / return / interest payable in foreign currencies	6,328	60,499
Unearned income / commission	10,108	56,858
Accrued expenses	148,187	108,340
Advance payments	167,487	51,319
Unclaimed dividends	29,924	29,039
Proposed dividend	226,053	251,170
Unrealized loss on forward foreign exchange contracts	-	40,992
Branch adjustment account	345,791	152,052
Payable to defined contribution plan	13	-
Payable against purchase of listed shares	200,436	136,227
Withholding taxes payable	8,188	6,553
Others	223,314	193,114
	2,271,393	1,282,980

(Rupees in thousand)		2005	2004
<b>19. Deferred tax liabilities</b>	Deferred credits arising due to:		
	Accelerated tax depreciation	335,514	210,708
	Excess of accounting book value of leased assets over lease liabilities	(511)	(5,805)
	Surplus on revaluation of securities	44,915	232,492
	Profit on securities recognized but not received	187,299	89,471
		567,217	526,866

## 20. Share capital

### 20.1 Authorised capital

Number of shares			2005	2004
			(Rupees in thousand)	
			4,000,000	4,000,000
		Ordinary shares of Rs. 10 each		

### 20.2 Issued, subscribed and paid up Ordinary shares of Rs. 10 each:

Number of shares			2005	2004
67,500,000	67,500,000	Issued for cash	675,000	675,000
83,201,684	58,084,737	Fully paid bonus shares	832,018	580,848
150,701,684	125,584,737		1,507,018	1,255,848

## 21. Reserves

(Rupees in thousand)	Capital Reserve for issue of Bonus Shares		Revenue Reserves				2005	2004
	Statutory Reserve	General Reserves	Reserve for Contingencies	Total Revenue Reserves				
Balance as at January 01	251,170	1,444,870	2,311,261	310,000	2,621,261	4,317,301	2,759,599	
Bonus shares issued	(251,170)	-	-	-	-	(251,170)	(114,168)	
Transfer from profit and loss account	497,315	404,399	894,229	-	894,229	1,795,943	1,671,870	
Balance as at December 31	497,315	1,849,269	3,205,490	310,000	3,515,490	5,862,074	4,317,301	

Reserve for contingencies has been created for risk assets comprising advances and investments excluding Government Securities. The reserve has been created, as a matter of prudence, exclusively to provide sufficient cushion for any future losses in the Bank's risk asset portfolio.

(Rupees in thousand)		2005	2004
<b>22. Surplus on revaluation of assets</b>	<b>Surplus on revaluation of available for sale securities</b>		
	i) Federal Government securities	128,328	566,329
	ii) Listed shares	1,144,985	108,382
	iii) Other securities	(10,060)	724
		1,263,253	675,435
	Less: Related deferred tax effect	(44,915)	(232,492)
		1,218,338	442,943
<b>23. Contingencies and commitments</b>	<b>23.1 Direct credit substitutes</b>		
	i) Government	-	545,047
	ii) Others	8,899,087	6,678,538
		8,899,087	7,223,585

(Rupees in thousand)	2005	2004
<b>23.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	8,182	–
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	20,785,229	16,361,130
ii) Banks and other financial institutions	1,130,038	1,382,497
iii) Others	4,097,783	3,099,898
	26,013,050	20,843,525
	26,021,232	20,843,525
<b>23.3 Trade-related contingent liabilities</b>	22,482,877	17,015,306
<b>23.4 Other contingencies</b>	861,056	445,140

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.

**23.5** For contingencies in respect of tax matters refer note 30.2

(Rupees in thousand)	2005	2004
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	4,359,006	753,480
Sale and repurchase agreements	788,871	3,127,143
<b>23.7 Commitments in respect of forward purchase / sale of listed equity securities</b>		
Purchase	19,749	–
Sale	525,554	102,912
<b>23.8 Commitments in respect of forward exchange contracts</b>		
Purchase	4,291,946	8,791,180
Sale	7,605,106	5,751,846
<b>23.9 Commitments for the acquisition of operating fixed assets</b>	259,668	338,827
<b>23.10 Other commitments</b>		
Commitments to extend credit	1,716,272	396,611
<b>23.11 Bills for collection</b>		
Payable in Pakistan	342,504	412,758
Payable outside Pakistan	23,105,625	19,767,519
	23,448,129	20,180,277

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

#### **23.12 Off balance sheet financial instruments**

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against

Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

	(Rupees in thousand)	Notes	2005	2004
<b>24. Mark-up / return / interest earned</b>	<b>On loans and advances to:</b>			
	i) Customers		6,563,752	3,074,730
	ii) Financial institutions		97,592	103,650
	<b>On investments</b>			
	i) Available for sale securities		1,301,855	926,169
	ii) Held to maturity securities		220,253	150,874
	On deposits with financial institutions		447,233	214,116
	On securities purchased under resale agreements		150,013	17,667
			8,780,698	4,487,206
	<b>25. Mark-up / return / interest expensed</b>	On deposits		3,392,338
On securities sold under repurchase agreements			173,437	123,355
On sub-ordinated loans			166,785	426
On other short term borrowings			545,814	190,623
		4,278,374	1,117,206	
<b>26. Gain on sale of investments</b>	Gain on sale of Government Securities		14,605	14,927
	Gain on sale of other investments		85,220	525,266
			99,825	540,193
<b>27. Other income</b>	Rent of property	27.1	36,976	32,878
	Net profit on sale of property and equipment		6,712	5,235
	Rent of lockers		8,493	7,993
	Recoveries of expenses from customers		154,638	131,542
			206,819	177,648

**27.1** This includes an amount of Rs. 19,251 thousand (2004: Rs. 17,900 thousand) on account of rent received from related parties.

	(Rupees in thousand)	Notes	2005	2004
<b>28. Administrative expenses</b>	Salaries, allowances, etc.		1,104,687	797,239
	Contribution to defined contribution plan		31,899	24,045
	Non-executive directors' fees, allowances and other expenses		82	91
	Rent, taxes, insurance, electricity, etc.		265,617	202,150
	Legal and professional charges		33,469	20,609
	Brokerage and commission		82,564	61,346
	Communications		189,982	162,906
	Repairs and maintenance		111,757	58,402
	Finance charges on leased assets		474	2,395
	Stationery and printing		78,485	59,590
	Advertisement and publicity		120,304	106,004
	Depreciation	12.2	275,190	199,911
	Donation	28.1	30,000	–
	Auditors' remuneration	28.2	2,530	1,008
	Charge for defined benefit plan	34.4	25,646	13,290
Other expenditure (travelling, security services, vehicle running expenses, etc.)		239,299	136,193	
		2,591,985	1,845,179	

**28.1** This represents donation to the President's Relief Fund for earthquake victims, established by the President of Pakistan. None of the Directors or their spouses had any interest in the donee fund.

(Rupees in thousand)	2005	2004
<b>28.2 Auditors' remuneration</b>		
Audit fee	1,500	362
Fee for audit of branch outside Pakistan	499	351
Fee for audit of employees' funds	–	40
Special certifications, half year review and audit of consolidated financial statements	436	195
Out-of-pocket expenses	95	60
	2,530	1,008
<b>29. Other charges</b>		
Penalties imposed by the State Bank of Pakistan	1,832	138
<b>30. Taxation</b>		
<b>For the year</b>		
Current	828,774	876,089
Deferred	196,558	43,611
	1,025,332	919,700
<b>For prior years</b>		
Current	(219,617)	–
Deferred	31,370	–
	(188,247)	–
	837,085	919,700
<b>30.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	2,859,081	2,842,740
Tax at applicable tax rate of 38 percent (2004: 41 percent)	1,086,451	1,165,523
Effect of:		
- Income chargeable to tax at lower rates	(16,877)	(9,474)
- Income exempt from tax	(29,701)	(215,599)
- Temporary differences on which deferred tax has been accounted for over enacted reduced rate for subsequent years	(16,847)	–
- Prior years' adjustment - tax rate effect	(43,080)	(18,349)
- others	(145,167)	–
- Amounts not deductible for tax purposes	2,306	(2,401)
	837,085	919,700

**30.2** Income tax authorities have finalized tax assessments of the Bank upto and including the assessment year 2002-2003 (income year ended December 31, 2001). Returns filed by the Bank for tax years 2003, 2004 and 2005 have been assessed under self-assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

While finalizing assessments for the assessment years 1998-99 to 2002-2003, the taxation officer disallowed provisions made by the Bank for bad and doubtful debts and also charged tax on classified loans credited to suspense account under the Prudential Regulations of the State Bank of Pakistan, thereby raising tax demand of Rs. 557 million. Assessment for tax year 2003 was also amended and further demand of Rs. 165 million was raised on account of disallowance of provision for bad and doubtful debts. The Bank successfully appealed before the Commissioner of Income Tax (Appeals) [CIT (Appeals)] who deleted these disallowances. The Income Tax Department has filed appeals to the Income Tax Appellate Tribunal [ITAT] against the appellate orders of the CIT (Appeals). These departmental appeals are pending disposal.

The taxation officer has given effect to the appellate orders of the CIT (Appeals) for the assessment years 2000-2001, 2001-2002, 2002-2003 and tax year 2003 resulting in a refund of Rs 516 million to the Bank.

Pursuant to the assessments finalized for the assessment years 1998-1999 to 2002-2003, the tax department also reopened the Bank's assessments relating to the assessment years 1995-96 to 1997-98 and created tax demand aggregating Rs. 206 million by taxing provisions for bad and doubtful debts and interest credited on classified loans to suspense account. The CIT (Appeals) deleted tax demands of Rs. 74 million while deciding appeals for the assessment years 1995-96 and 1996-97 while appeal for the assessment year 1997-98 is pending disposal before the ITAT. The taxation officer challenged the appellate orders relating to the assessment years 1995-96 and 1996-97 before the ITAT, where the matter is pending disposal. The management is hopeful that these appeals will be ultimately decided in the Bank's favour.

The reversal of provision represents certain writebacks against claims relating to assessment years 2000-2001 and 2001-2002 which stand decided in the Bank's favour.

Notwithstanding the above, should these liabilities materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization of these receivables. Other than these matters, tax demands have been fully provided for.

(Rupees in thousand)		2005	2004
<b>31. Basic / diluted earnings per share</b>	Profit for the year - Rupees in '000	2,021,996	1,923,040
	Weighted average number of Ordinary Shares - Numbers	150,701,684	150,701,684
	Basic / diluted earnings per share - Rupees	13.42	12.76

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

**31.1** Weighted average number of ordinary shares for 2004 has been restated to give effect of bonus shares issued during the year.

(Rupees in thousand)		2005	2004
<b>32. Cash and cash equivalents</b>	Cash and balances with treasury banks	11,766,925	8,762,866
	Balances with other banks	5,550,148	4,847,899
	Call money lendings	1,980,000	–
		19,297,073	13,610,765

<b>33. Staff strength</b>	Total number of employees at the end of the year	2,754	2,118
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#### **34. Defined benefit plan**

##### **34.1 General description**

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lumpsum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.

##### **34.2 Principal actuarial assumptions**

The actuarial valuation was carried out for the year ended December 31, 2005 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Expected rate of return on investments	8.3 percent per annum

(Rupees in thousand)		2005	2004
<b>34.3 Reconciliation of payable to defined benefit plan</b>	Present value of defined benefit obligations	199,511	168,820
	Fair value of plan assets	(182,281)	(163,289)
	Net actuarial losses not recognized	(17,230)	(5,531)
		–	–

(Rupees in thousand)	2005	2004
<b>34.4 Movement in payable to defined benefit plan</b>		
Opening balance	–	–
Charge for the year	25,646	13,290
Contribution to the fund during the year	(25,646)	(13,290)
Closing balance	–	–
<b>34.5 Charge for defined benefit plan</b>		
Current service cost	22,300	16,322
Interest cost	15,194	7,983
Expected return on plan assets	(11,848)	(11,015)
	25,646	13,290
<b>34.6 Actual return on plan assets</b>	18,199	13,540

**34.7** The defined benefit plan assets include deposits maintained with the Bank at a fair value of Rs. 45,027 thousand (2004: Rs. 31,080 thousand).

### 35. Defined contribution plan

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

### 36. Compensated absences

#### 36.1 General description

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

Under this unfunded scheme, regular employees are entitled for 30 days privilege leave for each completed year of service. Unutilized privilege leave can be accumulated upto a maximum of 360 days which can be encashed at the time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

#### 36.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2005 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2005 was Rs 64,176 thousand against related liability of Rs 32,560 thousand carried at December 31, 2004. Charge for the year of Rs 31,616 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	13.32 days
Leave encashment factor	7 days



**37. Remuneration of Chief Executive, Directors and Executives**

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Fees	14	15	82	91	–	–
Managerial remuneration	4,209	3,841	–	–	67,610	53,862
Charge for defined benefit plan	351	1,039	–	–	12,113	12,853
Contribution to defined contribution plan	351	320	–	–	5,453	3,565
Rent and house maintenance	1,263	1,152	–	–	28,669	20,126
Utilities	421	384	–	–	6,629	4,468
Medical	210	327	–	–	5,638	3,997
Bonus	1,754	1,754	–	–	26,974	19,490
	8,573	8,832	82	91	153,086	118,361
Number of persons	1	1	12	14	87	60

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

**38. Maturities of assets and liabilities**

(Rupees in thousand)	Total	2005			
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years
<b>Assets</b>					
Cash and balances with treasury banks	11,766,925	11,766,925	–	–	–
Balances with other banks	5,550,148	5,550,148	–	–	–
Lendings to financial institutions	10,172,242	9,433,505	738,737	–	–
Investments	25,708,194	4,819,394	11,334,419	3,160,865	6,393,516
Advances	85,976,895	35,115,000	31,029,000	12,952,000	6,880,895
Other assets	2,732,641	1,528,300	1,204,341	–	–
Operating fixed assets	3,192,862	119,749	404,032	780,212	1,888,869
	145,099,907	68,333,021	44,710,529	16,893,077	15,163,280
<b>Liabilities</b>					
Bills payable	1,315,680	1,315,680	–	–	–
Borrowings from financial institutions	10,562,338	8,195,989	2,366,349	–	–
Deposits and other accounts	118,794,690	61,147,447	24,618,776	1,191,034	31,837,433
Sub-ordinated loans	2,999,700	–	1,200	4,800	2,993,700
Liabilities against assets subject to finance lease	1,459	922	537	–	–
Other liabilities	2,271,393	2,159,367	112,026	–	–
Deferred tax liabilities	567,217	–	187,299	–	379,918
	136,512,477	72,819,405	27,286,187	1,195,834	35,211,051
<b>Net assets</b>	8,587,430	(4,486,384)	17,424,342	15,697,243	(20,047,771)
Share capital	1,507,018				
Reserves	5,862,074				
Surplus on revaluation of assets	1,218,338				
	8,587,430				

### 39. Yield / interest rate risk

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

(Rupees in thousand)	Effective Yield / Interest rate %	Total	2005				Not exposed to Yield / Interest risk
			Exposed to Yield / Interest risk				
			Upto three months	Over 3 months to one year	Over one year to five years	Over five years	
<b>On-balance sheet financial instruments</b>							
<b>Assets</b>							
Cash and balances with treasury banks	3.29%	11,766,925	2,805,483	–	–	–	8,961,442
Balances with other banks	3.75%	5,550,148	4,949,272	–	–	–	600,876
Lendings to financial institutions	7.89%	10,172,242	9,433,505	738,737	–	–	–
Investments	7.44%	25,708,194	4,275,779	11,334,419	3,160,865	3,919,298	3,017,833
Advances	8.55%	85,976,895	35,115,000	31,029,000	12,952,000	6,880,895	–
Other assets	–	2,732,641	–	–	–	–	2,732,641
		141,907,045	56,579,039	43,102,156	16,112,865	10,800,193	15,312,792
<b>Liabilities</b>							
Bills payable	–	1,315,680	–	–	–	–	1,315,680
Borrowings from financial institutions	5.31%	10,562,338	8,195,989	2,366,349	–	–	–
Deposits and other accounts	3.58%	118,794,690	53,625,325	18,702,886	1,191,034	23,679,772	21,595,673
Sub-ordinated loans	9.87%	2,999,700	–	1,200	4,800	2,993,700	–
Liabilities against assets subject to finance lease	9.41%	1,459	922	537	–	–	–
Other liabilities	–	2,271,393	–	–	–	–	2,271,393
		135,945,260	61,822,236	21,070,972	1,195,834	26,673,472	25,182,746
<b>On-balance sheet gap</b>		<b>5,961,785</b>	<b>(5,243,197)</b>	<b>22,031,184</b>	<b>14,917,031</b>	<b>(15,873,279)</b>	<b>(9,869,954)</b>
<b>Off-balance sheet financial instruments</b>							
Purchase and resale agreements	8.13%	4,359,006	4,359,006	–	–	–	–
Sale and repurchase agreements	8.23%	788,871	788,871	–	–	–	–
Commitments to extend credit	–	1,716,272	1,716,272	–	–	–	–
<b>Off-balance sheet gap</b>		<b>1,853,863</b>	<b>1,853,863</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total yield / interest risk sensitivity gap</b>			<b>(3,389,334)</b>	<b>22,031,184</b>	<b>14,917,031</b>	<b>(15,873,279)</b>	
<b>Cumulative yield / interest risk sensitivity gap</b>			<b>(3,389,334)</b>	<b>18,641,850</b>	<b>33,558,881</b>	<b>17,685,602</b>	

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

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

### 40. Currency risk

(Rupees in thousand)	2005			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees (PKR)	118,732,456	102,070,402	3,313,160	19,975,214
U.S. Dollars (\$)	20,626,431	30,905,853	(2,954,219)	(13,233,641)
Pound Sterling (£)	1,593,429	2,007,919	(51,389)	(465,879)
Japanese Yen (¥)	14,303	45,327	2,240	(28,784)
Euro (€)	846,266	785,774	(307,387)	(246,895)
Other European Currencies	2,306	19,447	(4,587)	(21,728)
Other Currencies	91,854	110,538	2,182	(16,502)
	141,907,045	135,945,260	–	5,961,785

**41. Fair value of financial instruments****41.1 On-balance sheet financial instruments**

(Rupees in thousand)	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>				
Cash and balances with treasury banks	11,766,925	11,766,925	8,762,866	8,762,866
Balances with other banks	5,550,148	5,550,148	4,847,899	4,847,899
Lendings to financial institutions	10,172,242	10,172,242	2,324,839	2,324,839
Investments	25,708,194	25,708,194	17,239,157	17,239,157
Advances				
Term loans	24,135,198	24,135,198	18,942,841	18,942,841
Staff advances	587,241	587,241	481,117	481,117
Other advances	61,254,456	61,254,456	50,514,083	50,514,083
Other assets	2,732,641	2,732,641	1,459,716	1,459,716
	<u>141,907,045</u>	<u>141,907,045</u>	<u>104,572,518</u>	<u>104,572,518</u>
<b>Liabilities</b>				
Bills payable	1,315,680	1,315,680	1,227,093	1,227,093
Borrowings from financial institutions	10,562,338	10,562,338	13,781,555	13,781,555
Deposits and other accounts				
Current and saving accounts	80,795,103	80,795,103	70,043,594	70,043,594
Term deposits	37,999,587	37,999,587	13,275,201	13,275,201
Sub-ordinated loans	2,999,700	2,999,700	1,000,000	1,000,000
Liabilities against assets subject to finance lease	1,459	1,459	14,159	14,159
Other liabilities	2,271,393	2,271,393	1,282,981	1,282,981
	<u>135,945,260</u>	<u>135,945,260</u>	<u>100,624,583</u>	<u>100,624,583</u>
<b>41.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	4,291,946	4,291,946	8,791,180	8,791,180
Sale and repurchase agreements	788,871	788,871	3,127,143	3,127,143
Forward sale of foreign exchange	7,605,106	7,605,106	5,854,758	5,854,758
Purchase and resale agreements	4,359,006	4,359,006	753,480	753,480

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

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

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 39.

