



 Atlas Bank
ANNUAL REPORT 2007



WINGS OF CHANGE

With ever changing trends and times, needs of people alter. Atlas Bank is determined to meet these needs and give its customers a convenient and pleasurable flight towards contentment and success. We follow modern banking techniques so that our customers can experience truly dynamic banking.

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Vision

To become the bank of choice for our target market customers.

Mission

Achieve the above by providing our customers world class service through best in class technological solutions, developing and retaining a team par excellence, and by adopting a clear strategy, worldwide best practices and good corporate governance thereby adding value for all our stakeholders.

Overall Strategic Objectives

- To be a leader amongst the peer group in the industry, operating the Bank as a progressive and dynamic banking entity with a futuristic approach, adopting the corporate governance policies and worldwide best practices.
- To develop and manage with a devoted, professional and an entrepreneurial team endeavoring to top off the satisfaction of the customers.
- To offer an extensive range of SME, retail and commercial banking services, lucrative assets and liability products, positioning the Bank's priorities in accordance with the needs, convenience and satisfaction of the customers and stakeholders.
- To also provide its target customers trade finance, cash management and wealth management services. Additionally to offer brokerage and corporate advisory services through the Bank's wholly owned subsidiary.
- To stand out in the market through competitive positioning as its prime objective, improvising with the changing trends of the modern day financial market by operating through a growing network of real-time online branches, backed by state of the art technology and adequate control system.
- To bring in the best in class technological solutions customer relationship management tools to our banking platform to ensure in-depth customer understanding and deliver excellence in service for customers to experience the ease of conducting the banking services.





Corporate Information

Board of Directors

Chairman	Yusuf H. Shirazi
Directors	Aamir H. Shirazi
	Frahim Ali Khan
	S. Salim Raza
	Tariq Amin
	Tariq Iqbal Khan
Chief Executive Officer	Aziz Rajkotwala
Company Secretary	Irfan Ibrahim Bhaiyat

Board Committees

Executive Committee

Chairman	Aamir H. Shirazi
Members	Frahim Ali Khan
	Aziz Rajkotwala

Audit Committee

Chairman	Tariq Amin
Members	Frahim Ali Khan
	Tariq Iqbal Khan

Risk Management Committee

Chairman	S. Salim Raza
Members	Aamir H. Shirazi
	Aziz Rajkotwala

Human Resource Committee

Chairman	Frahim Ali Khan
Members	Aamir H. Shirazi
	Aziz Rajkotwala

Management Committees

Management Committee

Chairman	Chief Executive Officer	Aziz Rajkotwala
Members	Chief Financial Officer	Cyrus T. Tengra
	Country Head Commercial Banking	Faisal Iqbal
	Country Head Treasury & Investments	Farooq Saleem
	Country Head Consumer & Retail	Ghufran A. Khan
	Head of Internal Audit	Hassan Imam
	Enterprise Risk Manager	Humayun Bawker
	Country Head SME	Naeem Awan
	Country Head Human Resource	Salman Munir
	Country Head Information Technology	Shabbir Baxamoosa
	Country Head Operations	Sheikh Tahir Azmat

Asset & Liability Committee

Chairman	Country Head Treasury & Investments	Farooq Saleem
Members	Chief Executive Officer	Aziz Rajkotwala
	Chief Financial Officer	Cyrus T. Tengra
	Country Head Commercial Banking	Faisal Iqbal
	Country Head Consumer & Retail	Ghufran A. Khan
	Enterprise Risk Manager	Humayun Bawker
	Country Head SME	Naeem Awan





...Corporate Information

Risk Management & Credit Committee

Chairman	Enterprise Risk Manager	Humayun Bawkher
Members	Chief Executive Officer	Aziz Rajkotwala
	Country Head Commercial Banking	Faisal Iqbal
	Country Head Consumer & Retail	Ghufran A. Khan
	Country Head SME	Naeem Awan
	Credit Policy Head / SCO	Naveed Sherwani
	Basel II / SCO	Abdul Basit Mahmood

Information Technology (IT) Steering Committee

Chairman	Country Head Information Technology	Shabbir Baxamoosa
Members	Chief Executive Officer	Aziz Rajkotwala
	Chief Financial Officer	Cyrus T. Tengra
	Country Head Consumer & Retail	Ghufran A. Khan
	Enterprise Risk Manager	Humayun Bawkher
	Country Head SME	Naeem Awan
	Country Head Operations	Sheikh Tahir Azmat

Human Resource Committee

Chairman	Country Head Human Resource	Salman Munir
Members	Chief Executive Officer	Aziz Rajkotwala
	Chief Financial Officer	Cyrus T. Tengra
	Country Head Commercial Banking	Faisal Iqbal
	Country Head Consumer & Retail	Ghufran A. Khan
	Enterprise Risk Manager	Humayun Bawkher

Auditors

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

Legal Advisors

Mohsin Tayebally & Co.

Tax Advisors

Ford Rhodes Sidat Hyder & Co.
(Chartered Accountants)

Lahore Law Associates

Registrar & Share Transfer Office

THK Associates (Pvt.) Ltd.
Ground floor, State Life Building - 3,
Dr. Ziauddin Ahmed Road, Karachi.
UAN (92-21) 111-000-322
Fax: (92-21) 5655595

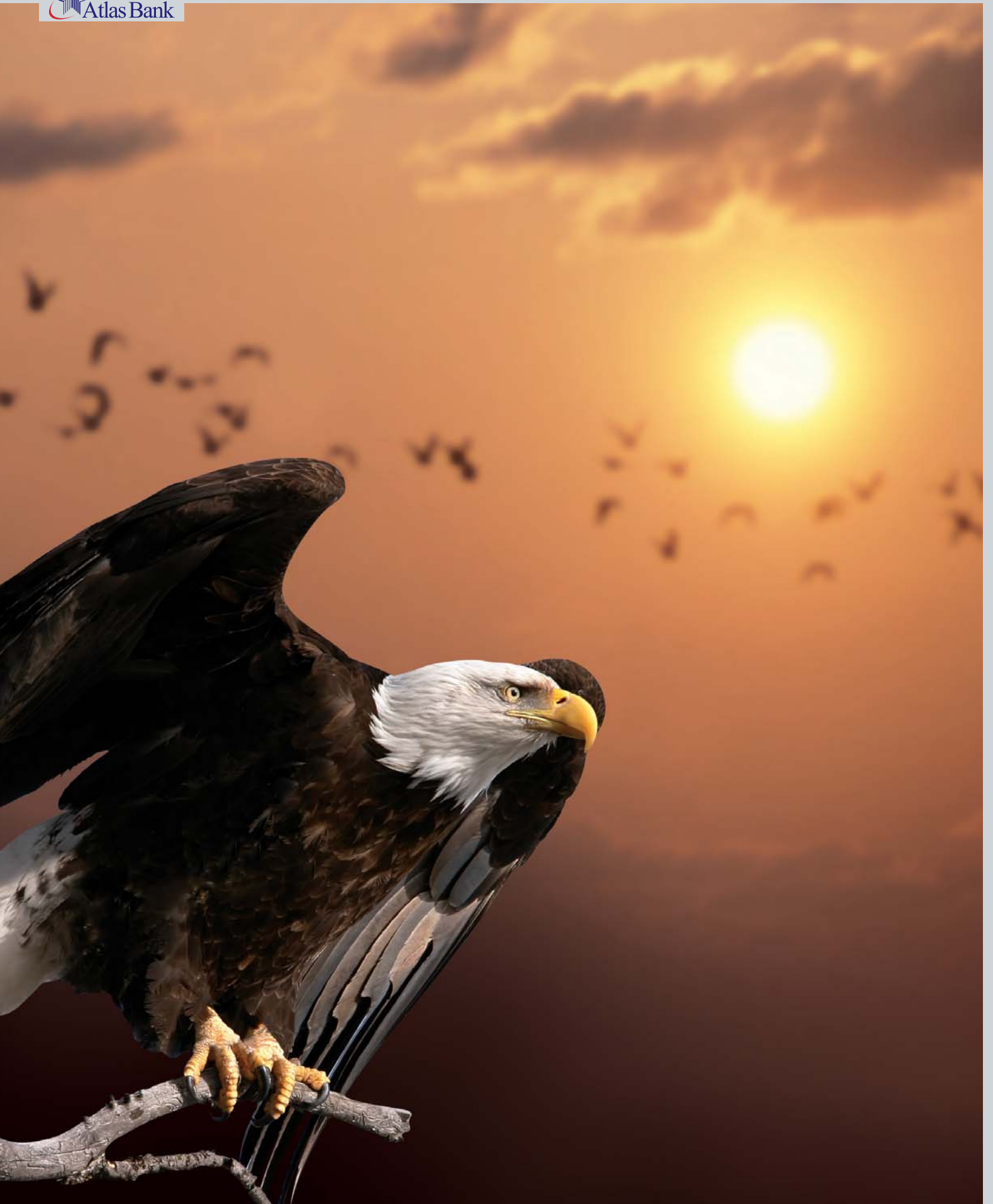
Registered & Head Office

3rd Floor, Federation House,
Abdullah Shah Ghazi Road,
Clifton, Karachi.
UAN (92-21) 111-333-225
Fax: (92-21) 5870543
E-mail: info@atlasbank.com.pk

Website

www.atlasbank.com.pk





Performance at a Glance

	(Rupees '000)				
	2007	2006	2005	2004	
FINANCIAL DATA					
Paid-up capital	5,001,466	3,125,916	1,537,000	1,060,000	
Shareholders' equity	5,260,126	3,116,083	1,518,485	1,034,520	
(Deficit) / surplus on revaluation of assets	(75,886)	(117,793)	10,895	850	
Borrowings	1,304,616	4,025,949	4,096,777	2,179,514	
Deposits and other accounts	15,322,671	8,842,946	2,186,005	232,663	
Lendings to financial institutions	4,427,824	3,500,844	4,847,386	2,421,660	
Investments - net of provision	5,566,841	3,645,195	1,735,015	1,007,630	
Advances - net of provision	9,242,511	7,833,786	799,411	57,617	
Total assets	22,984,261	17,020,586	7,951,719	3,686,830	
OPERATING DATA					
Mark-up / return / interest earned	1,338,459	892,583	380,135	70,402	
Mark-up / return / interest expensed	1,294,428	763,083	242,286	15,628	
Non mark-up / interest income	346,786	96,588	10,802	988	
Non mark-up / interest expenses	668,923	308,729	136,549	95,228	
Operating (loss) / profit before provisions and taxation	(278,106)	(82,641)	12,102	(39,466)	
Provisions / write offs	271,458	58,195	2,576	(1,799)	
(Loss) / profit before taxation	(549,564)	(140,836)	9,526	(37,667)	
(Loss) / profit after taxation	(309,044)	8,682	3,788	(25,480)	
FINANCIAL RATIOS					
Profitability (%)					
Gross Spread Ratio	%	3.29	14.51	36.26	77.80
Income / Expense Ratio	Times	0.58	0.73	1.09	0.59
(Loss) / Profit After Taxation / Gross Revenue	%	(18.34)	0.88	0.97	(35.69)
Return on Average Equity	%	(7.38)	0.37	0.30	(2.46)
Return on Average Assets	%	(1.55)	0.07	0.07	(0.69)
Share Information					
Earnings Per Share	Rs.	(0.93)	0.04	0.03	(0.24)
Price Earning Ratio *	Times	(18.28)	365.00	-	-
Market Value Per Share *	Rs.	17.00	14.60	-	-
Break-up Value Per Share	Rs.	10.52	9.97	9.88	9.76
Break-up Value Per Share (including revaluation of assets)	Rs.	10.37	9.59	9.95	9.77
Capital Adequacy Ratio	%	29.05	15.79	44.93	71.01
Advances / Deposits Ratio	%	58.85	83.77	34.74	24.76
OTHER INFORMATION					
Number of employees		781	247	152	55
Number of branches		25	20	11	2

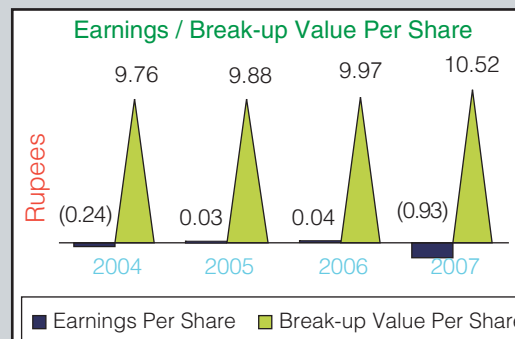
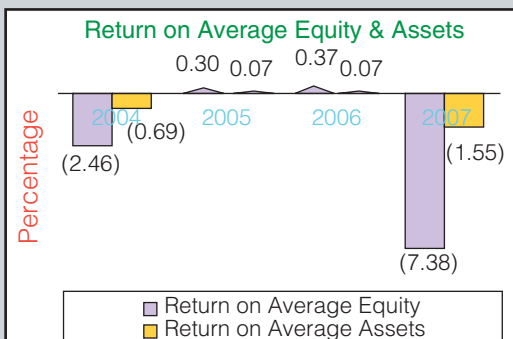
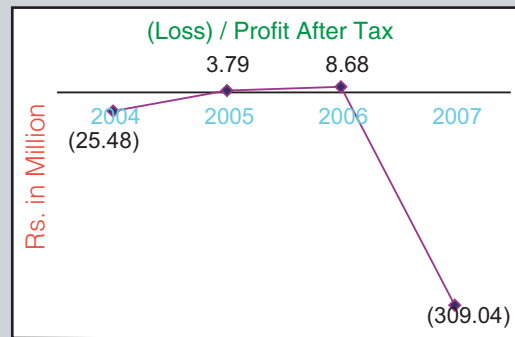
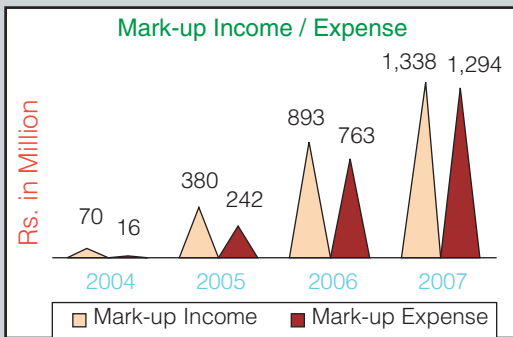
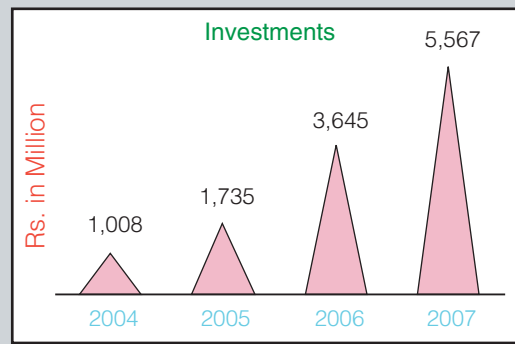
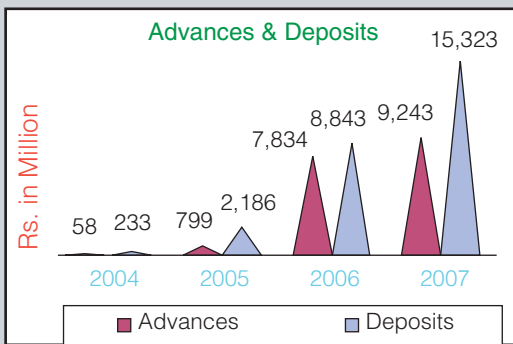
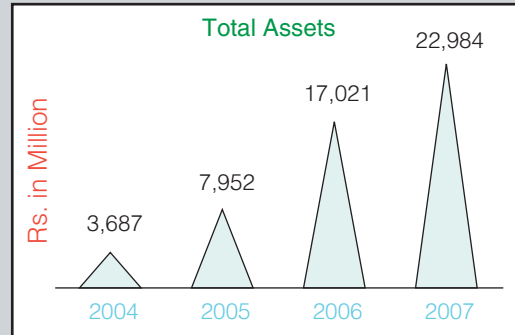
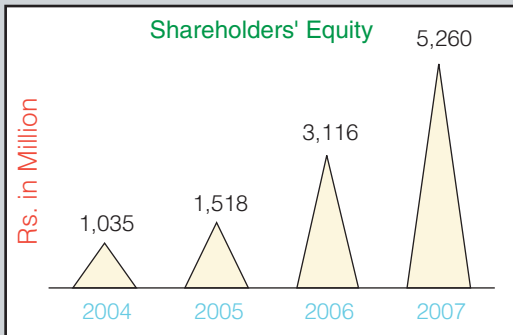
* The Bank was listed on Karachi, Lahore and Islamabad stock exchanges on October 16, 2006, therefore, the information pertaining to prior years is not applicable.

Note: The Bank commenced its operations from March 25, 2004. Figures upto July 28, 2006 are of the pre-merged entity - Atlas Bank Ltd.



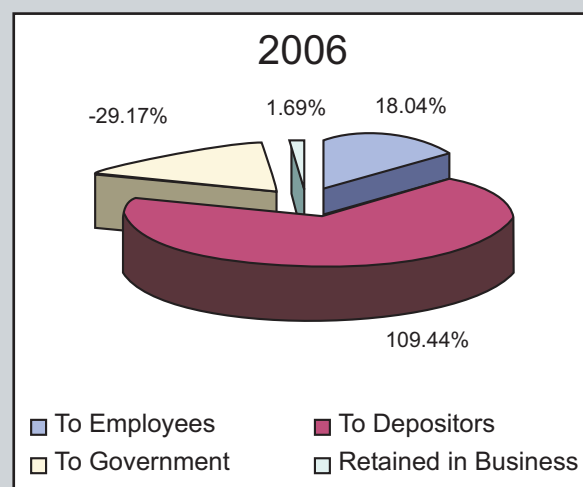
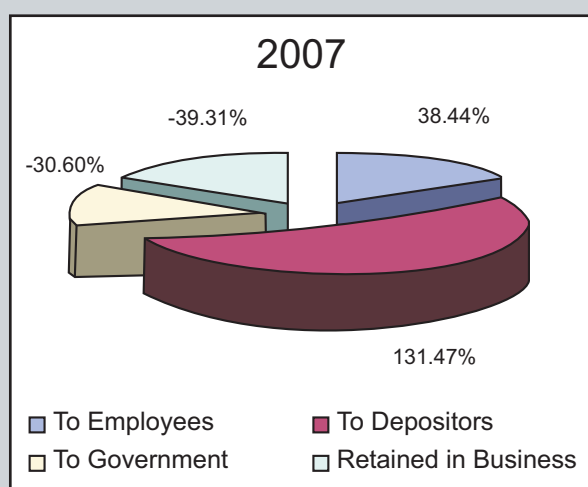
Performance at a Glance

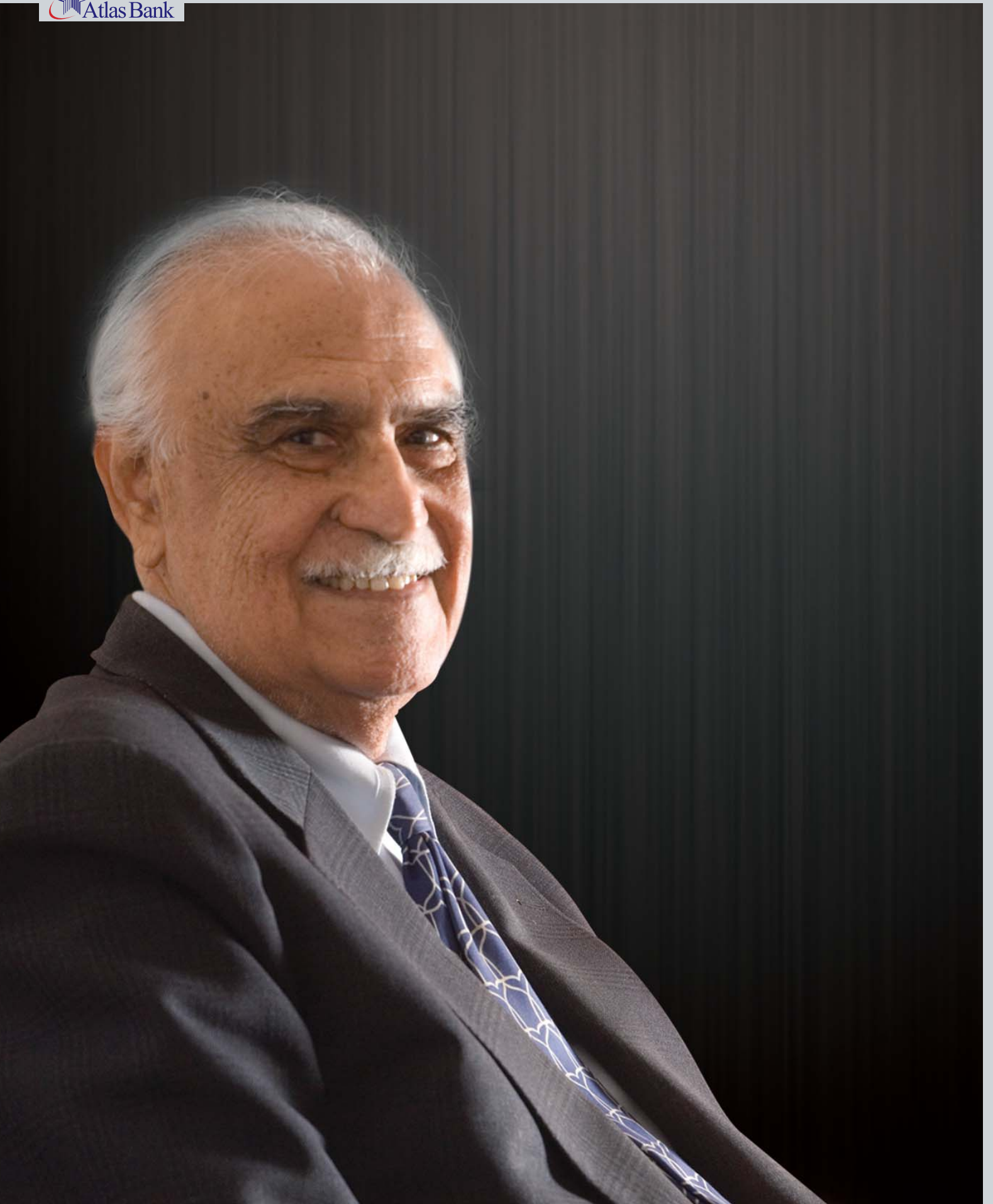
GRAPHICAL PRESENTATION



Value Added Statement

	2007		2006	
	Rs. '000	%	Rs. '000	%
VALUE ADDED				
Income from Banking Services	1,424,107		786,190	
Cost of Services	(366,731)		(216,275)	
Value added by Banking Services	1,057,376		569,915	
Non Banking Income	208		839	
Provisions / Write offs	(271,458)		(58,195)	
	<u>786,126</u>		<u>512,559</u>	
VALUE ALLOCATED				
To Employees	302,192	38.44%	92,454	18.04%
To Depositors	1,033,498	131.47%	560,941	109.44%
To Government	(240,520)	-30.60%	(149,518)	-29.17%
Retained in Business	(309,044)	-39.31%	8,682	1.69%
	<u>786,126</u>	<u>100.00%</u>	<u>512,559</u>	<u>100.00%</u>





Chairman's Review

I am pleased to present to you the Fourth Annual Report of your bank for the year ended December 31, 2007.

The Economy

The recent socio-political economic situation has had its bearing on the growth of the economy. The inflation averaged 8% during 1H/FY08 as against the budget of 6.5% for the year mainly attributable due to continuous rise in food price and excess supply of reserve money on account of increasing government borrowing to meet the fiscal deficit. The State Bank of Pakistan in its effort to control inflation has been maintaining a tight monetary policy, keeping interest rates on the higher side. In the recently announced Monetary Policy Statement the benchmark discount rate has been raised by another 50bps to 10.50% p.a. Likewise the Cash Reserve requirement has also been increased by 1% to reach 8% in its bid to control inflationary pressure. The rising trade deficit led to a 27% rise in 1H/FY08 to US\$8.21 bn over US\$6.49 bn, previously. During the period under review the country's imports rose 13.87% reaching US\$16.96 bn mainly on account of rising oil bill reaching record level of US\$ 100 per barrel, whereas exports saw a 4% rise standing at US\$8.74 bn.

The global slow down in the economy and prevailing sub-prime crises also had an impact on the foreign investment. During the period under review, investment declined 32%. While the foreign direct investment surged 10% to US\$2,067 m. The foreign portfolio investment saw a decline of 92% standing at US\$103.2 m during 1H/FY08 compared to US\$1,311 m during the corresponding period of last year. At the same time remittances grew to 19% at US\$3,066 m compared to last year. Taking all the inflows and outflows into consideration for 1H/FY08, Pakistan's

foreign exchange reserves stood at US\$15.7 bn as at 28th December 2007 compared to US\$15.6 bn at the start of the fiscal year showing overall resilience of the economy.

The Karachi Stock Exchange suffered on the last day of the first half of FY08 (CY07). The index plunged more than 696 points to close at 14,076, the largest single day decline the KSE-100 ever witnessed, just two trading days after it touched a historic level of 14815 points. On the whole, during 1H/FY08, the market ended just 2.2% higher than its opening at 13,772. However, the market performance during the calendar year 2007 depicted an increase of 40%. Nevertheless, the KSE has still been the best performing market as compared to its global peers.

Despite all the temporary crises, currently being faced by the country, the economic fundamentals remain generally intact. The GDP growth is projected to increase by 6.0% to 7.0% during financial year 2008 – higher than the average of 5.14% since 1951 – despite all changes in overall set up, in whatsoever manner.

Banking Sector

Net profit of the banking sector grew 14% on y-o-y basis to PKR 68.1 bn in 9M/CY07 as against PKR 59.8 bn in the corresponding period of last year. Continuous upward pressure on the banks' cost of funds made the interest rate spreads growth shrink to only 9bps on yearly basis and gradual decline in the credit demand from the private sector were the main reasons attributable to the relatively low profitability growth. Banks witnessed significant hike of 43.3% and 107.9% in aggregate earnings in 9M/CY06 and 9M/CY05 respectively on the back of higher return based on core business activities.

With banks focusing more on raising funds, by offering comparatively higher rates on

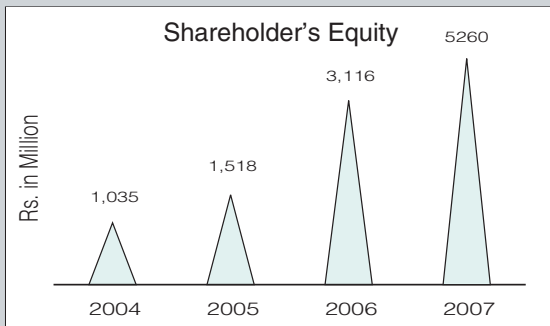


deposits and gradual slowdown in the appetite for the credit from private sector, particularly the textile sector, drove the advances-deposits ratio -ADR-of the banking sector down to 63% by September 2007 from 72% at the end of December 2006.

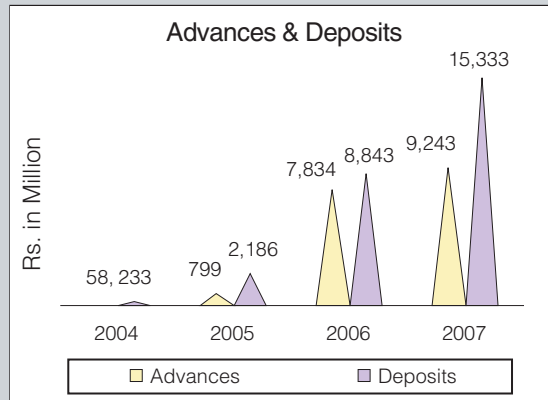
Although the banking sector's ADR has dropped to 63% in the outgoing quarter giving ample room for reasonable loan book growth, banks have deliberately started cautious lending to avoid any major default in future. Apart from that, the SBP's planned removal of Forced Sales Value -FSV- benefit for adjustment against non-performing loans effective from December 31, 2007 would be a major challenge for the banks.

The Bank's Performance

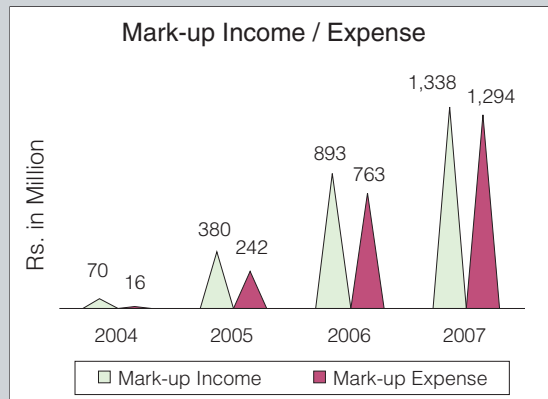
After the merger of Atlas Investment Bank into Atlas Bank this is the first annual report depicting the full year results of the merged entity.



During the year your Bank issued 60% Right Shares amounting to Rs.2.45 bn including premium of Rs.591.55 m from DEG. As at December 31, 2007 the shareholder's equity of the bank stood at Rs.5.26 bn, deposit base grew Rs.6.5 bn to Rs.15.32 bn, advances portfolio grew 17.9% to Rs.9.24 bn and total assets stood at Rs.22.98 bn as against Rs.17.02 bn, last year.



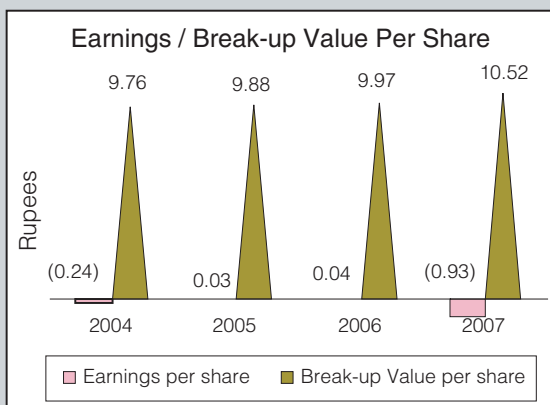
Mark-up earned during the year was Rs.1,338.46 m, compared to Rs.892.58 m of the previous year. Mark-up expense amounted to Rs.1,294.43 m, compared to Rs.763.08 m of the previous year. Non mark-up income grew by 259% to Rs.346.79 m due to significant increase in capital gains. Administrative expenses grew 116% to Rs.668.92 m mainly due to branch expansion, people cost and technological investment upgrading the Bank's network. Provision for doubtful advances and investments amounted to Rs.271.46 m compared to Rs.58.20 m last year.



After the tax adjustments, net loss after tax is Rs.309.04 m as compared to Rs.8.68 m profit after tax of the previous year.



After consolidating with the Bank's subsidiary, Atlas Capital Market's profit of Rs.12.6 m and brought forward loss of Rs.1.34 m of bank, the carried forward loss would be Rs.295.05 m.



Minimum Capital Requirement

You would be pleased to note that your Bank has met the Minimum Capital Requirement-MCR- prescribed by the State Bank of Pakistan as of December 31, 2007 through a 60% Right Issue. The paid-up capital of your Bank now stands at Rs.5.001 bn.

Rating by PACRA

The Pakistan Credit Rating Agency -PACRA- has maintained the credit rating of the Bank for long and short term at A- (Single A minus) and A2 (A two), respectively. These ratings reflect your Bank's management capabilities, financial strength and potential competence to establish a niche in the increasingly competitive commercial banking sector.