## 42. Concentration of credit and deposits

Out of the total financial assets of Rs. 141,907 million the financial assets which were subject to credit risk amounted to Rs. 136,012 million. Investments amounting to Rs. 5,895 million are guaranteed by the Government of Pakistan.

### 42.1 Liquidity Risk:

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

### 42.2 Currency Risk:

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

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

### 42.3 Market Risk:

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

### 42.4 Credit Risk:

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

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

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

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

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

**42.5 Segment by class of business**

	2005					
	Deposits		Advances		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	1,154,523	0.97	1,795,842	2.03	–	–
Automobiles & Allied	2,314,264	1.95	1,344,619	1.52	–	–
Cables / Electronics	535,211	0.45	1,970,347	2.23	12,229	0.02
Carpets	215,767	0.18	265,701	0.30	–	–
Cements	125,456	0.11	612,337	0.69	24,438	0.03
Chemicals / Pharmaceuticals	1,284,030	1.08	4,837,349	5.47	79,232	0.10
Engineering	665,658	0.56	364,853	0.41	222,983	0.29
Fertilizers	1,211,501	1.02	3,003,328	3.40	–	–
Food & Allied	390,206	0.33	1,405,386	1.59	–	–
Fuel / Energy	6,516,556	5.49	2,082,344	2.36	358,746	0.46
Ghee & Edible Oil	258,245	0.22	2,715,121	3.07	–	–
Glass and Ceramics	87,122	0.07	849,281	0.96	–	–
Hotels and Restaurants	207,952	0.18	131,968	0.15	–	–
Individuals	41,755,556	35.15	8,696,292	9.84	–	–
Insurance	1,173,611	0.99	–	–	–	–
Investment Banks / Scheduled Banks	367,887	0.31	221,194	0.25	39,025,817	50.14
Leasing	299,283	0.25	1,323,888	1.50	–	–
Leather Products and Shoes	437,811	0.37	1,563,355	1.77	–	–
Modarabas	5,369	0.00	58,972	0.07	–	–
Paper and Board	119,267	0.10	814,222	0.92	371,063	0.48
Plastic products	652,133	0.55	610,002	0.69	–	–
Ready- Made garments	215,126	0.18	2,724,602	3.08	–	–
Real Estate / Construction	4,452,155	3.75	3,824,211	4.33	259,668	0.33
Rice Processing and trading	593,652	0.50	4,165,356	4.71	–	–
Rubber Products	80,602	0.07	117,505	0.13	–	–
Services (Other than Financial, Hotelling & Travelling)	3,021,400	2.54	958,263	1.08	–	–
Sports goods	111,327	0.09	1,120,111	1.27	–	–
Sugar	89,201	0.08	254,918	0.29	–	–
Surgical equipment / Metal Products	190,672	0.16	2,988,160	3.38	–	–
Synthetic & Rayon	353,895	0.30	305,866	0.35	–	–
Textile:						
Export	1,495,103	1.26	15,120,078	17.10	127,106	0.16
Manufacturing	2,353,792	1.98	11,569,224	13.09	226,202	0.29
Tobacco / Cigarette manufacturing	61,378	0.05	170,794	0.19	–	–
Transport and communication	5,225,549	4.40	2,323,558	2.63	166,702	0.21
Travel Agencies	50,236	0.04	125,852	0.14	–	–
Woollen	3,471	0.00	17,612	0.02	–	–
Public / Government	24,286,457	20.44	1,272,136	1.44	23,090,129	29.67
Others	16,433,266	13.83	6,671,215	7.55	13,866,109	17.82
	118,794,690	100.00	88,395,862	100.00	77,830,424	100.00

**42.6 Segment by sector**

	2005					
	Deposits		Advances		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public / Government	24,286,457	20.44	1,272,136	1.44	23,090,129	29.67
Private	94,508,233	79.56	87,123,726	98.56	54,740,295	70.33
	118,794,690	100.00	88,395,862	100.00	77,830,424	100.00

**43. Geographical segment analysis**

(Rupees in thousand)	2005			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	2,815,694	142,860,004	8,434,675	77,654,454
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East-Note 43.1	43,387	2,239,903	152,755	175,970
Others	–	–	–	–
	2,859,081	145,099,907	8,587,430	77,830,424

**43.1** These do not include intra group items of Rs. 2,030,077 thousand (2004: Rs. 2,404,005 thousand) eliminated upon consolidation of foreign branch results.

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

**44. Related party transactions**

As Army Welfare Trust (AWT) holds 46.49% (2004: 45.68%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary company, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

(Rupees in thousand)	2005	2004
– Deposits	886,721	1,065,845
– Advances / Investments / placements	765,063	442,574
– Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	8,344	6,392
– Investment in shares of associate company - at cost	11,182	11,182
– Investments in shares of related parties - at cost	305,680	5,680
– Investments in Askari Investment Management Limited (AIML); a wholly owned subsidiary of the Bank - at cost	100,000	–
– Reimbursable expenses on behalf of AIML	1,121	–
Transactions during the year		
– Net mark-up / interest expensed	31,449	25,972
– Net mark-up / interest earned	38,703	3,199
– Contribution to employees' funds	57,653	37,335
– Rent of property paid / service charges paid	87,549	30,509
– Rent of property received	19,251	17,900
– Insurance premium paid	5,007	6,765
– Insurance claim received	882	2,549
– Share registrar fees and costs	–	3,256
– Dividend received from a related party	8,932	1,839
– Security services costs	31,110	18,426
– Fee, commission and brokerage income	166	111
– Payments and recovery to / from AIML, a wholly owned subsidiary of the Bank	7,255	–
– Payment to a related party for initial set up cost	3,000	–

Transactions entered into with key management personnel including the Chief Executive Officer as per their terms of employment are excluded from related party transactions.

**45. Corresponding figures**

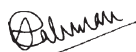
Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison, however, there was no significant rearrangement or reclassification.

**46. General**

- 46.1** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 46.2** These financial statements have been prepared in accordance with the revised format of financial statements for banks issued by the State Bank of Pakistan vide BSD Circular No. 36 dated October 10, 2001.
- 46.3** Captions as prescribed by BSD Circular No. 36 dated October 10, 2001 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these financial statements except for the balance sheet and profit and loss account.

**47. Date of authorization**

These financial statements were authorised for issue on February 22, 2006 by the Board of Directors of the Bank.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Annexure 'I'

referred to in note 10.5 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2005.

(Rupees in thousand)											
S.#	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1	<b>Apollo Textile Mills Ltd.</b> 2nd Floor, State Life Bldg. No. 2-A Wallace Road, Karachi-2	Mr. Zahur Ahmed Mr. Ikram Zahur Mr. Abdul Rahman Zahur Mr. Muhammad Razzak Haji Shamsullah Mr. Ather Hussain Medina Mr. Hassan Mehmood	Haji Dost Mohammad Zahur Ahmed -do- Mr. Abdul Majeed Mr. Haesh Gul Mr. Anwar Hussain Medina Mr. Muhammad Yameen	10,735	5,094	-	15,829	-	2,737	-	2,737
2	<b>Saqib Fabrics</b> Naimat Colony 2, Jaranwala Road Faisalabad	Mr. Saqib Saeed	Mr. Muhammad Saeed Ahmed	11,272	5,348	-	16,620	-	1,813	-	1,813
3	<b>Al-Jadeed Textile Mills Ltd.</b> 20-Badri Building I.I. Chundrigar Road, Karachi	Mr. Abdul Karim Mr. Asif A. Karim Mr. Arif A. Karim Mr. Shoaib Siddique Mrs. Zarina A. Karim Mr. Yousaf Wali Mr. Tahir Muhammad	Haji Omer Mr. A. Karim -do- Muhammad Siddique W/o Mr. A. Karim Mr. Ghaffar Wali Mr. Muhammad Shafi	5,015	1,932	-	6,947	-	1,932	-	1,932
4	<b>Jamal Tube Mills (Pvt) Ltd.</b> 88-Railway Road, Lahore	Mr. Mohammad Aslam Mr. Mohammad Ashfaq Mr. Farooq Ahmed Mr. Shakeel Ahmed	Haji Jamal Din -do- -do- -do-	7,102	3,438	-	10,540	-	1,690	-	1,690
5	<b>The Craze</b> 1st Floor, Wattoo Plaza, Peco Road, Township, Lahore	Syed Asghar Abbas Zaidi	Syed Abbas Zaidi	1,134	1,245	-	2,379	-	857	-	857
6	<b>Subika Enterprises</b> Room No. 9, Imperial Hotel Bldg. M. T. Khan Road, Karachi	Sheikh Muhammad Reyaz Waseem Reyaz	Haji Lal Muhammad Sheikh Muhammad Reyaz	2,380	1,028	-	3,408	-	912	-	912
	<b>Total</b>			<b>37,638</b>	<b>18,085</b>	<b>-</b>	<b>55,723</b>	<b>-</b>	<b>9,941</b>	<b>-</b>	<b>9,941</b>



Consolidated  
Financial Statements  
Askari Commercial Bank Limited  
and its Subsidiary Company  
for the year ended December 31, 2005



## Auditors' Report to the Members

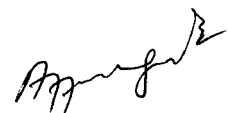
We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Askari Commercial Bank Limited (the Bank) and its subsidiary company as at December 31, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity, together with the notes forming part thereof for the year then ended. These financial statements include unaudited certified returns from the branches, except for 13 branches, which have been audited by us and 1 branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Commercial Bank Limited and its subsidiary company Askari Investment Management Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence support in 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 13 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of Askari Commercial Bank Limited and its subsidiary company as at December 31, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of the Bank for the year ended December 31, 2004 were audited by Ford Rhodes Sidat Hyder & Co., Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 10, 2005.

Islamabad  
February 22, 2006




A.F. Ferguson & Co.  
Chartered Accountants

## Consolidated Balance Sheet

as at December 31, 2005

(Rupees in thousand)	Notes	2005	2004
<b>Assets</b>			
Cash and balances with treasury banks	6	11,766,928	8,762,866
Balances with other banks	7	5,578,654	4,847,899
Lendings to financial institutions	8	10,197,242	2,324,839
Investments	9	25,618,620	17,239,156
Advances	10	85,998,649	69,838,392
Other assets	11	2,736,799	1,559,365
Operating fixed assets	12	3,198,666	2,595,023
Deferred tax assets		–	–
		145,095,558	107,167,540
<b>Liabilities</b>			
Bills payable	13	1,315,680	1,227,093
Borrowings from financial institutions	14	10,562,338	13,781,555
Deposits and other accounts	15	118,794,151	83,318,795
Sub-ordinated loans	16	2,999,700	1,000,000
Liabilities against assets subject to finance lease	17	3,971	14,159
Other liabilities	18	2,273,153	1,282,980
Deferred tax liabilities	19	564,388	526,866
		136,513,381	101,151,448
<b>Net assets</b>		<b>8,582,177</b>	<b>6,016,092</b>
<b>Represented by</b>			
Share capital	20	1,507,018	1,255,848
Reserves	21	5,856,821	4,317,301
Unappropriated profit		–	–
		7,363,839	5,573,149
Surplus on revaluation of assets - net of tax	22	1,218,338	442,943
		<b>8,582,177</b>	<b>6,016,092</b>
<b>Contingencies and commitments</b>	23		

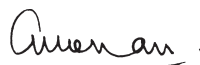
The annexed notes 1 to 47 form an integral part of these consolidated financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



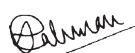
Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Consolidated Profit and Loss Account

for the year ended December 31, 2005

(Rupees in thousand)	Notes	2005	2004
Mark-up / return / interest earned	24	8,782,369	4,487,206
Mark-up / return / interest expensed	25	4,276,130	1,117,206
Net mark-up / interest income		4,506,239	3,370,000
Provision against non-performing loans and advances	10.3	638,547	277,398
(Reversal) / provision for impairment in the value of investments	9.11	(36,555)	38,066
Bad debts written off directly		-	7
		601,992	315,471
Net mark-up / interest income after provisions		3,904,247	3,054,529
<b>Non mark-up / interest income</b>			
Fee, commission and brokerage income		838,588	708,377
Dividend income		51,143	26,318
Income from dealing in foreign currencies		356,218	180,992
Gain on sale of investments	26	99,832	540,193
Other income	27	206,819	177,648
Total non-markup / interest income		1,552,600	1,633,528
		5,456,847	4,688,057
<b>Non mark-up / interest expenses</b>			
Administrative expenses	28	2,604,016	1,845,179
Other provisions / write offs		-	-
Other charges	29	1,832	138
Total non-markup / interest expenses		2,605,848	1,845,317
		2,850,999	2,842,740
Extra ordinary / unusual items		-	-
<b>Profit before taxation</b>		2,850,999	2,842,740
Taxation – current		828,774	876,089
– prior years'		(188,247)	-
– deferred		193,729	43,611
	30	834,256	919,700
<b>Profit after taxation</b>		2,016,743	1,923,040
Unappropriated profit brought forward		-	-
Profit available for appropriation		2,016,743	1,923,040
<b>Appropriations:</b>			
Transfer to:			
Statutory reserve		404,399	384,608
Capital reserves (reserve for issue of bonus shares)		497,315	251,170
Revenue reserves		888,976	1,036,092
Proposed cash dividend (Rs 1.5 per share; 2004: Rs 2 per share)		226,053	251,170
		2,016,743	1,923,040
Unappropriated profit carried forward		-	-
<b>Basic / diluted earnings per share - Rupees</b>	31	13.38	12.76

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



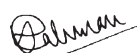
Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Consolidated Cash Flow Statement

for the year ended December 31, 2005

(Rupees in thousand)	Notes	2005	2004
<b>Cash flow from operating activities</b>			
Profit before taxation		2,850,999	2,842,740
Less: Dividend income		(51,143)	(26,318)
		2,799,856	2,816,422
Adjustments for non-cash charges			
Depreciation		275,437	199,911
Provision against non-performing advances (net)		638,547	277,405
(Reversal) / provision for impairment in the value of investments		(36,555)	38,066
Net profit on sale of property and equipment		(6,712)	(5,235)
Finance charges on leased assets		510	2,395
		871,227	512,542
		3,671,083	3,328,964
(Increase) / decrease in operating assets			
Lendings to financial institutions		(5,892,403)	2,496,003
Held for trading securities		(350,942)	(203,078)
Advances		(16,798,804)	(25,437,901)
Other assets (excluding advance taxation)		(1,009,696)	(451,941)
		(24,051,845)	(23,596,917)
Increase / (decrease) in operating liabilities			
Bills payable		88,587	253,390
Borrowings from financial institutions		(3,219,217)	(2,121,500)
Deposits and other accounts		35,475,356	21,662,188
Other liabilities (excluding current taxation)		1,014,478	294,617
		33,359,204	20,088,695
Cash flow before tax		12,978,442	(179,258)
Income tax paid		(776,902)	(476,228)
Net cash flow from / (used in) operating activities		12,201,540	(655,486)
<b>Cash flow from investing activities</b>			
Net investments in available-for-sale securities		(6,311,097)	4,496,641
Net investments in held-to-maturity securities		(1,093,031)	(470,451)
Net investments in associate		–	(3,678)
Dividend income		51,143	26,318
Investments in operating fixed assets - net of adjustment		(889,722)	(822,484)
Sale proceeds of operating fixed assets - disposed off		20,125	12,704
Net cash flow (used in) / from investing activities		(8,222,582)	3,239,050
<b>Cash flow from financing activities</b>			
Receipts of sub-ordinated loans-net		1,999,700	1,000,000
Payments of lease obligations		(13,556)	(25,965)
Dividends paid		(250,285)	(225,026)
Net cash flow from financing activities		1,735,859	749,009
<b>Increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year	32	13,610,765	10,278,192
Cash and cash equivalents at end of the year	32	19,325,582	13,610,765

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Consolidated Statement of Changes in Equity

for the year ended December 31, 2005

(Rupees in thousand)	Share Capital	Capital Reserve for Issue of Bonus Shares	Statutory Reserve	Revenue Reserves		Un-appropriated profit	Total
				General Reserve	Reserve for Contingencies note: 21		
<b>Balance as at January 01, 2004</b>	1,141,680	114,168	1,060,262	1,275,169	310,000	–	3,901,279
Net profit for the year	–	–	–	–	–	1,923,040	1,923,040
Bonus shares issued	114,168	(114,168)	–	–	–	–	–
Final dividend	–	–	–	–	–	(251,170)	(251,170)
Transfer to:							
Statutory reserve	–	–	384,608	–	–	(384,608)	–
Reserve for issue of bonus shares	–	251,170	–	–	–	(251,170)	–
General reserve	–	–	–	1,036,092	–	(1,036,092)	–
<b>Balance as at January 01, 2005</b>	1,255,848	251,170	1,444,870	2,311,261	310,000	–	5,573,149
Net profit for the year	–	–	–	–	–	2,016,743	2,016,743
Bonus shares issued	251,170	(251,170)	–	–	–	–	–
Proposed dividend	–	–	–	–	–	(226,053)	(226,053)
Transfer to:							
Statutory reserve	–	–	404,399	–	–	(404,399)	–
Reserve for issue of bonus shares	–	497,315	–	–	–	(497,315)	–
General reserve	–	–	–	888,976	–	(888,976)	–
<b>Balance as at December 31, 2005</b>	1,507,018	497,315	1,849,269	3,200,237	310,000	–	7,363,839

The annexed notes 1 to 47 form an integral part of these consolidated financial statements.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

# Notes to the Consolidated Financial Statements

for the year ended December 31, 2005

## 1. The Group and its operations

The group consists of Askari Commercial Bank Limited, the holding company and Askari Investment Management Limited, a wholly owned subsidiary company.

Askari Commercial Bank Limited (the Bank) was incorporated in Pakistan on October 9, 1991 as a Public Limited Company and is Listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 1, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 99 branches (December 31, 2004: 75 branches); 98 in Pakistan and Azad Jammu and Kashmir and an Offshore Banking Unit in the Kingdom of Bahrain. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

Askari Investment Management Limited (AIML) was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the NBFC (Establishment and Regulation) Rules, 2003. The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Karachi. AIML obtained its certificate of commencement of business on September 22, 2005 and did not render any investment advisory services upto December 31, 2005.

The financial statements of AIML have been consolidated based on their audited financial statements for the period May 30, 2005 to December 31, 2005.

## 2. Basis of presentation

- a) In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- b) The consolidated financial statements include the financial statements of the Bank and its subsidiary company. The financial statements of the subsidiary company have been consolidated on line-by-line basis.
- c) Material intra group balances and transactions have been eliminated.
- d) Comparative amounts for the corresponding year relate to the Bank's operations only.

## 3. Statement of compliance

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

International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property are not applicable for Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been presented in accordance with the requirements of the format prescribed by the State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001 and have been classified in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.

The following published amendments to existing standards are not yet effective and are mandatory for the Bank's accounting periods beginning on or after January 1, 2006 or later periods:

- |  |                                |
|--|--------------------------------|
| i. IAS 19 (Amendments) - Employee Benefits                           | effective from January 1, 2006 |
| ii. IAS 1 Presentation of Financial Statements - Capital Disclosures | effective from January 1, 2007 |

Effect of adoption of the above amendments on the future financial statements is not likely to be material.



#### 4. Basis of measurement

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

#### 5. Summary of significant accounting policies

##### 5.1 Cash and cash equivalents

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

##### 5.2 Sale and repurchase agreements

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

##### 5.3 Investments

The group classifies its investments as follows:

###### Held for trading

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

###### Available for sale

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

###### Held to maturity

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

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

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

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

##### 5.4 Advances

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

The Bank has created a general provision on the consumer finance portfolio in order to comply with the requirements of Prudential Regulations for Consumer Finance issued by the State Bank

of Pakistan requiring banks to maintain a general provision at an amount equal to 1.5% of the fully secured consumer finance portfolio and 5% of the unsecured consumer finance portfolio to protect them from the risks associated with the cyclical nature of this business.

These provisions are charged to the profit and loss account. Advances are written off when there is no realistic prospect of recovery.

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

Capital work-in-progress is stated at cost.

Fixed assets are stated at cost less impairment losses and accumulated depreciation except for freehold / leasehold land which is not depreciated. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 12.2. The cost of assets is depreciated on the diminishing balance method, except for vehicles, carpets, renovation and other assets which are depreciated on a straight line basis. Depreciation is charged for the full month on purchase / acquisition of an asset while no depreciation is charged in the month of disposal of an asset. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalized. Gains and losses on disposal of operating fixed assets are taken to the profit and loss account.

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

#### **5.6 Taxation**

Current

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

Deferred

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

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

#### **5.7 Staff retirement benefits**

Defined benefit plan

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation. The actuarial valuation is carried out periodically using "Projected Unit Credit Method". The Actuarial gains / losses of one accounting period are recognized in the following accounting period.

Defined contribution plan

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

Compensated absences

The Bank grants compensated absences to all its regular employees. During the year, the Bank changed the method of recognition of liability for compensated absences and the obligation under the unfunded scheme for compensated absences is now recognized on the basis of actuarial valuation using the "Projected Unit Credit Method". Provision for the year is charged to profit and loss account. The amount recognized in the balance sheet represents the present value of defined benefit obligations. Previously, annual provision for liabilities towards compensated absences was made on the basis of last drawn basic salary. Had the above mentioned change not taken place,

the provision for compensated absences would have been higher and profit before tax for the year would have been lower by Rs.33 million.

#### **5.8 Revenue recognition**

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

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

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

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

Management fee is recognized on the accrual basis, based on average net asset value of the funds under management.

#### **5.9 Foreign currencies**

Foreign currency transactions

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

Foreign branch

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

Translation gains and losses

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

Commitments

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

#### **5.10 Provisions**

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

#### **5.11 Off-setting**

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

#### **5.12 Use of critical accounting estimates and judgements**

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

#### **5.13 Related party transactions**

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

(Rupees in thousand)		Notes	2005	2004
<b>6. Cash and balances with treasury banks</b>	<b>In hand:</b>			
	Local currency		1,592,863	1,404,127
	Foreign currency		424,135	335,685
			2,016,998	1,739,812
	<b>National Prize Bonds</b>			
			8,834	10,851
	<b>With the State Bank of Pakistan in:</b>			
	Local currency current accounts	6.1	5,619,232	3,048,986
	Foreign currency current account	6.1	917,317	919,608
	Foreign currency deposit account	6.2	2,805,483	2,805,858
		9,342,032	6,774,452	
<b>With National Bank of Pakistan in:</b>				
Local currency current accounts		399,064	237,751	
		11,766,928	8,762,866	

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

**6.2** This represents statutory cash reserve maintained against foreign currency deposit mobilised under F.E. Circular No. 25 issued by the State Bank of Pakistan and is remunerated at the rate of one month LIBOR less 1% service charges.

(Rupees in thousand)		Note	2005	2004
<b>7. Balances with other banks</b>	<b>In Pakistan</b>			
	On current accounts		179,399	63,539
	On deposit accounts		28,430	6,585
	<b>Outside Pakistan</b>			
	On current accounts		421,655	589,945
	On deposit accounts	7.1	4,949,170	4,187,830
		5,578,654	4,847,899	

**7.1** This represents placements on overnight and upto three months with correspondent banks, carrying interest rates determined with respect to underlying currencies benchmarks at the rates ranging from 2.30% to 4.53% (2004 : 1.25% to 2.50%) per annum receivable on maturity.

(Rupees in thousand)		Notes	2005	2004
<b>8. Lendings to financial institutions</b>	Call money lendings		1,980,000	–
	Repurchase agreement lendings (reverse repo)	8.1	4,313,011	750,000
	Purchase under resale arrangement of listed equity securities	8.2	100,000	150,000
			4,413,011	900,000
	Trade related deals	8.3	404,946	619,839
	Others	8.4	3,399,285	805,000
			10,197,242	2,324,839

**8.1** These are secured against underlying Government Securities, the differential of the contracted purchase and re-sale prices is amortised over the period of contract and recorded under mark-up / return / interest earned. These carry mark-up rates ranging from 6.75% to 8.75% (2004 : 3.35% to 5.50%) per annum and maturities of upto 6 months (2004 : 3 months).

**8.2** Shares of a listed company have been purchased under resale agreement at a rate of 15% (2004 : 11%) per annum with maturities of upto 3 months (2004 : 1 month).

**8.3** These are trade related risk participation deals made by Bank's Offshore Banking Unit with returns ranging from 4.85% to 7.88% (2004 : 3.00% to 4.00%) per annum with maturities of upto 11 months (2004 : 10 months).

**8.4** This represents lendings to various financial institutions at mark-up ranging from 9.60% to 11.50% (2004 : 3.25% to 8.75%) per annum with maturities of upto 3 to 6 months (2004 : 6 months).

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

(Rupees in thousand)	2005			2004		
	Held by the Bank	Further Given as collateral	Total	Held by the Bank	Further given as collateral	Total
Market Treasury Bills	2,468,011	–	2,468,011	–	–	–
Pakistan Investment Bonds	1,845,000	–	1,845,000	750,000	–	750,000
Purchase under resale arrangement of listed shares	100,000	–	100,000	150,000	–	150,000
	4,413,011	–	4,413,011	900,000	–	900,000

**9. Investments**

(Rupees in thousand)	Notes	2005			2004		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
<b>9.1 Investments by types:</b>							
<b>Held for trading securities</b>							
Fully paid ordinary shares		544,605	–	544,605	203,663	–	203,663
Term Finance Certificates (TFCs)		10,000	–	10,000	–	–	–
<b>Available for sale securities</b>							
Market Treasury Bills		14,009,426	482,769	14,492,195	6,946,844	723,442	7,670,286
Pakistan Investment Bonds		4,290,462	344,000	4,634,462	2,699,692	2,400,000	5,099,692
Federal Investment Bonds		–	–	–	106,174	44,000	150,174
Fully paid ordinary shares		844,562	–	844,562	719,786	–	719,786
Fully paid preference shares		125,000	–	125,000	100,000	–	100,000
Askari Income Fund - Units		250,000	–	250,000	–	–	–
Foreign Government Bonds		–	–	–	296,604	–	296,604
Foreign securities	9.2.2	298,570	–	298,570	297,150	–	297,150
		19,818,020	826,769	20,644,789	11,166,250	3,167,442	14,333,692
<b>Held to maturity securities</b>							
Term Finance Certificates (TFCs)		1,886,579	–	1,886,579	1,454,827	–	1,454,827
Government of Pakistan Sukuk Bonds	9.2.2	541,063	–	541,063	–	–	–
Government of Pakistan Euro Bonds	9.2.2	719,224	–	719,224	599,008	–	599,008
		3,146,866	–	3,146,866	2,053,835	–	2,053,835
<b>Investment in associate</b>							
Askari General Insurance Company Limited	9.7	11,182	–	11,182	11,182	–	11,182
		23,530,673	826,769	24,357,442	13,434,930	3,167,442	16,602,372
Add: Surplus on revaluation of available for sale securities - net		1,291,107	(27,854)	1,263,253	309,554	365,881	675,435
Less: Deficit on revaluation of held for trading securities - net		(564)	–	(564)	(585)	–	(585)
Less: Provision for impairment in value of investments in unlisted shares	9.11	(1,511)	–	(1,511)	(38,066)	–	(38,066)
		24,819,705	798,915	25,618,620	13,705,833	3,533,323	17,239,156

**9.2 Investments by segments:**

(Rupees in thousand)	Notes	2005	2004
<b>Federal Government Securities:</b>	9.2.1		
Market Treasury Bills		14,492,195	7,670,286
Pakistan Investment Bonds		4,634,462	5,099,692
Federal Investment Bonds		–	150,174
Government of Pakistan Euro Bonds	9.2.2	719,224	599,008
Government of Pakistan Sukuk Bonds	9.2.2	541,063	–
		20,386,944	13,519,160
Add: Surplus on revaluation of Government Securities - net		128,328	566,329
		20,515,272	14,085,489
<b>Fully paid up ordinary shares:</b>			
Listed companies	9.3	1,344,669	878,951
Add: Surplus on revaluation of listed securities - net		1,153,721	107,797
		2,498,390	986,748
Unlisted companies	9.4	305,680	55,680
		2,804,070	1,042,428
<b>Fully paid preference shares</b>			
Listed companies	9.5	125,000	100,000
Less: Deficit on revaluation		(9,300)	–
		115,700	100,000
<b>Term Finance Certificates (TFCs)</b>	9.6		
Listed Term Finance Certificates		1,262,300	867,089
Unlisted Term Finance Certificates		634,279	587,738
		1,896,579	1,454,827
<b>Overseas Government Securities</b>			
Foreign Government Bonds		–	296,604
Add: Surplus on revaluation		–	546
		–	297,150
<b>Other Overseas Securities</b>	9.2.2		
Callable notes	9.10	298,570	297,150
Add: (Deficit) / surplus on revaluation		(10,060)	178
		288,510	297,328
		25,620,131	17,277,222
Less: Provision for impairment in value of investments in unlisted shares	9.11	(1,511)	(38,066)
		25,618,620	17,239,156

**9.2.1 Principal terms of investments in Federal Government securities**

Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2006 to December 2006	On maturity	7.96% to 8.79%	at maturity
Pakistan Investment Bonds	October 2006 to October 2013	On maturity	6% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually

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

### 9.3 Investments in listed shares

No. of ordinary shares		Paid-up value per share				(Rupees in thousand)	
2005	2004	Rupees	Name of companies / mutual funds	Note	2005	2004	
2,350,020	2,375,020	10.05	Sui Northern Gas Pipelines Limited		23,624	23,976	
5,250,000	5,200,000	9.52	Atlas Fund of Funds		50,000	50,000	
2,500,000	2,500,000	10.00	Meezan Balanced Fund		25,000	25,000	
80,000	–	191.18	National Bank of Pakistan		15,294	–	
476,500	–	159.61	MCB Bank Limited		76,055	–	
20,000	–	44.10	Maple leaf Cement Co. Limited		882	–	
464,000	–	107.73	D. G. Khan Cement Co. Limited		49,988	–	
1,532,753	1,532,753	7.30	Askari General Insurance Company Ltd.	9.7	11,182	11,182	
2,633,000	450,000	64.37	Pakistan Telecommunication Company Ltd.		169,477	19,744	
2,536,000	210,000	24.94	Hub Power Company Limited		63,243	7,511	
235,000	70,000	116.29	Oil and Gas Development Company Limited		27,328	5,217	
5,000,000	5,000,000	10.00	ABAMCO Composite Fund		50,000	50,000	
4,659,500	5,000,000	10.00	Pakistan Strategic Allocation Fund		46,595	50,000	
100,200	200,500	420.53	Pakistan State Oil Company Limited		42,137	56,833	
19,170	7,350	120.24	Fauji Fertilizer Company Limited		2,305	837	
150,000	75,000	84.03	Lucky Cement Limited		12,605	3,104	
65,000	50,000	422.66	Pakistan Oilfields Limited		27,473	11,651	
443,000	170,000	209.02	Pakistan Petroleum Limited		92,595	24,164	
92,000	350,000	165.52	Engro Chemical (Pakistan) Limited		15,228	46,205	
50,700	–	82.17	Crescent Steel Mills Limited		4,166	–	
19,000	–	120.53	Honda Atlas Cars Limited		2,290	–	
37,000	–	184.65	Packages Limited		6,832	–	
70,000	–	136.93	ICI Pakistan Limited		9,585	–	
48,000	–	100.10	Bank of Punjab		4,805	–	
289,000	–	108.60	Nishat Textile Mills Limited		31,384	–	
295,500	–	38.24	Fauji Fertilizer Bin Qasim Limited		11,299	–	
113,000	–	139.92	Adamjee Insurance Company Limited		15,811	–	
250,000	–	5.70	Japan Power Generation Limited		1,425	–	
488,500	–	73.39	Faysal Bank Limited		35,850	–	
16,376,106	16,376,106	25.66	Allied Bank of Pakistan		420,211	420,211	
–	50,300	–	Indus Motor Company Limited		–	5,253	
–	2,080	–	Unilever Pakistan Limited		–	3,211	
–	37,000	–	Gadoon Textile Mills Limited		–	3,217	
–	123,000	–	Saif Textile Mills Limited		–	4,430	
–	55,000	–	Kohinoor Textile Mills Limited		–	3,082	
–	1,000,000	–	Dewan Salman Fibre Limited		–	18,002	
–	25,000	–	Pioneer Cement Limited		–	494	
–	1,350,000	–	Sui Southern Gas Pipelines Limited		–	35,627	
					1,344,669	878,951	
					1,153,721	107,797	
					2,498,390	986,748	

Add: Surplus on revaluation of shares - (net)

Market value as on December 31

### 9.4 Particulars of investments held in unlisted companies / mutual fund

Investee	Notes	Percentage of holding %	Number of shares / units held	Cost / Paid-up value per share / unit	Total Paid-up value	Break up value	Based on accounts audited as at	Name of Chief Executive
<b>Bank / Company</b>								
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,006	31 Dec 2004	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party		5.26	568,044	10.00	5,680	4,169	31 Dec 2004	Mr. S.M. Zaem
<b>Mutual Fund</b>								
Askari Income Fund - a related party	9.4.2		25,000,000	10.00	250,000			
					305,680			



- 9.4.1** This represent the Bank's subscription towards the paid up capital of Khushhali Bank in terms of SBP letter No. BSD (RU-26)/625-MfB/13817/00 dated August 07, 2000.
- 9.4.2** This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.
- 9.4.3** The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 1,511 thousand (2004: 892 thousand) is considered as impairment and has been fully provided for.