Growth & Expansion

In line with our strategic objective to be a leader in our peer group within the industry, the Bank has been investing in network expansion, customer and deposit growth, best in class technological solutions and

putting together a high quality and entrepreneurial team. As a result, it is my pleasure to inform you that your Bank has achieved significant growth in deposits with a concomitant reduction in cost of funds. As at December 31, 2007 our deposits stood at Rs.15.32 bn as compared to Rs.8.8 bn in 2006, expanding its customer base from 8,308 in 2006 to 18,137 as of December 31, 2007.

Since 2006 Atlas Bank is moving forward with its expansion plans. During the course of last year the bank grew from twenty to twenty five real time on-line branches with ambitious plans for the coming years. The five branch offices that were added to the network includes the DHA Phase-I branch in Karachi, two in Lahore, the Azam Cloth Market and Circular Road branches and one each at G.T Road Gujrat and Club Road Sargodha. With the opening of these two new branches in Sargodha and Gujrat the Bank's operations has now extended to significant areas in the Central Region. This network optimization is to reinforce and increase the Bank's reach within the cities where it is already present and to further penetrate beyond other cities in future.

In line with our focus to deliver innovative products based on customer need, numerous products were launched during the year. These include, 'Atlas Bank Businessmen Current Account', 'Rozana Profit Account' and 'Bonus PLS Account'. These accounts come packed with powerful features and benefits that tie in with the needs of the relevant customer segment. Some of the key features of these products are aimed at the business community in general. The 'Businessmen Current Account' offers free inter-branch transactions; complimentary cheque books, pay orders, ATM Card and access to the account at any time of the day through the Bank's Contact Centre's toll free number. Additionally, caring for the customers, the



package offers a free personal accidental insurance coverage of Rs.0.5 m. The Bank's 'Rozana Profit' and 'Bonus PLS Accounts' were re-launched in August 2007. Atlas Bank 'Rozana Profit' Savings Account with total freedom and unmatched services offers maximum flexibility, attractive returns and a regular source of income to housewives, salaried individuals, retirees and other investors. The 'Bonus PLS Accounts' additionally awards a Bonus, twice in a year, with the convenience of accessibility to funds and attractive profit rates.

Your Bank continues to work towards providing quality service to its customers and owning the service proposition amongst all of competition. Some key initiatives that were taken towards this end were setting up of the Central Operations Department to reduce account opening turn around time, delivery of ATM cards and check books through our Mail Management Unit and bringing best in class technological solutions like Temenos and Siebel Customer Relationship Management tool to our banking platform to ensure in-depth customer understanding and deliver excellence in service. Services offered by your bank's Contact Centre (0800 24 365) were also enhanced during the year by providing a host of services related to products and account information, ATM, Customer Complaints etc., for customers to experience the ease of conducting the banking services over the phone 24 hours a day, 365 days a year.

During the year your Bank became a principal member of VISA International, enabling it to issue internationally accepted Debit and Credit Cards. Further, from November 2007, the Bank's Control Centre has also started generating PIN, Personal Identification Numbers through IVR, Interactive Voice Response system.

Small Medium Enterprise (SME)

Your Bank's SME Group's strategy is aligned

with the core customer needs, not only providing necessary financial assistance but also extending business support services on a comprehensive basis to its customers who are instrumental in the economic development of the country. In December 2007, your Bank launched its first programme lending product, 'Working Capital Finance' and in the 1st quarter of 2008, your bank plans to launch two more products i.e 'Cash Plus' and 'Karobar Advance'. These products are developed with an aim to cater to the financial needs of the customers. Your Bank's vision is to be the industry leader in programme lending products in the next few years.

From April 2008 onwards, your Bank plans to re-launch its client relationship products with an aim to strengthen SMEs operating in trading, services and manufacturing sectors. Together these initiatives will serve as the foundation for sustainable economic growth, generating employment and income for the domestic households, as well as driving strategic business clusters.

Human Resource

The Year 2007 was the year of recruitment for your Bank. During 2007, 464 staff were appointed to be in place for the launch of various Bank initiatives such as new branches, disciplines such as human resource, risk management, consumer bank, various IT implementations and product development. You would be pleased to know that your Bank managed to attract high caliber staff and is confident to effectively respond to the future needs of its customers. As required, emphasis was placed on staff training, development and engagement.

Going forward, the various challenges that we foresee are retention of the staff members, career management of a very diverse work force and fundamentally developing team spirit to ensure delivery of products and programmes of your Bank.



Technology

During 2007, in the technology area, your bank focused upgrading the branch network to enable and facilitate higher transaction volumes, and in building the core banking infrastructure. Your Bank has restructured the network for greater robustness and more bandwidth. A new facility has been built for housing the IT systems of the bank to be able to support round-the-clock availability of services. A new core banking system project was started, and is in process of implementation. This system is expected to go live by second quarter 2008. In addition, the ATM network has expanded with the growth of branches.

The IT infrastructure has also been enhanced to enable the Consumer and SME businesses to launch new products. The Bank is also working on an offsite ATM network strategy to enable customers greater accessibility to the bank's services. Further, work is in progress on e-Banking and m-Banking initiatives for launch in 2008.

Atlas Capital Markets (Pvt) Ltd. (ACM)

ACM is wholly owned subsidiary of your Bank with paid up capital of Rs.300 m. It is engaged in equity and money market brokerage, distribution of mutual fund units and advisory services. ACM earned a net profit of Rs.29.67 m before tax. After provision for tax the net profit stood at Rs.12.66 m.

The Board of Directors

The Board of your Directors consists of very senior bankers and professionals. Atlas places great emphasis on non-executive independent directors on the Board of the companies. Mr. S. Salim Raza and Mr. Tariq Amin being independent non-executive directors on your Board have also been assigned additional role to chair the Board Committees. May I thank them for their valuable contribution in your Bank. I also

welcome Mr. Stephan Blanke, nominated by DEG on the Board subject to SBP approval, and look forward to his valuable contribution in future.

Future Outlook

Your Bank, with its customer centric initiatives in 2007, is moving forward with zeal, renewed commitment and overwhelming motivation to establish itself as a leader in its peer group within the banking sector of the Country. Our business direction for the year 2008 aim for continued organization growth through ever expanding customer base covering all major cities, with emphasis on innovative products. The Bank's financial viability will be maintained through enhanced efficiency with the use of information technology and specialized human resources, together with prudent risk management and move forward, on the whole:

شاہین کا جہاں اور

(We continue to look forward
to beyond horizon)

Acknowledgment

I would like to thank the Board of Directors, The State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their help, support and guidance. I thank the management of the Bank for their sincerity, dedication and commitment. I also thank the financial institutions, clients and the shareholders and the DEG for the trust and confidence reposed in your Bank.



Yusuf H. Shirazi

Board of Directors

| Aziz Rajkotwala | Frahim Ali Khan | S. Salim Raza |



| Yusuf H. Shirazi |

Aamir H. Shirazi |

Tariq Amin |



The Board of Directors of Atlas Bank Limited:

Yusuf H. Shirazi, Chairman, Aziz Rajkotwala, CEO.

Directors: Aamir H. Shirazi, Fahim Ali Khan, S. Salim Raza,
Tariq Amin. Tariq Iqbal Khan was not present.

Directors' Report

The Directors of your Bank take pleasure in presenting their report together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2007.

Financials

The financials of your Bank for the year ended December 31, 2007 under review are summarized as follows:

	2007 Rs. In '000	2006 Rs. In '000
Operating loss before provision and taxation	(278,106)	(82,641)
Provisions / Write-offs	(271,458)	(58,195)
Loss before taxation	(549,564)	(140,836)
Reversal of provision for taxation	240,520	149,518
(Loss) / profit after taxation	(309,044)	8,682
Accumulated loss brought forward	(12,327)	(19,273)
	(321,371)	(10,591)
Appropriations:		
Transfer to statutory reserve	-	(1,736)
Accumulated loss carried forward	(321,371)	(12,327)
		Restated
(Loss) / earning per share - Basic and diluted (Rupee)	(0.93)	0.03

Dividend

Due to the accumulated losses outstanding as on December 31, 2007 the Board of Directors are not recommending any dividend payout for the year ended December 31, 2007.

Operating and Financial Data

The Bank was incorporated on July 17, 2003 and commenced operations in March 2004. Its Operating and Financial data and key ratios are annexed.

Employees Provident Fund

The Bank has a recognized provident fund for its employees. The value of investments and balance in a Daily Product Saving Account stands at Rs.81.65 million (including Rs.2.79 million profit accrued on government securities) as of December 31, 2007.



Gratuity Scheme

The Bank has a Non-Contributory Gratuity Fund Scheme for its management employees. The value of investments as on December 31, 2007 is Rs.14.09 million.

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the Bank for the year ended December 31, 2007 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of one Executive and six non-executive Directors. All the Directors keenly take interest in the proper stewardship of the Bank's affairs. All non-executive Directors are independent from management.

No transaction in the Bank's shares have been reported by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year.

During the year five (5) Board meetings were held and attended as follows:

Director	Meeting attended	Appointment / Cessation during the year
Mr. Yusuf H. Shirazi	5	Retired & Re-elected w.e.f 21-06-2007
Mr. Aamir H. Shirazi	2	Appointment w.e.f 23-08-2007
Mr. Frahim Ali Khan	5	Retired & Re-elected w.e.f 21-06-2007
Mr. Saquib H. Shirazi	1	Retired & Re-elected w.e.f 21-06-2007
		Ceasing of office w.e.f 23-08-2007
Mr. Sherali Mundrawala	2	Retired w.e.f 21-06-2007
Mr. S. Salim Raza	5	Retired & Re-elected w.e.f 21-06-2007
Mr. Tariq Amin	3	Elected w.e.f 21-06-2007
Mr. Tariq Iqbal Khan	-	Retired & Re-elected w.e.f 21-06-2007
Mr. Aziz Rajkotwala	4	Retired & Re-elected w.e.f 21-06-2007

Auditors

The present Auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends that they be appointed as Auditors for the year 2008.

Pattern of Shareholding

The pattern of shareholding of the Bank is annexed.

Compliance with the Code of Corporate Governance and Transfer Pricing as contained in the Listing Regulations of Stock Exchanges

The Directors confirm the compliance of the requirements of the Code of Corporate Governance and Transfer Pricing as set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2007. Separate statements to these effects are annexed.



Statement of Directors' Responsibilities

The Board regularly reviews the Bank's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the Bank's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Bank has been in compliance with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing regulations of the Stock Exchanges. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial Statements

The financial statements, prepared by the management of the Bank, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The Bank has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgement.

International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of these financial statements.

Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the Bank's ability to continue as a going concern.

Statement on Internal Controls

The statement on internal controls of the Bank is annexed.

Risk Management Framework

In keeping with the SBP Circulars and Basel II initiatives, Atlas Bank rolled out a comprehensive Risk Management Framework in late 2007 and this as part of its commitment to embed risk management in its daily thinking, processes and business practices.

Accordingly, the Bank's risk management processes have undergone significant improvement with more ownership and accountability, improved decision making, a culture of continuous improvement and a higher level of corporate governance with respect to the total risk spectrum.

Furthermore, the Bank has taken steps to identify all the risk areas that it manages, including credit, market, liquidity and operational risks, and has particularly strengthened its credit and market risk areas and is currently working on strengthening its operational risk area as well.



Additionally, in late 2007 Line Management and Board Risk Committee Meetings were held. Their focus was principally on risk management policies and processes, including program lending guidelines for Consumer and SME businesses and credit policies for relationship lending via the Corporate, Commercial, SME and the Investment Banks.

Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the Bank's long term credit rating as "A-" (Single A Minus) and short term rating as A2 (A two).

Board Committees

Executive Committee

The Board Executive Committee reviews and monitors all matters pertaining to banking business and banking operations, particularly to review and monitor the objectives, strategies and business plans. It oversees all affairs of the bank to ensure that these are carried out prudently within the frame work of existing laws and regulations.

Audit Committee

The Audit Committee assists the Board of Directors in discharging their responsibilities towards the Bank. Audit Committee's responsibilities include reviewing reports of the Bank's financial results, monitoring internal audit functions and compliance with relevant statutory requirements, assisting the Board of Directors in discharging their responsibilities for safeguarding of Bank's assets, development and implementation of an effective internal control system.

Risk Management Committee

The Board Risk Management Committee oversees to the risk management function, including credit risk policies and process, ensuring appropriate supervision and governance within the Bank. The committee is responsible for reviewing and implementing regulatory changes including planning for potential regulatory changes.

Human Resource Committee

The Board Human Resource Committee reviews and recommends Human Resource policies and procedures, staff rules, compensation, training and development programs and retention strategies to the Board.

Management Committees

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the Chief Executive, providing recommendations relating to the business and other corporate affairs. The committee is responsible for reviewing and forwarding long term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the Bank as well as outside the Bank through channeling its financing and investments to projects producing environment friendly products.

Risk Management & Credit Committee

The committee focuses on credit and all other risks under the Risk Management Framework and is responsible for identifying, assessing, addressing, reviewing and reporting Bank wide risks including credit, market, operational and liquidity risks. The committee prepares, reviews and recommends risk mitigation strategies for various risks and related policies. It determines risk reward trade off and is responsible for setting the Bank's "risk appetite". It also identifies and analyzes existing and potential risks inherent in any product / activity. Further, the committee is responsible for implementation of Basel II policies and risk management mechanism and the Risk Management Framework.



The Committee approves credit proposals involving funded/non-funded exposures. It reviews sectorial and group exposures and takes corrective measures to ensure they are within limits. The committee also ensures adequacy of controls placed to identify and address the issues in a timely manner.

Asset & Liability Committee (ALCO)

ALCO manages the structure and composition of Bank's assets and liabilities and decides about product pricing for deposits and advances. It review maturity profile and mix of short term/long term assets and liabilities and foresee interest rates and review funding policy of the Bank. The committee also takes decisions on investment related matters as per Policy approved by BOD and decides strategies for forex position/rates etc.

Human Resource Committee

Its function is to ensure that policy guidelines provided by the Board's Human Resource Committee are followed, transparency in the entire process and function of human resource exist and to oversee policy implementation relating to personnel including, but not limited to, recruitment, training, promotion, cash award compensation, retirement and disciplinary cases.

Information Technology (IT) Steering Committee

The committee oversees effective use of IT resources to support business objectives, identifies IT related risks and provide guidance in designing & modifying the IT policy to cope with the related risks. It also ensures implementation of IT Guidelines issued by the State Bank of Pakistan from time to time.

Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them regularly. The Bank also has a web site (www.atlasbank.com.pk), which contains up to date information of the Bank.

Safety and Environment

The Bank follows the safety and environment rules and regulations.

For and on Behalf of the
Board of Directors



Yusuf H. Shirazi
Chairman

Karachi: February 22, 2008

Statement of Compliance with the Code of Corporate Governance FOR THE YEAR ENDED DECEMBER 31, 2007

This statement is being presented to comply with the Code of Corporate Governance as contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges 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 consists of seven Directors out of which six are non-executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including the Bank, except a Director who has been exempted for the purpose of this clause by Securities and Exchange Commission of Pakistan.
3. All the 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 NBFC. No Director in the board is a member of any of the stock exchanges in Pakistan.
4. A Casual vacancy occurred during the year in the Board which was filled-up by the Directors within prescribe period.
5. The Bank has adopted a 'Code of Business Principles', which has been distributed to and acknowledged by all the Directors and employees of the Bank.
6. The Bank is in the process of developing a vision / mission statement, overall corporate strategy and significant policies of the Bank has been developed. 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 who is a non-executive Director 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. Directors of the Bank are aware of their responsibilities therefore no need was felt for orientation course in this regard.
10. The Board has approved appointment Head of Internal Audit, including his remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. No new appointments of Chief Financial Officer and Company Secretary were made during the year.
11. The Directors' Report for the year ended December 31, 2007 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 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 comprising of three non-executive Directors as members 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 and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the 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 or any of its associated companies or undertakings and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on Behalf of the
Board of Directors



Chief Executive Officer

Karachi: February 22, 2008



Statement of Compliance with the Best Practices on Transfer Pricing FOR THE YEAR ENDED DECEMBER 31, 2007

The Bank has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges.

For and on Behalf of the
Board of Directors



Chief Executive Officer

Karachi: February 22, 2008

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2007 prepared by the Board of Directors of Atlas Bank Limited (the Bank) to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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

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

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

Karachi: February 22, 2008



FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS



Statement on Internal Controls

Basis of Internal Control System

It is the basic requirement of bank's management to ensure implementation of an effective internal control system which is instrumental in determining achievement of the corporate objectives. The internal control system encompasses the policies, procedures, tasks, behaviors, discipline and other aspects taken together. It ensures effective operation enabling the organization to respond proficiently to the significant business, operational, financial and other risks encountered during the course of achieving the corporate objectives.

A properly designed and effectively enforced system of internal control system ensures implementation of corporate policies, procedures and directives. It reduces the possibility of significant errors, lapses and irregularities. With proactive approach of identifying the signals and indications of developing trouble, it helps to adopt timely preventive / remedial measures. It also provides internal control quality standards and mechanism to all the managerial and supervisory levels of responsibility within the organization.

Evaluation of Existing Internal Control System

The bank has made all-out efforts during the year 2007 for implementation of an effective and well-designed internal control system which was materialized to a large extent. Policies and procedures pertaining to the key areas of the bank have already been formulated, approved and implemented while some other are in the process of finalization. In the formulation of policies and procedures we have taken due cognizance of the observations and exceptions by the internal auditors as well as SBP Inspection Team and have issued necessary directives to all the functionaries of the bank emphasizing upon non-recurrence of the reported weaknesses.

The control activities are being closely monitored across the bank through Internal Audit working independent of line management. In addition Compliance monitors control activities on an ongoing basis. Both functions cover all banking activities in general and key risk areas in particular.

For and on Behalf of the
Board of Directors



Chief Executive Officer

Karachi: February 22, 2008



Auditors' Report to the Members


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

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the 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 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 and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in note 5.1 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2007 and its true balance of the loss, 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.

Karachi: February 22, 2008


FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS





Financial Statements

Balance Sheet

AS AT DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006
ASSETS			
Cash and balances with treasury banks	6	1,501,334	601,079
Balances with other banks	7	215,318	191,742
Lendings to financial institutions	8	4,427,824	3,500,844
Investments	9	5,566,841	3,645,195
Advances	10	9,242,511	7,833,786
Operating fixed assets	11	818,713	301,401
Deferred tax assets	12	168,986	-
Other assets	13	1,042,734	946,539
		22,984,261	17,020,586
LIABILITIES			
Bills payable	14	288,907	50,158
Borrowings	15	1,304,616	4,025,949
Deposits and other accounts	16	15,322,671	8,842,946
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	-	78,368
Other liabilities	17	883,827	1,024,875
		17,800,021	14,022,296
NET ASSETS		<u>5,184,240</u>	<u>2,998,290</u>
REPRESENTED BY			
Share capital	18	5,001,466	3,125,916
Reserves		580,031	2,494
Accumulated loss		(321,371)	(12,327)
		5,260,126	3,116,083
Deficit on revaluation of assets - net of tax	19	(75,886)	(117,793)
		<u>5,184,240</u>	<u>2,998,290</u>
CONTINGENCIES AND COMMITMENTS	20		

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director

Profit and Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006
Mark-up / return / interest earned	22	1,338,459	892,583
Mark-up / return / interest expensed	23	1,294,428	763,083
Net Mark-up / Interest income		44,031	129,500
Provision against non-performing loans and advances	10.4	271,756	54,875
(Reversal of) / provision for diminution in the value of investments	9.3	(303)	3,320
Bad debts written off directly		5	-
		271,458	58,195
Net Mark-up / Interest / (loss) / income after provisions		(227,427)	71,305
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		22,691	10,200
Dividend income		37,793	15,819
Income from dealing in foreign currencies		15,485	12,253
Gain on sale / redemption of securities	24	264,655	57,030
Unrealized loss on revaluation of investments classified as held for trading	9.2.8	(1,993)	(2,602)
Other income	25	8,155	3,888
Total non mark-up / interest income		346,786	96,588
		119,359	167,893
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	665,546	308,205
Other provisions / write offs		-	-
Other charges	27	3,377	524
Total non mark-up / interest expenses		668,923	308,729
		(549,564)	(140,836)
Extraordinary / unusual items		-	-
LOSS BEFORE TAXATION		(549,564)	(140,836)
Taxation - Current		13,399	8,217
- Prior years		(377)	(105,934)
- Deferred		(253,542)	(51,801)
	28	(240,520)	(149,518)
(LOSS) / PROFIT AFTER TAXATION		(309,044)	8,682
Accumulated loss brought forward		(12,327)	(19,273)
Accumulated loss before appropriation of statutory reserve		(321,371)	(10,591)
			Restated
(Loss) / earnings per share - Basic and diluted (Rupee)	29	(0.93)	0.03

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	Issued, subscribed and paid-up share capital	Capital Reserves		Accumulated (loss) / profit	Total
			Share Premium	Statutory reserve		
----- (R u p e e s ' 0 0 0) -----						
Balance as at January 1, 2006		1,537,000	-	758	(19,273)	1,518,485
Issue of share capital upon amalgamation		1,588,916	-	-	-	1,588,916
Profit after taxation for the year ended December 31, 2006		-	-	-	8,682	8,682
Transfer to statutory reserve		-	-	1,736	(1,736)	-
Balance as at December 31, 2006		3,125,916	-	2,494	(12,327)	3,116,083
Issue of share capital	18.3	1,875,550	577,537	-	-	2,453,087
Loss after taxation for the year ended December 31, 2007		-	-	-	(309,044)	(309,044)
Transfer to statutory reserve		-	-	-	-	-
Balance as at December 31, 2007		5,001,466	577,537	2,494	(321,371)	5,260,126

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(549,564)	(140,836)
Less: Dividend income		(37,793)	(15,819)
		(587,357)	(156,655)
Adjustment:			
Depreciation	26	41,888	17,902
Amortisation	26.2	31,852	36,649
Provision against non-performing advances - specific (Reversal of) / provision for diminution in the value of investments	10.4	274,749	55,830
Gain on disposal of fixed assets	9.3	(303)	3,320
Reversal of provision for consumer financing - general	11.5	(208)	(839)
Bad Debts written off directly	10.4	(2,993)	(955)
		5	-
		344,990	111,907
		(242,367)	(44,748)
(Increase) / Decrease in operating assets			
Lendings to financial institutions		(926,980)	2,761,542
Held for trading securities		430,723	(472,409)
Advances		(1,680,486)	(2,451,093)
Other assets (excluding current taxation)		(121,194)	(46,752)
		(2,297,937)	(208,712)
Increase / (Decrease) in operating liabilities			
Bills payable		238,749	24,556
Borrowings		(2,721,333)	(2,999,997)
Deposits		6,479,725	3,261,264
Other liabilities		(141,048)	250,214
		3,856,093	536,037
Income tax paid		1,315,789	282,577
Net cash flow from operating activities		1,301,267	251,781
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(2,330,790)	(279,916)
Net investment in held to maturity securities		26,820	394,035
Dividend received		38,677	15,020
Investments in operating fixed assets		(576,338)	(115,412)
Sale proceeds of operating fixed assets	11.5	11,108	5,395
Net cash (used in) / flow from investing activities		(2,830,523)	19,122
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		2,453,087	-
Net cash flow from financing activities		2,453,087	-
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		923,831	270,903
Cash and cash equivalents at beginning of the year		792,821	233,026
Cash and cash equivalents acquired upon amalgamation		-	288,892
Cash and cash equivalents at end of the year	30	1,716,652	792,821

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2007

1. STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Bank Limited (the Bank) was incorporated on July 17, 2003 as a Public Limited Company under the Companies Ordinance, 1984 with the object of conducting banking business and related services and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank commenced its commercial operations effective March 25, 2004. The registered office of the Bank is situated at Third Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi and it operates with 25 branches in Pakistan.
- 1.2 During the year, the Bank has increased its authorised share capital from Rs.5,000 million (500,000,000 ordinary shares of Rs.10/- each) to Rs.7,000 million (700,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on March 29, 2007.
- 1.3 During the year the Bank issued 60% right shares representing 187.555 million ordinary shares. The sponsors i.e. Atlas Group renounced a portion of rights issue offered by the Bank which was in turn allotted by the Board of Directors to Deutsche Investitions – und Entwicklungsgesellschaft mbH (DEG) a member of KfW Bankengruppe (KfW Banking Group). These shares were issued to DEG at a price of Rs.14.75 per share and represents 24.90% of the post rights issued share capital of the Bank.
- 1.4 The Pakistan Credit Rating Agency Limited has maintained the Bank's long term rating at "A-" (Single A Minus) and short term rating at "A 2" (A Two).

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006.

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

These financial statements are separate financial statements of the Bank in which investments in subsidiary is accounted for on the basis of direct equity interest and is not consolidated.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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. 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 IFRS, the requirements of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 3.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.



4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.5 below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

During the year, the Bank has changed its accounting policy in respect of goodwill consequent upon the notification by the SECP regarding applicability of IFRS-3 "Business Combinations". In accordance with the new policy the goodwill arising on business combination is carried at cost less any impairment in value. Previously, goodwill was amortised over a period of 10 years from the date of business combination and was reviewed for any indication of impairment at each balance sheet date. The said change in accounting policy has been applied prospectively in accordance with the transitional provisions of IFRS-3. Accordingly, the Bank has discontinued amortisation of goodwill with effect from January 1, 2007 and the carrying value of the goodwill as of the said date is tested for impairment on an annual basis.

Had there been no change in the above accounting policy, the total assets of the Bank would have been lower and loss for the year would have been higher by Rs.53.89 million.

5.2 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.3 Lendings to financial institutions / borrowings

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

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

5.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Investments

Investment in subsidiaries are stated at cost less provision for impairment, if any. Other investments in securities are classified as follows:



Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

Held-to-maturity

These are securities with fixed or determinable payments and maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held to maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Bank's held for trading investments is taken to the profit and loss account. The surplus / (deficit) on investments classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in the value of term finance certificates is made in accordance with the requirements of Prudential Regulations issued by the SBP.

5.6 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Bank also maintains general provision for potential losses of consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables net of related provisions are included in loans and advances to customers.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Bank's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the synergies of the combination.



5.8 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Intangible assets having an indefinite useful life are carried at cost and are not amortised.

Capital-work-in-progress

Capital work-in-progress is stated at cost.

5.9 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

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



5.10 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.11 Staff retirement benefits

Defined benefit plan

The Bank operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 11% per annum of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.12 Derivatives

Derivative financial instruments are recognized at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.13 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognised when earned.

Dividend income from investments is recognised when Bank's right to receive the dividend is established.

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

All exchange differences are recognised in income.



5.14 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.15 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.16 Off Setting of financial assets and financial liabilities

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

5.17 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in these financial statements.

5.19 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.20 Accounting judgments and estimates

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

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimates made during the year and impact on the financial statement are disclosed in note 10.3.1 and 13.2.1 respectively. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:



	<u>Note</u>
Classification of investments	5.5 & 9.1
Goodwill impairment assessment	5.7
Useful lives of assets and methods of depreciation	5.8, 11.2 & 11.3
Deferred taxation	5.9 & 12
Provision against non-performing advances	5.10 & 10.3
Defined benefit plan	5.11 & 32

5.21 Accounting standards not yet effective

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

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

The Bank expects that the adoption of the above standards and interpretations will have no material impact on the Bank's financial statements in the period of initial application. In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework:

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

	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		159,668	45,591
- foreign currency		33,660	39,884
		193,328	85,475
With SBP in	6.1		
- local currency current account		1,280,770	488,481
- foreign currency current account		964	2,250
- foreign currency deposit account - special cash reserve	6.2	9,321	18,722
- cash reserve		9,145	6,091
		1,300,200	515,544
With National Bank of Pakistan in			
- local currency current account		7,806	60
		1,501,334	601,079

6.1 These balances are maintained to comply with the requirements of the SBP issued from time to time.

6.2 Represents mandatory reserves with SBP. This carries profit at the rate of 4.32% (2006: 4.50%) per annum.



	Note	2007 ------(Rupees '000)-----	2006
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts	7.1	163,871	2,389
- on deposit accounts	7.2	36	4,789
Outside Pakistan			
- on current accounts		51,411	184,564
		<u>215,318</u>	<u>191,742</u>

7.1 This includes Rs.162.06 million in right shares subscription account.

7.2 These carry mark-up rates ranging from 0.25% to 4% (2006: 0.25% to 2%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	750,000	-
Repurchase agreement lendings (Reverse Repos)	8.3	2,157,824	2,306,795
Certificates of investment	8.4	200,000	100,000
Letters of placement	8.5	620,000	382,114
Treasury deposit receipts	8.6	700,000	711,935
		<u>4,427,824</u>	<u>3,500,844</u>
8.1 Particulars of lending			
In local currency		4,427,824	3,488,909
In foreign currency		-	11,935
		<u>4,427,824</u>	<u>3,500,844</u>

8.2 These represents lendings made in the local inter-bank market at rates ranging from 9.00% to 10.00% per annum with maturities upto May 2008.

8.3 Securities held as collateral against lendings to financial institutions (Reverse Repos)

	Note	2007			2006		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		----- (Rupees '000) -----					
Market Treasury Bills	8.3.1	1,516,017	196,807	1,712,824	1,209,572	947,223	2,156,795
Pakistan Investment Bonds	8.3.2	50,000	395,000	445,000	-	150,000	150,000
		<u>1,566,017</u>	<u>591,807</u>	<u>2,157,824</u>	<u>1,209,572</u>	<u>1,097,223</u>	<u>2,306,795</u>



- 8.3.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 9.45% to 9.95% (2006: 8.20% to 8.90%) per annum with maturities upto January 2008.
- 8.3.2 Pakistan Investment Bonds have been purchased under resale agreements at rates ranging from 9.50% to 10.50% (2006: 9.05% to 9.15%) per annum with maturities upto March 2008.
- 8.4 This represents certificates of investment of financial institutions at rates ranging from 9.95% to 10.65% (2006: 12.10% to 12.20%) per annum with maturities upto January 2008.
- 8.5 This represents letters of placement with financial institutions at rates ranging from 9.95% to 10.90% (2006: 11.50% to 12.90%) per annum with maturities upto February 2008.
- 8.6 This represents placements in treasury deposit receipts of financial institutions at rates ranging from 10.25% to 10.50% (2006: 5.06% to 12.50%) per annum with maturities upto May 2008.

9. INVESTMENTS

	Note	2007			2006		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees '000)-----							
9.1 INVESTMENTS BY TYPES							
Held-for-trading securities							
Listed Companies (ordinary shares)	9.2.3	43,679	-	43,679	125,011	-	125,011
Mutual Funds (units / certificates)	9.2.7	-	-	-	350,000	-	350,000
		43,679	-	43,679	475,011	-	475,011
Available-for-sale securities							
Listed Companies (ordinary shares)	9.2.3	284,714	-	284,714	131,496	127,822	259,318
Mutual Funds (units / certificates)	9.2.7	964,516	-	964,516	128,720	-	128,720
Term Finance Certificates	9.2.5 & 9.2.6	766,630	-	766,630	328,646	541,940	870,586
Pakistan Investment Bonds	9.2.1	915,974	110,752	1,026,726	567,594	479,969	1,047,563
Market Treasury Bills	9.2.2	2,055,387	-	2,055,387	46,004	414,992	460,996
Unlisted Companies (ordinary shares)	9.2.4	31,000	-	31,000	31,000	-	31,000
		5,018,221	110,752	5,128,973	1,233,460	1,564,723	2,798,183
Held-to-maturity securities							
Term Finance Certificates - unlisted - Dewan Cement Ltd.	9.2.6	108,427	-	108,427	135,247	-	135,247
Subsidiary							
Unlisted Company - Atlas Capital Markets (Private) Ltd.	9.2.4	396,942	-	396,942	396,942	-	396,942
Total Investments at cost		5,567,269	110,752	5,678,021	2,240,660	1,564,723	3,805,383
Less: Provision for Diminution in value of Investments	9.3	(7,766)	-	(7,766)	(8,069)	-	(8,069)
Investments (Net of Provisions)		5,559,503	110,752	5,670,255	2,232,591	1,564,723	3,797,314
Deficit on revaluation of Held-for-trading securities	9.2.8	(1,993)	-	(1,993)	(2,602)	-	(2,602)
Deficit on revaluation of Available-for-sale securities	19	(86,739)	(14,682)	(101,421)	(84,920)	(64,597)	(149,517)
Total investments at market value		5,470,771	96,070	5,566,841	2,145,069	1,500,126	3,645,195



9.2 INVESTMENTS BY SEGMENTS	Note	2007	2006
		------(Rupees '000)-----	
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,026,726	1,047,563
- Market Treasury Bills	9.2.2	2,055,387	460,996
		3,082,113	1,508,559
Fully Paid-up Ordinary Shares			
- Listed Companies (ordinary shares)	9.2.3	328,393	384,329
- Unlisted Companies (ordinary shares)			
Atlas Capital Markets (Private) Ltd. (subsidiary)	9.2.4	396,942	396,942
Atlas Asset Management Ltd. (related party)	9.2.4	30,000	30,000
Arabian Sea Country Club	9.2.4	1,000	1,000
		427,942	427,942
Term Finance Certificates			
- Listed	9.2.5	654,687	747,774
- Unlisted	9.2.6	220,370	258,059
		875,057	1,005,833
Other Investments			
- Mutual Funds (units / certificates)	9.2.7	964,516	478,720
Total investments at cost		5,678,021	3,805,383
Less: Provision for Diminution in value of Investments	9.3	(7,766)	(8,069)
Investments (Net of provisions)		5,670,255	3,797,314
Deficit on revaluation of Held-for-trading securities	9.2.8	(1,993)	(2,602)
Deficit on revaluation of Available-for-sale securities	19	(101,421)	(149,517)
Total investments at market value		5,566,841	3,645,195

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2006: 6.20% to 8.20%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2006: 1 year). The effective yield of these bills is from 9.00% to 9.40% (2006: 9.00%) per annum with maturities from January 2008 to December 2008.

9.2.3	Details of investments in Listed Companies Fully paid up ordinary shares of Rs. 10/- each Held for trading securities	Cost	
		2007 ---- (No. of shares) ----	2006 -----(Rupees '000)-----
	Adamjee Insurance Co. Ltd.	-	8,227
	Arif Habib Securities Ltd.	75,000	-
	Askari Commercial Bank Ltd.	-	2,508
	Azgard Nine Ltd.	-	4,740
	Bank Alfalah Ltd.	-	2,428
	Bank of Punjab	100,852	10,520
	MCB Bank Ltd.	13,800	21,330
	National Bank of Pakistan Ltd.	-	23,236
	Nishat Mills Ltd.	-	220
	Oil & Gas Development Co. Ltd.	-	19,185
	Pakistan Oilfields Ltd.	-	17,904
	Pakistan Petroleum Ltd.	22,300	11,552
	Pakistan State Oil Co. Ltd.	15,000	-
	Pakistan Telecommunications Co. Ltd.	-	3,161
	TRG Pakistan Ltd.	125,000	-
	Total carried forward		43,679
			125,011



	No. of shares		Paid-up value		Market Value		Cost	
	2007	2006	2007	2006	2007	2006	2007	2006
----- (Rupees '000) -----								
Total brought Forward							43,679	125,011
Available-for-sale securities								
Arif Habib Securities Ltd.	100,000	-	1,000	-	17,320	-	16,871	-
Askari Bank Ltd.	50,000	-	500	-	4,988	-	4,400	-
Callmate Telips	175,000	-	1,750	-	2,599	-	8,761	-
D.G. Khan Cement Co. Ltd.	-	170,000	-	1,700	-	10,702	-	14,961
Engro Chemicals Pakistan Ltd.	100,750	250,000	1,008	2,500	26,774	42,250	24,393	46,396
Eye Television Network Ltd.	-	1,136,350	-	11,364	-	10,227	-	6,932
Fauji Fertilizer Bin Qasim Ltd.	250,000	-	2,500	-	10,512	-	10,119	-
Fauji Fertilizer Company Ltd.	75,000	145,000	750	1,450	8,906	15,305	8,377	16,177
Faysal Bank Ltd.	-	25,000	-	250	-	1,513	-	1,502
Habib Bank Ltd.	40,000	-	400	-	9,596	-	9,976	-
Hira Textile Mills Ltd.	293,047	-	2,930	-	2,329	-	3,663	-
Hub Power Company Ltd.	-	500,000	-	5,000	-	13,500	-	12,125
ICI Pakistan Ltd.	20,000	-	200	-	3,933	-	4,128	-
Kot Addu Power Company Ltd.	-	300,000	-	3,000	-	12,210	-	12,195
Lucky Cement Ltd.	75,000	175,000	750	1,750	8,738	10,483	8,903	19,425
Maple Leaf Cement Pref. Shares	30,000	30,000	300	300	225	285	225	225
Murree Brewery Company Ltd.	22,000	-	220	-	4,015	-	3,601	-
National Bank of Pakistan Ltd.	30,000	-	300	-	6,965	-	6,856	-
Nishat Chunian Ltd.	100,000	-	1,000	-	3,700	-	4,508	-
Nishat Mills Ltd.	50,000	107,500	500	1,075	5,260	9,439	5,144	9,824
Oil & Gas Development Co. Ltd.	150,000	-	1,500	-	17,918	-	17,275	-
Pakistan National Shipping Corp. Ltd.	25,000	-	250	-	2,499	-	2,490	-
Pakistan Telecommunications Co. Ltd.	-	600,000	-	6,000	-	26,580	-	28,680
Pakistan Oilfields Ltd.	90,000	90,000	900	900	30,096	31,478	31,504	32,142
Pakistan Petroleum Ltd.	110,000	140,000	1,100	1,400	26,956	32,480	26,487	34,788
Pakistan Refinery Ltd.	12,000	12,000	120	120	2,998	2,597	3,390	3,390
Pakistan State Oil Co. Ltd.	50,000	-	500	-	20,330	-	18,786	-
Pak Suzuki Motor Co. Ltd.	10,000	-	100	-	3,297	-	4,242	-
Shakarganj Sugar Ltd.	60,000	-	600	-	2,312	-	2,314	-
SME Leasing Ltd.	902,350	902,350	9,024	9,024	9,881	9,745	9,926	9,926
Soneri Bank Ltd.	210,000	-	2,100	-	9,114	-	10,807	-
Sui Northern Gas Pipelines Ltd.	-	55,400	-	554	-	3,629	-	3,844
Bank of Punjab	153,140	29,062	1,531	291	14,977	2,943	13,029	2,632
Thal Ltd.	-	10,000	-	50	-	1,645	-	1,751
United Bank Ltd.	125,800	15,000	1,258	150	21,750	2,300	24,539	2,403
			<u>33,091</u>	<u>46,878</u>	<u>277,988</u>	<u>239,311</u>	<u>284,714</u>	<u>259,318</u>
Total investments in listed companies							328,393	384,329

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding %	Net Asset value per share *	Cost	
				2007	2006
------(Rupees '000)-----					
Subsidiary					
Atlas Capital Markets (Pvt.) Ltd. Chief Executive Officer: Mr. M. Naeem Khan 30,000,000 ordinary shares of Rs. 10/- each (2006: 30,000,000 ordinary shares of Rs.10/- each)		100	11.18	396,942	396,942
Related party					
Atlas Asset Management Ltd. Chief Executive Officer: Mr. M. Habib-ur-Rahman 3,000,000 ordinary shares of Rs. 10/- each (2006: 3,000,000 ordinary shares of Rs.10/- each)	9.2.4.1	12	9.35	30,000	30,000
Others					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi 100,000 ordinary shares of Rs. 10 each. (2006: 100,000 ordinary shares of Rs.10/- each)	9.2.4.2	1.29	9.36	1,000	1,000
				<u>427,942</u>	<u>427,942</u>

9.2.4.1 This has been classified as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No.16 of 2006 dated August 01, 2006.

	No. of shares as at		2007	2006
	Dec. 31, 2007	Dec. 31, 2006		
------(Rupees '000)-----				
9.2.4.2 Arabian Sea Country Club Less: Provision for diminution in value of investments	100,000	100,000	1,000 (1,000)	1,000 (1,000)
			<u>-</u>	<u>-</u>

* Net asset value per share is based on the audited financial statements for the year ended December 31, 2007 in case of Atlas Capital Markets (Pvt.) Ltd and June 30, 2007 in case of Atlas Asset Management Ltd and Arabian Sea Country Club.

	2007	2006	Rating *		Market Value		Cost	
			2007	2006	2007	2006	2007	2006
------(Rupees '000)-----								
9.2.5 Details of investments in Term Finance Certificates - Listed **	(No. of certificates)							
Allied Bank Ltd.	3,000	3,000	A+	A	16,362	15,000	14,994	15,000
AI - Zamin Leasing Modaraba - 1st issue - 1st tranche	4,000	4,000	A	A	6,800	13,600	6,800	13,600
AI - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	3,000	A	A	15,000	15,000	15,000	15,000
Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA-	AA	35,620	34,936	34,922	34,936
Azgard Nine Ltd.	2,000	2,000	AA-	A+	11,009	9,996	9,992	9,996
Bank Alfalah Ltd. - 1st issue (unsecured)	6,803	6,803	AA-	AA-	38,368	38,375	35,802	37,636
Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	8,079	AA-	AA-	40,349	40,364	40,349	40,364
Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,992	9,996	9,992	9,996
Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,379	17,386	17,379	17,386
Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	7,000	AA-	AA-	35,475	35,000	34,993	35,000
Chanda Oil and Gas Securitization Company Ltd.	3,448	3,448	A+	A	12,413	14,964	12,413	14,964
Total carried forward					<u>238,767</u>	<u>244,617</u>	<u>232,636</u>	<u>243,878</u>



	2007		2006		Rating *		Market Value		Cost	
	(No. of certificates)		2007	2006	2007	2006	2007	2006	2007	2006
							(Rupees '000)			
Total brought forward							238,767	244,617	232,636	243,878
Crescent Leasing Corporation Ltd.										
- 2nd issue	2,000	2,000	A-	A-			10,235	10,235	10,000	10,145
Crescent Standard Investment Bank Ltd.	3,000	3,000	***	***			5,568	7,069	5,568	7,069
Escorts Investment Bank Ltd.	5,000	5,000	A+	A+			24,995	25,000	24,995	25,000
First Dawood Investment Bank Ltd. - 1st issue - 2nd tranche	-	3,325	N/A	AA-			-	16,625	-	17,587
Grays Leasing Ltd - 2nd issue	2,000	-	N/A	-			10,000	-	10,000	-
IGI Investment Bank Ltd.	6,000	6,000	A+	A+			29,988	30,000	29,988	30,000
Ittehad Chemicals Ltd.	3,000	3,000	A	A			4,996	7,794	5,104	7,812
Jahangir Siddiqui & Company Ltd. - 1st issue (unsecured)	2,000	2,000	AA+	AA+			2,497	7,491	2,497	7,491
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	5,000	5,000	AA+	AA+			24,970	24,975	24,970	24,980
Jahangir Siddiqui & Company Ltd. - 3rd issue	5,000	5,000	AA+	AA+			24,990	25,000	24,990	25,000
MCB Bank Ltd. (unsecured)	1,957	1,957	A1+	AA			2,930	10,160	2,960	10,056
NIB Bank Ltd. (unsecured)	5,000	-	A	-			27,000	-	27,000	-
Pakistan Mobile Communication (Private) Ltd.	2,000	2,000	AA-	AA-			9,994	9,998	9,994	9,998
Pakistan Services Ltd.	2,987	2,987	A	A			6,653	8,870	4,433	8,883
Pharmagen Ltd.	-	5,000	-	A-			-	14,571	-	14,579
Searle Pakistan Ltd.	2,000	2,000	A-	A-			8,747	9,998	8,746	9,998
Sui Southern Gas Company Ltd. - 2nd issue - 2nd tranche	-	4,830	-	AA			-	4,504	-	3,979
Standard Chartered Bank Ltd. - 1st issue (unsecured)	8,000	8,000	AAA	A+			14,305	41,533	13,755	42,997
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	2,587	2,587	AAA	A+			12,917	12,922	12,916	12,922
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	AAA	A+			55,067	49,990	49,970	49,990
Telecard Ltd.	11,530	11,530	BBB	BBB			39,699	54,024	42,010	54,024
Trust Leasing & Investment Bank Ltd. - 1st issue	4,000	4,000	AA	AA			7,630	15,297	7,914	15,181
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	5,128	5,128	AA	AA			10,256	15,382	10,256	15,384
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	6,807	6,807	AA	AA			20,421	27,228	20,421	27,228
United Bank Ltd. (unsecured)	11,000	11,000	AA	AA-			53,409	54,958	54,937	54,958
World Call Telecom Ltd.	3,727	3,727	AA-	AA-			18,628	21,435	18,627	18,635
Total investments in Term Finance Certificates - Listed							<u>664,662</u>	<u>749,676</u>	<u>654,687</u>	<u>747,774</u>

* Represents instrument rating in case of investment in term finance certificates.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.



9.2.5.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Limited	1.90% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
AI - Zamin Leasing Modaraba - 1st issue - 1st tranche	Minimum 8.00% per annum. If modaraba generates profits in excess of 8.00% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from December 24, 2003.
AI - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. -2nd Issue (unsecured)	1.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Limited	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited - 1st issue (unsecured)	1.35% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 10.00% per annum as floor and 15.00% per annum as ceiling.	Semi-annually	Six years from December 19, 2002.
Bank Alfalah Limited - 2nd issue (unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (unsecured)	1.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 1st issue (unsecured)	1.50% above 6 Months KIBOR (Floor of 3.5% per annum Cap of 10% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Limited - 2nd issue (unsecured)	1.95% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from February 7, 2007
Chanda Oil and Gas Securitisation Company Limited	3.25% over seven days average of three months KIBOR (ask side) with a floor of 8.95% per annum and a ceiling of 13.00% per annum.	*	Seven years from January 25, 2005.
Crescent Leasing Corporation Limited - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.
Crescent Standard Investment Bank Limited	2.00% over SBP discount rate with 10.50% per annum as floor and 13.50% per annum as ceiling.	Semi-annually	Four years from July 8, 2003 with call option exercisable from the eighteenth month till the expiry of thirty-sixth month from the date of public subscription with a 60 days advance notice. A call premium of 0.50% will be offered on the outstanding principal amount.

* First profit payment is payable on semi annual basis. All subsequent profit payments are due on quarterly basis.



Particulars	Rate	Profit payment	Redemption terms
Escorts Investment Bank Limited	2.50% above 6 Months KIBOR (Floor of 8% p.a. & Cap of 17% p.a.) for first three years and 8% & 18% respectively for 4th and 5th year.	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
Grays Leasing Ltd - 2nd issue	2.50% above 6 Months KIBOR with no floor and no cap.	Semi-annually	Five years from January 10, 2007.
IGI Investment Bank Limited	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 28, 2006.
Ittehad Chemicals Limited	2.50% over SBP discount rate with 7.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from June 27, 2003 with call option exercisable after a period of eighteen months from the last date of public subscription with a 60 days notice period.
Jahangir Siddiqui & Company Limited - 1st issue (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 7.50% per annum as floor and 13.00% per annum as ceiling.	Semi-annually	Five years from April 18, 2003 with call option exercisable at any time after the first six months at three months notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Co Limited - 3rd issue	2.5% above 6 months KIBOR.	Semi-annually	Five and a half years from November 21, 2006.
MCB Bank Limited (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.75% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Five and a half years from August 10, 2003.
NIB Bank Ltd (unsecured)	1.15% above 6 months KIBOR	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Limited	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Pakistan Services Limited	2.25% over SBP discount rate with 9.75% per annum as floor and 13.75% per annum as ceiling.	Semi-annually	Five years from November 12, 2003.
Searle Pakistan Limited	2.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Standard Chartered Bank Ltd -1st issue (unsecured)	2.25% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.00% per annum as floor and 15.50% per annum as ceiling.	Semi-annually	Five and a half years from December 21, 2002.
Standard Chartered Bank Ltd -2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Standard Chartered Bank Ltd -3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.



Particulars	Rate	Profit payment	Redemption terms
Telecard Limited	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Limited - 1st issue	2.00% over SBP discount rate with 9.00% per annum as floor and 14.00% per annum as ceiling.	Semi-annually	Five years from June 3, 2003 with call option exercisable at any time after two and a half years, in whole or in part, from the date of issue with a 30 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 1st Tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
United Bank Ltd (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Ltd	2.75% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Five years from November 28, 2006.

	2007		2006		Rating **		Cost	
	(No. of certificates)				2007	2006	2007	2006
							---(Rupees '000)---	
9.2.6 Details of investments in Term Finance Certificates - Un-listed *								
Avari Hotels Ltd	5,000	-	A	-	12,667	-		
Al-Noor Sugar Mills Ltd - 1st issue								
Second Tranche	-	2	-	A-	-	29,982		
Development Securitization Trust	-	5,000	-	BBB-	-	5,556		
Dewan Cement Ltd - Series A	1	1	A-	N/A	108,195	135,016		
Dewan Cement Ltd - Series B	1	1	N/A	N/A	232	231		
Gharibwal Cement Ltd.	5,000	5,000	A-	A-	25,000	25,000		
Grays Leasing Ltd	3,000	3,000	A-	N/A	1,875	5,625		
Kashf Foundation	5,000	-	A	-	10,242	-		
New Khan Transport Company (Private) Ltd	10	10	N/A	N/A	5,910	8,150		
Orix Leasing Pakistan Ltd	2,000	-	AA	-	10,000	-		
Pakistan International Airlines Corporation Ltd	4,000	4,000	N/A	N/A	17,499	18,499		
Pakistan Mobile Communications (Private) Ltd (unsecured)	5,000	5,000	N/A	N/A	10,000	20,000		
Security Leasing Corporation Ltd	2,000	2,000	N/A	N/A	8,750	10,000		
Trakker (Private) Ltd	2,000	-	A	-	10,000	-		
Total investments in Term Finance Certificates - Un-listed					220,370	258,059		

* Secured and have face value of Rs. 5,000/- each unless specified otherwise, except for New Khan Transport Company (Private) Ltd (Rs.1 million each), Dewan Cement Ltd - Series A (Rs.180.91 million each) and Dewan Cement Ltd - Series B (Rs.1.03 million each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.



9.2.6.1 Other particulars of unlisted term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Ltd Chief Executive Officer: Mr. Byram D. Avari	3.25% over six months KIBOR (ask side)	Semi-annually	Seven years from November 1, 2007.
Dewan Cement Ltd - Series A Chief Operating Officer: Syed Muhammad Ali Khan	2.50% over six months KIBOR (ask side).	Semi-annually	Semi-annually from January 15, 2005.
Dewan Cement Ltd - Series B Chief Operating Officer: Syed Muhammad Ali Khan	NIL	NIL	Semi-annually from January 15, 2012.
Gharibwal Cement Ltd Chief Executive Officer: Tousif Paracha	3% above 6 months KIBOR.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Ltd Chief Executive Officer: Abdul Rashid Mir	3.75% over the cut off rate of last one year of Treasury Bills with 5.00% per annum as floor and 9.00% per annum as ceiling.	Semi-annually	Four years from January 13, 2004.
Kashf Foundation Chief Executive Officer: Saddafe Abid	2.45% over three months KIBOR (ask side).	Semi-annually	Three years from November 5, 2007.
New Khan Transport Company (Private) Ltd Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Ltd. Chief Executive Officer: Humayun Murad	1.40% over six months KIBOR (ask side).	Semi-annually	Five years from July 30, 2007.
Pakistan International Airlines Corporation Ltd Chief Executive Officer: Zaffar A. Khan	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Pakistan Mobile Communications (Private) Ltd (unsecured) Chief Executive Officer: Zohair Khaliq	2.25% over the simple average rate of the last three cut-off rates of six month Treasury Bills with 6.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from September 16, 2003. The first installment falling due on 36th month from the date of disbursement.
Security Leasing Corporation Ltd Chief Executive Officer: Mohd. Khalid Ali	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Ltd Chief Executive Officer: Kazim Hassan Shah	3.50% over six months KIBOR (ask side)	Semi-annually	Four years from September 15, 2007.



	No. of units/certificates		Rating *		Cost			
	2007	2006	2007	2006	2007	2006	---(Rupees '000)---	
9.2.7 Details of investments in mutual funds								
Held-for-trading securities								
Open end								
Dawood Money Market Fund	-	1,904,695	-	5-star	-	-	-	200,000
Reliance Income Fund	-	2,937,623	-	N/A	-	-	-	150,000
							-	350,000
Available-for-sale securities								
	No. of units/certificates		Rating *		Market Value		Cost	
	2007	2006	2007	2006	2007	2006	2007	2006
	-----		-----		-----		-----	

Open end								
Atlas Income Fund (a related party)	476,626	60,003	5-star	5-star	250,000	31,466	250,000	30,277
Atlas Stock Market Fund (a related party)	67,033	58,195	5-star	5-star	40,342	32,175	40,000	32,416
KASB Liquid Fund	2,849,815	-	N/A	5-star	300,000	-	300,000	-
NAFA Cash Fund	28,539,899	-	5-star	5-star	300,000	-	300,000	-
Unit Trust of Pakistan - Fund of Funds	272,515	237,488	5-star	5-star	14,660	11,687	12,235	12,235
Close end								
First Dawood Mutual Fund	1,161,500	1,161,500	4-star	4-star	9,002	7,376	8,080	8,080
Pakistan Strategic Allocation Fund	2,566,500	2,566,500	4-star	4-star	23,355	21,815	27,214	27,215
PICIC Energy Fund	412,500	412,500	N/A	N/A	3,093	3,176	4,125	4,125
PICIC Growth Fund	245,000	-	2-star	-	6,983	-	8,490	-
UTP-Large Capital Fund	1,796,500	1,796,500	4-star	4-star	14,552	14,372	14,372	14,372
					961,987	122,067	964,516	128,720
Total Investments in Mutual Funds							964,516	478,720

* Represents instrument rating in case of investment in units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

	2007	2006
	----(Rupees '000)----	
9.2.8 Unrealised (loss) / gain on revaluation of investments classified as Held-for-trading		
Listed companies (ordinary shares)	(1,993)	(3,289)
Mutual funds (units / certificates)	-	687
	(1,993)	(2,602)
9.3 Particulars of provision		
Opening Balance	8,069	-
Charge for the year	-	3,320
Reversals	(303)	-
Transferred upon amalgamation	-	4,749
Closing Balance	7,766	8,069
9.3.1 Particulars of provision in respect of Type and Segment		
Available-for-sale securities		
Term Finance Certificates - listed	6,766	7,069
Unlisted companies (ordinary shares)	1,000	1,000
	7,766	8,069



10. ADVANCES

	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
Loans, cash credits, running finances, etc.			
In Pakistan		6,855,302	3,438,305
Outside Pakistan		-	-
		6,855,302	3,438,305
Net investment in finance lease			
In Pakistan		2,654,444	3,741,601
Outside Pakistan		-	-
	10.2	2,654,444	3,741,601
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		41,293	55,054
Payable outside Pakistan		16,708	67,323
		58,001	122,377
Financing in respect of Continuous Funding System (CFS)		155,281	896,830
Advances - gross		9,723,028	8,199,113
Provision for non-performing advances			
- specific		(474,861)	(356,678)
- general (against consumer financing)		(5,656)	(8,649)
	10.4	(480,517)	(365,327)
Advances - net of provision		9,242,511	7,833,786
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		9,706,320	8,131,790
In foreign currency		16,708	67,323
		9,723,028	8,199,113
10.1.2 Short term (for upto one year)		2,979,199	2,654,657
Long term (for over one year)		6,743,829	5,544,456
		9,723,028	8,199,113

10.2 Net investment in finance lease

	2007				2006			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees '000)-----							
Lease rentals receivable	414,838	1,995,039	-	2,409,877	455,017	2,976,118	-	3,431,135
Residual value	205,520	332,599	-	538,119	310,536	493,211	-	803,747
Minimum lease payments	620,358	2,327,638	-	2,947,996	765,553	3,469,329	-	4,234,882
Financial charges for future period	(31,059)	(262,493)	-	(293,552)	(64,131)	(429,150)	-	(493,281)
Present value of minimum lease payments	589,299	2,065,145	-	2,654,444	701,422	3,040,179	-	3,741,601

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.



- 10.3 Advances include Rs.775.19 million (2006: Rs.493.91 million) which have been placed under non-performing status as detailed below:

Category of classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	291,487	-	291,487	74,107	-	74,107	74,107	-	74,107
Doubtful	166,698	-	166,698	83,712	-	83,712	83,712	-	83,712
Loss	317,005	-	317,005	317,042	-	317,042	317,042	-	317,042
	775,190	-	775,190	474,861	-	474,861	474,861	-	474,861

- 10.3.1 During the year, the SBP vide its BSD Circular No. 7 dated October 12, 2007, has amended Prudential Regulation in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2007, prohibit consideration of forced sale value of collateral held by the Bank in determining the amount of provision against non-performing advances except in case of housing finance. Accordingly, the above change in regulation has resulted in additional provisioning of Rs.80.06 million against non-performing advances and a consequent increase in loss after tax for the current year by Rs.52.04 million.

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

10.4 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	356,678	8,649	365,327	10,421	3,044	13,465
Charge for the year	329,435	-	329,435	55,830	-	55,830
Reversals	(54,686)	(2,993)	(57,679)	-	(955)	(955)
	274,749	(2,993)	271,756	55,830	(955)	54,875
Amount written off	(156,566)	-	(156,566)	(673)	-	(673)
Transferred upon amalgamation	-	-	-	291,100	6,560	297,660
Closing balance	474,861	5,656	480,517	356,678	8,649	365,327

10.4.1 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
In local currency	474,861	5,656	480,517	356,678	8,649	365,327
In foreign currency	-	-	-	-	-	-
	474,861	5,656	480,517	356,678	8,649	365,327

10.5 Particulars of write offs

	2007	2006
	----- (Rupees '000) -----	
10.5.1 Against provisions	156,566	673
Directly charged to profit and loss account	5	-
	156,571	673
10.5.2 Write offs of Rs.500,000 and above	153,994	673
Write offs of below Rs.500,000	2,577	-
	156,571	673



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

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

	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
10.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		10,384	564
Transferred upon amalgamation		-	9,611
Loans granted during the year		102,549	1,368
Repayments		(6,231)	(1,159)
Balance at end of year		106,702	10,384
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		46,602	-
Transferred upon amalgamation		-	27,439
Loans granted during the year		165,576	23,102
Repayments		(14,396)	(3,939)
Balance at end of year		197,782	46,602
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		376,588	-
Transferred upon amalgamation		-	1,389
Net change during the year in respect of running finances		(257,154)	375,199
Balance at end of year		119,434	376,588
	10.7.1	423,918	433,574

10.7.1 Represents balance of running finance facility of Rs.500 million to the subsidiary company (2006: Rs.375.47 million). The maximum aggregate balance outstanding during the year in respect of such facility amounts to Rs.499.47 million.

	Note	2007 ------(Rupees '000)-----	2006
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	360,864	55,064
Property and equipment - own use	11.2	357,846	142,831
Property and equipment - operating lease	11.3	30,859	34,319
Intangible assets	11.4	69,144	69,187
		<u>818,713</u>	<u>301,401</u>
11.1 Capital work-in-progress			
Civil works		161,079	16,363
Equipment		41,583	7,193
Advances to suppliers and contractors		158,202	31,508
		<u>360,864</u>	<u>55,064</u>
11.2 Property and equipment - own use			

	2007							
	COST			ACCUMULATED DEPRECIATION				
	As at January 1, 2007	Additions / (Deletions)	As at December 31, 2007	As at January 1, 2007	Charge for the year / (Deletions)	As at December 31, 2007	Book value as at December 31, 2007	Rate of Depreci- ation (%)
	------(Rupees '000)-----							
Furniture, fixtures and equipment	53,881	58,899	112,780	7,923	6,611	14,534	98,246	10-15
Vehicles	35,913	130,763 (12,331)	154,345	3,869	14,824 (1,431)	17,262	137,083	20
Leasehold improvements	37,003	44,073	81,076	4,362	4,937	9,299	71,777	10
Computer and allied equipment	49,022	30,608	79,630	16,834	12,056	28,890	50,740	30
December 31, 2007	175,819	264,343 (12,331)	427,831	32,988	38,428 (1,431)	69,985	357,846	

	2006								
	COST			ACCUMULATED DEPRECIATION					
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Depreci- ation (%)
	------(Rupees '000)-----								
Furniture, fixtures and equipment	20,048	14,349	19,484	53,881	4,717	3,206	7,923	45,958	10
Vehicles	12,644	16,196	15,298 (8,225)	35,913	3,783	3,755 (3,669)	3,869	32,044	20
Leasehold improvements	11,237	9,927	15,839	37,003	1,771	2,591	4,362	32,641	10
Computer and allied equipment	21,729	6,775	20,518	49,022	9,990	6,844	16,834	32,188	30
December 31, 2006	65,658	47,247	71,139 (8,225)	175,819	20,261	16,396 (3,669)	32,988	142,831	

11.2.1 Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.14.76 million (2006: Rs.14.76 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.