#### 9.5 Particulars investments held in preference shares - Listed

	No. of preference shares		Paid-up value per share		Rate-%	Book Value		Market Value	
	2005	2004	Rupees	Investee		2005 (Rupees in thousand)	2004	2005 (Rupees in thousand)	2004
	10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	90,700	100,000
	2,500,000	–	10.00	Masood Textile Mills Limited	Average of ask side of six months KIBOR plus 2 percent per annum.	25,000	–	25,000	–
						125,000	100,000	115,700	100,000

#### 9.6 Investment in Term Finance Certificates

	No. of certificates		Company's Name	Redeemed value per certificate Rupees	2005 (Rupees in thousand)		2004	
	2005	2004			2005	2004		
<b>Listed</b>								
	–	20,000	Dewan Salman Fibre Limited	1,560	–	31,200		
	15,000	15,000	Sui Southern Gas Company Limited	1,943	29,144	54,124		
	–	3,000	Al-Noor Sugar Mills Limited	1,250	–	3,749		
	6,000	6,000	Gulistan Textile Mills Limited	1,665	9,992	19,984		
	–	25,000	Packages Limited	3,000	–	75,000		
	20,000	20,000	Dewan Farooq Spinning Mills Limited	5,000	100,000	100,000		
	30,000	30,000	Bank Al-Habib Limited	4,998	149,940	150,000		
	37,000	20,000	Bank Alfalah Limited	4,999	184,961	100,000		
	9,600	9,600	Prime Commercial Bank Limited	4,999	47,990	48,000		
	15,000	–	Soneri Bank Limited	4,999	74,985	–		
	10,000	–	Union Bank Limited	5,000	50,000	–		
	20,000	20,000	United Bank Limited	4,998	99,962	100,000		
	–	4,380	Engro Chemical (Pakistan) Limited	4,997	–	21,878		
	6,000	6,000	Shakar Ganj Mills Limited	1,999	11,993	23,987		
	100,000	–	Pak Arab Fertilizer Limited	5,000	500,000	–		
	8,000	8,000	Securetel SPV Limited	417	3,333	16,667		
	–	5,500	Paramount Spinning Mills Limited	5,000	–	27,500		
	–	19,000	Gulshan Spinning Mills Limited	5,000	–	95,000		
			Book value as on December 31		1,262,300	867,089		
<b>Unlisted</b>								
	30,000	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	5,000	150,000	150,000		
	–	6,000	Dewan Sugar Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf Farooqui)	1,500	–	9,000		
	70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Tariq Kirmani)	4,875	341,236	349,989		
	18,000	18,000	Kohinoor Textile Mills Limited (Chief Executive: Mr. Taufique Sayeed Saigol)	3,125	56,250	78,749		
	18,995	–	Dewan Cement Limited (Formerly Pakland Cement Limited) (Chief Executive: Syed Moonis Abdulah Alvi)	4,569	86,793	–		
			Book value as on December 31		634,279	587,738		

These carry rate of return ranging from 8.45% to 14.00% (2004 : 6.00% to 17.00%) per annum and having maturity periods of upto 8 years (2004 : 5 years).



- 9.7** This represents 15% (2004: 15%) investment in the equity of Askari General Insurance Company Limited (AGICO), a listed associated company (market value as at December 31, 2005: Rs.41,538 thousand ; 2004: Rs. 38,549 thousand).  
The audited financial statements of AGICO for the year ended December 31, 2005 were not available, however, the summarized financial statements for the quarter ended September 30, 2005, being the most recent available financial statements, are as follows:

**(Rupees in thousand)**

Total Assets	696,994
Total Liabilities	538,955
Net assets	158,039

Total revenue and profit after tax for the nine months ended September 30, 2005 were Rs. 39,121 thousand and Rs. 22,580 thousand respectively.

- 9.8** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.
- 9.9** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.
- 9.10** This represents callable notes issued by Federal Home Loan Mortgage Corporation, USA with rates ranging from 3.25% to 5% (2004 : 3.25% to 5%) per annum maturing on July 8, 2008.

**9.11 Particulars of provision for impairment in value of investments**

(Rupees in thousand)	Note	2005	2004
Opening balance		38,066	–
Charge for the year		619	38,066
Reversals		(37,174)	–
		(36,555)	38,066
Closing balance		1,511	38,066

**10. Advances****Loans, cash credits, running finances, etc.**

In Pakistan 73,273,033 56,456,782

**Bills discounted and purchased (excluding treasury bills)**

Payable in Pakistan 5,297,919 5,096,256

Payable outside Pakistan 9,463,507 9,406,325

14,761,426 14,502,581

88,034,459 70,959,363

**Financing in respect of continuous funding system /****carry over transactions**

383,157 659,480

88,417,616 71,618,843

Provision against loans and advances 10.3

Specific provision (1,410,802) (944,256)

General provision (765,867) (700,381)

General provision against consumer loans (242,298) (135,814)

(2,418,967) (1,780,451)

85,998,649 69,838,392

**10.1 Particulars of advances**

**10.1.1** In local currency 76,734,118 66,097,018

In foreign currencies 11,683,498 5,521,825

88,417,616 71,618,843

**10.1.2** Short term (for upto one year) 67,375,238 57,282,993

Long term (for over one year) 21,042,378 14,335,850

88,417,616 71,618,843

**10.2** Advances include Rs. 2,373,166 thousand (2004: Rs.1,101,382 thousand) which have been placed under non-performing status as detailed below :

(Rupees in thousand)	Category of classification	Note	2005				
			Domestic	Overseas	Total	Provision required	Provision held
	Special mention	10.2.1	–	–	–	63,832	63,832
	Substandard		304,886	–	304,886	52,165	52,165
	Doubtful		551,335	–	551,335	174,896	174,896
	Loss		1,516,945	–	1,516,945	1,119,909	1,119,909
			2,373,166	–	2,373,166	1,410,802	1,410,802

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

### 10.3 Particulars of provision against non-performing advances

(Rupees in thousand)	Note	2005				2004			
		Specific	General	Loans-General	Total	Specific	General	Loans-General	Total
		944,256	700,381	135,814	1,780,451	878,719	651,313	33,502	1,563,534
		466,577	65,486	106,484	638,547	126,018	49,068	102,312	277,398
	10.4	(31)	–	–	(31)	(60,481)	–	–	(60,481)
		1,410,802	765,867	242,298	2,418,967	944,256	700,381	135,814	1,780,451

During the year, the Bank changed the method of computation of provision for non-performing advances in order to comply with instructions contained in BSD Circular No. 07 dated November 01, 2005 issued by the State Bank of Pakistan. The amendments in Prudential Regulations for classification and provisioning for loans and advances made vide this Circular include, elimination of Other Assets Especially Mentioned category, revision of aging criteria, increase in provisioning requirement for Substandard category to 25 percent and benefit of forced sale value (FSV) of collateral will now be allowed over certain financing thresholds. Had the above mentioned changes not taken place, the provision against non-performing advances would have been lower and profit before tax for the year would have been higher by Rs. 115.804 million.

(Rupees in thousand)	Notes	2005	2004
<b>10.4 Particulars of write-offs:</b>			
<b>10.4.1</b> Against provisions	10.3	31	60,481
Directly charged to profit and loss account		–	7
		31	60,488
<b>10.4.2</b> Write offs of Rs. 500,000 and above	10.5	–	59,911
Write offs of below Rs. 500,000		31	577
		31	60,488

**10.5** 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, 2005 is given at Annexure-I.

### 10.6 Particulars of loans and advances to directors and associated company etc.

(Rupees in thousand)	Balance as at December 31, 2005	*Maximum total amount of advances including temporary advances granted during the year
Debts due by directors, executives or officers of the group or any of them either severally or jointly with any other persons	77,722	77,819
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	–	–
Debts due by controlled firms, managed modarabas and other related parties	764,619	764,619
	842,341	842,438

\* The maximum amount has been calculated by reference to month-end balances.

	(Rupees in thousand)	Note	2005	2004
<b>11. Other assets</b>				
	Income / mark-up accrued in local currency	11.1	1,904,428	992,856
	Income / mark-up accrued in foreign currencies		148,277	48,076
	Advances, deposits, advance rent and other prepayments		280,720	290,937
	Advance taxation (payments less provisions)		182,446	14,701
	Un-realized gain on forward foreign exchange contracts-net		68,446	–
	Suspense account		24,192	81,279
	Stationary and stamps in hand		43,289	38,311
	Dividend receivable		9,023	10,304
	Others		75,978	82,901
			<b>2,736,799</b>	<b>1,559,365</b>

**11.1** This balance has been arrived at after adjusting interest in suspense of Rs. 494,423 thousand (2004: 390,463 thousand).

	(Rupees in thousand)	Notes	2005	2004
<b>12. Operating fixed assets</b>				
	Capital work-in-progress	12.1	236,012	219,150
	Property and equipment	12.2	2,962,654	2,375,873
			<b>3,198,666</b>	<b>2,595,023</b>
<b>12.1 Capital work-in-progress</b>				
	Civil works		10,468	10,468
	Advances to suppliers and contractors		225,544	208,682
			<b>236,012</b>	<b>219,150</b>

## 12.2 Property and equipment

(Rupees in thousand)	COST				DEPRECIATION				Book Value		Rate of Depreciation %
	as at January 1, 2005	additions	transfers/ (deletions)/ adjustments*	as at December 31, 2005	as at January 1, 2005	charge for the year	on transfers/ (deletions)/ adjustments*	as at December 31, 2005	as at December 31, 2005		
Land -freehold	365,588	39,355	–	404,943	–	–	–	–	404,943	–	
Land -leasehold	304,496	104,279	–	408,775	–	–	–	–	408,775	–	
Buildings on freehold land	515,281	13,376	(13,964)	514,693	82,574	20,530	16,633	119,737	394,956	5	
Buildings on leasehold land	616,677	151,940	13,964	782,581	78,396	33,640	(16,606)	95,430	687,151	5	
Renovation of leased premises	275,722	94,121	(5,197)	364,646	158,490	46,468	(4,594)	200,364	164,282	20	
Furniture, fixtures and office equipments	147,699	61,778	(1,221)	208,256	47,382	13,352	(466)	60,268	147,988	10	
Carpets	12,099	1,404	(562)	12,941	8,801	1,172	(477)	9,496	3,445	20	
Machine and equipments	366,337	117,296	(7,871)	475,762	170,099	52,539	(4,311)	218,327	257,435	20	
Computer equipments	361,515	161,336	(356)	521,515	164,478	58,456	(112)	222,757	298,758	20	
			(980) *				(65)				
Vehicles	98,697	128,712	(37,428)	216,242	27,893	30,650	(31,724)	43,963	172,279	20	
			26,261				17,144				
Other assets	45,599	205	(1,849)	43,955	29,980	4,716	(213)	34,483	9,472	20	
	<b>3,109,710</b>	<b>873,802</b>	<b>26,261</b>	<b>3,954,309</b>	<b>768,093</b>	<b>261,523</b>	<b>17,144</b>	<b>1,004,825</b>	<b>2,949,484</b>		
			<b>(54,484)</b>				<b>(41,897)</b>				
			<b>(980) *</b>				<b>(38) *</b>				
Assets held under finance lease:											
Vehicles	82,755	2,771	(26,261)	57,716	48,499	13,914	(17,144)	44,546	13,170	20	
		–	(1,549)				(723)				
	<b>82,755</b>	<b>2,771</b>	<b>(27,810)</b>	<b>57,716</b>	<b>48,499</b>	<b>13,914</b>	<b>(17,867)</b>	<b>44,546</b>	<b>13,170</b>		
<b>2005</b>	<b>3,192,465</b>	<b>876,573</b>	<b>(56,033)</b>	<b>4,012,025</b>	<b>816,592</b>	<b>275,437</b>	<b>(42,620)</b>	<b>1,049,371</b>	<b>2,962,654</b>		
			<b>(980) *</b>				<b>(38) *</b>				
2004	2,488,656	733,826	(30,017)	3,192,465	639,229	199,911	(22,548)	816,592	2,375,873		

The gross carrying amount of fully depreciated property and equipments still in use amounted to Rs.107,320 thousand (2004: Rs. 109,906 thousand).

**12.3 Detail of disposals of operating fixed assets**

Particulars of asset (Rupees in thousand)	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
Toyota Corolla	769	487	282	378	As per Bank policy	Mr. Nazimuddin A. Chaturbhai - Executive
Suzuki Cultus	550	367	183	268	-do-	Mr. Abdul Majeed - ex-Executive
Suzuki Khyber	467	467	-	175	-do-	Mr. Ijaz Ahmed Butt - Executive
Suzuki Baleno	649	649	-	227	-do-	Mr. Azhar Imtiaz Bhatti - Executive
Kia Sportage	1,549	723	826	1,300	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Toyota Corolla	769	525	244	368	As per Bank policy	Mr. Ahmed Khan - Executive
Toyota Corolla	769	564	205	351	-do-	Mr. Muhammad Saghir - ex-Executive
Suzuki Baleno	699	466	233	336	-do-	Mr. Amjad Yaqoob Kiyani - Executive
Suzuki Khyber	434	434	-	152	-do-	Syed Altaf Haider Shah - Executive
Suzuki Cultus	524	419	105	201	-do-	Mr. Zubair Ahmed Sheikh - Executive
Suzuki Cultus	424	424	-	152	-do-	Mr. Aftab Ahmed - Executive
Suzuki Cultus	560	37	523	540	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Cultus	525	464	61	203	As per Bank policy	Mr. Ejaz M. Siddiqui - Executive
Toyota Corolla	849	381	468	500	-do-	Mr. Muhammad Afzal - Executive
Suzuki Baleno	699	466	233	331	-do-	Syed Shahid Raza - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Raja Waheed Zaman - Executive
Toyota Corolla	739	677	62	289	-do-	Mr. Hafeez R. Quraishy - Executive
Suzuki Cultus	550	385	165	262	-do-	Mr. Shahbaz Saboor - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Waqar Ahsan - Executive
Suzuki Cultus	525	455	70	205	-do-	Mr. Shahid Iqbal - Executive
Toyota Corolla	739	690	49	278	-do-	Mr. Agha Ali Imam - Executive
Suzuki Cultus	550	358	192	280	-do-	Mr. Tariq Siddique Ghauri - Executive
Suzuki Khyber	434	434	-	152	-do-	Mr. Imtiaz Ahmed - Executive
Suzuki Baleno	699	466	233	332	-do-	Mr. Safdar Hussain Bukhari - Executive
Suzuki Baleno	699	466	233	333	-do-	Mr. Nasir Javed - Executive
Suzuki Cultus	550	358	192	274	-do-	Mr. Faheem Ahmed Qureshi - Executive
Honda City	878	249	629	750	-do-	Mr. Waqar Hameed - Executive
Toyota Corolla	739	690	49	265	-do-	Mr. Shaukat Ali - ex-Executive
Honda CD 70	43	6	37	43	Insurance Claim	M/s Askari General Insurance Co. Limited - A related party
Suzuki Baleno	699	478	221	331	As per Bank policy	Mr. Niaz Muhammad - Executive
Suzuki Baleno	699	489	210	331	-do-	Mr. Khawaja Safdar Hussain - Executive
Suzuki Cultus	520	520	-	182	-do-	Mr. Atiq Hussain - Executive
Suzuki Cultus	525	516	9	184	-do-	Mr. Adnan Qamar - Executive
Toyota Corolla	739	702	37	259	-do-	Mr. Qaiser Iqbal Khan - ex-Executive
Suzuki Baleno	699	524	175	343	-do-	Mr. Sajjad Ali Sheikh - Executive
Suzuki Baleno	699	524	175	301	-do-	Mr. Yaqoob Ismail - Executive
Toyota Corolla	739	739	-	259	-do-	Mr. M. Munir Ahmed - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Mahmood Hussain - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Ghulam Sabir - Executive
Suzuki Baleno	699	501	198	301	-do-	Mr. Abdul Jabbar - Executive
Suzuki Cultus	525	525	-	184	-do-	Mr. Akmal Waheed - Executive
Toyota Corolla	769	769	-	256	-do-	Mr. Sajjad Ahmed Qureshi - Executive
	26,793	20,354	6,439	12,654		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	29,240	22,266	6,974	7,471		
<b>2005</b>	<b>56,033</b>	<b>42,620</b>	<b>13,413</b>	<b>20,125</b>		
2004	30,017	22,548	7,469	12,704		

	(Rupees in thousand)	Notes	2005	2004
<b>13. Bills payable</b>	In Pakistan		1,315,680	1,227,093
<b>14. Borrowings from financial institutions</b>	In Pakistan		10,560,524	13,089,993
	Outside Pakistan		1,814	691,562
			10,562,338	13,781,555
<b>14.1 Particulars of borrowings from financial institutions</b>				
	In local currency		10,560,524	13,089,993
	In foreign currencies		1,814	691,562
			10,562,338	13,781,555
<b>14.2 Details of borrowings from financial institutions</b>				
	<b>In Pakistan - local currency</b>			
	<b>Secured</b>			
	Borrowings from the State Bank of Pakistan:			
	Export refinance scheme	14.2.1	9,465,394	9,776,551
	Long term financing of export oriented projects	14.2.2	312,361	–
	Repurchase agreement borrowings (repo)	14.2.3	782,769	3,123,442
	<b>Unsecured</b>			
	Call borrowings		–	190,000
			10,560,524	13,089,993
	<b>Outside Pakistan - foreign currencies</b>			
	Overdrawn nostro accounts - unsecured		1,814	691,562
			10,562,338	13,781,555

**14.2.1** This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 7.50% per annum payable on a quarterly basis.

**14.2.2** These carry mark-up ranging from 2.0% to 4.9% per annum payable on a quarterly basis.

**14.2.3** These are secured against pledge of Government Securities, and carry mark-up ranging from 8.10% to 8.45% per annum and have maturities of upto 1 month.