11.3 Property and equipment - operating lease

	2007								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2007	Rate of Depreciation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
	----- (Rupees '000) -----								
Equipment	35,667	-	35,667	1,486	3,418	4,904	30,763	10	
Computer and allied equipment	158	-	158	20	42	62	96	30	
December 31, 2007	35,825	-	35,825	1,506	3,460	4,966	30,859		

	2006								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2006	Rate of Depreciation (%)
	As at January 1, 2006	Acquired upon amalgamation	Additions	As at December 31, 2006	As at January 1, 2006	Charge for the year	As at December 31, 2006		
	----- (Rupees '000) -----								
Equipment	-	35,667	-	35,667	-	1,486	1,486	34,181	10
Computer and allied equipment	-	158	-	158	-	20	20	138	30
December 31, 2006	-	35,825	-	35,825	-	1,506	1,506	34,319	

11.4 Intangible assets

	2007								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2007	Rate of Amortisation%
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
	----- (Rupees '000) -----								
Computer softwares	35,203	6,200	41,403	17,816	6,243	24,059	17,344	30	
Tenancy rights - (Note 11.4.1)	51,800	-	51,800	-	-	-	51,800	-	
December 31, 2007	87,003	6,200	93,203	17,816	6,243	24,059	69,144		

	2006								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2006	Rate of Amortisation%
	As at January 1, 2006	Acquired upon amalgamation	Additions	As at December 31, 2006	As at January 1, 2006	Charge for the year	As at December 31, 2006		
	----- (Rupees '000) -----								
Computer softwares	26,032	1,424	7,747	35,203	15,121	2,695	17,816	17,387	30
Tenancy rights (Note 11.4.1)	51,800	-	-	51,800	-	-	-	51,800	-
December 31, 2006	77,832	1,424	7,747	87,003	15,121	2,695	17,816	69,187	



11.4.1 This represents the consideration paid by the Bank in connection with the transfer of tenancy rights in favour of the Bank in respect of the property situated on the first floor of the Karachi Stock Exchange Building. The ownership of the property rests with Karachi Stock Exchange and the afore-mentioned payment has only been made for the right to occupy the premises for the purposes of the Bank's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

(Rupees '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of purchaser
Vehicles	360	30	330	330	-	Bank policy	Mr. Adnan Zia Employee
	660	86	574	574	-	---- do----	-----do-----
	305	25	280	280	-	---- do----	Mr Khawar Saeed Employee
	683	99	584	584	-	---- do----	Mr. Zubair Aziz Employee
	521	83	438	438	-	---- do----	Ms.Afshan Waheed Employee
	875	73	802	802	-	---- do----	Mr. Kashif Hafeez Employee
	288	46	242	242	-	---- do----	Mr. Syed Asim Mehmood Employee
	660	55	605	605	-	---- do----	-----do-----
	305	39	266	266	-	---- do----	Mr. Khalid Kamal Employee
	417	73	344	344	-	---- do----	Mr. Rizwan Ahmed Employee
	305	72	233	233	-	---- do----	Mr. Fahim Qureshi Employee
	660	121	539	539	-	---- do----	Mr. Bu Ali Khan Employee
	244	43	201	201	-	---- do----	Mr. Yousuf Ali Employee
	35	7	28	39	11	---- do----	Syed Amjad Ali Employee
	474	-	474	474	-	Transfer	Atlas Battery Ltd. (Related Party) F-36, Estate Avenue, SITE, Karachi
	423	48	375	375	-	---- do----	-----do-----
	1,888	215	1,673	1,673	-	---- do----	-----do-----
	365	88	277	321	44	Tender	Mr. Manzoor Ahmed Khan House No. 166, PECHS Block-2, Karachi.
	365	87	278	321	43	---- do----	-----do-----
	366	87	279	322	43	---- do----	Faysal Bank Limited Main Shahrah-e-Faisal, Karachi
	655	54	601	588	(13)	---- do----	Mr. Muhammad Farooq Flat No. F-12, Saima Classic Main Rashid Minhas Road, Karachi.
	1,477	-	1,477	1,557	80	Negotiation	Mr. Abdul Sattar Kerio, Kerio House, Housing Society Moh. Society, Nawabshah.
Grand total	12,331	1,431	10,900	11,108	208		



	Note	2007 ------(Rupees '000)-----	2006
12. DEFERRED TAX ASSETS / (LIABILITIES) - net			
Differences in accounting base and tax base			
Deferred tax debits arising in respect of:			
- Provision against other assets		-	2,828
- Employee benefits		4,366	4,366
- Deficit on revaluation of investments		25,535	31,724
- Provision against advances		2,890	104,587
- Tax losses		471,173	145,783
- Other deductible temporary differences		3,416	1,662
		507,380	290,950
Deferred tax credit arising due to:			
- operating fixed assets		(47,336)	(24,420)
- net investment in finance lease		(291,058)	(344,898)
		(338,394)	(369,318)
		168,986	(78,368)

The above net deferred tax asset has been recognised in accordance with the Bank's accounting policy as stated in note 5.9 to the financial statements. The management based on financial projections and business plan, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

13. OTHER ASSETS

Income / Mark-up accrued in local currency		221,078	150,232
Income / Mark-up accrued in foreign currency		-	149
Advances, deposits and other prepayments	13.1	203,241	98,628
Advance taxation (payments less provisions)		91,079	89,579
Branch adjustment account		-	22,532
Stationery and stamps on hand		2,881	1,409
Deferred costs	13.2	-	25,609
Goodwill	13.3	516,498	516,498
Receivable against sale of securities		1,100	34,926
Receivable from brokers		4,468	6,542
Other charges recoverable from lessees		4,856	6,446
Others		3,838	2,070
		1,049,039	954,620
Less: Provision held against other assets	13.4	(6,305)	(8,081)
Other assets (net of provision)		1,042,734	946,539
13.1 Advances			
for purchase of land	13.1.1	32,000	32,000
office rent		146,328	52,017
others		4,344	1,978
Security deposits		18,651	11,270
Prepayments		1,918	1,363
		203,241	98,628



13.1.1 This represents consideration amount deposited in a Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property has been challenged by the judgment debtors in the Honourable Lahore High Court. In case the High Court accepts the appeal, the purchase price shall be refunded to the Bank.

	Note	2007 ------(Rupees '000)-----	2006
13.2 Balance at the beginning of the year		25,609	37,107
Amortisation for the year	13.2.1	(25,609)	(11,498)
Balance at the end of the year		-	25,609

13.2.1 During the year, the Bank has revised the accounting estimate regarding the amortisation of deferred cost. The said cost has been fully amortised in the current year as against the previous amortisation pattern which would have resulted in full amortisation of the cost in 5 years from the date of incurrence.

Had there been no change in the above accounting estimate, total assets would have been higher by Rs.14.11 million and the loss before tax for the year would have been lower by Rs.14.11 million.

13.3 Goodwill

Cost

As at the beginning of the year	516,498	-
Acquisition	-	538,954
As at the end of the year	516,498	538,954
Amortization & Impairment		
Amortization charge for the year	-	(22,456)
At the end of the year	-	(22,456)
Net book value	516,498	516,498

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash generating units:

- Commercial Banking
- Trading & Sales

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

Commercial Banking	309,899	309,899
Trading & Sales	206,599	206,599

Key assumptions used in value in use calculations

The recoverable amount of both the cash generating units have been determined based on a value in use calculation, using cash flow projections based on business plans approved by the Board of Directors covering a six year period. The discount rate applied to cash flow projections beyond the six year period are extrapolated using a terminal growth rate. The following rates are used by the Bank:



	Commercial Banking		Trading & Sales	
	2007	2006	2007	2006
Discount rate - discrete period	24.90%	-	22.40%	-
Terminal growth rate	10.00%	-	10.00%	-

The calculation of value in use for both the cash generating units is most sensitive to the following assumptions:

- Interest margins;
- Discount rate;
- Key business assumptions during the projected period.

Interest margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

Discount rates

Discount rates reflect management estimates of the rate of return for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the cost of equity.

Key business assumptions

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's position might change over the projected period. Management expects Commercial Banking and Trading & Sales, particularly advances, deposits and other accounts and investment to grow aggressively during the projected period and thereafter stabilize in line with industry trends.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amounts will not result in an impairment of goodwill.

	2007	2006
	----- (Rupees '000) -----	
13.4 Provision against other assets		
Opening balance	8,081	-
Charge for the year	-	-
Reversals	-	-
Amount written off	(1,776)	-
Transferred upon amalgamation	-	8,081
	6,305	8,081
	6,305	8,081

	Note	2007 ------(Rupees '000)-----	2006
14. BILLS PAYABLE			
In Pakistan		288,907	50,158
Outside Pakistan		-	-
		<u>288,907</u>	<u>50,158</u>
15. BORROWINGS			
In Pakistan		1,258,042	4,025,949
Outside Pakistan		46,574	-
		<u>1,304,616</u>	<u>4,025,949</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		1,258,042	4,025,949
In foreign currencies		46,574	-
		<u>1,304,616</u>	<u>4,025,949</u>
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	224,568	425,835
Borrowings from banks	15.2.2	316,667	1,637,402
Repurchase agreement borrowings	15.2.3	716,807	1,962,712
		<u>1,258,042</u>	<u>4,025,949</u>
Unsecured			
Call borrowings		-	-
Overdrawn nostro accounts		46,574	-
		<u>1,304,616</u>	<u>4,025,949</u>

15.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2006: 7.50%) per annum having maturities upto June 2008.

15.2.2 Secured	15.2.2.1		
Loan 1	15.2.2.2	41,667	208,333
Loan 2	15.2.2.3	75,000	225,000
Loan 3	15.2.2.4	200,000	466,667
Loan 4		-	83,333
Loan 5		-	4,167
Loan 6		-	100,000
Loan 7		-	50,000
Running finance facility		-	499,902
		<u>316,667</u>	<u>1,637,402</u>

15.2.2.1 Loan 1 is secured against hypothecation of receivables against term finances. Loan 2 is secured 50% by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank, demand promissory notes and 50% by hypothecation of receivables against term finances. Loan 3 is secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank and demand promissory notes.



15.2.2.2 This represents the balance of a loan facility of Rs.500 million obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from June 19, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.

15.2.2.3 This represents the balance of a loan facility of Rs.450 million obtained from a banking company. The loan is repayable in 6 semi annual installments which commenced from September 29, 2005 and carries mark-up at the base rate plus 1.00% per annum with no floor and no cap. Base rate shall be six months average KIBOR (ask side) prevailing on the last working day of the preceding six months period for the mark-up due at the end of that period.

15.2.2.4 This represents the balance of a loan facility of Rs.800 million obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from December 27, 2005 and carries mark-up at six months average KIBOR rate (ask side) plus 1.00% per annum with no floor and no cap.

15.2.3 These represent borrowings at rates ranging from 9.35% to 9.60% (2006: 8.50% to 9.50%) per annum having maturities upto March 2008.

	2007	2006
	------(Rupees '000)-----	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	3,693,681	2,412,613
Savings deposits	3,307,504	929,567
Current accounts – Non-remunerative	1,193,163	399,540
Margin and other accounts – Non-remunerative	185,066	23,404
	8,379,414	3,765,124
Financial Institutions		
Remunerative deposits	6,800,534	5,071,593
Non-remunerative deposits	142,723	6,229
	6,943,257	5,077,822
	15,322,671	8,842,946
16.1 Particulars of deposits		
In local currency	15,134,622	8,734,074
In foreign currencies	188,049	108,872
	15,322,671	8,842,946

	Note	2007 ------(Rupees '000)-----	2006
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		215,622	147,201
Mark-up / return / interest payable in foreign currency		1,032	879
Accrued expenses		21,889	7,278
Payable to BOC, Colombo		20,611	20,611
Branch adjustment account		14,346	-
Retention money		3,185	856
Payable to staff gratuity fund		1,472	298
Security deposits against leases		527,317	783,872
Provision for employee compensated absences		13,193	13,251
Payable to creditors		10,077	9,280
Payments from clients / lessees received on account		39,173	31,190
Others		15,910	10,159
		<u>883,827</u>	<u>1,024,875</u>
18. SHARE CAPITAL			
18.1 Authorised capital			
		2007	2006
		Number of shares	
		<u>700,000,000</u>	<u>500,000,000</u>
	1.2	Ordinary shares of Rs 10/- each	7,000,000
			<u>5,000,000</u>
18.2 Issued, subscribed and paid-up capital			
		341,254,985	153,700,000
		Fully paid in cash	
		158,891,642	158,891,642
		Issued for consideration other than cash	
		<u>500,146,627</u>	<u>312,591,642</u>
		<u>3,412,550</u>	<u>1,537,000</u>
		<u>1,588,916</u>	<u>1,588,916</u>
		<u>5,001,466</u>	<u>3,125,916</u>
Shares held by associates and related parties are disclosed in pattern of share holding.			
18.3 Share premium on right issue			
Less: share issue costs	18.3.1	591,548	-
		<u>(14,011)</u>	<u>-</u>
		<u>577,537</u>	<u>-</u>

During the year, the Bank issued 187,554,985 ordinary shares, of the face value of Rs.10/- each, as right shares. The said right issue includes 124,536,510 ordinary shares subscribed by DEG at a premium of Rs.4.75 per share. Accordingly, the aggregate amount of the premium received has been taken to the share premium account in accordance with the provisions of section 83 of the Companies Ordinance, 1984.

18.3.1 This includes stamp duty and other direct costs incurred in relation to the right issue. These costs have been charged against share premium in accordance with the provisions of Sec. 83(2) of the Companies Ordinance, 1984.

19. DEFICIT ON REVALUATION OF ASSETS - net of tax

Available for sale securities

Government securities	(102,141)	(124,759)
Listed companies (ordinary shares)	(6,726)	(20,007)
Mutual funds (units / certificates)	(2,529)	(6,653)
Term Finance Certificates	9,975	1,902
	<u>(101,421)</u>	<u>(149,517)</u>
Related deferred taxation	25,535	31,724
	<u>(75,886)</u>	<u>(117,793)</u>



2007 2006
------(Rupees '000)-----

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

Includes general guarantees of indebtedness, bank acceptances and standby letters of credit serving as financial guarantees issued in favour of :

i) Government	236,030	-
ii) Banking companies and other financial institutions	-	-
iii) Others	327,560	910,507
	563,590	910,507

20.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees and stand by letters of credit etc. favouring:

i) Government	160,474	8,958
ii) Banking companies and other financial institutions	102,832	2,102
iii) Others	313,593	45,320
	576,899	56,380

20.3 Trade related contingent liabilities

1,523,416 568,967

20.4 Other contingencies

- underwriting of shares and modaraba certificates	10,000	15,000
- underwriting of TFCs	80,000	60,000

20.5 Commitment in respect of forward lending

- commitment to extend credits	1,860,429	1,253,189
- financing in respect of continuous funding system	3,894	440,975

20.6 Commitment in respect of forward exchange contracts

- purchase	344,464	106,653
- sale	606,971	-

20.7 Commitment for the acquisition of operating fixed assets

228,183 27,106

20.8 Other commitments for

- purchase of securities	62,090	40,000
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21. DERIVATIVE INSTRUMENTS

The Bank carried out derivative transactions in respect of forward foreign exchange contracts. The Bank has not entered into interest rate swaps, forward rate agreements or FX options during the year.

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

The Asset Liability Committee regularly reviews the Bank's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Bank has established trading limits, allocation processes, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are prescribed in note 5.12.



	Note	2007 ------(Rupees '000)-----	2006
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		801,286	462,756
Financial institutions		6,843	1,771
On investments in:			
Available-for-sale securities		287,110	91,795
Held-to-maturity securities		14,753	47,900
On deposits with financial institutions		104,501	139,707
On securities purchased under resale agreements		123,966	148,654
		<u>1,338,459</u>	<u>892,583</u>
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		1,033,498	560,941
Securities sold under repurchase agreements		120,933	97,181
Borrowings from banks		86,606	70,108
Other short term borrowings		53,391	34,853
		<u>1,294,428</u>	<u>763,083</u>
24. GAIN ON SALE / REDEMPTION OF SECURITIES			
Listed companies (ordinary shares)		97,705	33,757
Mutual funds (units / certificates)		166,950	23,273
		<u>264,655</u>	<u>57,030</u>
25. OTHER INCOME			
Net profit on sale of fixed assets	11.5	208	839
Others	25.1	7,947	3,049
		<u>8,155</u>	<u>3,888</u>
25.1		Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.	
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		287,095	87,497
Charge for defined benefit plan	32.1.4	2,146	778
Contribution to defined contribution plan		12,781	4,099
Non executive directors' fees		170	80
Rent, taxes, insurance, electricity, etc.		121,956	58,204
Legal and professional charges		13,448	23,517
Communications		25,967	12,404
Repairs and maintenance		22,689	10,358
Stationery and printing		11,820	5,531
Advertisement and publicity		9,439	8,670
Auditors' remuneration	26.1	5,753	3,505
Depreciation	11.2 & 11.3	41,888	17,902
Amortisation	26.2	31,852	36,649
Brokerage and commission		17,513	21,252
Travelling and motor car expenses		29,077	7,544
Entertainment		2,685	1,134
Fee and subscription		22,105	5,359
Security services		4,870	2,612
Others		2,292	1,110
		<u>665,546</u>	<u>308,205</u>



	Note	2007 ------(Rupees '000)-----	2006
26.1 Auditors' remuneration			
Audit fee - statutory		1,100	1,000
Review of half yearly financial statements		250	150
Special audit, certifications and other advisory services		3,843	1,935
Tax services		250	122
Out-of-pocket expenses		310	298
		<u>5,753</u>	<u>3,505</u>
26.2 Amortisation			
Intangible assets	11.4	6,243	2,695
Deferred cost	13.2.1	25,609	11,498
Goodwill	5.1	-	22,456
		<u>31,852</u>	<u>36,649</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>3,377</u>	<u>524</u>
28. TAXATION			
Current	28.1	13,399	8,217
Prior year		(377)	(105,934)
Deferred		(253,542)	(51,801)
		<u>(240,520)</u>	<u>(149,518)</u>

28.1 The charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting loss is not presented. During the year the Seventh Schedule (the Schedule) to the Income Tax Ordinance, 2001 has been introduced for taxation of banks in Pakistan. The Schedule is effective from January 1, 2008 and does not contain any transitory provisions. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the Bank's management is confident that such provisions will be enacted in the Schedule. However, the Bank's management considers that the new tax law would have no material implication on the current and deferred taxation as included in these financial statements.

28.2 In respect of the assessment years 1997-1998 to 2002-2003, tax years 2003 and 2004, the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date. However, the Bank's management considers that the new tax law would have no material implication on the current and deferred taxation as included in these financial statements.

According to the legal counsel of the Bank, considering the latest judgment of the Honourable Lahore High Court in a similar case, the action of the tax department will not stand the test of appeal and that there will be favourable outcome on all the issues as the findings of CIT(A) are based on judgements passed by Higher Courts. In view of the above, the management believes that the outcome of the above pending assessments would be favourable and hence, no provision has been made in respect of the above in these financial statements.

	Note	2007 ------(Rupees '000)-----	2006
29. BASIC AND DILUTED EARNINGS PER SHARE			
(Loss) / profit after taxation for the year		<u>(309,044)</u>	<u>8,682</u>
		Number of shares in thousand Restated	
Weighted average number of ordinary shares in issue	29.1	<u>333,670</u>	<u>242,204</u>
		----- Rupee ----- Restated	
(Loss) / earnings per share - Basic and diluted		<u>(0.93)</u>	<u>0.03</u>

29.1 The weighted average number of ordinary shares for 2006 have been adjusted for the effects of bonus element included in right issue.

	Note	2007 ------(Rupees '000)-----	2006
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>1,501,334</u>	<u>601,079</u>
Balances with other banks	7	<u>215,318</u>	<u>191,742</u>
		<u>1,716,652</u>	<u>792,821</u>
31. STAFF STRENGTH			
		Number of staff	
Permanent		<u>603</u>	<u>221</u>
Temporary / on contractual basis		<u>178</u>	<u>26</u>
Total staff strength		<u>781</u>	<u>247</u>

32. DEFINED BENEFIT AND CONTRIBUTION PLANS

32.1 Defined benefit plan

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Method was carried out at December 31, 2007. Following are the significant assumptions used in the actuarial valuation:

	2007	2006
Discount rate - percent (per annum)	10	10
Expected rate of return on plan assets - percent (per annum)	10	10
Long term rate of salary increase - percent (per annum)	9	9

	2007 ------(Rupees'000)-----	2006
32.1.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	<u>14,209</u>	<u>17,074</u>
Fair value of plan assets	<u>(17,554)</u>	<u>(14,994)</u>
Net actuarial loss recognised	<u>(3,644)</u>	<u>(3,772)</u>
Payable to subsidiary in respect of employees transferred	<u>2,223</u>	<u>1,990</u>
Payable to related party in respect of employees transferred	<u>6,238</u>	<u>-</u>
	<u>1,472</u>	<u>298</u>



	2007	2006
	------(Rupees'000)-----	
32.1.3 Movement in payable to defined benefit plan		
Opening balance	298	457
Charge for the year	2,146	778
Contribution to fund made during the year	(972)	(1,908)
Transferred on amalgamation	-	971
Closing balance	<u>1,472</u>	<u>298</u>
32.1.4 Charge for defined benefit plan		
Current service cost	1,627	668
Interest cost	1,754	463
Expected return on plan assets	(1,373)	(311)
Actuarial loss / (gain) recognised	138	(42)
Charge for the year	<u>2,146</u>	<u>778</u>
32.1.5 Actual return on plan assets	<u>1,402</u>	<u>360</u>
32.1.6 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the year	17,074	1,785
Service cost	1,627	668
Interest cost	1,754	463
Actuarial (gain) / loss on obligation	(8)	286
Payable to subsidiary in respect of employees transferred	(6,238)	14,218
Benefits paid during the year	-	(346)
Defined benefit obligation as at end of the year	<u>14,209</u>	<u>17,074</u>
32.1.7 Movement in fair value of plan assets		
Fair value of plan assets as at beginning of the year	14,994	1,372
Expected return on plan assets	1,373	311
Transferred on amalgamation	-	12,032
Payable to subsidiary in respect of employees transferred	233	79
Actuarial (loss) / gain on plan assets	(18)	49
Contribution to fund made during the year	972	1,908
Benefits paid during the year	-	(757)
Fair value of plan assets as at end of the year	<u>17,554</u>	<u>14,994</u>
32.1.8 Annual Actuarial losses / (gains)		
Experience (gain) / loss on obligation	(8)	286
Assumptions (gain) / loss on obligation	-	-
Experience loss / (gain) on plan asset	18	(49)
Total loss during the year	<u>10</u>	<u>237</u>
	2007	2006
32.1.9 Categories of plan assets as a percentage of fair value of total plan assets		
Fixed income	58%	71%
Cash	3%	1%
Mutual Funds	39%	28%
Total	<u>100%</u>	<u>100%</u>

32.2 Defined contribution plan

The general description of the plan is included in note 5.11.



33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	------(Rupees '000)-----					
Managerial remuneration	7,210	5,516	832	2,651	69,423	6,093
Retirement benefits	690	514	80	199	6,127	557
Rent and house maintenance	2,821	1,743	325	814	27,166	2,605
Utilities	627	387	72	181	6,037	1,255
Medical	77	6	-	86	1,191	299
Conveyance	-	22	-	-	4	1,301
	<u>11,425</u>	<u>8,188</u>	<u>1,309</u>	<u>3,931</u>	<u>109,948</u>	<u>12,110</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>59</u>	<u>19</u>

In addition to the above, the Chief Executive Officer and certain executives have been provided with free use of Bank's vehicles and other benefits under the service contracts.

Fee paid to non-executive directors amounts to Rs.0.17 million (2006: Rs.0.08 million) during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
	----- (Rupees '000) -----			
Assets				
Cash and balances with treasury banks	1,501,334	1,501,334	601,079	601,079
Balances with other banks	215,318	215,318	191,742	191,742
Lendings to financial institutions	4,427,824	4,427,824	3,500,844	3,500,844
Investments	5,566,841	5,566,841	3,645,195	3,645,195
Advances	9,242,511	9,242,511	7,833,786	7,833,786
Other assets	271,729	271,694	235,119	235,119
	<u>21,225,557</u>	<u>21,225,522</u>	<u>16,007,765</u>	<u>16,007,765</u>
Liabilities				
Bills payable	288,907	288,907	50,158	50,158
Borrowings	1,304,616	1,304,616	4,025,949	4,025,949
Deposits and other accounts	15,322,671	15,322,671	8,842,946	8,842,946
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	279,070	279,070	209,812	209,812
	<u>17,195,264</u>	<u>17,195,264</u>	<u>13,128,865</u>	<u>13,128,865</u>



34.2 Off-balance sheet financial instruments

	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
----- (Rupees '000) -----				
Underwriting of shares and modaraba certificates	10,000	10,000	15,000	15,000
Underwriting of TFCs	80,000	80,000	60,000	60,000
Forward purchase of foreign exchange	344,464	347,489	106,653	106,533
Forward sale of foreign exchange	606,971	610,031	-	-
Financing in respect of continuous funding system	3,894	3,894	440,975	440,975
Forward lending	1,860,429	1,860,429	1,253,189	1,253,189
Purchase of securities	62,090	62,090	40,000	40,000

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on its net assets value of the investee. Fair value of Government securities is determined using PKRV rates as at December 31, 2007.

The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.6 of these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Others
----- (Rupees in '000) -----							
December 31, 2007							
Total income	1,851	407,783	1,054,800	214,693	1,196	368	4,554
Total expenses	-	249,456	1,440,300	545,053	-	-	-
Net income / (loss) before tax	1,851	158,327	(385,500)	(330,360)	1,196	368	4,554
Segment Assets	-	2,273,801	17,018,272	1,782,950	-	-	1,909,238
Segment Non Performing Loans	-	-	85,671	689,519	-	-	-
Segment Provision Required	-	-	80,256	394,605	-	-	-
Segment Liabilities	-	1,008,864	16,005,404	770,874	-	-	14,879
Segment Return on Assets (ROA) (%)	-	1.81%	-3.35%	-4.97%	-	-	-
Segment Cost of funds (%)	-	9.65%	9.45%	9.73%	-	-	-
December 31, 2006							
Total income	585	617,153	54,409	316,516	503	5	-
Total expenses	-	478,165	178,846	472,996	-	-	-
Net income / (loss) before tax	585	138,988	(124,437)	(156,480)	503	5	-
Segment Assets	-	8,358,746	989,995	7,129,738	-	-	542,107
Segment Non Performing Loans	-	-	41,478	452,433	-	-	-
Segment Provision Required	-	-	20,013	336,665	-	-	-
Segment Liabilities	-	7,146,348	728,193	6,147,755	-	-	-
Segment Return on Assets (ROA) (%)	-	1.66%	-12.57%	-2.19%	-	-	-
Segment Cost of funds (%)	-	10.65%	9.12%	9.46%	-	-	-



36. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, staff retirement funds, key management personnel and major shareholders of the Bank.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2007	2006
	------(Rupees '000)-----	
<u>Key management personnel</u>		
Advances		
As at Jan, 01	8,112	363
Disbursements	36,269	-
Transferred upon amalgamation	-	8,687
Repayments	(3,189)	(938)
As at Dec, 31	41,191	8,112
Deposits		
As at Jan, 01	6,176	-
Transferred upon amalgamation	-	2,864
Receipts	345,702	15,051
Withdrawals	(332,638)	(11,739)
As at Dec, 31	19,240	6,176
Mark-up / return / interest earned	1,149	263
Mark-up / return / interest expensed	723	79
Shares issued	-	1,096,220
<u>Subsidiary</u>		
Advances		
Running finance	119,434	375,471
Deposits		
As at Jan, 01	-	-
Receipts	89,735	-
Withdrawals	(87,500)	-
As at Dec, 31	2,235	-
Mark-up / return / interest earned	17,588	6,101
Mark-up on deposit	171	-
Corporate advisory fees paid	1,537	-
Brokerage expense paid	6,271	17,843
Additions to fixed assets	-	1,139
Sharing of rent and other expenses	573	-
<u>Employee benefit plans</u>		
Payments to Atlas Bank Limited - Employees Gratuity Fund	972	1,908
Payments to Atlas Bank Limited - Employees Provident Fund	12,782	4,099
<u>Entities having directors in common with the Bank</u>		
Advances		
As at Jan, 01	46,602	-
Transferred upon amalgamation	-	27,439
Disbursements	165,576	23,102
Repayments	(14,396)	(3,939)
As at Dec, 31	197,782	46,602
Running Finance	74,835	-



	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
Deposits		
As at Jan, 01	853,134	26,528
Receipts	21,346,117	3,123,113
Withdrawals	(19,804,653)	(2,296,507)
As at Dec, 31	<u>2,394,598</u>	<u>853,134</u>
Mark-up / return / interest earned	8,857	1,937
Mark-up / return / interest expensed	94,691	8,792
Shares issued	2,157,882	37,186
Rent paid	1,800	-
Sharing of rent received	1,091	-
Insurance premium paid	6,507	2,238
Insurance claim received	1,574	798
Printing and stationary expense	100	163
Purchase / repair of photocopier, PABX etc.	3,671	417
Purchase of motor vehicles	83,381	12,043
Advance for purchase of motor vehicles	4,326	8,976
Operating lease rental income	10,837	5,144
Facilities in respect of non-funded exposure	687,275	130,626
Purchase of mutual fund units	689,999	-
Redemption of mutual fund units	483,471	-

37. CAPITAL ADEQUACY

The objectives of the Bank's capital management are to ensure that the Bank complies with the regulatory capital requirement and maintain strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Bank is required to maintain the minimum paid up capital (net of losses) of Rs.4,000 million as of December 31, 2007 as prescribed by the SBP.

In addition the Bank is also required to maintain regulatory capital structure based on risk weighted exposures as per the requirements laid down by the SBP.

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

Regulatory Capital Base

Tier I Capital

Shareholders Capital/Assigned Capital	5,001,466	3,125,916
Reserves	580,031	2,494
Accumulated loss	(321,371)	(12,327)
	<u>5,260,126</u>	<u>3,116,083</u>
Less: Adjustments		
Goodwill	(516,498)	(516,498)
Investment in subsidiary	(396,942)	(396,942)
Deficit on revaluation of available for sale securities	(75,886)	(117,793)
	<u>(989,326)</u>	<u>(1,031,233)</u>
Total Tier I Capital	<u>4,270,800</u>	<u>2,084,850</u>
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	5,656	8,649
Revaluation Reserve (upto 50%)	-	-
Total Tier II Capital	<u>5,656</u>	<u>8,649</u>
Eligible Tier III Capital		
Total Regulatory Capital	<u>4,276,456</u>	<u>2,093,499</u>

(a)



	2007		2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	----- (Rupees '000) -----			
Risk-Weighted Exposures				
<i>Credit Risk</i>				
Balance Sheet Items:-				
Cash and other liquid Assets	1,716,652	43,064	792,821	38,360
Money at call	750,000	150,000	-	-
Lendings to Financial Institutions	3,677,824	1,520,000	3,500,844	1,194,049
Investments	5,128,213	2,148,241	3,645,195	353,812
Loans and Advances	9,226,376	7,780,373	7,833,786	7,554,716
Fixed Assets	818,713	818,713	301,401	301,401
Other Assets	695,222	578,394	946,539	394,137
	<u>22,013,000</u>	<u>13,038,785</u>	<u>17,020,586</u>	<u>9,836,475</u>
Off Balance Sheet items:-				
Loan Repayment Guarantees	219,697	219,697	97,097	97,097
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc.	341,046	170,523	439,287	21,964
Revolving Underwriting Commitments	-	-	-	-
Stand By Letters of Credit	1,496,804	748,402	462,241	231,119
Outstanding Foreign Exchange Contracts				
-Purchase	344,464	1,378	106,653	640
-Sale	606,971	2,428	-	-
	<u>3,008,982</u>	<u>1,142,428</u>	<u>1,105,278</u>	<u>350,820</u>
<i>Market Risk</i>				
General market risk		41,686		1,752,350
Specific market risk		500,602		1,320,267
Market risk-weighted exposures		<u>542,288</u>		<u>3,072,617</u>
Total Risk-Weighted exposures (b)		<u>14,723,501</u>		<u>13,259,912</u>
Capital Adequacy Ratio [(a) / (b) x 100]		<u>29.05</u>		<u>15.79</u>

38. RISK MANAGEMENT

38.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Bank has well defined credit risk policy and processes but also a system in place to annually review these against market and regulatory requirements. Despite the growth in assets, portfolio quality was kept at an acceptable level across all products and this with a solid record of recoveries.

The Bank has a well-defined risk management framework duly approved by the Board of Directors under which the credit committee consisting of independent credit officers with wide and diversified credit experience approves all credit transactions. The Bank's portfolio risk processes are being further refined with inclusion of general risk acceptance criteria for credit transactions, tighter due diligence processes for counterparty exposures and portfolio monitoring by an independent credit administration, as well as portfolio management techniques. In addition to monitoring the cash flow of obligors, the Bank manages the credit exposure by entering into collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. While managing credit exposure, the Bank ensures that its customers meet the minimum credit standards defined by the Bank's credit policies and its portfolio strategy to avoid undue risk concentration with individuals, or groups in specific locations or industries.

The Bank continually assesses and monitors credit exposures to ensure early identification of problem credits. The Bank also has a credit classification system to assist in managing borrower quality within its portfolio. The Bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency. Furthermore, and whenever necessary, independent credit reviews are performed on an ongoing basis. Also, the Bank has a highly qualified Special Asset Management team.



38.2 Segment by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Textile	1,430,984	14.72%	22,422	0.15%	169,794	2.90%
Services	1,809,983	18.62%	1,925,901	12.57%	602,018	10.27%
Steel & Engineering	655,832	6.75%	30,555	0.20%	338,809	5.78%
Print Publish & Allied	768,020	7.90%	7,491	0.05%	293,979	5.02%
Transport & Communication	537,458	5.53%	102,034	0.67%	77,917	1.33%
Consumer	591,146	6.08%	2,888,466	18.85%	-	-
Miscellaneous	595,469	6.12%	805,741	5.26%	588,434	10.04%
Construction	598,194	6.15%	58,624	0.38%	574,188	9.80%
Chemical & Pharma	483,054	4.97%	13,310	0.09%	320,981	5.48%
Automobile	65,830	0.68%	214,070	1.40%	246,134	4.20%
Energy Oil & Gas	328,242	3.38%	70,689	0.46%	904,360	15.43%
Electric & Electrical Goods	248,901	2.56%	-	-	95,867	1.64%
Carpet	239,715	2.47%	-	-	2,000	0.03%
Food, Tobacco & Beverages	357,915	3.68%	96,937	0.63%	54,539	0.93%
Sugar & Allied	97,968	1.01%	-	-	-	-
Health Care	68,432	0.70%	8,034	0.05%	14,840	0.25%
Financial Institutions	182,870	1.88%	6,940,100	45.29%	1,418,129	24.20%
Trust	3,908	0.04%	1,902,711	12.42%	-	-
Education	221,418	2.28%	231,077	1.51%	30,000	0.51%
Glass & Ceramics	48,470	0.50%	-	-	29,100	0.50%
Dairy & Poultry	46,255	0.48%	-	-	-	-
Leather & Footwear	26,314	0.27%	1,592	0.01%	995	0.02%
Paper & Allied Products	7,268	0.07%	-	-	7,758	0.13%
Hotels	201,579	2.07%	2,917	0.02%	60,827	1.04%
Cement	52,653	0.54%	-	-	-	-
Banaspati & Allied Industries	55,150	0.57%	-	-	29,267	0.50%
	<u>9,723,028</u>	<u>100.00%</u>	<u>15,322,671</u>	<u>100.00%</u>	<u>5,859,936</u>	<u>100.00%</u>

38.3 Segment by sector

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Public / Government	-	-	522,601	3.41%	-	-
Private	9,723,028	100.00%	14,800,070	96.59%	5,859,936	100.00%
	<u>9,723,028</u>	<u>100.00%</u>	<u>15,322,671</u>	<u>100.00%</u>	<u>5,859,936</u>	<u>100.00%</u>



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

	2007		2006	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	----- (Rupees '000) -----		----- (Rupees '000) -----	
Textile	232,849	131,616	139,617	129,476
Services	84,826	54,589	94,395	37,369
Steel & Engineering	82,456	26,910	31,221	17,907
Print, Publish & Allied	18,121	6,354	22,611	10,689
Transport & Communication	59,665	29,726	30,263	19,728
Consumer	85,671	80,256	41,478	20,013
Miscellaneous	45,217	39,204	26,647	25,817
Construction	7,684	4,858	8,318	2,527
Chemical & Pharma	5,307	2,566	30,113	29,337
Automobile	15,559	15,559	19,379	19,379
Energy, Oil & Gas	-	-	78	32
Electric & Electrical Goods	3,971	1,986	855	855
Carpet	61,260	24,065	-	-
Food, Tobacco & Beverages	33,610	29,773	25,429	20,041
Health Care	15,656	4,430	748	748
Education	345	163	-	-
Leather & Footwear	1,553	1,553	1,693	1,693
Cement	374	187	-	-
Banaspati & Allied Industries	21,066	21,066	21,066	21,066
	<u>775,190</u>	<u>474,861</u>	<u>493,911</u>	<u>356,677</u>

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

Public / Government	-	-	-	-
Private	775,190	474,861	493,911	356,677
	<u>775,190</u>	<u>474,861</u>	<u>493,911</u>	<u>356,677</u>



39. GEOGRAPHICAL SEGMENT ANALYSIS

	2007			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees '000 -----			
Pakistan	(549,564)	22,984,261	5,184,240	5,859,936
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(549,564)</u>	<u>22,984,261</u>	<u>5,184,240</u>	<u>5,859,936</u>

Total assets employed include intra group items of Rs.818.99 million.

40. MARKET RISK

40.1 Market risk is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from changes in market prices, namely interest rates, foreign exchange rates and equity prices.

The Bank is exposed to market risk in its trading portfolio because the values of its trading positions are sensitive to changes in market prices and rates. Similarly, it is also exposed to market risk in its investment portfolio.

The Bank has a well established framework for market risk management with the treasury market and liquidity risk policies & procedures. Its major objective is of protecting and increasing the Bank's net interest income in the short run and market value of the equity in the long run for enhancing the shareholders wealth. Further, it defines the contours of the way the Bank's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes.

The Asset and Liability Committee (ALCO) is entrusted with key decision making in establishing market risk related strategies and monitoring these against limits. The committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Bank's interest rate view and determines the business strategy of the Bank.

Management of interest rate risk of the banking book is primarily focused on interest and fair value through re-pricing gap analysis, analysis of the net interest income sensitivity, duration and fair value sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice and exposure analysis. On a periodical basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of Bank's risk position. Mathematical model like stress-testing is carried out at least biannually.

The Middle Office in Enterprise Risk Management Division has an independent reporting structure on risk aspects and helps management in determining compliance in terms of exposure analysis, tracking of limits, funding and various other risk sensitive market parameters.

40.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. The Bank has adopted a comprehensive system for the measurement and management of foreign exchange risk. Part of this risk management process involves managing the Bank's exposure to fluctuations in foreign exchange rates in order to minimize its exposure to currency and risk to acceptable levels as determined by management. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.



2007				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
----- Rupees '000 -----				
Pakistan rupee	21,965,816	17,044,937	(997,933)	3,922,946
United States dollar	978,374	712,564	914,373	1,180,183
Great Britain pound	20,148	5,807	62,100	76,441
Japanese yen	-	21,733	21,460	(273)
Euro	19,551	14,980	-	4,571
Swiss Franc	372	-	-	372
	<u>22,984,261</u>	<u>17,800,021</u>	<u>-</u>	<u>5,184,240</u>

40.3 Interest Rate Risk

The Bank has clear objectives, strategies, and risk tolerance level in order to protect it from interest rate risk. To achieve this objective, the Bank matches the interest rate sensitivity of its assets and liabilities by placing them into various time buckets according to the earlier of contractual re-pricing or maturity dates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The Bank has also a system in place to monitor the effectiveness of its policies and limits.

40.4 Equity Position Risk

The Bank is exposed to equity price changes on its investments in shares. These equity exposures are primarily related to market price movements in local equity market index. In order to better utilize its liquidity, the Bank invests its liquidity in capital market by utilizing various financial instruments (shares, mutual funds etc.) and dealing with a multitude of counterparties and securities organizations. All of these transactions involve, to varying degrees, the risk that the counterparty in the transactions may be unable to meet its obligation to the Bank. The Bank maintains stringent rating eligibility criteria for counterparties and adheres to a framework of exposure limits based on counterparty credit rating and size, subject to prudential limits imposed by State Bank of Pakistan. To ensure the execution of and compliance of risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on the Bank's assets and liabilities, the treasury risk manager supported by an independent middle office plays a key role in monitoring and reporting such exposures.



41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

	Effective Yield/ Interest rate	2007										Non interest bearing financial instruments
		Total	Up to 1 month	Exposed to Yield/ Interest risk							Over 10 years	
				Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		
%	------(Rupees '000)-----											
On-balance sheet financial instruments												
Assets												
Cash and balances with												
treasury banks	3.00%	1,501,334	9,321	-	-	-	-	-	-	-	-	1,492,013
Balances with other banks	1.95%	215,318	36	-	-	-	-	-	-	-	-	215,282
Lendings to financial institutions	9.37%	4,427,824	2,962,824	1,065,000	400,000	-	-	-	-	-	-	-
Investments	9.53%	5,566,841	562,824	694,754	752,160	752,593	56,900	168,010	644,246	226,750	-	1,708,604
Advances	11.46%	9,242,511	3,898,125	547,076	753,524	1,818,514	1,049,691	520,081	304,698	67,505	243,460	39,837
Other assets	-	271,729	-	-	-	-	-	-	-	-	-	271,729
		21,225,557	7,433,130	2,306,830	1,905,684	2,571,107	1,106,591	688,091	948,944	294,255	243,460	3,727,465
Liabilities												
Bills payable	-	288,907	-	-	-	-	-	-	-	-	-	288,907
Borrowings	9.46%	1,304,616	253,021	827,281	157,647	66,667	-	-	-	-	-	-
Deposits and other accounts	9.45%	15,322,671	5,948,485	4,965,738	1,234,043	917,460	20,843	50,350	664,799	-	-	1,520,953
Other liabilities	-	279,070	-	-	-	-	-	-	-	-	-	279,070
		17,195,264	6,201,506	5,793,019	1,391,690	984,127	20,843	50,350	664,799	-	-	2,088,930
On-balance sheet gap		4,030,293	1,231,624	(3,486,189)	513,994	1,586,980	1,085,748	637,741	284,145	294,255	243,460	1,638,535
Off balance sheet financial instruments												
Underwriting of shares and modaraba certificates		10,000	-	-	-	-	-	-	-	-	-	10,000
Underwriting of TFCs		80,000	-	-	-	-	-	-	-	-	-	80,000
Forward purchase of foreign exchange		344,464	-	-	-	-	-	-	-	-	-	344,464
Forward sale of foreign exchange		(606,971)	-	-	-	-	-	-	-	-	-	(606,971)
Financing in respect of continuous funding system		3,894	3,894	-	-	-	-	-	-	-	-	-
Forward lending		1,860,429	263,679	1,012,750	274,000	310,000	-	-	-	-	-	-
Purchase of securities		62,090	-	-	52,090	-	-	-	-	-	-	10,000
Off balance sheet gap		1,753,906	267,573	1,012,750	326,090	310,000	-	-	-	-	-	(162,507)
Total Yield/Interest Risk Sensitivity Gap			964,051	(4,498,939)	187,904	1,276,980	1,085,748	637,741	284,145	294,255	243,460	
Cumulative Yield/Interest Risk Sensitivity Gap			964,051	(3,534,888)	(3,346,984)	(2,070,004)	(984,256)	(346,515)	(62,370)	231,886	475,345	

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

41.2 The interest rate exposure taken by the Bank arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Bank. This risk is addressed by an Asset and Liability Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.

41.3 The advances and deposits of the Bank are re-priced on a periodic basis based on interest rates scenario.



42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and also takes into account the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	2007									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	1,501,334	972,214	347,496	89,002	13,232	13,232	33,079	19,847	13,232	-
Balances with other banks	215,318	215,318	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,427,824	2,962,824	1,065,000	400,000	-	-	-	-	-	-
Investments	5,566,841	511,894	514,431	1,502,372	1,001,312	129,147	268,616	808,611	403,516	426,942
Advances	9,242,511	1,535,257	1,062,201	1,489,646	2,949,714	1,051,313	522,294	321,121	67,505	243,460
Operating fixed assets	818,713	-	1,014	585	-	170,857	98,109	135,485	360,863	51,800
Deferred tax assets	168,986	-	-	294	-	-	-	162,513	6,179	-
Other assets	1,042,734	52,350	33,476	242,432	101,700	94,153	2,125	-	-	516,498
	<u>22,984,261</u>	<u>6,249,857</u>	<u>3,023,618</u>	<u>3,724,331</u>	<u>4,065,958</u>	<u>1,458,702</u>	<u>924,223</u>	<u>1,447,577</u>	<u>851,295</u>	<u>1,238,700</u>
Liabilities										
Bills payable	288,907	288,907	-	-	-	-	-	-	-	-
Borrowings	1,304,616	253,021	827,281	157,647	66,667	-	-	-	-	-
Deposits and other accounts	15,322,671	2,266,111	5,355,209	2,519,814	2,108,720	610,761	923,805	1,349,227	189,024	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	883,827	118,682	125,408	112,525	322,329	148,279	38,708	17,896	-	-
	<u>17,800,021</u>	<u>2,926,721</u>	<u>6,307,898</u>	<u>2,789,986</u>	<u>2,497,716</u>	<u>759,040</u>	<u>962,513</u>	<u>1,367,123</u>	<u>189,024</u>	<u>-</u>
Net assets	<u>5,184,240</u>	<u>3,323,136</u>	<u>(3,284,280)</u>	<u>934,345</u>	<u>1,568,242</u>	<u>699,662</u>	<u>(38,290)</u>	<u>80,454</u>	<u>662,271</u>	<u>1,238,700</u>
Share capital	5,001,466									
Reserves	580,031									
Accumulated loss	(321,371)									
	<u>5,260,126</u>									
Deficit on revaluation of assets	(75,886)									
	<u>5,184,240</u>									

42.1 The Bank is exposed to liquidity risk, arising from mismatches between the maturities of its assets and liabilities.

Liquidity risk is defined as the potential loss arising from the Bank's inability to meet in orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Bank's activities and in the management of its assets. The Bank maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of Liquidity policies, controls and limits. These policies, controls and limits ensure that the bank maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Bank's funding requirements.

ALCO monitors Bank's liquidity risk position through liquidity reports from the Treasury Front and Middle Office and takes the necessary actions to match asset and liability positions both on and off-balance sheet in such a way that Bank is able to meet its obligations.

In accordance with SBP regulations, the Bank maintains a Statutory Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR).



43. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems from external events. The Bank has developed an operational risk management framework with assignment of responsibilities to various supervision levels, to ensure operating consistency and the right level of management supervision and focus. Also, operational risk categories and sub-categories have been categorized to facilitate operational risk monitoring and capture of loss data to aid analysis to identify and isolate risk "hot spots". Therefore, the Bank has done a significant amount of work to strengthen its operating environment which is consistent with best practices and the impending Basel II initiative.

44. GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

44.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

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

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 22, 2008 by the Board of Directors of the Bank.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Annexure-1

**Statement Showing Write off Loans of Rs.500,000/- or Above
During the Year Ended December 31, 2007**

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
1.	ABID/ ARIF / ASIF SAIGOL. 91-E/1, GULBERG III, LAHORE	ABID SAIGOL 270-92-006204	RAFIQUE SAIGOL	13,216,893	2,072,862	15,289,755	13,216,893	2,072,862	15,289,755
		ARIF SAIGOL 270-59-088209	RAFIQUE SAIGOL						
		ASIF SAIGOL 270-92-006202	RAFIQUE SAIGOL						
2.	AIM FASHIONS. PLOT NO. 30-B, NEAR KHUNDOO GOATH, BLOCK B, NORTH NAZIMABAD, KARACHI	SAAD MAJEED 502-63-227226	MAJEED AKBAR	908,963	167,482	1,076,445	908,963	167,482	1,076,445
		IRFAN MAJEED 502-58-227224	MAJEED AKBAR						
		FAWAD MAJEED 502-88-227227	MAJEED AKBAR						
		ASIF MAJEED 502-56-227222	MAJEED AKBAR						
3.	ALI INTERNATIONAL. E-37/1, BLOCK 7, GULSHAN-E- IQBAL, KARACHI	SYED SHAHID ALI 518-61-054078	SYED SHAFQAT ALI	1,644,940	401,245	2,046,185	1,644,940	401,245	2,046,185
		SYED ZAHID ALI 518-93-054079	SYED SHAFQAT ALI						
4.	ALI INTERNATIONAL. KNITWEAR (PVT.) LIMITED. 139-GULBERG III, LAHORE	ALI WAZIR KHAN 273-83-152110	M. WAZIR KHAN	1,470,878	386,722	1,857,600	1,470,878	386,722	1,857,600
		TAJWER KHAN 273-68-152108	W/O M. WAZIR KHAN						
		FARKHANDA WAZIR 272-91-152114	M. WAZIR KHAN						
5.	AL-ZAIN TRADING ESTABLISHMENT. K-21, OVERSEAS BUNGLOWS, BLOCK 16-A, GULISTAN-E-JOHAR, KARACHI	SYED SHAHID ALI 518-61-054078	SYED SHAFQAT ALI	637,625	158,075	795,700	637,625	158,075	795,700
		SYED ZAHID ALI 518-65-054079	SYED SHAFQAT ALI						
6.	COLIBRATIVE HEAVY INDUSTRIES (PVT) LIMITED. 301-A NEW MUSLIM TOWN LAHORE	TAHIR SHUJA KHAN	QAISER UDDIN KHAN	19,379,094	6,191,381	25,570,475	19,379,094	6,191,381	25,570,475
		ATHAR SHUJA KHAN	QAISER UDDIN KHAN						
		NAYYAR SHUJA KHAN	QAISER UDDIN KHAN						
7.	FAREED UR REHMAN KHAN. HOUSE NO. D-63 KDA SCHEME NO. 1, KARACHI	FAREED UR REHMAN KHAN	NAFEES-UR-REHMAN KHAN	5,675,934	-	5,675,934	5,675,934	-	5,675,934
8.	FAROOQ ENGINEERING WORKS. PLOT NO.1-6,SECTOR -5, KORANGI INDUSTRIAL AREA, KARACHI	MIAN M. FAROOQ 514-39-161797	MIAN NOOR MOHAMMAD	6,435,160	2,665,920	9,101,080	6,435,160	2,665,920	9,101,080
		MIAN M. FAROOQ 514-39-161797	MIAN NOOR MOHAMMAD						



Statement Showing Write off Loans of Rs.500,000/- or Above
During the Year Ended December 31, 2007

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
9.	FINE KNIT, SHED NO. "E", C-11/B, GALI NO. 2, S.I.T.E., KARACHI.	YOUSUF SIDAT 514-93-094812	YAQOOB SIDAT	802,920	211,980	1,014,900	802,920	211,980	1,014,900
10.	HAMRAZ INDUSTRIES LIMITED. LAKSON SQUARE BUILDING # 1, SARWAR SHAHEED ROAD, KARACHI	M. JAVED TAWAKKAL ABDUL QADIR TAWAKKAL	ABDUL QADIR TAWAKAL	3,556,821	997,929	4,554,750	3,556,821	997,929	4,554,750
11.	KOHINOOR LOOMS LIMITED. 111 E/6, MODEL TOWN E/6, MODEL TOWN, LAHORE	MIAN JAVAI SAIGOL 270-40-015864 MIAN JAVAI SAIGOL 270-40-015864	MIAN YOUSUF SAIGOL MIAN YOUSUF SAIGOL	3,222,720	22,245,045	25,467,765	3,222,720	22,245,045	25,467,765
12.	MOHIB EXPORT LIMITED. AWAMI COMPLEX, USMAN BLOCK NEW GARDEN, LAHORE	ABID SAIGOL 270-92-006204 ARIF SAIGOL 270-59-088209	RAFIQUE SAIGOL RAFIQUE SAIGOL	27,150,461	2,632,679	29,783,140	27,150,461	2,632,679	29,783,140
13.	MOHIB FABRICS INDUSTRIES LTD. AWAMI FLATS GARDEN T, AWAMI FLATS, GARDEN TOWN, LAHORE	ASIF SAIGOL 270-92-006202	RAFIQUE SAIGOL	5,927,450	1,520,250	7,447,700	5,927,450	1,520,250	7,447,700
14.	NEELUM CORPORATION. BANGLOW NO. 26, STREET 19, MODEL COLONY, LAHORE	RANA MUNIR AHMED 42201-0650698-5	ALI MOHAMMAD KHAN	1,092,763	110,469	1,203,232	1,092,764	110,469	1,203,233
15.	NEW PARAMOUNT TRANSPORT SERVICE. A109 13 D-1, GULSHANE IQBAL, KARACHI.	MASOOD AHMED BHATTI 42501-9967609-5	SIDDIQUE AHMAD BHATTI	1,509,285	137,671	1,646,956	1,409,204	137,671	1,546,875
16.	PLASTIC BAGS PACKAGING (PVT.) LTD. BLOCK J GULSHAN-E-RAVI, BLOCK J, BUND ROAD, LAHORE	MUHAMMAD IJAZ 276-94-059733 MUHAMMAD SAJJAD 276-93-059734 SURIYA JABEEN 274-39-042767		5,942,505	2,813,655	8,756,160	1,442,505	2,813,655	4,256,160
17.	REFRIGERATORS MANUFACTURING CO. ISLAMIC CHAMBER BUILDING, ST-2A, BLOCK 9, KDA SCHEME, NO.5, CLIFTON, KARACHI	AFTAB ALAM KHAN 502-56-271235 M. FAROOQ FAROOQI 514-44-052571	AZHAR KHAN	854,973	252,277	1,107,250	854,973	252,277	1,107,250
18.	SADDARUDDIN ALLAH DIN. C-116, BLOCK 2, KEHKASHAN SCHEME NO.2, CLIFTON, KARACHI	SADDARUDDIN ALLAH DIN 507-35-064768	ALLAHDIN	901,550	666,230	1,567,780	901,550	666,230	1,567,780



Annexure-1

Statement Showing Write off Loans of Rs.500,000/- or Above
During the Year Ended December 31, 2007

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
19.	SINDH ALKALLIS LIMITED. STATE LIFE BUILDING, 1-A 3RD FLOOR, LANDHI INDUSTRIAL AREA, KARACHI	S. M. HAIDER KAZMI MASOOD KHALIQ ZIA UR RAHIM JAN MUHAMMAD SHER BAZ AWAN	S. M. KAZMI MUHAMMAD KHALIQ MUHAMMAD RAHIM MR MUHAMMAD MUHAMMAD AWAN	29,078,077	5,198,898	34,276,975	29,078,077	5,198,898	34,276,975
20.	SPENCER DISTRIBUTION LIMITED. ASSOCIATED CHAMBERS, LINK MCLOAD ROAD, PATIALA GROUND, LAHORE	SHEIKH ASIF SALAM 35202-3143089-7 SHEIKH ARIF SALAM 270-64-144473	SHEIKH ABDUS SALAM SHEIKH ASIF SALAM	836,682	80,463	917,145	836,682	80,463	917,145
21.	SWEDE-BUS PAKISTAN (PVT.) LTD. 7, ABDULLAH HAROON ROAD, KARACHI	AHMED SHABIR 42201-9528294-3 MOHAMMAD NASIM 42201-0804036-3 KHALID RAFI 42301-0734542-9	FAZAL HUSSAIN MALIK MOHAMMAD IBRAHIM SHEIKH MOHAMMAD RAFI	7,758,950	1,224,502	8,983,452	2,658,950	1,180,000	3,838,950
22.	TAJ DISTRIBUTION (PVT.) LTD. 72-D, COMMERCIAL AREA, BLOCK- 6, P.E.C.H.S., COMMERCIAL AREA, KARACHI	MUHAMMAD SALEEM KHAN 516-71-362040 SYED MUHAMMAD IHATRAM ZAIDI 503-60-106920	MUHAMMAD ISMAIL KHAN MUHAMMAD HATIM ZAIDI	1,404,048	480,387	1,884,435	1,404,048	480,387	1,884,435
23.	TWINSTAR ENTERPRISES. FLAT # C-203, RABIA GARDEN, GULISTAN-E-JAUHER, BLOCK 17, KARACHI	KAMRAN RASHEED 42201-2474683-9	MOHAMMAD RASHEED	530,956	114,319	645,275	530,956	114,319	645,275
24.	WORLDBRIDGE CONNECT (PVT.) LIMITED. BAHRIA COMPLEX. 103 - A, UPPER MALL, LAHORE	GURUJOT SINGH KHALSA 999-99-000001* VERA ASSAD GEBRAN 999-99-111111*	ALWYN TAYLOR ASSAD GEBRAN	21,709,913	3,704,871	25,414,784	21,709,913	3,704,871	25,414,784
25.	ANSAR HASIB KHAN. 13-R, L.C.C.H.S,LAHORE	270-66-085187	HASIB KHAN	756,752	232,232	988,984	756,752	232,232	988,984
26.	MR. ASIF HASIB KHAN. 42-R L.C.C.H.S.LAHORE	270-63-085186	HASIB KHAN	701,538	216,987	918,525	701,538	216,987	918,525
27.	ZAHID SHAH. HOUSE NO 524/21, STREET NO 11, BANGASH COLONY, ISLAMABAD	61101-2776371-1	SHAHEEN SHAH	586,583	1,067,340	1,653,923	586,583	1,090,484	1,677,067
TOTAL				163,694,434	55,951,871	219,646,305	153,994,354	55,930,513	209,924,867

* Passport number



Pattern of Shareholding as at December 31, 2007

NO. OF SHAREHOLDERS	FROM	SHAREHOLDING T O	TOTAL SHARES HELD
471	1	100	21,227
1717	101	500	514,359
808	501	1,000	661,204
1320	1,001	5,000	3,478,111
316	5,001	10,000	2,457,756
106	10,001	15,000	1,360,654
78	15,001	20,000	1,423,620
56	20,001	25,000	1,303,155
39	25,001	30,000	1,102,912
28	30,001	35,000	896,827
23	35,001	40,000	872,992
8	40,001	45,000	342,377
22	45,001	50,000	1,077,891
4	50,001	55,000	215,622
16	55,001	60,000	940,440
10	60,001	65,000	618,808
5	65,001	70,000	340,740
3	70,001	75,000	222,400
7	75,001	80,000	547,925
4	80,001	85,000	251,087
2	85,001	90,000	175,314
2	90,001	95,000	189,200
7	95,001	100,000	694,092
6	100,001	105,000	613,720
1	105,001	110,000	109,000
4	110,001	115,000	452,902
7	115,001	120,000	834,146
2	120,001	125,000	243,226
1	125,001	130,000	127,000
2	130,001	135,000	263,583
2	135,001	140,000	275,900
2	140,001	145,000	284,837
3	145,001	150,000	446,069
2	150,001	155,000	302,400
1	155,001	160,000	157,000
1	175,001	180,000	180,000
1	185,001	190,000	185,700
4	195,001	200,000	794,410
1	200,001	205,000	201,211
1	205,001	210,000	210,000
1	215,001	220,000	219,297
1	220,001	225,000	221,000
1	225,001	230,000	226,500
1	230,001	235,000	232,500
1	235,001	240,000	237,200
1	255,001	260,000	255,900
1	275,001	280,000	278,000
1	280,001	285,000	285,000
1	295,001	300,000	300,000
1	305,001	310,000	310,000
1	445,001	450,000	447,500
1	500,001	505,000	501,900
2	530,001	535,000	1,071,600
1	805,001	810,000	808,864
1	815,001	820,000	815,027
1	875,001	880,000	877,051
1	1,025,001	1,030,000	1,027,000
1	1,030,001	1,035,000	1,030,713



Pattern of Shareholding as at December 31, 2007

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	T O	TOTAL SHARES HELD
1	1,130,001	1,135,000	1,130,400
1	1,171,001	1,175,000	1,173,806
1	1,265,001	1,270,000	1,266,500
1	1,425,001	1,430,000	1,427,931
1	1,771,001	1,775,000	1,771,000
1	1,805,001	1,810,000	1,808,640
1	2,235,001	2,240,000	2,238,199
1	2,700,001	2,705,000	2,703,600
1	3,265,001	3,270,000	3,268,000
1	3,560,001	3,565,000	3,563,424
1	34,035,001	34,040,000	34,037,046
4	107,365,001	107,370,000	107,368,508
1	124,535,001	124,540,000	124,536,510
1	179,315,001	179,320,000	179,318,194
<u>5,129</u>			<u>500,146,627</u>

Categories of Shareholders as at December 31, 2007

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO and their spouse and minor children	4	29,080,989	5.81
Associated Companies, undertakings & related parties	4	181,953,492	36.39
NIT and ICP	2	34,044,630	6.81
Banks, DFIs, & NBFCs			
a. Local	9	5,114,549	1.02
b. Foreign	1	124,536,510	24.90
Insurance Companies	3	200,000	0.04
Modarabas and Mutual Funds	1	3,000	-
Shareholders holding 10% or more voting interest in the Company *	-	-	-
General Public:			
a. Local (Individuals)	5,009	119,558,211	23.90
b. Foreign	1	58,611	0.01
Others:			
a. Joint Stock Companies	85	4,763,360	0.95
b. Others	10	833,275	0.17
TOTAL	<u>5,129</u>	<u>500,146,627</u>	<u>100.00</u>

* Shirazi Investments (Pvt) Ltd. holding more than 10% voting interest in the company is reported under associated undertakings



Pattern of Shareholding as at December 31, 2007

Information as Required under code of Corporate Governance

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Associated Companies, undertakings and related parties			
Shirazi Investments (Pvt) Ltd.	1	179,318,194	35.85
Atlas Insurance Ltd.	1	1,427,931	0.29
Atlas Foundation	1	1,130,400	0.23
Batool Benefit Trust	1	76,967	0.02
NIT and ICP			
National Investment Trust Ltd	1	34,037,046	6.81
Investment Corporation of Pakistan	1	7,584	-
Directors, CEO and their spouse and minor children			
Mr. Yusuf H. Shirazi	1	2,238,199	0.44
Mr. Aamir H. Shirazi	1	26,842,129	5.37
Mr. Frahim Ali Khan	1	660	-
Mr. Tariq Iqbal Khan	1	1	-
Executives	-	-	-
Public Sector Companies and Corporations	-	-	-
Banks, Development Finance Institutions, Non Banking Financial Companies, Insurance Companies, Modarabas and Mutual Funds			
a. Local	13	5,317,549	1.06
b. Foreign-DEG-Deutsche Investition	1	124,536,510	24.90
Shareholders holding 10% or more voting interest in the company *	-	-	-
Individuals	5,010	119,616,822	23.91
Others	95	5,596,635	1.12
	<u>5,129</u>	<u>500,146,627</u>	<u>100.00</u>

* Shirazi Investments (Pvt) Ltd. holding more than 10% voting interest in the company is reported under associated undertakings

Notice of Annual General Meeting

Notice is hereby given that the Fifth Annual General Meeting of the members of Atlas Bank Limited will be held at 12:00 noon, on Saturday, March 29, 2008, at Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm Minutes of the Extraordinary General Meeting held on September 28, 2007.
2. To receive, consider and adopt the Audited Financial Statements of the Bank and Consolidated Financial Statements of the Bank and its subsidiary for the year ended December 31, 2007 together with the Directors' Report and Auditors' Report thereon including post facto approval of remuneration of Rs.170,000/- to the non-executive Directors reported at note No.26 of annual report as required under SBP Prudential Regulations.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2008. The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

OTHER BUSINESS

4. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Irfan Ibrahim Bhaiyat
Company Secretary

Karachi: March 8, 2008

NOTES

- i) The Register of Members of the Bank will remain closed from 22-03-2008 to 29-03-2008 (both days inclusive).
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the Share Registrar of the Bank, M/s THK Associates (Pvt.) Limited, duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- iv) Members are requested to notify any change in their addresses immediately.
- v) Members are requested to submit a copy of their CNICs with our Share Registrar M/s THK Associates (Pvt.) Limited.





**Consolidated
Financial Statements**

Directors' Report on Consolidated Financial Statements

The Board of Directors present report on the consolidated financial statements of Atlas Bank Limited and its subsidiary namely Atlas Capital Markets (Pvt.) Limited together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2007.