	(Rupees in thousand)	2005	2004
<b>15. Deposits and other accounts</b>	<b>Customers</b>		
	Fixed deposits	37,999,587	13,275,201
	Savings deposits	57,854,410	49,911,504
	Current accounts - non-remunerative	20,089,228	18,463,536
	Special exporters' account	304,924	75,836
	Margin accounts	1,076,511	1,207,079
	Others	125,010	97,829
	<b>Financial institutions</b>		
	Remunerative deposits	1,344,481	287,810
		118,794,151	83,318,795
<b>15.1 Particulars of deposits</b>			
	In local currency	98,378,379	64,205,425
	In foreign currencies	20,415,772	19,113,370
		118,794,151	83,318,795

**15.1.1** The above include deposits of related parties amounting to Rs. 886,182 thousand (2004: Rs.1,065,845 thousand).

(Rupees in thousand)	2005	2004
<b>16. Sub-ordinated loans</b>		
Term Finance Certificates	2,999,700	1,000,000
The Bank has raised unsecured sub-ordinated loans in two separate Term Finance Certificates issued to improve the Bank's capital adequacy. The salient features of the issues are as follows:		
	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount -		
Rupees in thousand	1,499,700	1,500,000
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA	AA
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5%	Payable six monthly - Base Rate plus 1.5%
	Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

**17. Liabilities against assets subject to finance lease**

(Rupees in thousand)	2005			2004		
	Minimum lease payments	Financial charges for future periods	Principal Outstanding	Minimum lease payments	Financial charges for future periods	Principal Outstanding
Not later than one year	2,076	246	1,830	13,687	603	13,084
Later than one year and not later than five years	2,598	457	2,141	1,099	24	1,075
	4,674	703	3,971	14,786	627	14,159

The group has entered into various lease agreements with leasing companies and modarabas for vehicles. Lease rentals are payable on quarterly basis and include finance charges ranging between 7.75% to 11.50% per annum which have been used as discounting factor. The group has the option to purchase the assets upon completion of lease period, and has the intention to exercise such option.

(Rupees in thousand)	2005	2004
<b>18. Other liabilities</b>		
Mark-up / return / interest payable in local currency	905,564	196,817
Mark-up / return / interest payable in foreign currencies	6,328	60,499
Unearned income / commission	10,108	56,858
Accrued expenses	149,795	108,340
Advance payments	167,486	51,319
Unclaimed dividends	29,924	29,039
Proposed dividend	226,053	251,170
Unrealized loss on forward foreign exchange contracts	-	40,992
Branch adjustment account	345,791	152,052
Payable to defined contribution plan	13	-
Payable against purchase of listed shares	200,436	136,227
Withholding taxes payable	8,239	6,553
Others	223,416	193,114
	2,273,153	1,282,980

(Rupees in thousand)		2005	2004
<b>19. Deferred tax liabilities</b>	Deferred credits arising due to:		
	Accelerated tax depreciation	335,684	210,708
	Excess of accounting book value of leased assets over lease liabilities	(441)	(5,805)
	Surplus on revaluation of securities	44,915	232,492
	Profit on securities recognized but not received	187,299	89,471
	Business loss of AIML	(1,573)	–
	Pre commencement expenditure of AIML	(1,496)	–
		564,388	526,866

## 20. Share capital

### 20.1 Authorised capital

Number of shares			2005	2004
2005	2004		(Rupees in thousand)	
400,000,000	400,000,000	Ordinary shares of Rs. 10 each	4,000,000	4,000,000

### 20.2 Issued, subscribed and paid up Ordinary shares of Rs. 10 each:

Number of shares			2005	2004
67,500,000	67,500,000	Issued for cash	675,000	675,000
83,201,684	58,084,737	Fully paid bonus shares	832,018	580,848
150,701,684	125,584,737		1,507,018	1,255,848

## 21. Reserves

(Rupees in thousand)	Capital Reserve for issue of Bonus Shares		Revenue Reserves			2005	2004
	Statutory Reserve	General Reserves	Reserve for Contingencies	Total Revenue Reserves			
Balance as at January 01	251,170	1,444,870	2,311,261	310,000	2,621,261	4,317,301	2,759,599
Bonus shares issued	(251,170)	–	–	–	–	(251,170)	(114,168)
Transfer from profit and loss account	497,315	404,399	888,976	–	888,976	1,790,690	1,671,870
Balance as at December 31	497,315	1,849,269	3,200,237	310,000	3,510,237	5,856,821	4,317,301

Reserve for contingencies has been created for risk assets comprising advances and investments excluding Government Securities. The reserve has been created, as a matter of prudence, exclusively to provide sufficient cushion for any future losses in the Bank's risk asset portfolio.

(Rupees in thousand)		2005	2004
<b>22. Surplus on revaluation of assets</b>	<b>Surplus on revaluation of available for sale securities</b>		
	i) Federal Government securities	128,328	566,329
	ii) Listed shares	1,144,985	108,382
	iii) Other securities	(10,060)	724
		1,263,253	675,435
	Less: Related deferred tax effect	(44,915)	(232,492)
		1,218,338	442,943
<b>23. Contingencies and commitments</b>	<b>23.1 Direct credit substitutes</b>		
	i) Government	–	545,047
	ii) Others	8,899,087	6,678,538
		8,899,087	7,223,585

(Rupees in thousand)	2005	2004
<b>23.2 Transaction-related contingent liabilities</b>		
Money for which the Bank is contingently liable:		
a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	8,182	–
b) Contingent liability in respect of guarantees given, favouring:		
i) Government	20,785,229	16,361,130
ii) Banks and other financial institutions	1,130,038	1,382,497
iii) Others	4,097,783	3,099,898
	26,013,050	20,843,525
	26,021,232	20,843,525
<b>23.3 Trade-related contingent liabilities</b>	22,482,877	17,015,306
<b>23.4 Other contingencies</b>	861,056	445,140

These represent certain claims by third parties against the Bank, which are being contested in the Courts of law. The management is of the view that these relate to the normal course of business and are not likely to result in any liability against the Bank.

**23.5** For contingencies in respect of tax matters refer note 30.2

(Rupees in thousand)	2005	2004
<b>23.6 Commitments in respect of forward lending</b>		
Commitments against "REPO" transactions		
Purchase and resale agreements	4,359,006	753,480
Sale and repurchase agreements	788,871	3,127,143
<b>23.7 Commitments in respect of forward purchase / sale of listed equity securities</b>		
Purchase	19,749	–
Sale	525,970	102,912
<b>23.8 Commitments in respect of forward exchange contracts</b>		
Purchase	4,291,946	8,791,180
Sale	7,605,106	5,751,846
<b>23.9 Commitments for the acquisition of operating fixed assets</b>	259,668	338,827
<b>23.10 Other commitments</b>		
Commitments to extend credit	1,716,272	396,611
<b>23.11 Bills for collection</b>		
Payable in Pakistan	342,504	412,758
Payable outside Pakistan	23,105,625	19,767,519
	23,448,129	20,180,277

Bills for collection represent bills drawn in favour of various financial institutions in Pakistan and abroad on behalf of Bank's customers. These are accepted by the Bank as an agent and the Bank does not carry any credit risk in respect of these bills.

#### **23.12 Off balance sheet financial instruments**

Off balance sheet financial instruments referred to as derivatives are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against



Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

	(Rupees in thousand)	Notes	2005	2004
<b>24. Mark-up / return / interest earned</b>	<b>On loans and advances to:</b>			
	i) Customers		6,564,409	3,074,730
	ii) Financial institutions		97,592	103,650
	<b>On investments</b>			
	i) Held for trading securities		235	–
	ii) Available for sale securities		1,301,855	926,169
	iii) Held to maturity securities		220,253	150,874
	On deposits with financial institutions		448,012	214,116
	On securities purchased under resale agreements		150,013	17,667
			<b>8,782,369</b>	<b>4,487,206</b>
<b>25. Mark-up / return / interest expensed</b>	On deposits		3,390,094	802,802
	On securities sold under repurchase agreements		173,437	123,355
	On sub-ordinated loans		166,785	426
	On other short term borrowings		545,814	190,623
		<b>4,276,130</b>	<b>1,117,206</b>	
<b>26. Gain on sale of investments</b>	Gain on sale of Government Securities		14,605	14,927
	Gain on sale of other investments		85,227	525,266
			<b>99,832</b>	<b>540,193</b>
<b>27. Other income</b>	Rent of property	27.1	36,976	32,878
	Net profit on sale of property and equipment		6,712	5,235
	Rent of lockers		8,493	7,993
	Recoveries of expenses from customers		154,638	131,542
		<b>206,819</b>	<b>177,648</b>	

**27.1** This includes an amount of Rs. 19,251 thousand (2004: Rs. 17,900 thousand ) on account of rent received from related parties.

	(Rupees in thousand)	Notes	2005	2004
<b>28 Administrative expenses</b>	Salaries, allowances, etc.		1,110,784	797,239
	Contribution to defined contribution plan		31,899	24,045
	Non-executive directors' fees, allowances and other expenses		192	91
	Rent, taxes, insurance, electricity, etc.		267,011	202,150
	Legal and professional charges		35,363	20,609
	Brokerage and commission		82,649	61,346
	Communications		189,982	162,906
	Repairs and maintenance		111,807	58,402
	Finance charges on leased assets		510	2,395
	Stationery and printing		78,766	59,590
	Advertisement and publicity		120,447	106,004
	Depreciation	12.2	275,437	199,911
	Donation	28.1	30,000	–
	Auditors' remuneration	28.2	2,630	1,008
	Charge for defined benefit plan	34.4	25,646	13,290
	Other expenditure (travelling, security services, vehicle running expenses, etc.)		240,893	136,193
		<b>2,604,016</b>	<b>1,845,179</b>	

**28.1** This represents donation to the President's Relief Fund for earthquake victims, established by the President of Pakistan. None of the Directors or their spouses had any interest in the donee fund.

(Rupees in thousand)	2005	2004
<b>28.2 Auditors' remuneration</b>		
Audit fee	1,500	362
Fee for audit of subsidiary / branch outside Pakistan	599	351
Fee for audit of employees' funds	–	40
Special certifications, half year review and audit of consolidated financial statements	436	195
Out-of-pocket expenses	95	60
	2,630	1,008
<b>29. Other charges</b>		
Penalties imposed by the State Bank of Pakistan	1,832	138
<b>30. Taxation</b>		
<b>For the year</b>		
Current	828,774	876,089
Deferred	193,729	43,611
	1,022,503	919,700
<b>For prior years</b>		
Current	(219,617)	–
Deferred	31,370	–
	(188,247)	–
	834,256	919,700
<b>30.1 Relationship between tax expense and accounting profit</b>		
Profit before taxation	2,850,999	2,842,740
Tax at applicable tax rate of 38 percent (2004: 41 percent)	1,083,381	1,165,523
Effect of:		
- Income chargeable to tax at lower rates	(16,877)	(9,474)
- Income exempt from tax	(29,701)	(215,599)
- Temporary differences on which deferred tax has been accounted for over enacted reduced rate for subsequent years	(16,606)	(18,349)
- Prior years' adjustment - tax rate effect	(43,080)	–
- others	(145,167)	–
- Amounts not deductible for tax purposes	2,306	(2,401)
	834,256	919,700

**30.2** Income tax authorities have finalized tax assessments of the Bank upto and including the assessment year 2002-2003 (income year ended December 31, 2001). Returns filed by the Bank for tax years 2003, 2004 and 2005 have been assessed under self-assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

While finalizing assessments for the assessment years 1998-99 to 2002-2003, the taxation officer disallowed provisions made by the Bank for bad and doubtful debts and also charged tax on classified loans credited to suspense account under the Prudential Regulations of the State Bank of Pakistan, thereby raising tax demand of Rs. 557 million. Assessment for tax year 2003 was also amended and further demand of Rs. 165 million was raised on account of disallowance of provision for bad and doubtful debts. The Bank successfully appealed before the Commissioner of Income Tax (Appeals) [CIT (Appeals)] who deleted these disallowances. The Income Tax Department has filed appeals to the Income Tax Appellate Tribunal [ITAT] against the appellate orders of the CIT (Appeals). These departmental appeals are pending disposal.

The taxation officer has given effect to the appellate orders of the CIT (Appeals) for the assessment years 2000-2001, 2001-2002, 2002-2003 and tax year 2003 resulting in a refund of Rs 516 million to the Bank.

Pursuant to the assessments finalized for the assessment years 1998-1999 to 2002-2003, the tax department also reopened the Bank's assessments relating to the assessment years 1995-96 to 1997-98 and created tax demand aggregating Rs. 206 million by taxing provisions for bad and doubtful debts and interest credited on classified loans to suspense account. The CIT (Appeals) deleted tax demands of Rs. 74 million while deciding appeals for the assessment years 1995-96 and 1996-97 while appeal for the assessment year 1997-98 is pending disposal before the ITAT. The taxation officer challenged the appellate orders relating to the assessment years 1995-96 and 1996-97 before the ITAT, where the matter is pending disposal. The management is hopeful that these appeals will be ultimately decided in the Bank's favour.

The reversal of provision represents certain writebacks against claims relating to assessment years 2000-2001 and 2001-2002 which stand decided in the Bank's favour.

Notwithstanding the above, should these liabilities materialize at a later stage, these will give rise to a deferred tax debit being a timing difference in nature, as the Bank will not be required to pay tax on future realization of these receivables. Other than these matters, tax demands have been fully provided for.

(Rupees in thousand)		2005	2004
<b>31. Basic / diluted earnings per share</b>	Profit for the year - Rupees in '000	2,016,742	1,923,040
	Weighted average number of Ordinary Shares - Numbers	150,701,684	150,701,684
	Basic / diluted earnings per share - Rupees	13.38	12.76

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

**31.1** Weighted average number of ordinary shares for 2004 has been restated to give effect of bonus shares issued during the year.

(Rupees in thousand)		2005	2004
<b>32. Cash and cash equivalents</b>	Cash and balances with treasury banks	11,766,928	8,762,866
	Balances with other banks	5,578,654	4,847,899
	Call money lendings	1,980,000	–
		19,325,582	13,610,765

<b>33. Staff strength</b>	Total number of employees at the end of the year	2,764	2,118
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#### **34. Defined benefit plan**

##### **34.1 General description**

The Bank operates an approved funded gratuity scheme for all its regular employees. Contributions are made in accordance with the actuarial recommendation.

The benefits under the gratuity scheme are payable on retirement at the age of 60 years or earlier cessation of service in lumpsum. The benefit is equal to one month's last drawn basic salary for each year of eligible service or part thereof, subject to a minimum of three years of service.

##### **34.2 Principal actuarial assumptions**

The actuarial valuation was carried out for the year ended December 31, 2005 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Expected rate of return on investments	8.3 percent per annum

(Rupees in thousand)		2005	2004
<b>34.3 Reconciliation of payable to defined benefit plan</b>	Present value of defined benefit obligations	199,511	168,820
	Fair value of plan assets	(182,281)	(163,289)
	Net actuarial losses not recognized	(17,230)	(5,531)
		–	–

(Rupees in thousand)	2005	2004
<b>34.4 Movement in payable to defined benefit plan</b>		
Opening balance	–	–
Charge for the year	25,646	13,290
Contribution to the fund during the year	(25,646)	(13,290)
Closing balance	–	–
<b>34.5 Charge for defined benefit plan</b>		
Current service cost	22,300	16,322
Interest cost	15,194	7,983
Expected return on plan assets	(11,848)	(11,015)
	25,646	13,290
<b>34.6 Actual return on plan assets</b>	18,199	13,540

**34.7** The defined benefit plan assets include deposits maintained with the Bank at a fair value of Rs. 45,027 thousand (2004: Rs. 31,080 thousand).