Financials

The consolidated financials of your Bank for the year ended December 31, 2007 under review are summarized as follows:

	2007 Rs. In '000	2006 Rs. In '000
Operating loss before provision and taxation	(248,435)	(55,306)
Provisions / Write-offs	(271,458)	(58,195)
Loss before taxation	<u>(519,893)</u>	<u>(113,501)</u>
Reversal of provision for taxation	223,503	135,853
(Loss) / profit after taxation	<u>(296,390)</u>	<u>22,352</u>
Accumulated profit / (loss) brought forward	1,343	(19,273)
	<u>(295,047)</u>	<u>3,079</u>
Appropriations:		
Transfer to statutory reserve	-	(1,736)
Accumulated (loss) / profit carried forward	<u>(295,047)</u>	<u>1,343</u>
		Restated
(Loss) / earning per share- Basic and diluted (Rupee)	<u>(0.89)</u>	<u>0.09</u>

Pattern of Shareholding

The pattern of shareholding as at December 31, 2007 is annexed with the financial statements of Atlas Bank Limited.

Karachi: February 22, 2008

For and on Behalf of the
Board of Directors



Yusuf H. Shirazi
Chairman



Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Atlas Bank Limited** (the Bank) and its subsidiary company, Atlas Capital Markets (Private) Limited (together referred to as Group) as at **December 31, 2007** and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for four branches, which have been audited by us. We have also expressed separate opinions on the financial statements of the Bank and Atlas Capital Markets (Private) Limited. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

KARACHI: February 22, 2008



FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS



Consolidated Balance Sheet

AS AT DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006
ASSETS			
Cash and balances with treasury banks	6	1,501,363	601,081
Balances with other banks	7	229,873	405,523
Lendings to financial institutions	8	4,427,824	3,500,844
Investments	9	5,271,201	3,548,110
Advances	10	9,205,452	7,459,892
Operating fixed assets	11	992,146	469,457
Deferred tax assets	12	169,125	-
Other assets	13	3,607,713	1,589,811
		25,404,697	17,574,718
LIABILITIES			
Bills payable	14	288,907	50,158
Borrowings	15	1,493,859	4,125,949
Deposits and other accounts	16	15,320,840	8,842,946
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	-	78,145
Other liabilities	17	3,090,527	1,465,560
		20,194,133	14,562,758
NET ASSETS		5,210,564	3,011,960
REPRESENTED BY			
Share capital	18	5,001,466	3,125,916
Reserves		580,031	2,494
Accumulated (loss) / profit		(295,047)	1,343
		5,286,450	3,129,753
Deficit on revaluation of assets - net of tax	19	(75,886)	(117,793)
		5,210,564	3,011,960
CONTINGENCIES AND COMMITMENTS	20		

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Consolidated Profit And Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
Mark-up / return / interest earned	22	1,320,564	890,432
Mark-up / return / interest expensed	23	1,316,661	778,358
Net Mark-up / interest Income		3,903	112,074
Provision against non-performing loans and advances	10.4	271,756	54,875
(Reversal of) / provision for diminution in the value of investments	9.3	(303)	3,320
Bad debts written off directly		5	-
		271,458	58,195
Net Mark-up / interest / (loss) / income after provisions		(267,555)	53,879
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		141,152	57,543
Dividend income		37,793	15,819
Income from dealing in foreign currencies		15,485	12,253
Gain on sale / redemption of securities	24	290,461	74,140
Unrealized loss on revaluation of investments classified as held for trading	9.2.8	(6,772)	(14,110)
Other income	25	41,523	26,188
Total non mark-up / interest income		519,642	171,833
		252,087	225,712
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	768,603	338,689
Other provisions / write offs		-	-
Other charges	27	3,377	524
Total non mark-up / interest expenses		771,980	339,213
		(519,893)	(113,501)
Extraordinary / unusual items		-	-
LOSS BEFORE TAXATION		(519,893)	(113,501)
Taxation - Current		31,332	15,285
- Prior years		(1,377)	(105,934)
- Deferred		(253,458)	(45,204)
	28	(223,503)	(135,853)
(LOSS) / PROFIT AFTER TAXATION		(296,390)	22,352
Accumulated profit / (loss) brought forward		1,343	(19,273)
Accumulated (loss) / profit before appropriation of statutory reserve		(295,047)	3,079
(Loss) / earnings per share - Basic and diluted (Rupee)	29	(0.89)	Restated 0.09

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	Issued, subscribed and paid-up share capital	Capital Reserves		Accumulated (loss) / profit	Total
			Share Premium	Statutory reserve		
----- (R u p e e s ' 0 0 0) -----						
Balance as at January 1, 2006		1,537,000	-	758	(19,273)	1,518,485
Issue of share capital upon amalgamation		1,588,916	-	-	-	1,588,916
Profit after taxation for the year ended December 31, 2006		-	-	-	22,352	22,352
Transfer to statutory reserve		-	-	1,736	(1,736)	-
Balance as at December 31, 2006		3,125,916	-	2,494	1,343	3,129,753
Issue of share capital	18.3	1,875,550	577,537	-	-	2,453,087
Loss after taxation for the year ended December 31, 2007		-	-	-	(296,390)	(296,390)
Transfer to statutory reserve		-	-	-	-	-
Balance as at December 31, 2007		5,001,466	577,537	2,494	(295,047)	5,286,450

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 ------(Rupees '000)-----	2006 -----
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(519,893)	(113,501)
Less: Dividend income		(37,793)	(15,819)
		(557,686)	(129,320)
Adjustment:			
Depreciation	26	49,302	20,069
Amortisation	26.2	32,960	37,112
Provision against non-performing advances - specific	10.4	274,749	55,830
(Reversal of) / provision for diminution in the value of investments	9.3	(303)	3,320
Gain on disposal of fixed assets	11.5	(298)	(905)
Reversal of provision for consumer financing - general	10.4	(2,993)	(955)
Bad Debts written off directly		5	-
		353,422	114,471
		(204,264)	(14,849)
(Increase) / decrease in operating assets			
Lendings to financial institutions		(926,980)	2,761,542
Held for trading securities		629,278	(772,266)
Advances		(2,017,321)	(2,075,162)
Other assets (excluding current taxation)		(2,039,809)	188,465
		(4,354,832)	102,579
Increase / (decrease) in operating liabilities			
Bills payable		238,749	24,556
Borrowings		(2,632,090)	(3,456,997)
Deposits		6,477,894	3,261,264
Other liabilities		1,625,071	(5,468)
		5,709,624	(176,645)
		1,150,528	(88,915)
Income tax paid		(34,540)	(38,323)
Net cash flow from / (used in) operating activities		1,115,988	(127,238)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(2,330,790)	(279,916)
Net investment in held to maturity securities		26,820	394,035
Dividend received		38,675	15,020
Investments in operating fixed assets		(594,848)	(131,007)
Sale proceeds of operating fixed assets	11.5	15,700	6,057
Net cash (used in) / flow from investing activities		(2,844,443)	4,189
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		2,453,087	-
Net cash flow from financing activities		2,453,087	-
Increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		1,006,604	233,026
Cash and cash equivalents acquired upon amalgamation		-	896,627
Cash and cash equivalents at end of the year	30	1,731,236	1,006,604

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



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2007

1. GROUP AND ITS OPERATIONS

- 1.1 The Group comprise of Atlas Bank Limited - the holding company and Atlas Capital Markets (Private) Limited - a wholly owned subsidiary.
- 1.2 Atlas Bank Limited (the Bank) was incorporated on July 17, 2003 as a Public Limited Company under the Companies Ordinance, 1984 with the object of conducting banking business and related services and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Bank commenced its commercial operations effective March 25, 2004.
- 1.3 The Atlas Capital Markets (Private) Limited (the subsidiary company) was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services.
- 1.4 The principal place of business of the Bank is situated at Third Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi and the registered office of the subsidiary company is situated at 209-B, 2nd Floor, Park Towers, Abdullah Shah Ghazi Road, Clifton, Karachi.
- 1.5 During the year, the Bank has increased its authorised share capital from Rs.5,000 million (500,000,000 ordinary shares of Rs.10/- each) to Rs.7,000 million (700,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on March 29, 2007.
- 1.6 During the year the Bank issued 60% right shares representing 187.555 million ordinary shares. The sponsors i.e. Atlas Group renounced a portion of rights issue offered by the Bank which was in turn allotted by the Board of Directors to Deutsche Investitions – und Entwicklungsgesellschaft mbH (DEG) a member of KfW Bankengruppe (KfW Banking Group). These shares were issued to DEG at a price of Rs.14.75 per share and represents 24.90% of the post rights issue share capital of the Bank.
- 1.7 The Pakistan Credit Rating Agency Limited has maintained the Bank's long term rating at "A-" (Single A Minus) and short term rating at "A 2" (A Two).

2. BASIS OF PRESENTATION AND CONSOLIDATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006.

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

- 2.2 These consolidated financial statements comprise the financial statements of the Bank and its subsidiary company. The financial statements of the subsidiary company have been prepared for the same reporting year as the Bank using consistent accounting policies. Material intra-group balances and transactions have been eliminated for the purposes of consolidation.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, 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. 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 IFRS, the requirements of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

- 3.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.5 below.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

During the year, the Group has changed its accounting policy in respect of goodwill consequent upon the notification by the SECP regarding applicability of IFRS-3 "Business Combinations". In accordance with the new policy the goodwill arising on business combination is carried at cost less any impairment in value. Previously, goodwill was amortised over a period of 10 years from the date of business combination and was reviewed for any indication of impairment at each balance sheet date. The said change in accounting policy has been applied prospectively in accordance with the transitional provisions of IFRS-3. Accordingly, the Group has discontinued amortisation of goodwill with effect from January 1, 2007 and the carrying value of the goodwill as of the said date is tested for impairment on an annual basis.

Had there been no change in the above accounting policy, the total assets of the Group would have been lower and loss for the period would have been higher by Rs.53.89 million.

5.2 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.3 Lendings to financial institutions / borrowings

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

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

5.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.



5.5 Investments

Investment in securities are classified as follows:

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

Held-to-maturity

These are securities with fixed or determinable payments and maturity in respect of which the Group has the positive intent and ability to hold to maturity.

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held to maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Group's held for trading investments is taken to the profit and loss account. The surplus / (deficit) on investments classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the value of securities (except for term finance certificates) is made after considering impairment, if any, in their value and charged to profit and loss account. Provision for diminution in the value of term finance certificates is made in accordance with the requirements of Prudential Regulations issued by the SBP.

5.6 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Group also maintains general provision for consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables net of related provisions are included in loans and advances to customers.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of net identifiable assets of the acquired entity at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.



5.8 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Group.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Intangible assets having an indefinite useful life are carried at cost and are not amortised.

Capital-work-in-progress

Capital work-in-progress is stated at cost.

5.9 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.



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

5.10 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.11 Employee benefits

Defined benefit plan

The Group operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Group operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Group and the employees at the rate of 11% per annum of basic salary. The Group has no further payment obligations once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.12 Derivatives

Derivative financial instruments are recognized at fair value. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.13 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognised when earned.



Dividend income from investments is recognised when Group's right to receive the dividend is established.

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

Fee on distribution of open end units is recognised as such services are rendered.

All exchange differences are recognised in income.

5.14 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.15 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current period.

5.16 Off Setting of financial assets and financial liabilities

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

5.17 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in these financial statements.

5.19 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.20 Accounting judgments and estimates

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

The estimates/judgments and associated assumptions are reviewed on an ongoing basis. Revision to the accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The changes in estimates made during the year and impact on the financial statement are disclosed in note 10.3.1 and 13.2.1 respectively. The estimates, judgments and assumptions that have significant effect on the financial statements are as follows:



	<u>Note</u>
Classification of investments	5.5 & 9.1
Goodwill impairment assessment	5.7
Useful lives of assets and methods of depreciation	5.8, 11.2 & 11.3
Deferred taxation	5.9 & 12
Provision against non-performing advances	5.10 & 10.3
Defined benefit plan	5.11 & 32

5.21 Accounting standards not yet effective

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

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

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

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

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

	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		159,697	45,593
- foreign currency		33,660	39,884
		193,357	85,477
With SBP in	6.1		
- local currency current account		1,280,770	488,481
- foreign currency current account		964	2,250
- foreign currency deposit account - special cash reserve	6.2	9,321	18,722
- cash reserve		9,145	6,091
		1,300,200	515,544
With National Bank of Pakistan in			
- local currency current account		7,806	60
		<u>1,501,363</u>	<u>601,081</u>

6.1 These balances are maintained to comply with the requirements of the SBP issued from time to time.

6.2 Represents mandatory reserves with SBP. This carries profit at the rate of 4.32% (2006: 4.50%) per annum.



	Note	2007 ------(Rupees '000)-----	2006
7. BALANCES WITH OTHER BANKS			
In Pakistan			
- on current accounts	7.1	164,500	25,545
- on deposit accounts	7.2	13,962	195,414
Outside Pakistan			
- on current accounts		51,411	184,564
		<u>229,873</u>	<u>405,523</u>

7.1 This includes Rs.162.06 million in right shares subscription account.

7.2 These carry mark-up rates ranging from 0.10% to 9.00% (2006: 0.25% to 7.90%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	750,000	-
Repurchase agreement lendings (Reverse Repos)	8.3	2,157,824	2,306,795
Certificates of investment	8.4	200,000	100,000
Letters of placement	8.5	620,000	382,114
Treasury deposit receipts	8.6	700,000	711,935
		<u>4,427,824</u>	<u>3,500,844</u>
8.1 Particulars of lending			
In local currency		4,427,824	3,488,909
In foreign currency		-	11,935
		<u>4,427,824</u>	<u>3,500,844</u>

8.2 These represents lendings made in the local inter-bank market at rates ranging from 9.00% to 10.00% per annum with maturities upto May 2008.

8.3 Securities held as collateral against lendings to financial institutions (Reverse Repos)

Note	2007			2006			
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total	
	----- (Rupees '000) -----						
Market Treasury Bills	8.3.1	1,516,017	196,807	1,712,824	1,209,572	947,223	2,156,795
Pakistan Investment Bonds	8.3.2	50,000	395,000	445,000	-	150,000	150,000
		<u>1,566,017</u>	<u>591,807</u>	<u>2,157,824</u>	<u>1,209,572</u>	<u>1,097,223</u>	<u>2,306,795</u>



- 8.3.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 9.45% to 9.95% (2006: 8.20% to 8.90%) per annum with maturities upto January 2008.
- 8.3.2 Pakistan Investment Bonds have been purchased under resale agreements at rates ranging from 9.50% to 10.50% (2006: 9.05% to 9.15%) per annum with maturities upto March 2008.
- 8.4 This represents certificates of investment of financial institutions at rates ranging from 9.95% to 10.65% (2006: 12.10% to 12.20%) per annum with maturities upto January 2008.
- 8.5 This represents letters of placement with financial institutions at rates ranging from 9.95% to 10.90% (2006: 11.50% to 12.90%) per annum with maturities upto February 2008.
- 8.6 This represents placements in treasury deposit receipts of financial institutions at rates ranging from 10.25% to 10.50% (2006: 5.06% to 12.50%) per annum with maturities upto May 2008.

9. INVESTMENTS BY TYPES

Note	2007			2006		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees '000)					
9.1 INVESTMENTS BY TYPES						
Held-for-trading securities						
Listed companies (ordinary shares) 9.2.3	149,760	-	149,760	139,114	297,262	436,376
Mutual Funds (units / certificates) 9.2.7	-	-	-	350,000	-	350,000
	149,760	-	149,760	489,114	297,262	786,376
Available-for-sale securities						
Listed companies (ordinary shares) 9.2.3	284,714	-	284,714	131,496	127,822	259,318
Mutual Funds (units / certificates) 9.2.7	964,516	-	964,516	128,720	-	128,720
Term Finance Certificates 9.2.5 & 9.2.6	766,630	-	766,630	328,646	541,940	870,586
Pakistan Investment Bonds 9.2.1	915,974	110,752	1,026,726	567,594	479,969	1,047,563
Market Treasury Bills 9.2.2	2,055,387	-	2,055,387	46,004	414,992	460,996
Unlisted companies (ordinary shares) 9.2.4	31,000	-	31,000	31,000	-	31,000
	5,018,221	110,752	5,128,973	1,233,460	1,564,723	2,798,183
Held-to-maturity securities						
Term Finance Certificates - unlisted - Dewan Cement Ltd. 9.2.6	108,427	-	108,427	135,247	-	135,247
Total Investments at cost	5,276,408	110,752	5,387,160	1,857,821	1,861,985	3,719,806
Less: Provision for diminution in value of Investments 9.3	(7,766)	-	(7,766)	(8,069)	-	(8,069)
Investments (Net of Provisions)	5,268,642	110,752	5,379,394	1,849,752	1,861,985	3,711,737
Deficit on revaluation						
of Held-for-trading securities 9.2.8	(6,772)	-	(6,772)	(14,110)	-	(14,110)
Deficit on revaluation of Available-for-sale securities 19	(86,739)	(14,682)	(101,421)	(84,920)	(64,597)	(149,517)
Total investments at market value	5,175,131	96,070	5,271,201	1,750,722	1,797,388	3,548,110

9.2 INVESTMENTS BY SEGMENTS	Note	2007	2006
		------(Rupees '000)-----	
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,026,726	1,047,563
- Market Treasury Bills	9.2.2	2,055,387	460,996
		3,082,113	1,508,559
Fully Paid-up Ordinary Shares			
- Listed companies (ordinary shares)	9.2.3	434,474	695,694
- Unlisted companies (ordinary shares)			
Atlas Asset Management Ltd. (related party)	9.2.4	30,000	30,000
Arabian Sea Country Club	9.2.4	1,000	1,000
		31,000	31,000
Term Finance Certificates			
- Listed	9.2.5	654,687	747,774
- Unlisted	9.2.6	220,370	258,059
		875,057	1,005,833
Other Investments			
- Mutual Funds (units / certificates)	9.2.7	964,516	478,720
Total investments at cost		5,387,160	3,719,806
Less: Provision for diminution in value of investments	9.3	(7,766)	(8,069)
Investments (net of provisions)		5,379,394	3,711,737
Deficit on revaluation of held-for-trading securities	9.2.8	(6,772)	(14,110)
Deficit on revaluation of available-for-sale securities	19	(101,421)	(149,517)
Total investments at market value		5,271,201	3,548,110

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2006: 6.20% to 8.20%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2006: 1 year). The effective yield of these bills is from 9.00% to 9.40% (2006: 9.00%) per annum with maturities from January 2008 to December 2008.

9.2.3	Details of investments in Listed Companies Fully paid up ordinary shares of Rs. 10/- each	Cost			
		2007	2006	2007	2006
		---- (No. of shares) ----		------(Rupees '000)-----	
	Held-for-trading securities				
	Adamjee Insurance Co. Ltd.	-	53,250	-	8,227
	Arif Habib Securities Ltd.	75,000	-	13,372	-
	Askari Commercial Bank Ltd.	24,000	25,000	2,319	2,508
	Azgard Nine Ltd.	-	200,000	-	4,740
	Bank Alfalah Ltd.	-	490,000	-	22,209
	Bank of Punjab	233,852	117,500	24,206	12,333
	D.G. Khan Cement Co. Ltd.	-	7,000	-	415
	MCB Bank Ltd.	13,800	88,000	5,915	21,330
	National Bank of Pakistan Ltd.	211,500	483,500	51,934	116,256
	Nishat Mills Ltd.	-	2,500	-	220
	Oil & Gas Development Co. Ltd.	-	964,500	-	113,498
	Pakistan Oilfields Ltd.	500	84,000	174	29,825
	Pakistan Petroleum Ltd.	171,800	319,500	43,637	75,154
	Pakistan State Oil Co. Ltd.	15,000	72,500	6,484	21,659
	Pakistan Telecommunications Co. Ltd.	-	180,500	-	8,002
	TRG Pakistan Ltd.	125,000	-	1,719	-
	Total carried forward			149,760	436,376



	No. of shares		Paid-up value		Market value		Cost	
	2007	2006	2007	2006	2007	2006	2007	2006
------(Rupees '000)-----								
Total brought forward							149,760	436,376
Available-for-sale securities								
Arif Habib Securities Ltd.	100,000	-	1,000	-	17,320	-	16,871	-
Askari Bank Ltd.	50,000	-	500	-	4,988	-	4,400	-
Callmate Telips Telecom Ltd.	175,000	-	1,750	-	2,599	-	8,761	-
D.G. Khan Cement Co. Ltd.	-	170,000	-	1,700	-	10,702	-	14,961
Engro Chemicals Pakistan Ltd.	100,750	250,000	1,008	2,500	26,774	42,250	24,393	46,396
Eye Television Network Ltd.	-	1,136,350	-	11,364	-	10,227	-	6,932
Fauji Fertilizer Bin Qasim Ltd.	250,000	-	2,500	-	10,512	-	10,119	-
Fauji Fertilizer Company Ltd.	75,000	145,000	750	1,450	8,906	15,305	8,377	16,177
Faysal Bank Ltd.	-	25,000	-	250	-	1,513	-	1,502
Habib Bank Ltd.	40,000	-	400	-	9,596	-	9,976	-
Hira Textile Mills Ltd.	293,047	-	2,930	-	2,329	-	3,663	-
Hub Power Company Ltd.	-	500,000	-	5,000	-	13,500	-	12,125
ICI Pakistan Ltd.	20,000	-	200	-	3,933	-	4,128	-
Kot Addu Power Company Ltd.	-	300,000	-	3,000	-	12,210	-	12,195
Lucky Cement Ltd.	75,000	175,000	750	1,750	8,738	10,483	8,903	19,425
Maple Leaf Cement Pref. Shares	30,000	30,000	300	300	225	285	225	225
Murree Brewery Co. Ltd.	22,000	-	220	-	4,015	-	3,601	-
National Bank of Pakistan Ltd.	30,000	-	300	-	6,965	-	6,856	-
Nishat Chunian Ltd.	100,000	-	1,000	-	3,700	-	4,508	-
Nishat Mills Ltd.	50,000	107,500	500	1,075	5,260	9,439	5,144	9,824
Oil & Gas Development Co. Ltd.	150,000	-	1,500	-	17,918	-	17,275	-
Pakistan National Shipping Corp Ltd	25,000	-	250	-	2,499	-	2,490	-
Pakistan Telecommunications Co. Ltd.	-	600,000	-	6,000	-	26,580	-	28,680
Pakistan Oilfields Ltd.	90,000	90,000	900	900	30,096	31,478	31,504	32,142
Pakistan Petroleum Ltd.	110,000	140,000	1,100	1,400	26,956	32,480	26,487	34,788
Pakistan Refinery Ltd.	12,000	12,000	120	120	2,998	2,597	3,390	3,390
Pakistan State Oil Co. Ltd.	50,000	-	500	-	20,330	-	18,786	-
Pak Suzuki Motor Co. Ltd.	10,000	-	100	-	3,297	-	4,242	-
Shakarganj Sugar Ltd.	60,000	-	600	-	2,312	-	2,314	-
SME Leasing Ltd.	902,350	902,350	9,024	9,024	9,881	9,745	9,926	9,926
Soneri Bank Ltd.	210,000	-	2,100	-	9,114	-	10,807	-
Sui Northern Gas Pipelines Ltd.	-	55,400	-	554	-	3,629	-	3,844
Bank of Punjab	153,140	29,062	1,531	291	14,977	2,943	13,029	2,632
Thal Ltd.	-	10,000	-	50	-	1,645	-	1,751
United Bank Ltd.	125,800	15,000	1,258	150	21,750	2,300	24,539	2,403
			33,091	46,878	277,988	239,311	284,714	259,318
Total investments in listed companies							434,474	695,694

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding %	Net Asset value per share *	Cost	
				2007	2006
------(Rupees '000)-----					
Related party					
Atlas Asset Management Ltd. Chief Executive Officer: Mr. M. Habib-ur-Rahman 3,000,000 ordinary shares of Rs. 10/- each (2006: 3,000,000 ordinary shares of Rs.10/- each)	9.2.4.1	12	9.35	30,000	30,000
Others					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi 100,000 ordinary shares of Rs. 10 each. (2006: 100,000 ordinary shares of Rs.10/- each)	9.2.4.2	1.29	9.36	1,000	1,000
				<u>31,000</u>	<u>31,000</u>

9.2.4.1 This has been classified as strategic investment in accordance with SBP's guidelines contained in BPD Circular Letter No.16 of 2006 dated August 01, 2006.

	No. of shares as at		2007	2006
	Dec. 31, 2007	Dec. 31, 2006		
------(Rupees '000)-----				
9.2.4.2 Arabian Sea Country Club	100,000	100,000	1,000	1,000
Less: Provision for diminution in value of investments			(1,000)	(1,000)
			<u>-</u>	<u>-</u>

* Net asset value per share is based on the audited financial statements for the year ended June 30, 2007.

9.2.5	Details of investments in Term Finance Certificates - Listed **	2007		2006		Rating *		Market Value		Cost	
		(No. of certificates)		2007	2006	2007	2006	2007	2006	2007	2006
------(Rupees '000)-----											
	Allied Bank Ltd.	3,000	3,000	A+	A	16,362	15,000	14,994	15,000		
	Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	4,000	4,000	A	A	6,800	13,600	6,800	13,600		
	Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	3,000	A	A	15,000	15,000	15,000	15,000		
	Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA-	AA	35,620	34,936	34,922	34,936		
	Azgard Nine Ltd.	2,000	2,000	AA-	A+	11,009	9,996	9,992	9,996		
	Bank Alfalah Ltd. - 1st issue (unsecured)	6,803	6,803	AA-	AA-	38,368	38,375	35,802	37,636		
	Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	8,079	AA-	AA-	40,349	40,364	40,349	40,364		
	Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,992	9,996	9,992	9,996		
	Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,379	17,386	17,379	17,386		
	Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	7,000	AA-	AA-	35,475	35,000	34,993	35,000		
	Chanda Oil and Gas Securitization Company Ltd.	3,448	3,448	A+	A	12,413	14,964	12,413	14,964		
	Total carried forward					<u>238,767</u>	<u>244,617</u>	<u>232,636</u>	<u>243,878</u>		



	2007 (No. of certificates)	2006	Rating *		Market Value		Cost	
			2007	2006	2007	2006	2007	2006
					------(Rupees '000)-----			
Total brought forward					238,767	244,617	232,636	243,878
Crescent Leasing Corporation Ltd. - 2nd issue	2,000	2,000	A-	A-	10,235	10,235	10,000	10,145
Crescent Standard Investment Bank Ltd.	3,000	3,000	***	***	5,568	7,069	5,568	7,069
Escorts Investment Bank Ltd.	5,000	5,000	A+	A+	24,995	25,000	24,995	25,000
First Dawood Investment Bank Ltd. - 1st issue - 2nd tranche	-	3,325	N/A	AA-	-	16,625	-	17,587
Grays Leasing Ltd - 2nd issue	2,000	-	N/A	-	10,000	-	10,000	-
IGI Investment Bank Ltd.	6,000	6,000	A+	A	29,988	30,000	29,988	30,000
Ittehad Chemicals Ltd.	3,000	3,000	A	A-	4,996	7,794	5,104	7,812
Jahangir Siddiqui & Company Ltd. - 1st issue (unsecured)	2,000	2,000	AA+	AA+	2,497	7,491	2,497	7,491
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	5,000	5,000	AA+	AA+	24,970	24,975	24,970	24,980
Jahangir Siddiqui & Company Ltd. - 3rd issue	5,000	5,000	AA+	AA+	24,990	25,000	24,990	25,000
MCB Bank Ltd. (unsecured)	1,957	1,957	A1+	AA	2,930	10,160	2,960	10,056
NIB Bank Ltd. (unsecured)	5,000	-	A	-	27,000	-	27,000	-
Pakistan Mobile Communication (Private) Ltd.	2,000	2,000	AA-	AA-	9,994	9,998	9,994	9,998
Pakistan Services Ltd.	2,987	2,987	A	A	6,653	8,870	4,433	8,883
Pharmagen Ltd.	-	5,000	-	A-	-	14,571	-	14,579
Searle Pakistan Ltd.	2,000	2,000	A-	A-	8,747	9,998	8,746	9,998
Sui Southern Gas Company Ltd. - 2nd issue - 2nd tranche	-	4,830	-	AA	-	4,504	-	3,979
Standard Chartered Bank Ltd. - 1st issue (unsecured)	8,000	8,000	AAA	A+	14,305	41,533	13,755	42,997
Standard Chartered Bank Ltd. - 2nd issue (unsecured)	2,587	2,587	AAA	A+	12,917	12,922	12,916	12,922
Standard Chartered Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	AAA	A+	55,067	49,990	49,970	49,990
Telecard Ltd.	11,530	11,530	BBB	BBB	39,699	54,024	42,010	54,024
Trust Leasing & Investment Bank Ltd. - 1st issue	4,000	4,000	AA	AA	7,630	15,297	7,914	15,181
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	5,128	5,128	AA	AA	10,256	15,382	10,256	15,384
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	6,807	6,807	AA	AA	20,421	27,228	20,421	27,228
United Bank Ltd. (unsecured)	11,000	11,000	AA	AA-	53,409	54,958	54,937	54,958
World Call Telecom Ltd.	3,727	3,727	AA-	AA-	18,628	21,435	18,627	18,635
Total investments in Term Finance Certificates - Listed					<u>664,662</u>	<u>749,676</u>	<u>654,687</u>	<u>747,774</u>

* Represents instrument rating in case of investment in term finance certificates.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.



9.2.5.1 Other particulars of listed Term Finance Certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Limited	1.90% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	Minimum 8.00% per annum. If modaraba generates profits in excess of 8.00% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from December 24, 2003.
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. -2nd Issue (unsecured)	1.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Limited	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited - 1st issue (unsecured)	1.35% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 10.00% per annum as floor and 15.00% per annum as ceiling.	Semi-annually	Six years from December 19, 2002.
Bank Alfalah Limited - 2nd issue (unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (unsecured)	1.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 1st issue (unsecured)	1.50% above 6 Months KIBOR (Floor of 3.50% per annum Cap of 10.00% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Limited - 2nd issue (unsecured)	1.95% above 6 Months KIBOR (no floor no cap).	Semi-annually	Eight years from February 7, 2007
Chanda Oil and Gas Securitisation Company Limited	3.25% over seven days average of three months KIBOR (ask side) with a floor of 8.95% per annum and a ceiling of 13.00% per annum.	*	Seven years from January 25, 2005.
Crescent Leasing Corporation Limited - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.
Crescent Standard Investment Bank Limited	2.00% over SBP discount rate with 10.50% per annum as floor and 13.50% per annum as ceiling.	Semi-annually	Four years from July 8, 2003 with call option exercisable from the eighteenth month till the expiry of thirty-sixth month from the date of public subscription with a 60 days advance notice. A call premium of 0.50% will be offered on the outstanding principal amount.

* First profit payment is payable on semi annual basis. All subsequent profit payments are due on quarterly basis.