### 35. Defined contribution plan

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

### 36. Compensated absences

#### 36.1 General description

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

Under this unfunded scheme, regular employees are entitled for 30 days privilege leave for each completed year of service. Unutilized privilege leave can be accumulated upto a maximum of 360 days which can be encashed at the time of retirement or can also be encashed during service. These are encashable on the basis of last drawn gross salary.

#### 36.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2005 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2005 was Rs 64,176 thousand against related liability of Rs 32,560 thousand carried at December 31, 2004. Charge for the year of Rs 31,616 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	13.32 days
Leave encashment factor	7 days

**37. Remuneration of Chief Executive, Directors and Executives**

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Fees	14	15	192	91	30	–
Managerial remuneration	4,209	3,841	–	–	69,704	53,862
Charge for defined benefit plan	351	1,039	–	–	12,113	12,853
Contribution to defined contribution plan	351	320	–	–	5,537	3,565
Rent and house maintenance	1,263	1,152	–	–	29,418	20,126
Utilities	421	384	–	–	6,801	4,468
Medical	210	327	–	–	5,638	3,997
Bonus	1,754	1,754	–	–	27,528	19,490
Others	–	–	–	–	806	–
	8,573	8,832	192	91	157,575	118,361
Number of persons	1	1	19	14	91	60

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

**38. Maturities of assets and liabilities**

(Rupees in thousand)	Total	2005			
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years
<b>Assets</b>					
Cash and balances with treasury banks	11,766,928	11,766,928	–	–	–
Balances with other banks	5,578,654	5,578,654	–	–	–
Lendings to financial institutions	10,197,242	9,458,505	738,737	–	–
Investments	25,618,620	4,829,394	11,334,419	3,160,865	6,293,942
Advances	85,998,649	35,136,544	31,029,210	12,952,000	6,880,895
Other assets	2,736,799	1,531,839	1,204,695	265	–
Operating fixed assets	3,198,666	120,714	404,778	783,624	1,889,550
	145,095,558	68,422,578	44,711,839	16,896,754	15,064,387
<b>Liabilities</b>					
Bills payable	1,315,680	1,315,680	–	–	–
Borrowings from financial institutions	10,562,338	8,195,989	2,366,349	–	–
Deposits and other accounts	118,794,151	61,147,269	24,618,415	1,191,034	31,837,433
Sub-ordinated loans	2,999,700	–	1,200	4,800	2,993,700
Liabilities against assets subject to finance lease	3,971	1,075	755	2,141	–
Other liabilities	2,273,153	2,161,127	112,026	–	–
Deferred tax liabilities	564,388	–	187,299	–	377,089
	136,513,381	72,821,140	27,286,044	1,197,975	35,208,222
<b>Net assets</b>	8,582,177	(4,398,562)	17,425,795	15,698,779	(20,143,835)
Share capital	1,507,018				
Reserves	5,856,821				
Surplus on revaluation of assets	1,218,338				
	8,582,177				

### 39. Yield / interest rate risk

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

(Rupees in thousand)	2005						
	Effective Yield / Interest rate %	Total	Exposed to Yield / Interest risk				Not exposed to Yield / Interest risk
			Upto three months	Over 3 months to one year	Over one year to five years	Over five years	
<b>On-balance sheet financial instruments</b>							
<b>Assets</b>							
Cash and balances with treasury banks	3.29%	11,766,928	2,805,483	–	–	–	8,961,445
Balances with other banks	3.75%	5,578,654	4,977,600	–	–	–	601,054
Lendings to financial institutions	7.89%	10,197,242	9,458,505	738,737	–	–	–
Investments	7.44%	25,618,620	4,285,779	11,334,419	3,160,865	3,819,298	3,018,259
Advances	8.55%	85,998,649	35,136,439	31,029,000	12,952,000	6,880,895	315
Other assets	–	2,736,799	–	–	–	–	2,736,799
		141,896,892	56,663,806	43,102,156	16,112,865	10,700,193	15,317,872
<b>Liabilities</b>							
Bills payable	–	1,315,680	–	–	–	–	1,315,680
Borrowings from financial institutions	5.31%	10,562,338	8,195,989	2,366,349	–	–	–
Deposits and other accounts	3.58%	118,794,151	53,625,147	18,702,525	1,191,034	23,679,772	21,595,673
Sub-ordinated loans	9.87%	2,999,700	–	1,200	4,800	2,993,700	–
Liabilities against assets subject to finance lease	9.41%	3,971	1,075	755	2,141	–	–
Other liabilities	–	2,273,153	–	–	–	–	2,273,153
		135,948,993	61,822,211	21,070,829	1,197,975	26,673,472	25,184,506
<b>On-balance sheet gap</b>		<b>5,947,899</b>	<b>(5,158,405)</b>	<b>22,031,327</b>	<b>14,914,890</b>	<b>(15,973,279)</b>	<b>(9,866,634)</b>
<b>Off-balance sheet financial instruments</b>							
Purchase and resale agreements	8.13%	4,359,006	4,359,006	–	–	–	–
Sale and repurchase agreements	8.23%	788,871	788,871	–	–	–	–
Commitments to extend credit	–	1,716,272	1,716,272	–	–	–	–
<b>Off-balance sheet gap</b>		<b>1,853,863</b>	<b>1,853,863</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total yield / interest risk sensitivity gap</b>			<b>(3,304,542)</b>	<b>22,031,327</b>	<b>14,914,890</b>	<b>(15,973,279)</b>	
<b>Cumulative yield / interest risk sensitivity gap</b>			<b>(3,304,542)</b>	<b>18,726,785</b>	<b>33,641,675</b>	<b>17,668,396</b>	

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

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

### 40. Currency risk

(Rupees in thousand)	2005			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees (PKR)	118,722,303	102,074,135	3,313,160	19,961,328
U.S. Dollars (\$)	20,626,431	30,905,853	(2,954,219)	(13,233,641)
Pound Sterling (£)	1,593,429	2,007,919	(51,389)	(465,879)
Japanese Yen (¥)	14,303	45,327	2,240	(28,784)
Euro (€)	846,266	785,774	(307,387)	(246,895)
Other European Currencies	2,306	19,447	(4,587)	(21,728)
Other Currencies	91,854	110,538	2,182	(16,502)
	141,896,892	135,948,993	–	5,947,899

**41. Fair value of financial instruments****41.1 On-balance sheet financial instruments**

(Rupees in thousand)	2005		2004	
	Book Value	Fair Value	Book Value	Fair Value
<b>Assets</b>				
Cash and balances with treasury banks	11,766,928	11,766,928	8,762,866	8,762,866
Balances with other banks	5,578,654	5,578,654	4,847,899	4,847,899
Lendings to financial institutions	10,197,242	10,197,242	2,324,839	2,324,839
Investments	25,618,620	25,618,620	17,239,157	17,239,157
Advances				
Term loans	24,135,198	24,135,198	18,942,841	18,942,841
Staff advances	587,556	587,556	481,117	481,117
Other advances	61,275,895	61,275,895	50,514,083	50,514,083
Other assets	2,736,799	2,736,799	1,459,716	1,459,716
	<u>141,896,892</u>	<u>141,896,892</u>	<u>104,572,518</u>	<u>104,572,518</u>
<b>Liabilities</b>				
Bills payable	1,315,680	1,315,680	1,227,093	1,227,093
Borrowings from financial institutions	10,562,338	10,562,338	13,781,555	13,781,555
Deposits and other accounts				
Current and saving accounts	80,794,564	80,794,564	70,043,594	70,043,594
Term deposits	37,999,587	37,999,587	13,275,201	13,275,201
Sub-ordinated loans	2,999,700	2,999,700	1,000,000	1,000,000
Liabilities against assets subject to finance lease	3,971	3,971	14,159	14,159
Other liabilities	2,273,153	2,273,153	1,282,981	1,282,981
	<u>135,948,993</u>	<u>135,948,993</u>	<u>100,624,583</u>	<u>100,624,583</u>
<b>41.2 Off-balance sheet financial instruments</b>				
Forward purchase of foreign exchange	4,291,946	4,291,946	8,791,180	8,791,180
Sale and repurchase agreements	788,871	788,871	3,127,143	3,127,143
Forward sale of foreign exchange	7,605,106	7,605,106	5,854,758	5,854,758
Purchase and resale agreements	4,359,006	4,359,006	753,480	753,480

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

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

Fair value of fixed term loans, staff loans, non-performing advances and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The provision for non-performing advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.4. The maturity profile and effective rates are stated in note 39.

## 42. Concentration of credit and deposits

Out of the total financial assets of Rs. 141,897 million the financial assets which were subject to credit risk amounted to Rs. 136,002 million. Investments amounting to Rs. 5,895 million are guaranteed by the Government of Pakistan.

### 42.1 Liquidity Risk:

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

### 42.2 Currency Risk:

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

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

### 42.3 Market Risk:

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

### 42.4 Credit Risk:

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

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

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

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

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



**42.5 Segment by class of business**

	2005					
	Deposits		Advances		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	1,154,523	0.97	1,795,842	2.03	–	–
Automobiles & Allied	2,314,264	1.95	1,344,619	1.52	–	–
Cables / Electronics	535,211	0.45	1,970,347	2.23	12,229	0.02
Carpets	215,767	0.18	265,701	0.30	–	–
Cements	125,456	0.11	612,337	0.69	24,854	0.03
Chemicals / Pharmaceuticals	1,284,030	1.08	4,837,349	5.47	79,232	0.10
Engineering	665,658	0.56	364,853	0.41	222,983	0.29
Fertilizers	1,211,501	1.02	3,003,328	3.40	–	–
Food & Allied	390,206	0.33	1,405,386	1.59	–	–
Fuel / Energy	6,516,556	5.49	2,082,344	2.36	358,746	0.46
Ghee & Edible Oil	258,245	0.22	2,715,121	3.07	–	–
Glass and Ceramics	87,122	0.07	849,281	0.96	–	–
Hotels and Restaurants	207,952	0.18	131,968	0.15	–	–
Individuals	41,755,556	35.15	8,696,292	9.84	–	–
Insurance	1,173,611	0.99	–	–	–	–
Investment Banks / Scheduled Banks	367,887	0.31	221,194	0.25	39,025,817	50.14
Leasing	299,283	0.25	1,323,888	1.50	–	–
Leather Products and Shoes	437,811	0.37	1,563,355	1.77	–	–
Modarabas	5,369	0.00	58,972	0.07	–	–
Paper and Board	119,267	0.10	814,222	0.92	371,063	0.48
Plastic products	652,133	0.55	610,002	0.69	–	–
Ready- Made garments	215,126	0.18	2,724,602	3.08	–	–
Real Estate / Construction	4,452,155	3.75	3,824,211	4.32	259,668	0.33
Rice Processing and trading	593,652	0.50	4,165,356	4.71	–	–
Rubber Products	80,602	0.07	117,505	0.13	–	–
Services (Other than Financial, Hotelling & Travelling)	3,021,400	2.54	958,263	1.08	–	–
Sports goods	111,327	0.09	1,120,111	1.27	–	–
Sugar	89,201	0.08	254,918	0.29	–	–
Surgical equipment / Metal Products	190,672	0.16	2,988,160	3.38	–	–
Synthetic & Rayon	353,895	0.30	305,866	0.35	–	–
Textile:						
Export	1,495,103	1.26	15,120,078	17.10	127,106	0.16
Manufacturing	2,353,792	1.98	11,569,224	13.08	226,202	0.29
Tobacco / Cigarette manufacturing	61,378	0.05	170,794	0.19	–	–
Transport and communication	5,225,549	4.40	2,323,558	2.63	166,702	0.21
Travel Agencies	50,236	0.04	125,852	0.14	–	–
Woollen	3,471	0.00	17,612	0.02	–	–
Public / Government	24,286,457	20.44	1,272,136	1.44	23,090,129	29.67
Others	16,432,727	13.83	6,692,969	7.57	13,866,109	17.82
	118,794,151	100.00	88,417,616	100.00	77,830,840	100.00

**42.6 Segment by sector**

	2005					
	Deposits		Advances		Contingencies and Commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public / Government	24,286,457	20.44	1,272,136	1.44	23,090,129	29.67
Private	94,507,694	79.56	87,145,480	98.56	54,740,711	70.33
	118,794,151	100.00	88,417,616	100.00	77,830,840	100.00

**43. Geographical segment analysis**

(Rupees in thousand)	2005			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan	2,807,612	142,855,655	8,429,422	77,654,870
Asia Pacific (including South Asia)	–	–	–	–
Europe	–	–	–	–
United States of America and Canada	–	–	–	–
Middle East-Note 43.1	43,387	2,239,903	152,755	175,970
Others	–	–	–	–
	2,850,999	145,095,558	8,582,177	77,830,840

**43.1** These do not include intra group items of Rs. 2,030,077 thousand (2004: Rs. 2,404,005 thousand) eliminated upon consolidation of foreign branch results.

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

**44. Related party transactions**

As Army Welfare Trust (AWT) holds 46.49% (2004: 45.68%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Group. Also, the Group has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

(Rupees in thousand)	2005	2004
Balances outstanding at the year end		
– Deposits	886,182	1,065,845
– Advances / Investments / placements	765,083	442,574
– Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	8,344	6,392
– Investment in shares of associate company (AGICO) - at cost	11,182	11,182
– Investments in shares of related parties - at cost	305,680	5,680
– Reimbursable expenses of AIML on behalf of Askari Income Fund	2,113	–
Transactions during the year		
– Net mark-up / interest expensed	29,204	25,972
– Net mark-up / interest earned	38,703	3,199
– Contribution to employees' funds	57,653	37,335
– Rent of property paid / service charges paid	87,549	30,509
– Rent of property received	19,251	17,900
– Insurance premium paid	5,109	6,765
– Insurance claim received	882	2,549
– Share registrar fees and costs	–	3,256
– Dividend received from a related party	8,932	1,839
– Security services costs	31,110	18,426
– Fee, commission and brokerage income	193	111
– Payment to a related party for initial set up cost	3,000	–

Transactions entered into with key management personnel including the Chief Executive Officer as per their terms of employment are excluded from related party transactions.

**45. Corresponding figures**

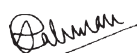
Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison, however, there was no significant rearrangement or reclassification.

**46. General**

- 46.1** Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.
- 46.2** These consolidated financial statements have been prepared in accordance with the revised format of financial statements for banks issued by the State Bank of Pakistan vide BSD Circular No. 36 dated October 10, 2001.
- 46.3** Captions as prescribed by BSD Circular No. 36 dated October 10, 2001 issued by the State Bank of Pakistan in respect of which there are no amounts have not been reproduced in these consolidated financial statements except for the balance sheet and profit and loss account.

**47. Date of authorization**

These consolidated financial statements were authorised for issue on February 22, 2006 by the Board of Directors of the Bank.



Kalim-ur-Rahman  
President & Chief Executive



Zafar Alam Khan Sumbal  
Director



Brig. (R) Asmat Ullah Khan Niazi  
Director



Lt. Gen. Waseem Ahmed Ashraf  
Chairman

## Annexure 'I'

referred to in note 10.5 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2005.

(Rupees in thousand)											
S.#	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Interest / Mark-up		Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total	Principal written-off	Mark-up written-off		
1	<b>Apollo Textile Mills Ltd.</b> 2nd Floor, State Life Bldg. No. 2-A Wallace Road, Karachi-2	Mr. Zahur Ahmed	Haji Dost Mohammad	10,735	5,094	-	15,829	-	2,737	-	2,737
		Mr. Ikram Zahur	Zahur Ahmed								
		Mr. Abdul Rahman Zahur	-do-								
		Mr. Muhammad Razzak	Mr. Abdul Majeed								
		Haji Shamsullah	Mr. Haesh Gul								
		Mr. Ather Hussain Medina	Mr. Anwar Hussain Medina								
		Mr. Hassan Mehmood	Mr. Muhammad Yameen								
2	<b>Saqib Fabrics</b> Naimat Colony 2, Jaranwala Road Faisalabad	Mr. Saqib Saeed	Mr. Muhammad Saeed Ahmed	11,272	5,348	-	16,620	-	1,813	-	1,813
3	<b>Al-Jadeed Textile Mills Ltd.</b> 20-Badri Building I.I. Chundrigar Road, Karachi	Mr. Abdul Karim	Haji Omer	5,015	1,932	-	6,947	-	1,932	-	1,932
		Mr. Asif A. Karim	Mr. A. Karim								
		Mr. Arif A. Karim	-do-								
		Mr. Shoaib Siddique	Muhammad Siddique								
		Mrs. Zarina A. Karim	W/o Mr. A. Karim								
		Mr. Yousaf Wali	Mr. Ghaffar Wali								
		Mr. Tahir Muhammad	Mr. Muhammad Shafi								
4	<b>Jamal Tube Mills (Pvt) Ltd.</b> 88-Railway Road, Lahore	Mr. Mohammad Aslam	Haji Jamal Din	7,102	3,438	-	10,540	-	1,690	-	1,690
		Mr. Mohammad Ashfaq	-do-								
		Mr. Farooq Ahmed	-do-								
		Mr. Shakeel Ahmed	-do-								
5	<b>The Craze</b> 1st Floor, Wattoo Plaza, Peco Road, Township, Lahore	Syed Asghar Abbas Zaidi	Syed Abbas Zaidi	1,134	1,245	-	2,379	-	857	-	857
6	<b>Subika Enterprises</b> Room No. 9, Imperial Hotel Bldg. M. T. Khan Road, Karachi	Sheikh Muhammad Reyaz	Haji Lal Muhammad	2,380	1,028	-	3,408	-	912	-	912
		Waseem Reyaz	Sheikh Muhammad Reyaz								
<b>Total</b>				<b>37,638</b>	<b>18,085</b>	<b>-</b>	<b>55,723</b>	<b>-</b>	<b>9,941</b>	<b>-</b>	<b>9,941</b>

## Pattern of Shareholding

as at December 31, 2005

Number of shareholders	Shareholding		Total shares held
	From	To	
3,178	1	100	123,978
3,268	101	500	853,616
1,893	501	1,000	1,430,982
4,141	1,001	5,000	8,726,977
322	5,001	10,000	2,310,049
433	10,001	110,000	13,184,485
44	110,001	315,000	8,696,971
10	325,001	405,000	3,597,848
7	405,001	485,000	3,148,933
9	495,001	600,000	4,963,159
12	605,001	995,000	9,579,838
8	1,160,001	2,640,000	12,960,043
2	10,025,001	11,320,000	21,346,497
1	59,775,001	59,780,000	59,778,308
13,328			150,701,684

### Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	13,000	34,440,849	22.85
Investment companies	25	14,751,916	9.79
Insurance companies	19	3,846,647	2.55
Joint stock companies	129	15,962,438	10.59
Financial institutions	50	6,442,719	4.28
Modarabas and Mutual Funds	31	2,599,371	1.73
Charitable and other trusts	25	71,254,574	47.28
Foreign investors	22	1,237,421	0.82
Others	27	165,749	0.11
Total	13,328	150,701,684	100.00

**Note 1:** Individuals include 8 directors holding 4,800 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership of these shares rests with AWT.

### Held by

Particulars	Number of shareholders	Shares held	Percentage
<b>Associated Company</b>			
Army Welfare Trust	1	70,049,452	46.49
<b>NIT / ICP</b>			
National Investment (Unit) Trust	1	12,974,261	8.61
Investment Corporation of Pakistan	1	167,861	0.11
<b>Directors &amp; Chief Executive</b>			
Lt. Gen. Waseem Ahmad Ashraf	1	600	0.00
Lt. Gen (R) Masood Parwaiz (retired)	1	600	0.00
Brig. (R) Asmat Ullah Khan Niazi	1	600	0.00
Brig. (R) Muhammad Shiraz Baig	1	600	0.00
Brig. (R) Muhammad Bashir Baz	1	600	0.00
Mr. Kashif Mateen Ansari	1	600	0.00
Brig. (R) Shaukat Mahmood Chaudhari	1	600	0.00
Mr. Zafar Alam Khan Sumbal	1	600	0.00
	8	4,800	0.00
Muhammad Afzal Munif	1	471,879	0.31
Mr. Kalim-ur-Rahman	1	3,055	0.00
<b>Executives of the Bank</b>	12	19,611	0.01
<b>Public sector companies and corporations</b>	10	2,062,874	1.37
<b>Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT &amp; ICP)</b>	123	14,498,531	9.62
<b>Individuals</b>	13,000	35,178,925	23.35
<b>Others</b>	170	15,270,435	10.13
<b>Total</b>	13,328	150,701,684	100.00

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

**Note 3:** The shares held in the name of Lt. Gen. (R) Masood Parwaiz, director of the Bank were transferred in the name of Lt. Gen. (R) Zarrar Azim subsequent to the year end.

## Correspondent Network

1. **Algeria**  
Banque de l'Agriculture et du  
Development Rural
2. **Argentina**  
HSBC Bank Argentina SA
3. **Armenia**  
HSBC Bank Armenia Jsc
4. **Australia**  
Australia & Newzealand Banking Group  
Commonwealth Bank of Australia  
Habib Finance Australia Limited  
HSBC Bank Australia Limited  
St. George Bank Limited  
WestPac Banking Corporation
5. **Austria**  
Bank Austria Creditanstalt AG  
Citibank International Plc  
Oberosterreichische Landsbank AG  
Raiffeisen Zentralbank Osterreich (RZB)  
Schoellerbank AG
6. **Azerbaijan**  
The International Bank  
of Azerbaijan Republic
7. **Bangladesh**  
Export Import Bank of Bangladesh  
United Commercial Bank Limited
8. **Belgium**  
Artesia BC SA/NV  
Fortis Bank, NV/S.A  
ING Belgium NV/SA  
KBC Bank NV
9. **Bosnia Herzegovina**  
HVB Central Profit Bank add Sarajevo
10. **Brazil**  
Banco Citibank SA
11. **Bulgaria**  
HVB Bank Biochim AD
12. **Canada**  
Canadian Imperial Bank of Commerce  
HSBC Bank Canada  
National Bank of Canada  
Royal Bank of Canada  
Toronto-Dominion Bank
13. **Chile**  
BBV Banco BHIF
14. **China**  
Agricultural Bank of China  
Bank of China Limited  
Bank of Communications  
China Construction Bank  
China Merchants Bank  
China Minsheng Banking Corporation  
Export Import Bank of China (EXIM Bank)  
Guangdong Development Bank  
Industrial and Commercial Bank  
of China Limited  
Jinan City Commercial Bank
15. **Croatia**  
HVB Splitska banka dd Split  
Zagrebacka Banka dd
16. **Cyprus**  
Cyprus Popular Bank Limited  
Hellenic Bank Limited
17. **Czech Republic**  
Ceskoslovenska Obchodni Banka as  
HVB Bank Czech Republic a.s.  
Raiffeisenbank as
18. **Denmark**  
Danske Bank Aktieselskab  
Nordea Bank Denmark A/S  
Spar Nord Bank
19. **Egypt**  
Bank of Alexendria
20. **Finland**  
SAMPRO Bank Plc  
Nordea Bank plc
21. **France**  
BNP Paribas SA  
CALYON  
Credit Lyonnais  
Credit Agricole SA  
HSBC France  
Societe Generale  
Union de Banques et de Francaises (UBAF)
22. **Germany**  
Bayerische Landesbank  
Byereische Hypo-Und Vereinsbank AG  
Commerz Bank A.G  
Deutsche Bank, A.G  
Dresdner Bank A.G  
SGZ Bank  
Sparkasse Aachen  
Vereins Und West Bank  
WGZ-Bank
23. **Greece**  
Alpha Credit Bank
24. **Hong Kong**  
Bank of China (Hong Kong) Limited  
Bank of East Asia Limited (The)  
Hang Seng Bank  
Hong Kong & Shanghai Banking Corp.
25. **Hungary**  
Budapest Bank Rt  
Citibank Budapest R.T  
HVB Bank Hungary RT  
Raiffeisen Bank RT
26. **India**  
State Bank of India  
ICICI Bank
27. **Indonesia**  
Lippo Bank PT  
PT. Bank Mandiri (Persero)
28. **Iran**  
Bank Mellat  
Bank Mille Iran  
Bank Saderat Iran
29. **Ireland**  
Bank of Ireland  
Hypo Real Estate Bank International
30. **Italy**  
Banca di Roma  
Banca Nazionale Del Lavoro  
Banca Antonveneta SpA  
Banca Intesa SpA  
Cassa Di Risparmio Di Tortona SpA  
UBAE Arab Italian Bank SpA  
UniCredito Italiano SPA
31. **Japan**  
Bank of Tokyo & Mitsubishi UFJ Limited  
Mizuho Corporate Bank Limited  
Resona Bank Limited  
Somitomo Mitsui Banking Corp.
32. **Jordan**  
Jordan National Bank Plc  
The Housing Bank for Trade & Finance
33. **Kazakhstan**  
ABN AMRO Bank Kazakhstan  
Bank TuranAlem  
Citibank CSJC
34. **Kenya**  
African Banking Corporation Limited  
Kenya Commercial Bank  
Stanbic Bank Kenya Limited
35. **Korea (South)**  
Daegu Bank Limited  
Kookmin Bank  
KorAm Bank  
Korea Exchange Bank  
Shinhan Bank
36. **Kuwait**  
Al-Ahli Bank of Kuwait KSC  
Bank of Kuwait and Middle East  
Commercial Bank of Kuwait  
Gulf Bank KSC
37. **Lebanon**  
Byblos Bank SAL
38. **Luxemburg**  
Banque Geneale De Luxemburg
39. **Malaysia**  
HSBC Bank Malaysia Berhad  
Public Bank Berhad  
RHB Bank Berhad
40. **Mauritius**  
The Mauritius Commercial Bank
41. **Mexico**  
HSBC Mexico SA
42. **Monaco**  
HSBC Private Bank (Monaco) SA

- 43. Morocco**  
Banque Marocaine du Commerce  
Exterieur SA
- 44. Nepal**  
Himalayan Bank Limited
- 45. Netherlands**  
ABN AMRO Bank  
Fortis Bank (Nederland) NV  
F Van Lanschot Bankiers NV  
ING Bank
- 46. New Zealand**  
Bank of New Zealand  
ANZ National Bank Limited
- 47. Norway**  
Christiana Bank Og Kreditkasse
- 48. Oman**  
Bank Muscat SAOG  
Oman International Bank SAOG
- 49. Panama**  
HSBC bank Panama
- 50. Pakistan**  
Allied Bank of Pakistan  
Habib Bank Limited  
Muslim Commercial Bank Limited  
National Bank of Pakistan
- 51. Paraguay**  
Banco Bilbao Vizcaya Argentaria  
Paraguay SA
- 52. Philippines**  
Bank of the Philippine Islands  
Metropolitan Bank & Trust Co.  
RIZAL Commercial Banking Corporation  
Security Bank Corporation
- 53. Poland**  
ABN AMRO Bank (Polska) SA  
Bank Polska Kasa Opieki SA  
Bank Handlowy Warszawie SA  
Bank BPH SA  
BRE Bank SA  
Raiffeisen Bank Polska SA
- 54. Portugal**  
Banco Atlantico SA  
Banco BPI S.A  
Banco Totta & Acores S.A  
Caixa Geral d Depositos SA
- 55. Qatar**  
Doha Bank Limited  
The Commercial Bank of Qatar Limited
- 56. Romania**  
Citibank Romania SA  
HVB Bank Romania  
Romanian Commercial Bank
- 57. Russia**  
Bank of Moscow  
ING Bank (Eurasia) Zao  
ROSBANK
- 58. Saudi Arabia**  
National Commercial Bank Limited (The)  
Saudi British Bank (The)  
Saudi Hollandi Bank  
Banque Saudi Fransi
- 59. Singapore**  
United Overseas Bank
- 60. Serbia and Montenegro**  
HVB Bank Serbia and Montenegro
- 61. Slovakia**  
Citibank (Slovakia) as  
HVB Bank Slovakia as  
Postova Banka as
- 62. Slovenia**  
Bank Austria Creditanstalt d.d Ljubljana  
SKB Banka DD
- 63. South Africa**  
ABSA Bank Limited  
HBZ Bank Limited  
Standard Bank of South Africa
- 64. Spain**  
Banca de Sabadell SA  
Banco Bilbao Vizcaya Argentaria SA  
Banco Espanol de Credito SA  
Banco Popular Espanol  
Banco Santander Central Hispano SA
- 65. Sri Lanka**  
Bank of Ceylon  
Hatton National Bank  
Seylan Bank Limited
- 66. Sweden**  
ForeningsSparbanken AB  
Nordea Bank Sweden AB  
Skandinaviska Enskilda Banken  
Svenska Handels Banken
- 67. Switzerland**  
Banca Commerciale Lugano  
Bank Hofmann AG  
Banque de Comm. et de Placements SA  
BNP Paribas (Suisse) SA  
Credit Suisse  
Habib Bank AG Zurich  
UBS AG
- 68. Taiwan**  
Farmers Bank of China  
Union Bank of Taiwan
- 69. Thailand**  
Bangkok Bank Public Co.  
Siam Commercial Bank Plc
- 70. Tunisia**  
Societe Tunisienne de Banque  
Tunis International Bank
- 71. Turkey**  
Oyak Bank AS  
Finansbank AS  
Kocbank AS
- 72. Ukraine**  
JSCB Citibank (Ukraine)
- 73. United Arab Emirates**  
Abu Dhabi Commercial Bank  
Mashriq Bank Psc  
Union National Bank
- 74. United Kingdom**  
ABC International Bank Plc  
Habib Allied International Bank Plc  
Habibsons Bank Limited  
HSBC Bank Plc  
Lloyds TSB Bank plc  
National Westminster Bank  
Royal Bank of Scotland Plc  
Standard Chartered Bank  
United National Bank
- 75. U S A**  
American Express Bank Limited  
Bank of New York  
Citibank N.A  
Habib American Bank  
JP Morgan Chase Bank
- 76. Uzbekistan**  
ABN Amro Bank NB
- 77. Yemen Arab Republic**  
International Bank of Yemen YSC  
Tadhamon International Islamic Bank  
Watani Bank for Trade and Investment

## Branch Network

### RAWALPINDI / ISLAMABAD REGION

#### Islamabad

##### Aabpara

Plot No. 4, Ghousia Plaza, I&T Centre, Shahrah-e-Suharwardy, Aabpara, Islamabad.  
PABX: (051) 2875933-35  
Direct: (051) 2871520  
Fax: (051) 2875936

##### F-7 Markaz

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

##### F-10 Markaz

Block 5-C, Islamabad, P.O. Box: 1324.  
PABX: (051) 9273000  
Direct: (051) 9267278 & 9073201  
Fax: (051) 9267280

##### I-9 Industrial Area

Plot No. 408, Main Double Road, Sector I-9/3, Industrial Area, Islamabad.  
PABX: (051) 4100811-3  
Direct: (051) 4100819  
Fax: (051) 4100814

##### Jinnah Avenue

24-D, Rasheed Plaza, Jinnah Avenue, Blue Area, Islamabad, P.O.Box: 1499.  
PABX: (051) 2271794-6, 2823943  
Direct: (051) 2871144, 2271801  
Fax: (051) 2271797, Tlx: 54683 ASKRI PK

#### Rawalpindi

##### Adyala Road

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

##### AWT Plaza

The Mall, Rawalpindi, P.O. Box 1083, Gram: Askari Br  
PABX: (051) 9273168-72 & 9063150  
Direct: (051) 9063200, 9063199  
Fax: (051) 9063278

##### Chaklala Scheme-III

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

##### General Headquarters (GHQ)

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

##### Haider Road

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

##### Peshawar Road

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

#### Raja Bazar

Iqbal Road, Raja Bazar, Rawalpindi.  
PABX: (051) 5540234, 5540557, 5540587  
Direct: (051) 5540227, Fax: (051) 5540321

#### Satellite Town

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

#### Chashma

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

### NORTH AREA

#### Abbottabad

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

#### Chakwal

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

#### Dera Ismail Khan

Kaif Gulbahar Building, A.Q. Khan Chowk, Circular Road, Dera Ismail Khan.  
PABX: (0966) 720180-82  
Direct: (0966) 720178, 720179  
Fax: (0966) 720184

#### Jhelum

Plot No. 225 & 226, Kohinoor Plaza, Old G.T. Road, Jhelum Cantt.  
PABX: (0541) 720053-55  
Direct: (0541) 720051, 720052  
Fax: (0541) 720060

#### Mardan

The Mall, Mardan.  
P.O. Box: 197.  
PABX: (0937) 867502-3  
Direct: (0937) 867545  
Fax: (0937) 867515

#### Mirpur (AK)

Nathia Building, Chowk Shaheedan, Mirpur.  
PABX: (05-8610) 45451-52  
Direct: (05-8610) 45450  
Fax: (05-8610) 35429

#### Nowshera

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

### Peshawar

#### Cantt.

3-7, Fakhir-e-Alam Road, Cantt. Plaza Branch, Peshawar, P.O. Box: 606.  
PABX: (091) 9212433-6  
Direct: (091) 271653  
Fax: (091) 276391, Tlx: 52314 ACBL PK

#### City

Bank Square, Chowk Yadgar, Peshawar.  
PABX: (091) 2561246-7  
Direct: (091) 2560156  
Fax: (091) 2561245,  
Tlx: 53423 ACBL PK

#### Swat

Opposite Park Hotel Makaan Bagh, Saidu Sharif Road, Mingora - Swat.  
PABX: (0936) 713358-9  
Direct: (0936) 713356  
Fax: (0936) 713361

### LAHORE REGION

#### Aiwan-e-Tijarat

7-A, Shahrah-e-Aiwan-e-Tijarat, Lahore, P.O. Box 1624.  
PABX: (042) 9203673-77  
Direct: (042) 9203081  
Fax: (042) 9203351, Tlx: 53539 ASKRI PK

#### Allama Iqbal Town

14 – Pak Block, Allama Iqbal Town, Lahore.  
PABX: (042) 7849854  
Direct: (042) 7849847  
Fax: (042) 7849849

#### Badami Bagh

165-B, Badami Bagh, Lahore.  
PABX: (042) 7727601-2  
Direct: (042) 7721318, 7725300  
Fax: (042) 7704775  
Tlx: 44383 ACBBB PK

#### Baghbanpura

6/7, Shalimar Link Road, Baghbanpura, Lahore.  
PABX: (042) 6830361-63  
Direct: (042) 6830360, 6830366  
Fax: (042) 6830367

#### Circular Road

77-Circular Road, Lahore.  
PABX: (042) 7635920-22  
Direct: (042) 7633694, 7633702  
Fax: (042) 7635919, Tlx: 44254 ACBCR PK

#### DHA

324-Z, Defence Housing Authority, Lahore-54792.  
PABX: (042) 5898894-5  
Direct: (042) 5726818, Fax No. (042) 5732310

#### D.H.A.Phase-II

Plot No. 53-T, Block CCA, Phase-II C, DHA, Lahore Cantt.  
PABX: (042) 5746421-22  
Direct: (042) 5896615  
Fax: (042) 5746423