Particulars	Rate	Profit payment	Redemption terms
Escorts Investment Bank Limited	2.50% above 6 Months KIBOR (Floor of 8.00% p.a. & cap of 17.00% p.a.) for first three years and 8.00% & 18.00% respectively for 4th and 5th year.	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
Grays Leasing Ltd - 2nd issue	2.50% above 6 Months KIBOR with no floor and no cap.	Semi-annually	Five years from January 10, 2007.
IGI Investment Bank Limited	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 28, 2006.
Ittehad Chemicals Limited	2.50% over SBP discount rate with 7.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from June 27, 2003 with call option exercisable after a period of eighteen months from the last date of public subscription with a 60 days notice period.
Jahangir Siddiqui & Company Limited - 1st issue (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 7.50% per annum as floor and 13.00% per annum as ceiling.	Semi-annually	Five years from April 18, 2003 with call option exercisable at any time after the first six months at three months notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Co Limited - 3rd issue	2.50% above 6 months KIBOR.	Semi-annually	Five and a half years from November 21, 2006.
MCB Bank Limited (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.75% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Five and a half years from August 10, 2003.
NIB Bank Ltd (unsecured)	1.15% above 6 months KIBOR	Semi-annually	Seven years from the date of issue.
Pakistan Mobile Communication (Private) Limited	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Pakistan Services Limited	2.25% over SBP discount rate with 9.75% per annum as floor and 13.75% per annum as ceiling.	Semi-annually	Five years from November 12, 2003.
Searle Pakistan Limited	2.50% above 6 Months KIBOR (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Standard Chartered Ltd - 1st issue (unsecured)	2.25% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.00% per annum as floor and 15.50% per annum as ceiling.	Semi-annually	Five and a half years from December 21, 2002.
Standard Chartered Bank Ltd - 2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut-off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Standard Chartered Bank Ltd - 3rd issue (unsecured)	1.75% above 6 months KIBOR.	Semi-annually	Seven years from February 1, 2006.



Particulars	Rate	Profit payment	Redemption terms
Telecard Limited	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Limited - 1st issue	2.00% over SBP discount rate with 9.00% per annum as floor and 14.00% per annum as ceiling.	Semi-annually	Five years from June 3, 2003 with call option exercisable at any time after two and a half years, in whole or in part, from the date of issue with a 30 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 1st Tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
United Bank Ltd (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Ltd	2.75% above 6 Months KIBOR (no floor no cap).	Semi-annually	Five years from November 28, 2006.

	Rating **		Cost			
	2007 (No. of certificates)	2006	2007	2006		
			---(Rupees '000)---			
9.2.6 Details of investments in Term Finance Certificates - Unlisted *						
Avari Hotels Ltd	5,000	-	A	-	12,667	-
Al-Noor Sugar Mills Ltd - 1st issue Second Tranche	-	2	-	A-	-	29,982
Development Securitization Trust	-	5,000	-	BBB-	-	5,556
Dewan Cement Ltd - Series A	1	1	A-	N/A	108,195	135,016
Dewan Cement Ltd - Series B	1	1	N/A	N/A	232	231
Gharibwal Cement Ltd.	5,000	5,000	A-	A-	25,000	25,000
Grays Leasing Ltd	3,000	3,000	A-	N/A	1,875	5,625
Kashf Foundation	5,000	-	A	-	10,242	-
New Khan Transport Company (Private) Ltd	10	10	N/A	N/A	5,910	8,150
Orix Leasing Pakistan Ltd	2,000	-	AA	-	10,000	-
Pakistan International Airlines Corporation Ltd	4,000	4,000	N/A	N/A	17,499	18,499
Pakistan Mobile Communications (Private) Ltd (unsecured)	5,000	5,000	N/A	N/A	10,000	20,000
Security Leasing Corporation Ltd	2,000	2,000	N/A	N/A	8,750	10,000
Trakker (Private) Ltd	2,000	-	A	-	10,000	-
Total investments in Term Finance Certificates - Un-listed					220,370	258,059

* Secured and have face value of Rs. 5,000/- each unless specified otherwise, except for New Khan Transport Company (Private) Ltd (Rs.1 million each), Dewan Cement Ltd - Series A (Rs.180.91 million each) and Dewan Cement Ltd - Series B (Rs.1.03 million each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.



9.2.6.1 Other particulars of unlisted term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Avari Hotels Ltd. Chief Executive Officer: Mr. Byram D. Avari	3.25% over six months KIBOR (ask side)	Semi-annually	Seven years from November 1, 2007.
Dewan Cement Ltd. - Series A Chief Operating Officer: Syed Muhammad Ali Khan	2.50% over six months KIBOR (ask side).	Semi-annually	Semi-annually from January 15, 2005.
Dewan Cement Ltd. - Series B Chief Operating Officer: Syed Muhammad Ali Khan	NIL	NIL	Semi-annually from January 15, 2012.
Gharibwal Cement Ltd. Chief Executive Officer: Tousif Paracha	3.00% above 6 months KIBOR.	Semi-annually	Five years from July 28, 2006.
Grays Leasing Ltd. Chief Executive Officer: Abdul Rashid Mir	3.75% over the cut off rate of last one year of Treasury Bills with 5.00% per annum as floor and 9.00% per annum as ceiling.	Semi-annually	Four years from January 13, 2004.
Kashf Foundation Chief Executive Officer: Saddafe Abid	2.45% over three months KIBOR (ask side).	Semi-annually	Three years from November 5, 2007.
New Khan Transport Company (Private) Ltd. Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Orix Leasing Pakistan Ltd. Chief Executive Officer: Humayun Murad	1.40% over six months KIBOR (ask side).	Semi-annually	Five years from July 30, 2007.
Pakistan International Airlines Corporation Ltd. Chief Executive Officer: Zaffar A. Khan	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Pakistan Mobile Communications (Private) Ltd. (unsecured) Chief Executive Officer: Zohair Khaliq	2.25% over the simple average rate of the last three cut-off rates of six month Treasury Bills with 6.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from September 16, 2003. The first installment falling due on 36th month from the date of disbursement.
Security Leasing Corporation Ltd. Chief Executive Officer: Mohd. Khalid Ali	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.
Trakker (Private) Ltd. Chief Executive Officer: Kazim Hassan Shah	3.50% over six months KIBOR (ask side).	Semi-annually	Four years from September 15, 2007.



	No. of units / certificates		Rating *		Cost			
	2007	2006	2007	2006	2007	2006	---(Rupees '000)---	
9.2.7 Details of investments in mutual funds								
Held-for-trading securities								
Open end								
Dawood Money Market Fund	-	1,904,695	-	5-star	-	-	-	200,000
Reliance Income Fund	-	2,937,623	-	N/A	-	-	-	150,000
							-	350,000
Available-for-sale securities								
	No. of units / certificates		Rating *		Market Value		Cost	
	2007	2006	2007	2006	2007	2006	2007	2006
	------(Rupees '000)-----							
Open end								
Atlas Income Fund (a related party)	476,626	60,003	5-star	5-star	250,000	31,466	250,000	30,277
Atlas Stock Market Fund (a related party)	67,033	58,195	5-star	5-star	40,342	32,175	40,000	32,416
KASB Liquid Fund	2,849,815	-	N/A	5-star	300,000	-	300,000	-
NAFA Cash Fund	28,539,899	-	5-star	5-star	300,000	-	300,000	-
Unit Trust of Pakistan - Fund of Funds	272,515	237,488	5-star	5-star	14,660	11,687	12,235	12,235
Close end								
First Dawood Mutual Fund Pakistan Strategic Allocation Fund	1,161,500	1,161,500	4-star	4-star	9,002	7,376	8,080	8,080
PICIC Energy Fund	2,566,500	2,566,500	4-star	4-star	23,355	21,815	27,214	27,215
PICIC Growth Fund	412,500	412,500	N/A	N/A	3,093	3,176	4,125	4,125
UTP-Large Capital Fund	245,000	-	2-star	-	6,983	-	8,490	-
	1,796,500	1,796,500	4-star	4-star	14,552	14,372	14,372	14,372
					961,987	122,067	964,516	128,720
Total Investments in Mutual Funds							964,516	478,720

* Represents instrument rating in case of investment in units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

	2007	2006
	------(Rupees '000)-----	
9.2.8 Unrealised (loss) / gain on revaluation of investments classified as Held-for-trading		
Listed companies (ordinary shares)	(6,772)	(14,797)
Mutual funds (units / certificates)	-	687
	(6,772)	(14,110)
9.3 Particulars of provision		
Opening Balance	8,069	-
Charge for the year	-	3,320
Reversals	(303)	-
Transferred upon amalgamation	-	4,749
Closing Balance	7,766	8,069
9.3.1 Particulars of provision in respect of Type and Segment		
Available-for-sale securities		
Term Finance Certificates - listed	6,766	7,069
Unlisted companies (ordinary shares)	1,000	1,000
	7,766	8,069



	Note	2007 ------(Rupees '000)	2006 ------(Rupees '000)
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		6,739,193	3,064,411
Outside Pakistan		-	-
		6,739,193	3,064,411
Net investment in finance lease			
In Pakistan		2,654,444	3,741,601
Outside Pakistan		-	-
	10.2	2,654,444	3,741,601
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		41,293	55,054
Payable outside Pakistan		16,708	67,323
		58,001	122,377
Financing in respect of Continuous Funding System (CFS)		234,331	896,830
Advances - gross		9,685,969	7,825,219
Provision for non-performing advances			
- specific		(474,861)	(356,678)
- general (against consumer financing)		(5,656)	(8,649)
	10.4	(480,517)	(365,327)
Advances - net of provision		9,205,452	7,459,892
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		9,669,261	7,757,896
In foreign currency		16,708	67,323
		9,685,969	7,825,219
10.1.2 Short term (for upto one year)		2,979,199	2,279,186
Long term (for over one year)		6,706,770	5,546,033
		9,685,969	7,825,219

10.2 Net investment in finance lease

	2007				2006			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees '000)							
Lease rentals receivable	414,838	1,995,039	-	2,409,877	455,017	2,976,118	-	3,431,135
Residual value	205,520	332,599	-	538,119	310,536	493,211	-	803,747
Minimum lease payments	620,358	2,327,638	-	2,947,996	765,553	3,469,329	-	4,234,882
Financial charges for future period	(31,059)	(262,493)	-	(293,552)	(64,131)	(429,150)	-	(493,281)
Present value of minimum lease payments	589,299	2,065,145	-	2,654,444	701,422	3,040,179	-	3,741,601

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Group by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.



- 10.3 Advances include Rs.775.19 million (2006: Rs.493.91 million) which have been placed under non-performing status as detailed below:

Category of classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	291,487	-	291,487	74,107	-	74,107	74,107	-	74,107
Doubtful	166,698	-	166,698	83,712	-	83,712	83,712	-	83,712
Loss	317,005	-	317,005	317,042	-	317,042	317,042	-	317,042
	<u>775,190</u>	<u>-</u>	<u>775,190</u>	<u>474,861</u>	<u>-</u>	<u>474,861</u>	<u>474,861</u>	<u>-</u>	<u>474,861</u>

- 10.3.1 During the year, the SBP vide its BSD Circular No. 7 dated October 12, 2007, has amended Prudential Regulation in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2007, prohibit consideration of forced sale value of collateral held by the Group in determining the amount of provision against non-performing advances except in case of housing finance. Accordingly, the above change in regulation has resulted in additional provisioning of Rs.80.06 million against non-performing advances and a consequent increase in loss after tax for the current year by Rs.52.04 million.

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

- 10.4 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	356,678	8,649	365,327	10,421	3,044	13,465
Charge for the year	329,435	-	329,435	55,830	-	55,830
Reversals	(54,686)	(2,993)	(57,679)	-	(955)	(955)
	274,749	(2,993)	271,756	55,830	(955)	54,875
Amount written off	(156,566)	-	(156,566)	(673)	-	(673)
Transferred upon amalgamation	-	-	-	291,100	6,560	297,660
Closing balance	<u>474,861</u>	<u>5,656</u>	<u>480,517</u>	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>

- 10.4.1 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
In local currency	474,861	5,656	480,517	356,678	8,649	365,327
In foreign currency	-	-	-	-	-	-
	<u>474,861</u>	<u>5,656</u>	<u>480,517</u>	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>

- 10.5 Particulars of write offs
- | | 2007 | 2006 |
|---|---------------------------|------------|
| | ----- (Rupees '000) ----- | |
| 10.5.1 Against provisions | 156,566 | 673 |
| Directly charged to profit and loss account | 5 | - |
| | <u>156,571</u> | <u>673</u> |
| 10.5.2 Write offs of Rs.500,000 and above | 153,994 | 673 |
| Write offs of below Rs.500,000 | 2,577 | - |
| | <u>156,571</u> | <u>673</u> |



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

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

2007 2006
------(Rupees '000)-----

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

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

Balance at beginning of year	18,669	564
Transferred upon amalgamation	-	18,122
Loans granted during the year	102,549	1,368
Repayments	(6,231)	(1,385)
Balance at end of year	114,987	18,669

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

Balance at beginning of year	70,994	-
Transferred upon amalgamation	-	25,510
Loans granted during the year	165,576	51,110
Repayments	(14,396)	(5,626)
Balance at end of year	222,174	70,994

Debts due by other related parties

Balance at beginning of year	1,116	-
Transferred upon amalgamation	-	1,389
Loans granted during the year	-	-
Repayments	(1,116)	(273)
Balance at end of year	-	1,116
	337,161	90,779

11. OPERATING FIXED ASSETS

	Note	2007 ------(Rupees '000)-----	2006 -----
Capital work-in-progress	11.1	364,513	62,015
Property and equipment - own use	11.2	399,758	175,341
Property and equipment - operating lease	11.3	30,859	34,319
Intangible assets	11.4	197,016	197,782
		<u>992,146</u>	<u>469,457</u>
11.1 Capital work-in-progress			
Civil works		161,078	19,863
Equipment		41,583	7,193
Advances to suppliers and contractors		161,852	34,959
		<u>364,513</u>	<u>62,015</u>

11.2 Property and equipment - own use

	2007							
	COST			ACCUMULATED DEPRECIATION				
	As at January 1, 2007	Additions / (Deletions) / (Adjustments)*	As at December 31, 2007	As at January 1, 2007	Charge for the year / (Deletions) / (Adjustments)*	As at December 31, 2007	Book value as at December 31, 2007	Rate of Depreci- ation (%)
	------(Rupees '000)-----							
Furniture, fixtures and equipment	62,625	61,610 (31)	124,204	8,138	7,670 (4)	15,804	108,400	10-15
Vehicles	45,120	142,879 (18,178)	169,821	4,576	17,371 (2,803)	19,144	150,677	20
Leasehold improvements	45,764	45,833 (117)*	91,480	4,444	5,946 (13)*	10,377	81,103	10
Computer and allied equipment	56,921	35,443	92,364	17,931	14,855	32,786	59,578	30
December 31, 2007	210,430	285,765 (18,209) (117)*	477,869	35,089	45,842 (2,807) (13)*	78,111	399,758	

	2006								
	COST			ACCUMULATED DEPRECIATION					
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Depreci- ation (%)
	------(Rupees '000)-----								
Furniture, fixtures and equipment	20,048	18,694	23,883	62,625	4,717	3,421	8,138	54,487	10
Vehicles	12,644	25,662 (8,887)	15,701	45,120	3,783 (3,735)	4,528	4,576	40,544	20
Leasehold improvements	11,237	11,632	22,895	45,764	1,771	2,673	4,444	41,320	10
Computer and allied equipment	21,729	14,534	20,658	56,921	9,990	7,941	17,931	38,990	30
December 31, 2006	65,658	70,522 (8,887)	83,137	210,430	20,261 (3,735)	18,563	35,089	175,341	

11.2.1 Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs.14.76 million (2006: Rs.14.76 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.



11.3 Property and equipment - operating lease

	2007								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2007	Rate of Depreciation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
Equipment	35,667	-	35,667	1,486	3,418	4,904	30,763	10	
Computer and allied equipment	158	-	158	20	42	62	96	30	
December 31, 2007	35,825	-	35,825	1,506	3,460	4,966	30,859		

	2006								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2006	Rate of Depreciation (%)
	As at January 1, 2006	Acquired upon amalgamation	Additions	As at December 31, 2006	As at January 1, 2006	Charge for the year	As at December 31, 2006		
Equipment	-	35,667	-	35,667	-	1,486	1,486	34,181	10
Computer and allied equipment	-	158	-	158	-	20	20	138	30
December 31, 2006	-	35,825	-	35,825	-	1,506	1,506	34,319	

11.4 Intangible assets

	2007								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2007	Rate of Amortisation (%)
	As at January 1, 2007	Additions	As at December 31, 2007	As at January 1, 2007	Charge for the year	As at December 31, 2007			
Computer softwares	39,261	6,435	45,696	18,279	7,336	25,615	20,081	30	
Cards (Note 11.4.1)	110,000	-	110,000	-	-	-	110,000	-	
Website cost	-	150	150	-	15	15	135	30	
Tenancy rights (Note 11.4.2)	66,800	-	66,800	-	-	-	66,800	-	
December 31, 2007	216,061	6,585	222,646	18,279	7,351	25,630	197,016		

	2006								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2006	Rate of Amortisation (%)
	As at January 1, 2006	Acquired upon amalgamation	Additions	As at December 31, 2006	As at January 1, 2006	Charge for the year	As at December 31, 2006		
Computer softwares	26,032	4,147	9,082	39,261	15,121	3,158	18,279	20,982	30
Cards	-	110,000	-	110,000	-	-	-	110,000	-
Tenancy rights	51,800	15,000	-	66,800	-	-	-	66,800	-
December 31, 2006	77,832	129,147	9,082	216,061	15,121	3,158	18,279	197,782	

11.4.1 These represents membership cards of Karachi, Lahore and Islamabad Stock Exchanges. These have an indefinite useful life and are carried at cost and not amortised.

11.4.2 This represents the consideration paid by the Group in connection with the transfer of tenancy rights in favour of the Group in respect of the property situated at the Karachi Stock Exchange. The ownership of the property rests with Karachi Stock Exchange and the afore-mentioned payments have only been made for the right to occupy the premises for the purposes of the Group's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

(Rupees '000)

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of purchaser
Vehicles	360	30	330	330	-	Bank policy	Mr. Adnan Zia Employee
	660	86	574	574	-	---- do----	---- do----
	305	25	280	280	-	---- do----	Mr. Khawar Saeed Employee
	683	99	584	584	-	---- do----	Mr. Zubair Aziz Employee
	521	83	438	438	-	---- do----	Ms. Afshan Waheed Employee
	875	73	802	802	-	---- do----	Mr. Kashif Hafeez Employee
	288	46	242	242	-	---- do----	Mr. Syed Asim Mehmood Employee
	660	55	605	605	-	---- do----	---- do----
	305	39	266	266	-	---- do----	Mr. Khalid Kamal Employee
	417	73	344	344	-	---- do----	Mr. Rizwan Ahmed Employee
	305	72	233	233	-	---- do----	Mr. Fahim Qureshi Employee
	660	121	539	539	-	---- do----	Mr. Bu Ali Khan Employee
	244	43	201	201	-	---- do----	Mr. Yousuf Ali Employee
	35	7	28	39	11	---- do----	Syed Amjad Ali Employee
	459	77	382	382	-	---- do----	Mr. Zafeer Bukhari Ex-Employee
	367	97	270	270	-	---- do----	Mr. Usman Ali Qureshi Employee
	367	92	275	275	-	---- do----	Mr. Amjad Iqbal Employee
	487	81	406	406	-	---- do----	Mr. Asim Aslam Employee
	596	105	491	491	-	---- do----	Mr. Kashif Yasin Employee
	390	92	298	298	-	---- do----	Mr. Kamran Naqvi Employee
Total carried forward	8,984	1,396	7,588	7,599	11		



Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of disposal	Particulars of purchaser
Total brought forward	8,984	1,396	7,588	7,599	11		
	404	40	364	364	-	---- do----	Ms. Paras Gujjar Ex-Employee
	665	176	489	489	-	---- do----	Mr. Faisal Qamar Khan Employee
	1,022	312	710	710	-	---- do----	Mr. Hashim Raza Zaidi Ex-Employee
	49	12	38	38	-	---- do----	Mr. Khalid Khan Employee
	474	-	474	474	-	Transfer	Atlas Battery Ltd. (Related Party) F-36, Estate Avenue, SITE, Karachi
	423	48	375	375	-	---- do----	----- do-----
	1,888	215	1,673	1,673	-	---- do----	----- do-----
	365	88	277	321	44	Tender	Mr. Manzoor Ahmed Khan House No. 166, PECHS Block-2, Karachi.
	365	87	278	321	43	---- do----	----- do-----
	366	87	279	322	43	---- do----	Faysal Bank Limited Main Shahrah-e-Faisal, Karachi
	655	54	601	588	(13)	---- do----	Mr. Muhammad Farooq Flat No. F-12, Saima Classic Main Rashid Minhas Road, Karachi.
	1,477	-	1,477	1,557	80	Negotiation	Mr. Abdul Sattar Kerio, Kerio House, Housing Society Moh. Society, Nawabshah.
	1,041	289	752	865	113	---- do----	Mr. M. Arshad Khan Employee
Sub Total	18,178	2,803	15,375	15,696	321		
Office equipment:							
Air conditioner	31	4	27	4	(23)	Tender	Mr. Muhammad Arshad Employee
Sub Total	31	4	27	4	(23)		
Grand Total	18,209	2,807	15,402	15,700	298		



Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
12. DEFERRED TAX ASSETS / (LIABILITIES) - net		
Differences in accounting base and tax base		
Deferred tax debits arising in respect of:		
- Provision against other assets	-	2,828
- Employee benefits	5,208	4,754
- Deficit on revaluation of investments	25,535	31,724
- Provision against advances	2,890	104,587
- Tax losses	471,334	145,783
- Other deductible temporary differences	3,416	1,775
	508,383	291,451
Deferred tax credit arising due to:		
- operating fixed assets	(48,200)	(24,698)
- net investment in finance lease	(291,058)	(344,898)
	(339,258)	(369,596)
	<u>169,125</u>	<u>(78,145)</u>

The above net deferred tax asset has been recognised in accordance with the Group's accounting policy as stated in note 5.9 to the financial statements. The management based on financial projections and business plan, estimates that sufficient taxable profits would be available in future against which the deferred tax asset could be realised.

13. OTHER ASSETS

Income / Mark-up accrued in local currency		219,725	148,400
Income / Mark-up accrued in foreign currency		-	149
Advances, deposits and other prepayments	13.1	210,459	110,239
Advance taxation (payments less provisions)		94,623	90,038
Branch adjustment account		-	22,532
Stationery and stamps on hand		2,881	1,409
Deferred costs	13.2	-	25,609
Goodwill	13.3	516,498	516,498
Receivable against sale of securities		1,100	34,926
Receivable from brokers		4,468	6,542
Receivable from clients		2,259,234	535,525
Deposit with stock exchanges		110,805	89,241
Derivatives - equity futures		5,529	8,819
Brokerage commission receivable		3,793	1,051
Receivable from stock exchanges		190,015	-
Other charges recoverable from lessees		4,856	6,446
Others		2,144	12,580
		3,626,130	1,610,004
Less: Provision held against other assets	13.4	(18,417)	(20,193)
Other assets (net of provision)		<u>3,607,713</u>	<u>1,589,811</u>
13.1 Advances			
for purchase of land	13.1.1	32,000	32,000
office rent		146,328	52,017
others		4,344	1,978
Security deposits		22,541	15,159
Prepayments		5,246	9,085
		<u>210,459</u>	<u>110,239</u>



13.1.1 This represents consideration amount deposited in a Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property has been challenged by the judgment debtors in the Honourable Lahore High Court. In case the High Court accepts the appeal, the purchase price shall be refunded to the Bank.

	Note	2007 ------(Rupees '000)-----	2006
13.2 Balance at the beginning of the year		25,609	37,107
Amortisation for the year	5.2	(25,609)	(11,498)
Balance at the end of the year		-	25,609

13.2.1 During the year, the Bank has revised the accounting estimate regarding the amortisation of deferred cost. The said cost has been fully amortised in the current year as against the previous amortisation pattern which would have resulted in full amortisation of the cost in 5 years from the date of incurrence.

Had there been no change in the above accounting estimate, total assets would have been higher by Rs.14.11 million and the loss before tax for the year would have been lower by Rs.14.11 million.

13.3 Goodwill

Cost

As at the beginning of the year	516,498	-
Acquisition	-	538,954
As at the end of the year	516,498	538,954
Amortization & Impairment		
Amortization charge for the year	-	(22,456)
At the end of the year	-	(22,456)
Net book value	516,498	516,498

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the following cash generating units:

- Commercial Banking
- Trading & Sales

The carrying amount of goodwill allocated to each of the cash generating units is as follows:

Commercial Banking	309,899	309,899
Trading & Sales	206,599	206,599

Key assumptions used in value in use calculations

The recoverable amount of both the cash generating units have been determined based on a value in use calculation, using cash flow projections based on business plans approved by the Board of Directors covering a six year period. The discount rate applied to cash flow projections beyond the six year period are extrapolated using a terminal growth rate. The following rates are used by the Bank:



	Commercial Banking		Trading & Sales	
	2007	2006	2007	2006
Discount rate - discrete period	24.90%	-	22.40%	-
Terminal growth rate	10.00%	-	10.00%	-

The calculation of value in use for both the cash generating units is most sensitive to the following assumptions:

- Interest margins;
- Discount rate;
- Key business assumptions during the projected period.

Interests margins

Interest margins are based on prevailing industry trends and anticipated market conditions.

Discount rates

Discount rates reflect management estimates of the rate of return for each business and are calculated after taking into account the prevailing risk free rate, industry risk and business risk. Discount rates are calculated by using the cost of equity.

Key business assumptions

These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's position might change over the projected period. Management expects Commercial Banking and Trading & Sales, particularly advances, deposits and other accounts and investment to grow aggressively during the projected period and thereafter stabilize in line with industry trends.

Sensitivity to changes in assumptions

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amounts will not result in an impairment of goodwill.

	2007	2006
	------(Rupees '000)-----	
13.4 Provision against other assets		
Opening balance	20,193	-
Charge for the year	-	-
Reversals	-	-
Amount written off	(1,776)	-
Transferred upon amalgamation	-	20,193
	<u>18,417</u>	<u>20,193</u>
14. BILLS PAYABLE		
In Pakistan	288,907	50,158
Outside Pakistan	-	-
	<u>288,907</u>	<u>50,158</u>
15. BORROWINGS		
In Pakistan	1,447,285	4,125,949
Outside Pakistan	46,574	-
	<u>1,493,859</u>	<u>4,125,949</u>



	Note	2007 ------(Rupees '000)-----	2006
15.1 Particulars of borrowings with respect to currencies			
In local currency		1,447,285	4,125,949
In foreign currencies		46,574	-
		<u>1,493,859</u>	<u>4,125,949</u>
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	15.2.1	224,568	425,835
Borrowings from banks	15.2.2	405,910	1,637,402
Repurchase agreement borrowings	15.2.3	716,807	1,962,712
		<u>1,347,285</u>	<u>4,025,949</u>
Unsecured			
Call borrowings		-	-
Loan from a related party	15.2.4	100,000	100,000
Overdrawn nostro accounts		46,574	-
		<u>1,493,859</u>	<u>4,125,949</u>

15.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2006: 7.50%) per annum having maturities upto June 2008.

15.2.2 Secured	15.2.2.1		
Loan 1	15.2.2.2	41,667	208,333
Loan 2	15.2.2.3	75,000	225,000
Loan 3	15.2.2.4	200,000	466,667
Loan 4		-	83,333
Loan 5		-	4,167
Loan 6		-	100,000
Loan 7		-	50,000
Running finance facility		-	499,902
Running finance facility 1	15.2.2.5	39,143	-
Running finance facility 2	15.2.2.6	50,100	-
		<u>405,910</u>	<u>1,637,402</u>

15.2.2.1 Loan 1 is secured against hypothecation of receivables against term finances. Loan 2 is secured 50% by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank, demand promissory notes and 50% by hypothecation of receivables against term finances. Loan 3 is secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank and demand promissory notes.

15.2.2.2 This represents the balance of a loan facility of Rs.500 million obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from June 19, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.

15.2.2.3 This represents the balance of a loan facility of Rs.450 million obtained from a banking company. The loan is repayable in 6 semi annual installments which commenced from September 29, 2005 and carries mark-up at the base rate plus 1.00% per annum with no floor and no cap. Base rate shall be six months average KIBOR (ask side) prevailing on the last working day of the preceding six months period for the mark-up due at the end of that period.



- 15.2.2.4 This represents the balance of a loan facility of Rs.800 million obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from December 27, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.
- 15.2.2.5 This represents running finance facility of Rs.200 million obtained from a banking company and is secured against pledge of securities to meet the working capital requirements. It carries mark-up rate of three months average KIBOR (ask side) plus 2.50% per annum with no floor and cap. The mark-up is repayable quarterly. This arrangement is valid till January 31, 2008.
- 15.2.2.6 This represents running finance facility of Rs.150 million obtained from a banking company and is secured against hypothecation of amount due from customers to meet the working capital requirements. It carries mark-up rate of three months average KIBOR (ask side) plus 2.50% per annum with no floor and cap. The mark-up is repayable quarterly. This arrangement is valid till July 25, 2008.
- 15.2.3 These represent borrowings at rates ranging from 9.35% to 9.60% (2006: 8.50% to 9.50%) per annum having maturities upto March 2008.
- 15.2.4 This has been obtained from a related party. The loan is repayable over a term of 3 years in March 2009 and carries mark-up at six months average KIBOR (ask side) plus 1.50% per annum with no floor and cap.

2007 2006
------(Rupees '000)-----

16. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	3,693,681	2,412,613
Savings deposits	3,305,673	929,567
Current accounts – Non-remunerative	1,193,163	399,540
Margin and other accounts – Non-remunerative	185,066	23,404
	<u>8,377,583</u>	<u>3,765,124</u>

Financial Institutions

Remunerative deposits	6,800,534	5,071,593
Non-remunerative deposits	142,723	6,229
	<u>6,943,257</u>	<u>5,077,822</u>
	<u>15,320,840</u>	<u>8,842,946</u>

16.1 Particulars of deposits

In local currency	15,132,791	8,734,074
In foreign currencies	188,049	108,872
	<u>15,320,840</u>	<u>8,842,946</u>

17. OTHER LIABILITIES

Mark-up / return / interest payable in local currency	215,622	150,606
Mark-up / return / interest payable in foreign currency	1,032	879
Accrued expenses	23,765	17,718
Payable to BOC, Colombo	20,611	20,611
Branch adjustment account	14,346	-
Retention money	3,185	856
Payable to staff gratuity fund	3,060	861
Security deposits against leases	527,317	783,872
Provision for employee compensated absences	19,573	18,749
Payable to creditors	10,825	9,280
Payments from clients / lessees received on account	39,173	31,190
Payable to brokerage house clients	2,196,360	292,957
Payable to stock exchanges	-	123,605
Others	15,658	14,376
	<u>3,090,527</u>	<u>1,465,560</u>



18. SHARE CAPITAL

18.1 Authorised capital				2007	2006	
	2007	2006				
	Number of shares		Note	----- (Rupees '000) -----		
	<u>700,000,000</u>	<u>500,000,000</u>	Ordinary shares of Rs 10/- each	1.5	7,000,000	5,000,000
18.2 Issued, subscribed and paid-up capital						
	341,254,985	153,700,000	Fully paid in cash		3,412,550	1,537,000
	158,891,642	158,891,642	Issued for consideration other than cash		1,588,916	1,588,916
	<u>500,146,627</u>	<u>312,591,642</u>			<u>5,001,466</u>	<u>3,125,916</u>
Shares held by associates and related parties are disclosed in pattern of share holding.						
18.3 Share premium on right issue						
				18.3.1	591,548	-
			Less: share issue costs		(14,011)	-
					<u>577,537</u>	<u>-</u>

During the year, the Bank issued 187,554,985 ordinary shares, of the face value of Rs.10/- each, as right shares. The said right issue includes 124,536,510 ordinary shares subscribed by DEG at a premium of Rs.4.75 per share. Accordingly, the aggregate amount of the premium received has been taken to the share premium account in accordance with the provisions of section 83 of the Companies Ordinance, 1984.