#### Gulberg

10-E/II, Main Boulevard, Gulberg-III, Lahore.  
PABX: (042) 5764842-4, 5878431-2  
(042) 5877297  
Direct: (042) 5760369, Fax:(042) 5760958  
Tlx: 44349 ACBLG PK



**Ravi Road**

35- Main Ravi Road, Lahore.  
 PABX: (042) 7700516  
 Direct: (042) 7731000  
 Fax: (042) 7700517

**Shad Bagh**

Chowk Nakhuda, Umar Din Road,  
 Wassanpura, Shad Bagh, Lahore.  
 PAB X: (042) 7604626, 7609226, 6264085  
 6264225, Direct: (042) 6260159  
 Fax: (042) 7289430

**Shahalam**

41, Shahalam Market, Lahore.  
 PABX: (042) 7642652-55  
 Direct: (042) 7642650, 7642651  
 Fax: (042) 7642656

**Shahdara**

N-127R-70C,  
 Opposite Rustom Sohrab Cycle Factory,  
 Sheikupura Road, Shahdara, Lahore.  
 PABX: (042) 7919302-05  
 Direct: (042) 7919300, 7919301  
 Fax: (042) 7919306

**The Mall**

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

**Township**

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

**Tufail Road**

12-Tufail Road, Lahore Cantt.  
 PAB X: (042) 9220940-45  
 Direct: (042) 9220931  
 Fax: (042) 9220947  
 Tlx: 47746 ASKCT PK

**EAST REGION****Bahawalpur**

1-Noor Mahal Road,  
 Bahawalpur.  
 PABX: (0621) 9255322-3  
 Direct: (0621) 9255320  
 Fax: (0621) 9255324

**Faisalabad****Khurrianwala**

Chak No. 266 RB, Khurrianwala,  
 Tehsil Jaranwala, Distt. Faisalabad.  
 Direct: (041) 364029

**Peoples Colony**

Faisalabad.  
 PABX: (041) 739326-8,  
 Direct: (041) 739323, Fax: (041) 739321

**University Road**

Faisalabad, P.O. Box 346.  
 PABX: (041) 9201008-11  
 Direct: (041) 9201001, 9201002  
 Fax: (041) 9201006 Tlx: 53441 ASKRI PK

**Gujranwala**

G.T. Road, Gujranwala.  
 PABX: (055) 9200855-56, 9200861-62  
 Direct: (055) 9200857  
 Fax: (055) 9200858, Tlx: 45253 ASKRI PK

**Gujrat**

Hassan Plaza,  
 (Opp. Pak Fan Mosque),  
 G.T. Road, Gujrat.  
 PABX: (0433) 530164-5, 530362  
 Direct: (0433) 530178, Fax: (0433) 530179

**Jalalpur Bhattian**

Ghala Mandi, Jalalpur Bhattian.  
 PABX: (04363) 401013-14  
 Direct: (04363) 401012  
 Fax: (04363) 401015

**Jhang**

Church Road, Saddar, Jhang.  
 PABX: (047) 7621150  
 Direct: (047) 8000390, Fax: (047) 7621050

**Khanewal**

DAHA Plaza,  
 Chowk Markazi, Khanewal.  
 PABX: (065) 2559124-26  
 Direct: (065) 2559119  
 Fax: (065) 2559122

**Multan**

64/A-1, Abdali Road, Multan.  
 PABX: (061) 9201391-4  
 Direct: (061) 9201399  
 Fax: (061) 9201395, Tlx: 54338 ASKRI PK

**Okara**

Chak No. 2/42, M.A. Jinnah Road,  
 (Old name Sahiwal Road),  
 Tehsil & District Okara.  
 PABX: (0442) 529973-74 & 529976  
 Direct: (0442) 550973, Fax: (0442) 550974

**Phool Nagar**

Plot Khasra No. 1193,  
 Main Multan Road,  
 Distt. Kasur, Phool Nagar.  
 PABX: (04943) 510437  
 Direct: (04943) 510431, Fax: (04943) 510436

**Rahim Yar Khan**

Ashraf Complex,  
 Model Town, Rahim Yar Khan.  
 PABX: (068) 5879851-52  
 Direct: (068) 5879848, Fax: (068) 5879850

**Sadiqabad**

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

**Sahiwal**

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

**Sargodha**

80-Club Road,  
 Old Civil Lines, Sargodha.  
 PABX: (0451) 725490, 725590  
 Direct: (0451) 722728  
 Fax: (0451) 725240

**Sialkot**

Paris Road, Sialkot.  
 P.O. Box 2890.  
 PABX: (052) 262806-8  
 Direct: (052) 265522  
 Fax: (052) 265532, Tlx: 46263 ASKRI PK

**Sialkot Cantt**

Tariq Road, Sialkot Cantt.  
 PABX: (052) 4299001-003  
 Direct: (052) 4299005, Fax: (052) 4299004

**Vehari**

13, E Block, Karkhana Bazar, Vehari.  
 PABX: (067) 3366718 - 9  
 Direct: (067) 3360727  
 Fax: (067) 3366720

**SOUTH I REGION****Daharki**

1276, Main Road, Zafar Bazar,  
 Daharki, Distt. Ghotki.  
 PABX: (0703) 41260  
 Direct: (0703) 41626, 42626  
 Fax: (0703) 42260

**Gawadar**

Airport Road, Gawadar.  
 Postal Code 91200.  
 PABX: (0864) 211359-60  
 Direct: (0864) 211357, Fax: (0864) 211358

**Ghotki**

Plot No. D-9, Deh Odher Wali,  
 Qadirpur Road,  
 Opposite Town Committee, Ghotki.  
 PABX: (0703) 600500  
 Direct: (0703) 600707, Fax: (0703) 600526

**Karachi****Atrium Mall**

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

**Bohra Pir**

Plot No. 22/1, Princess Street, Bohra Pir,  
 Rancho Line, Karachi.  
 PABX No. (021) 2744768-69, 2744771  
 (021) 2744776-77 Direct (021) 2745961  
 Fax: (021) 2744779

**Cloth Market**

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

**Federal B Area**

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

**Gabol Town**

Plot No. 1, Sector 12-B,  
 North Karachi, Industrial Area, Karachi - 75850  
 PABX: (021) 6950332  
 Direct: (021) 6950331, Fax: (021) 6950333

**Gulistan-e-Jauhar**

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

**Hydri North Nazimabad**

Plot No. 5F/14-18, Al Burhan Arcade,  
Block-E, Barkat-e-Hydri,  
North Nazimabad, Karachi.  
PABX: (021) 6632904-6  
Direct: (021) 6632921  
Fax: (021) 6632922

**Jodia Bazar**

Abdullah Mension, Bombay Bazar,  
Jodia Bazar, Karachi.  
PABX: (021) 2474851-55  
Direct: (021) 2473498  
Fax: (021) 2471224

**M.A. Jinnah Road**

Aram Bagh Quarters,  
M.A. Jinnah Road, Karachi.  
PABX: (021) 2217531-34  
Direct: (021) 2217490, Fax: (021) 2217494

**Marriot Road**

Rawalpindiwala Building,  
Marriot Road, Market Quarters, Karachi.  
PABX: (021) 2418424-28  
Direct: (021) 2418412, Fax: (021) 2418429

**Marston Road**

Shafiq Shopping Plaza, Marston Road, Karachi.  
PABX: (021) 2745722-4  
Direct: (021) 2745773 Fax: (021) 2725644

**Metroville**

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

**New Challi**

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

**North Napier Road**

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

**Saddar**

Sindh Small Industries Building,  
Regal Chowk, Saddar, Karachi.  
PABX: (021) 7762841-2  
Direct: (021) 7760505  
Fax: (021) 7760992

**Saima Trade Tower**

I.I. Chundrigar Road, Karachi, P.O. Box 1096.  
PABX: (021)2630731-3, 2624316  
(021) 2634610  
Direct: (021) 2624714, 2631178  
Fax: (021) 2631176; Tlx: 27499 ASKRI PK

**S.I.T.E.**

B-17, Estate Avenue, S.I.T.E.,  
Karachi, Postal Code 75700.  
PABX: (021) 2585913-17  
Direct: (021) 2585911, Fax: (021) 2585525

**Larkana**

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

**Sukkur**

Sarafa Bazar, Sukkur.  
PABX: (071) 28267-8 & 86  
Direct: (071) 27218, Fax: (071) 27219

**SOUTH II REGION****Hyderabad**

332-333, Saddar Bazar, Hyderabad.  
P.O. Box 470.  
PABX: (0221) 783616, 783618-20  
Direct: (0221) 783615  
Fax: (0221) 783617, Tlx: 22054 ACBL PK

**Karachi****Badar Commercial**

29-C, Badar Commercial Area, Street No. 1,  
Phase-V, DHA, Karachi - 75500.  
PABX: (021) 5344175-78  
Direct: (021) 5344171  
Fax: (021) 5344174

**Bahadurabad**

Zeenat Terrace, Plot No. 265,  
Block No. 3, Bahaduryar Jang Society,  
Bahadurabad, Karachi.  
PABX: (021) 9232565-68  
Direct: (021) 9232569, Fax: (021) 9232574

**Clifton**

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

**D H A**

Jami Commercial Street No. 11,  
Khayaban-e-Ittehad, Defence Housing Authority,  
Phase-VII, Karachi.  
PABX: (021) 5387490, 5384902-4  
Direct: (021) 5384905  
Fax: (021) 5387491

**Gulshan-e-Iqbal**

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

**Korangi Industrial Area**

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

**Shaheed-e-Millat**

A/22, Block No. 7 & 8, Anum Pride, K.C.H.S  
Commercial Area, Main Shaheed-e-Millat.  
PABX: (021) 4392875-76 & 4392878-79  
Direct: (021) 4392850, 4392859  
Fax: (021) 4392886

**Shahrah-e-Faisal**

11-A, Progressive Square, Block 6,  
P.E.C.H.S., Karachi.  
P.O. Box: 12696.  
PABX: (021) 4520026-9  
Direct: (021) 4526641  
Fax: (021) 4520030  
Tlx: 27041 ASKSF PK

**Mirpurkhas**

C.S. 835, Ward B, M.A. Jinnah Road,  
Mirpurkhas.  
PABX: (0231) 9290331-2  
Direct: (0231) 9290333  
Fax: (0231) 9290335

**Nawabshah**

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

**WEST AREA****Chaman**

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

**Quetta****Cantt.**

Bolan Complex, Chiltan Road, Quetta Cantt.  
PABX: (081) 833889, 833228  
Direct: (081) 833333  
Fax: (081) 833316

**Hazar Ganji**

Fruit Market, Hazar Ganji, Quetta.  
PABX: (081) 460808  
Direct: (081) 460806  
Fax: (081) 460807

**M.A. Jinnah Road**

Quetta.  
PABX: (081) 843751-2, 843754  
Direct: (081) 2844374  
Fax: (081) 824602

**Masjid Road**

Cloth Market, Masjid Road, Quetta.  
PABX: (081) 2823841-42  
Direct: (081) 2001641  
Fax: (081) 2823843

**Meezan Chowk**

Meezan Chowk, Liaqat Bazar Quetta.  
PABX: (081) 2668386-7  
Direct: (081) 2665985  
Fax: (081) 2668389

**Satellite Town**

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

**OVERSEAS OPERATIONS****Bahrain (OBU)**

P.O. Box 11720, Diplomatic Area,  
Manama Kingdom of Bahrain.  
Tel: (00973) 175 30500  
Direct: (00973) 175 35439  
Fax: (00973) 175 32400

## Glossary of Financial & Banking Terms

### Acceptances

Promise to pay created when the drawee of a time draft stamps or writes the words “accepted” above his signature and a designated payment date.

### Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

### Bills for Collection

A bill of exchange drawn by the exporter usually at a term, on an importer overseas and brought by the exporter to this bank with a request to collect the proceeds.

### Bonus Issue (Scrip Issue)

The issue of new shares to existing shareholders in proportion to their shareholdings. It is a process for converting a company's reserves (in whole or part) into issued capital and hence does not involve an infusion of cash.

### Capital Adequacy Ratio

The relationship between capital and risk weighted assets as defined in the framework developed by the State Bank of Pakistan.

### Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Commitments

Credit facilities approved but not yet utilized by the client as at the Balance sheet date.

### Commitment to Extend Credit

Commitments to extend credit are those commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

### Contingencies

A condition or situation existing at Balance Sheet date where the outcome will be confirmed only by occurrence of one or more future events.

### Cost/Income Ratio

Operating expenses excluding Loan Loss Provision as a percentage of net income.

### Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

### CAGR

An abbreviation for Compound Annual Growth Rate.

### Deferred Taxation

Sum set aside for tax in the Financial Statements that will become payable in a financial year other than the current financial year.

### Earning per Share

Profit after taxation divided by the weighted average number of ordinary share in issue.

### Effective Tax Rate

Provision for taxation excluding deferred tax divided by the profit before taxation.

### Equity Method

A method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The Income Statement reflects the investor's share of the results of operations of the investee.

### Finance Lease

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### Forward Exchange Contract.

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

### Gross Dividends

The portion of profits distributed to the shareholders including the tax withheld.

### Guarantees

An agreement involving a promise by a person (the guarantor) to fulfill the obligations of another person owning debt if that person fails to perform.

### Historical Cost convention

Recording transactions at the actual value received or paid.

**Interest in Suspense**

Interest suspended on non-performing loans and advances.

**Interest Spread**

Represents the difference between the average interest rate earned and the average interest rate paid on funds.

**Liquid Assets**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange, treasury bills.

**Loan Losses and Provisions**

Amount set aside against possible losses on loans, advances and other credit facilities as a result of their becoming party or wholly uncollectible.

**Market Capitalisation**

Number of ordinary shares in issue multiplied by the market value of share as at the year end.

**Materiality**

The relative significance of a transaction or an event the omission or misstatement of which could influence the economic decisions of users of financial statements

**Net Assets Value per Share**

Shareholders' funds divided by the number of ordinary shares in issue.

**Net Dividends**

Dividend net of withholding tax

**Net Interest Income**

The difference between what a bank earns on assets such as loans and securities and what it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

**Non Performing Loans**

A loan placed on cash basis (i.e Interest Income is only recognized when cash is received) because in the opinion of management, there is reasonable doubt regarding the collectability of principal or interest. Loans are automatically placed on cash basis when a payment is 3 months past due. All loans are classified as non-performing when a payment is 3 months in arrears.

**Off Balance Sheet Transaction**

Transactions that are not recognized as assets or liabilities in the balance sheet but which give rise to contingencies and commitments.

**Price Earnings Ratio (P/E Ratio)**

Market price of a share divided by earnings per share.

**Prudence**

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

**Related Parties**

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**Return on Average Assets**

Profit after tax divided by the average assets.

**Risk weighted assets**

On Balance Sheet assets and the credit equivalent of off balance sheet assets multiplied by the relevant risk weighting factors.

**Repurchase Agreement**

Contract to sell and subsequently repurchase securities at a specified date and price

**Reverse Repurchase Agreement**

Transaction involving the purchase of securities by a bank or dealer and resale back to the seller at a future date and specified price.

**Return on average Equity**

Net profit for the year, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

**Revenue Reserve**

Reserves set aside for future distribution and investment.

**Shareholders' Funds**

Total of Issued and fully paid share capital and capital and revenue reserves.

**Statutory Reserve Funds**

A capital reserve created as per the provisions of the Banking Companies Ordinance, 1962.

**Subsidiary Company**

A company is a subsidiary of another company if the parent company holds more than 50% of the nominal value of its equity capital or holds some share in it and controls the composition of its Board of Directors.

## Notes

AGM

On March 30, 2006

at 10.00 a.m

Blue Lagoon Complex

Opposite Outward Gate of

Pearl Continental Hotel, Rawalpindi.



# Form of Proxy

Askari Commercial Bank Limited

Folio No. \_\_\_\_\_ or CDC participant identity No. \_\_\_\_\_ CDC A/C No. \_\_\_\_\_  
I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member(s) of the Askari Commercial Bank Limited holding shares No. \_\_\_\_\_  
HEREBY APPOINT \_\_\_\_\_  
of \_\_\_\_\_  
also a member of the Askari Commercial Bank Ltd. (Folio No. \_\_\_\_\_) or failing him/her \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_ also a member of Askari Commercial Bank Ltd. (Folio No. \_\_\_\_\_) as my/our  
proxy to vote for me/us, and on my/our behalf at the 14th Annual General Meeting of Askari Commercial Bank Ltd.  
to be held at 10:00 a.m. Thursday, the 30th day of March 2006.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2006.

Witnesses:

1. Name: \_\_\_\_\_

Address: \_\_\_\_\_

C.N.I.C. No. \_\_\_\_\_

Signature \_\_\_\_\_

Affix Revenue Stamp  
of Five Rupees

2. Name: \_\_\_\_\_

Address: \_\_\_\_\_

C.N.I.C. No. \_\_\_\_\_

Signature \_\_\_\_\_

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

## NOTES:

### A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / Corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a Corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy, thereof, should be deposited, with our Registrar / Transfer Agent, Messrs THK Associates (Pvt.) Ltd. Ground Floor, Modern Motors House, Beaumont 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 instruments of proxy, are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

### B. For CDC Account Holders:

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

The Company Secretary:

**ASKARI COMMERCIAL BANK LIMITED**

AWT Plaza, The Mall, P.O. Box No. 1084

Rawalpindi - Pakistan.