18.3.1 This includes stamp duty and other direct costs incurred in relation to the right issue. These costs have been charged against share premium in accordance with the provisions of Sec. 83(2) of the Companies Ordinance, 1984.

19. DEFICIT ON REVALUATION OF ASSETS - net of tax

Available for sale securities

Government securities	(102,141)	(124,759)
Listed companies (ordinary shares)	(6,726)	(20,007)
Mutual funds (units / certificates)	(2,529)	(6,653)
Term Finance Certificates	9,975	1,902
	<u>(101,421)</u>	<u>(149,517)</u>
Related deferred taxation	25,535	31,724
	<u>(75,886)</u>	<u>(117,793)</u>

2007 2006
------(Rupees '000)-----

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

Includes general guarantees of indebtedness, bank acceptances and standby letters of credit serving as financial guarantees issued in favour of :

i) Government	236,030	-
ii) Banking companies and other financial institutions	-	-
iii) Others	327,560	910,507
	563,590	910,507

20.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, shipping guarantees and stand by letters of credit etc. favouring:

i) Government	160,474	8,958
ii) Banking companies and other financial institutions	102,832	2,102
iii) Others	313,593	45,320
	576,899	56,380

20.3 Trade related contingent liabilities

1,523,416 568,967

20.4 Other contingencies

- underwriting of shares and modaraba certificates	10,000	15,000
- underwriting of TFCs	80,000	60,000

20.5 Commitment in respect of forward lending

- commitment to extend credits	1,860,429	1,253,189
- financing in respect of continuous funding system	-	440,975

20.6 Commitment in respect of forward exchange contracts

- purchase	344,464	106,653
- sale	606,971	-

20.7 Commitment for the acquisition of operating fixed assets

228,183 27,819

20.8 Other commitments for

- purchase of securities	62,090	40,000
- sale of listed shares under futures contract	108,154	308,677

21. DERIVATIVE INSTRUMENTS

The Group carried out derivative transactions in respect of forward foreign exchange contracts and equity futures. The Group has not entered into interest rate swaps, forward rate agreements or FX options during the year.

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

The Asset Liability Committee regularly reviews the Group's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Group has established trading limits, allocation processes, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are prescribed in note 5.12.



	Note	2007 ------(Rupees '000)-----	2006
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		783,206	456,655
Financial institutions		6,843	1,771
On investments in:			
Available-for-sale securities		287,110	91,795
Held-to-maturity securities		14,753	47,900
On deposits with financial institutions		104,686	143,657
On securities purchased under resale agreements		123,966	148,654
		<u>1,320,564</u>	<u>890,432</u>
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		1,033,332	560,941
Securities sold under repurchase agreements		120,933	97,181
Pledge cost		6,747	5,312
Borrowings from banks		98,356	75,063
Other short term borrowings		57,293	39,861
		<u>1,316,661</u>	<u>778,358</u>
24. GAIN ON SALE / REDEMPTION OF SECURITIES			
Listed companies (ordinary shares)		123,511	50,867
Mutual funds (units / certificates)		166,950	23,273
		<u>290,461</u>	<u>74,140</u>
25. OTHER INCOME			
Net profit on sale of fixed assets	11.5	298	905
Profit on receivable from brokerage house clients		17,485	10,422
Others	25.1	23,740	14,861
		<u>41,523</u>	<u>26,188</u>
25.1		Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.	
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		336,643	106,025
Charge for defined benefit plan	32.1.4	3,171	1,111
Contribution to defined contribution plan		14,926	4,812
Non executive directors' fees		220	80
Rent, taxes, insurance, electricity, etc.		132,937	61,962
Legal and professional charges		14,098	23,531
Communications		53,704	22,531
Repairs and maintenance		25,404	11,052
Stationery and printing		13,474	6,291
Advertisement and publicity		10,559	8,670
Auditors' remuneration	26.1	6,085	3,591
Depreciation	11.2 & 11.3	49,302	20,069
Amortisation	26.2	32,960	37,112
Brokerage and commission		6,973	10,960
Travelling and motor car expenses		32,839	8,771
Entertainment		3,435	1,598
Fee and subscription		24,096	6,476
Security services		4,870	2,612
Others		2,907	1,435
		<u>768,603</u>	<u>338,689</u>



	Note	2007 ------(Rupees '000)-----	2006
26.1 Auditors' remuneration			
Audit fee - statutory		1,250	1,100
Review of half yearly financial statements		250	150
Special audit, certifications and other advisory services		3,918	1,901
Tax services		330	122
Out-of-pocket expenses		337	318
		<u>6,085</u>	<u>3,591</u>
26.2 Amortisation			
Intangible assets	11.4	7,351	3,158
Deferred cost	5.2	25,609	11,498
Goodwill	5.1	-	22,456
		<u>32,960</u>	<u>37,112</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		<u>3,377</u>	<u>524</u>
28. TAXATION			
Current	28.1	31,332	15,285
Prior year		(1,377)	(105,934)
Deferred		(253,458)	(45,204)
		<u>(223,503)</u>	<u>(135,853)</u>

28.1 The Bank's charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting loss is not presented. During the year the Seventh Schedule (the Schedule) to the Income Tax Ordinance, 2001 has been introduced for taxation of banks in Pakistan. The Schedule is effective from January 1, 2008 and does not contain any transitory provisions. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the Bank's management is confident that such provisions will be enacted in the Schedule. However, the Bank's management considers that the new tax law would have no material implication on the current and deferred taxation as included in these financial statements.

28.2 In respect of the assessment years 1997-1998 to 2002-2003, tax years 2003 and 2004, the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date. However, the Bank's management considers that the new tax law would have no material implication on the current and deferred taxation as included in these financial statements.

According to the legal counsel of the Bank, considering the latest judgment of the Honourable Lahore High Court in a similar case, the action of the tax department will not stand the test of appeal and that there will be favourable outcome on all the issues as the findings of CIT(A) are based on judgments passed by Higher Courts. In view of the above, the management believes that the outcome of the above pending assessments would be favourable and hence, no provision has been made in respect of the above in these financial statements.



	Note	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
29. BASIC AND DILUTED EARNINGS PER SHARE			
(Loss) / profit after taxation for the year		<u>(296,390)</u>	<u>22,352</u>
		Number of shares in thousand	
		Restated	
Weighted average number of ordinary shares in issue	29.1	<u>333,670</u>	<u>242,204</u>
		------(Rupee)-----	
		Restated	
(Loss) / earnings per share - basic and diluted		<u>(0.89)</u>	<u>0.09</u>

29.1 The weighted average number of ordinary shares for 2006 have been adjusted for the effects of bonus element included in right issue.

		2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	<u>1,501,363</u>	<u>601,081</u>
Balances with other banks	7	<u>229,873</u>	<u>405,523</u>
		<u>1,731,236</u>	<u>1,006,604</u>
31. STAFF STRENGTH			
		Number of staff	
Permanent		<u>670</u>	<u>278</u>
Temporary / on contractual basis		<u>189</u>	<u>29</u>
Total staff strength		<u>859</u>	<u>307</u>

32. DEFINED BENEFIT AND CONTRIBUTION PLANS

32.1 *Defined benefit plan*

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Group's defined benefit plan based on Projected Unit Credit Method was carried out at December 31, 2007. Following are the significant assumptions used in the actuarial valuation:

	2007	2006
Discount rate - percent (per annum)	<u>10</u>	<u>10</u>
Expected rate of return on plan assets - percent (per annum)	<u>10</u>	<u>10</u>
Long term rate of salary increase - percent (per annum)	<u>9</u>	<u>9</u>

32.1.2 Reconciliation of payable to defined benefit plan

	2007 ------(Rupees '000)-----	2006 ------(Rupees '000)-----
Present value of defined benefit obligation	<u>20,545</u>	<u>21,743</u>
Fair value of plan assets	<u>(17,554)</u>	<u>(14,994)</u>
Net actuarial loss recognised	<u>(6,169)</u>	<u>(5,888)</u>
Payable to related party in respect of employees transferred	<u>6,238</u>	<u>-</u>
	<u>3,060</u>	<u>861</u>



	2007 ------(Rupees'000)-----	2006 -----
32.1.3 Movement in payable to defined benefit plan		
Opening balance	861	457
Charge for the year	3,171	1,341
Contribution to fund made during the year	(972)	(1,908)
Transferred on amalgamation	-	971
Closing balance	<u>3,060</u>	<u>861</u>
32.1.4 Charge for defined benefit plan		
Current service cost	2,199	867
Interest cost	2,339	640
Expected return on plan assets	(1,615)	(402)
Actuarial loss recognised	248	6
Charge for the year	<u>3,171</u>	<u>1,111</u>
32.1.5 Actual return on plan assets	<u>1,634</u>	<u>439</u>
32.1.6 Movement in present value of defined benefit obligation		
Defined benefit obligation as at beginning of the year	7,525	6,251
Service cost	2,199	867
Interest cost	2,339	640
Actuarial loss on obligation	501	524
Benefits paid during the year	-	(411)
Payable to related party in respect of employees transferred	(6,238)	-
Defined benefit obligation as at end of the year	<u>-</u>	<u>(346)</u>
	<u>6,326</u>	<u>7,525</u>
32.1.7 Movement in fair value of plan assets		
Fair value of plan assets as at beginning of the year	14,994	1,372
Expected return on plan assets	1,373	311
Transfer of Atlas Investment Bank assets	-	12,032
Profit of capital market	233	79
Actuarial (loss)/gain on plan assets	(18)	49
Contribution to fund made during the year	972	1,908
Benefits paid during the year	-	(757)
Fair value of plan assets as at end of the year	<u>17,554</u>	<u>14,994</u>
32.1.8 Annual Actuarial losses / (gains)		
Experience loss on obligation	501	525
Assumptions (gain) / loss on obligation	-	-
Experience loss / (gain) on plan asset	18	(49)
Total loss during the year	<u>519</u>	<u>476</u>
	2007	2006
32.1.9 Categories of plan assets as a percentage of fair value of total plan assets		
Fixed income	58%	71%
Cash	3%	1%
Mutual Funds	39%	28%
Total	<u>100%</u>	<u>100%</u>

32.2 Defined contribution plan

The general description of the plan is included in note 5.11.



33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	------(Rupees '000)-----					
Managerial remuneration	7,210	5,516	832	2,651	86,267	24,884
Retirement benefits	690	514	80	199	7,474	2,192
Rent and house maintenance	2,821	1,743	325	814	32,676	9,737
Utilities	627	387	72	181	7,261	2,164
Medical	77	6	-	86	1,500	122
Conveyance	-	22	-	-	4	44
	<u>11,425</u>	<u>8,188</u>	<u>1,309</u>	<u>3,931</u>	<u>135,182</u>	<u>39,143</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>70</u>	<u>24</u>

In addition to the above, the Chief Executive Officer and certain executives have been provided with free use of Group's vehicles and other benefits under the service contracts.

Fee paid to non-executive directors amounts to Rs.0.22 million (2006: Rs.0.08 million) during the year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
	----- (Rupees '000) -----			
Assets				
Cash and balances with treasury banks	1,501,363	1,501,363	601,081	601,081
Balances with other banks	229,873	229,873	405,523	405,523
Lendings to financial institutions	4,427,824	4,427,824	3,500,844	3,500,844
Investments	5,271,201	5,271,201	3,548,110	3,548,110
Advances	9,205,452	9,205,452	7,037,960	7,037,960
Other assets	2,828,829	2,828,794	870,060	870,060
	<u>23,464,542</u>	<u>23,464,507</u>	<u>15,963,578</u>	<u>15,963,578</u>
Liabilities				
Bills payable	288,907	288,907	50,158	50,158
Borrowings	1,493,859	1,493,859	4,125,949	4,125,949
Deposits and other accounts	15,320,840	15,320,840	8,842,946	8,842,946
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	2,487,685	2,487,685	650,497	650,497
	<u>19,591,291</u>	<u>19,591,291</u>	<u>13,669,550</u>	<u>13,669,550</u>

34.2 Off-balance sheet financial instruments

	2007		2006	
	Book Value	Fair Value	Book Value	Fair Value
----- (Rupees '000) -----				
Underwriting of shares and modaraba certificates	10,000	10,000	15,000	15,000
Underwriting of TFCs	80,000	80,000	60,000	60,000
Forward purchase of foreign exchange	344,464	347,489	106,653	106,533
Forward sale of foreign exchange	606,971	610,031	-	-
Sale of listed shares under futures contract	108,154	102,624	308,677	308,677
Financing in respect of continuous funding system	-	-	440,975	440,975
Forward lending	1,860,429	1,860,429	1,253,189	1,253,189
Purchase of securities	62,090	62,090	40,000	40,000

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on its net assets value of the investee. Fair value of Government securities is determined using PKRV rates as at December 31, 2007.

The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.6 of these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Others
----- (Rupees in '000) -----								
December 31, 2007								
Total income	1,851	407,783	1,054,800	196,613	1,196	368	173,041	4,554
Total expenses	-	247,348	1,435,918	540,837	-	-	135,996	-
Net income / (loss) before tax	1,851	160,435	(381,118)	(344,224)	1,196	368	37,045	4,554
Segment Assets	-	1,876,858	17,018,272	1,661,247	-	-	2,939,082	1,909,238
Segment Non Performing Loans	-	-	85,671	689,519	-	-	-	-
Segment Provision Required	-	-	80,256	394,605	-	-	-	-
Segment Liabilities	-	1,008,864	16,003,573	767,621	-	-	2,399,196	14,879
Segment Return on Assets (ROA) (%)	-	1.81%	-3.35%	-4.97%	-	-	0.84%	-
Segment Cost of funds (%)	-	9.65%	9.45%	9.73%	-	-	12.88%	-
December 31, 2006								
Total income	585	617,153	54,409	310,415	503	5	79,195	-
Total expenses	-	467,873	178,846	472,996	-	-	56,051	-
Net income / (loss) before tax	585	149,280	(124,437)	(162,581)	503	5	23,144	-
Segment Assets	-	7,961,803	989,995	6,752,435	-	-	1,328,378	542,107
Segment Non Performing Loans	-	-	41,478	452,433	-	-	-	-
Segment Provision Required	-	-	20,013	336,665	-	-	-	-
Segment Liabilities	-	7,146,348	728,193	6,146,393	-	-	541,824	-
Segment Return on Assets (ROA) (%)	-	1.87%	-12.57%	-2.41%	-	-	1.74%	-
Segment Cost of funds (%)	-	10.65%	9.12%	9.46%	-	-	11.29%	-



36. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, staff retirement funds, key management personnel and major shareholders of the Bank.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2007	2006
	------(Rupees '000)-----	
<u>Key management personnel</u>		
Advances		
As at Jan, 01	16,397	363
Disbursements	36,369	-
Transferred upon amalgamation	-	17,197
Repayments	(3,840)	(1,163)
As at Dec, 31	<u>48,926</u>	<u>16,397</u>
Deposits		
As at Jan, 01	6,176	-
Transferred upon amalgamation	-	2,864
Receipts	351,921	15,051
Withdrawals	(337,452)	(11,739)
As at Dec, 31	<u>20,645</u>	<u>6,176</u>
Mark-up / return / interest earned	1,731	508
Mark-up / return / interest expensed	723	79
Shares issued	-	1,096,220
Brokerage income	633	1,118
<u>Employee benefit plans</u>		
Payments to Atlas Bank Limited - Employees Gratuity Fund	972	1,908
Payments to Atlas Bank Limited - Employees Provident Fund	12,782	4,099
<u>Entities having directors in common with the Group</u>		
Advances		
As at Jan, 01	52,865	-
Transferred upon amalgamation	-	32,981
Disbursements	176,740	25,510
Repayments	(23,275)	(5,626)
As at Dec, 31	<u>206,330</u>	<u>52,865</u>
Running Finance	74,844	18,129

	2007	2006
	------(Rupees '000)-----	
Deposits		
As at Jan, 01	938,134	26,528
Receipts	23,183,053	3,408,113
Withdrawals	(21,726,610)	(2,496,507)
As at Dec, 31	2,394,577	938,134
Mark-up / return / interest earned	8,857	2,443
Mark-up / return / interest expensed	20,017	20,640
Shares issued	2,157,882	37,186
Rent paid	1,800	348
Sharing of rent received	1,091	-
Insurance premium paid	7,550	2,238
Insurance claim received	2,321	798
Printing and stationery expense	635	517
Purchase / repair of photocopier, PABX, computer etc.	3,697	1,188
Purchase of motor vehicles	89,512	12,043
Advance for purchase of motor vehicles	4,326	8,976
Operating lease rental income	10,837	5,144
Facilities in respect of non-funded exposure	687,275	130,626
Brokerage income	19,773	5,595
Purchase of mutual fund units	689,999	-
Redemption of mutual fund units	483,471	-
Income on lodgement of shares with CDC	1,150	-
Corporate advisory fees	1,331	-

37. CAPITAL ADEQUACY

The objectives of the Group's capital management are to ensure that the Group complies with the regulatory capital requirement and maintain strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Bank is required to maintain the minimum paid up capital (net of losses) of Rs.4,000 million as of December 31, 2007 as prescribed by the SBP.

In addition the Bank is also required to maintain regulatory capital structure based on risk weighted exposures as per the requirements laid down by the SBP.

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

Regulatory Capital Base

Tier I Capital

Shareholders Capital/Assigned Capital	5,001,466	3,125,916
Reserves	580,031	2,494
Accumulated (loss)/profit	(295,047)	1,343
	5,286,450	3,129,753
Less: Adjustments		
Goodwill	(516,498)	(516,498)
Deficit on revaluation of available for sale securities	(75,886)	(117,793)
	(592,384)	(634,291)
Total Tier I Capital	4,694,066	2,495,462
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	5,656	8,649
Revaluation Reserve (upto 50%)	-	-
Total Tier II Capital	5,656	8,649
Eligible Tier III Capital	-	-
Total Regulatory Capital	4,699,722	2,504,111

(a)



	2007		2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	----- (Rupees '000) -----			
Risk-Weighted Exposures				
<i>Credit Risk</i>				
Balance Sheet Items:-				
Cash and other liquid Assets	1,731,236	45,975	1,006,604	81,105
Money at call	750,000	150,000	-	-
Lendings to Financial Institutions	3,677,824	1,520,000	3,500,844	1,194,049
Investments	5,128,213	2,148,241	3,548,110	353,812
Loans and Advances	9,189,317	7,742,242	7,459,892	7,179,244
Fixed Assets	992,146	992,146	469,457	469,457
Other Assets	3,260,340	3,139,968	1,589,811	962,969
	<u>24,729,076</u>	<u>15,738,572</u>	<u>17,574,718</u>	<u>10,240,636</u>
Off Balance Sheet Items:-				
Loan Repayment Guarantees	219,697	219,697	97,097	97,097
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc.	341,046	170,523	43,928	21,964
Revolving Underwriting Commitments	-	-	-	-
Stand By Letters of Credit	1,496,804	748,402	462,241	231,120
Outstanding Foreign Exchange Contracts				
-Purchase	344,464	1,378	106,653	640
-Sale	715,125	2,860	-	-
	<u>3,117,136</u>	<u>1,142,860</u>	<u>709,919</u>	<u>350,821</u>
<i>Market Risk</i>				
General market risk		142,988		1,620,119
Specific market risk		601,905		2,052,213
		<u>744,893</u>		<u>3,672,332</u>
Market risk-weighted exposures				
Total Risk-Weighted exposures(b)		<u>17,626,325</u>		<u>14,263,789</u>
Capital Adequacy Ratio [(a) / (b) x 100]		<u>26.66</u>		<u>17.56</u>

38. RISK MANAGEMENT

38.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has well defined credit risk policy and processes but also a system in place to annually review these against market and regulatory requirements. Despite the growth in assets, portfolio quality was kept at an acceptable level across all products and this with a solid record of recoveries.

The Group has a well-defined risk management framework duly approved by the Board of Directors under which the credit committee consisting of independent credit officers with wide and diversified credit experience approves all credit transactions. The Group's portfolio risk processes are being further refined with inclusion of general risk acceptance criteria for credit transactions, tighter due diligence processes for counterparty exposures and portfolio monitoring by an independent credit administration, as well as portfolio management techniques. In addition to monitoring the cash flow of obligors, the Group manages the credit exposure by entering into collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. While managing credit exposure, the Group ensures that its customers meet the minimum credit standards defined by the Group's credit policies and its portfolio strategy to avoid undue risk concentration with individuals, or groups in specific locations or industries.



The Group continually assesses and monitors credit exposures to ensure early identification of problem credits. The Group also has a credit classification system to assist in managing borrower quality within its portfolio. The Group follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency. Furthermore, and whenever necessary, independent credit reviews are performed on an ongoing basis. Also, the Group has a highly qualified Special Asset Management team.

38.2 Segment by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Textile	1,430,984	14.77%	22,422	0.15%	169,794	2.85%
Services	1,692,802	17.48%	1,924,070	12.56%	602,018	10.09%
Steel & Engineering	655,832	6.77%	30,555	0.20%	338,809	5.68%
Print, Publish & Allied	768,020	7.93%	7,491	0.05%	293,979	4.93%
Transport & Communication	537,458	5.55%	102,034	0.67%	77,917	1.31%
Consumer	592,218	6.11%	2,888,466	18.85%	-	-
Miscellaneous	595,469	6.15%	805,741	5.26%	588,434	9.87%
Construction	598,194	6.18%	58,624	0.38%	574,188	9.63%
Chemical & Pharma	483,054	4.99%	13,310	0.09%	320,981	5.38%
Automobile	65,830	0.68%	214,070	1.40%	246,134	4.13%
Energy Oil & Gas	328,242	3.39%	70,689	0.46%	904,360	15.16%
Electric & Electrical Goods	248,901	2.57%	-	-	95,867	1.61%
Carpet	239,715	2.47%	-	-	2,000	0.03%
Food, Tobacco & Beverages	357,915	3.70%	96,937	0.63%	54,539	0.91%
Suger & Allied	97,968	1.01%	-	-	-	-
Health Care	68,432	0.71%	8,034	0.05%	14,840	0.25%
Financial Institutions	261,920	2.70%	6,940,100	45.30%	1,522,389	25.53%
Trust	3,908	0.04%	1,902,711	12.42%	-	-
Education	221,418	2.29%	231,077	1.51%	30,000	0.50%
Glass & Ceramics	48,470	0.50%	-	-	29,100	0.49%
Dairy & Poultry	46,255	0.48%	-	-	-	-
Leather & Footwear	26,314	0.27%	1,592	0.01%	995	0.02%
Paper & Allied Products	7,268	0.08%	-	-	7,758	0.13%
Hotels	201,579	2.08%	2,917	0.02%	60,827	1.02%
Cement	52,653	0.54%	-	-	-	-
Banaspati & Allied Industries	55,150	0.57%	-	-	29,267	0.49%
	<u>9,685,969</u>	<u>100.00%</u>	<u>15,320,840</u>	<u>100.00%</u>	<u>5,964,196</u>	<u>100.00%</u>

38.3 Segment by sector

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. '000	Percent	Rs. '000	Percent	Rs. '000	Percent
Public / Government	-	-	522,601	3.41%	-	-
Private	9,685,969	100.00%	14,798,239	96.59%	5,964,196	100.00%
	<u>9,685,969</u>	<u>100.00%</u>	<u>15,320,840</u>	<u>100.00%</u>	<u>5,964,196</u>	<u>100.00%</u>



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

	2007		2006	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	----- (Rupees '000) -----		----- (Rupees '000) -----	
Textile	232,849	131,616	139,617	129,476
Services	84,826	54,589	94,395	37,369
Steel & Engineering	82,456	26,910	31,221	17,907
Print, Publish & Allied	18,121	6,354	22,611	10,689
Transport & Communication	59,665	29,726	30,263	19,728
Consumer	85,671	80,256	41,478	20,013
Miscellaneous	45,217	39,204	26,647	25,817
Construction	7,684	4,858	8,318	2,527
Chemical & Pharma	5,307	2,566	30,113	29,337
Automobile	15,559	15,559	19,379	19,379
Energy Oil & Gas	-	-	78	32
Electric & Electrical Goods	3,971	1,986	855	855
Carpet	61,260	24,065	-	-
Food, Tobacco & Beverages	33,610	29,773	25,429	20,041
Health Care	15,656	4,430	748	748
Education	345	163	-	-
Leather & Footwear	1,553	1,553	1,693	1,693
Cement	374	187	-	-
Banaspati & Allied Industries	21,066	21,066	21,066	21,066
	<u>775,190</u>	<u>474,861</u>	<u>493,911</u>	<u>356,677</u>

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

Public / Government	-	-	-	-
Private	775,190	474,861	493,911	356,677
	<u>775,190</u>	<u>474,861</u>	<u>493,911</u>	<u>356,677</u>



39. GEOGRAPHICAL SEGMENT ANALYSIS

	2 0 0 7			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- Rupees '000 -----			
Pakistan	(519,893)	25,404,697	5,210,564	5,964,196
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(519,893)</u>	<u>25,404,697</u>	<u>5,210,564</u>	<u>5,964,196</u>

Total assets employed include intra group items of Rs.302.62 million.

40. MARKET RISK

40.1 Market risk is defined as the potential loss in market value of a given portfolio that can be expected to be incurred arising from changes in market prices, namely interest rates, foreign exchange rates and equity prices.

The Group is exposed to market risk in its trading portfolio because the values of its trading positions are sensitive to changes in market prices and rates. Similarly, it is also exposed to market risk in its investment portfolio.

The Group has a well established framework for market risk management with the treasury market and liquidity risk policies & procedures. Its major objective is of protecting and increasing the Group's net interest income in the short run and market value of the equity in the long run for enhancing the shareholders wealth. Further, it defines the contours of the way the Group's market risk is managed within defined parameters and with prescriptive guidelines on the tools, techniques and processes.

The Asset and Liability Committee (ALCO) is entrusted with key decision making in establishing market risk related strategies and monitoring these against limits. The committee decides on product pricing, mix of assets, liabilities, stipulates liquidity and interest rate risk limits, monitors them, articulates the Group's interest rate view and determines the business strategy of the Group.

Management of interest rate risk of the banking book is primarily focused on interest and fair value through re-pricing gap analysis, analysis of the net interest income sensitivity, duration and fair value sensitivity. The management of interest rate risk of the trading book is achieved through mark-to-market practice and exposure analysis. On a periodical basis, risk monitoring reports are prepared for senior management to gain an accurate understanding of Group's risk position. Mathematical model like stress-testing is carried out at least biannually.

The Middle Office in Enterprise Risk Management Division has an independent reporting structure on risk aspects and helps management in determining compliance in terms of exposure analysis, tracking of limits, funding and various other risk sensitive market parameters.

40.2 Foreign Exchange Risk

Currency risk is the risk of loss arising from the fluctuation of exchange rates. The Group has adopted a comprehensive system for the measurement and management of foreign exchange risk. Part of this risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates in order to minimize its exposure to currency and risk to acceptable levels as determined by management. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.



2007

	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
----- Rupees '000 -----				
Pakistan rupee	24,386,252	19,439,049	(997,933)	3,949,270
United States dollar	978,374	712,564	914,373	1,180,183
Great Britain pound	20,148	5,807	62,100	76,441
Japanese yen	-	21,733	21,460	(273)
Euro	19,551	14,980	-	4,571
Swiss Franc	372	-	-	372
	<u>25,404,697</u>	<u>20,194,133</u>	<u>-</u>	<u>5,210,564</u>

40.3 Interest Rate Risk

The Group has clear objectives, strategies, and risk tolerance level in order to protect it from interest rate risk. To achieve this objective, the Group matches the interest rate sensitivity of its assets and liabilities by placing them into various time buckets according to the earlier of contractual re-pricing or maturity dates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The Group has also a system in place to monitor the effectiveness of its policies and limits.

40.4 Equity Position Risk

The Group is exposed to equity price changes on its investments in shares. These equity exposures are primarily related to market price movements in local equity market index. In order to better utilize its liquidity, the Group invests its liquidity in capital market by utilizing various financial instruments (shares, mutual funds etc.) and dealing with a multitude of counterparties and securities organizations. All of these transactions involve, to varying degrees, the risk that the counterparty in the transactions may be unable to meet its obligation to the Group. The Group maintains stringent rating eligibility criteria for counterparties and adheres to a framework of exposure limits based on counterparty credit rating and size, subject to prudential limits imposed by State Bank of Pakistan. To ensure the execution of and compliance of risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on the Group's assets and liabilities, the treasury risk manager supported by an independent middle office plays a key role in monitoring and reporting such exposures.

41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

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

Effective Yield/ Interest rate %	2007										Non interest bearing financial instruments	
	Total	Up to 1 month	Exposed to Yield/ Interest risk							Over 10 years		
			Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years			
(Rupees '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with												
treasury banks	3.00%	1,501,363	9,350	-	-	-	-	-	-	-	-	1,492,013
Balances with other banks	2.83%	229,873	13,933	-	-	-	-	-	-	-	-	215,940
Lendings to financial institutions	9.37%	4,427,824	2,962,824	1,065,000	400,000	-	-	-	-	-	-	-
Investments	11.28%	5,271,201	562,824	694,754	752,160	752,593	56,900	168,010	644,246	226,750	-	1,412,964
Advances	11.48%	9,205,452	3,859,994	547,076	753,524	1,819,021	1,049,691	520,081	304,698	67,505	243,460	40,402
Other assets	11.38%	2,828,829	248,074	-	-	-	-	-	-	-	-	2,580,755
		23,464,542	7,656,999	2,306,830	1,905,684	2,571,614	1,106,591	688,091	948,944	294,255	243,460	5,742,074
Liabilities												
Bills payable	-	288,907	-	-	-	-	-	-	-	-	-	288,907
Borrowings	9.48%	1,493,859	342,264	827,281	157,647	66,667	100,000	-	-	-	-	-
Deposits and other accounts	9.45%	15,320,840	5,946,654	4,965,738	1,234,043	917,460	20,843	50,350	664,799	-	-	1,520,953
Other liabilities	-	2,487,685	-	-	-	-	-	-	-	-	-	2,487,685
		19,591,291	6,288,918	5,793,019	1,391,690	984,127	120,843	50,350	664,799	-	-	4,297,545
On-balance sheet gap		3,873,251	1,368,081	(3,486,189)	513,994	1,587,487	985,748	637,741	284,145	294,255	243,460	1,444,529
Off balance sheet financial instruments												
Underwriting of shares and modaraba certificates		10,000	-	-	-	-	-	-	-	-	-	10,000
Underwriting of TFCs		80,000	-	-	-	-	-	-	-	-	-	80,000
Sale of listed shares under futures contract		(108,154)	-	-	-	-	-	-	-	-	-	(108,154)
Forward purchase of foreign exchange		344,464	-	-	-	-	-	-	-	-	-	344,464
Forward sale of foreign exchange		(606,971)	-	-	-	-	-	-	-	-	-	(606,971)
Forward lending		1,860,429	263,679	1,012,750	274,000	310,000	-	-	-	-	-	-
Purchase of securities		62,090	-	-	52,090	-	-	-	-	-	-	10,000
Off balance sheet gap		1,641,858	263,679	1,012,750	326,090	310,000	-	-	-	-	-	(270,661)
Total Yield/Interest Risk Sensitivity Gap			1,104,402	(4,498,939)	187,904	1,277,487	985,748	637,741	284,145	294,255	243,460	
Cumulative Yield/Interest Risk Sensitivity Gap			1,104,402	(3,394,537)	(3,206,633)	(1,929,146)	(943,398)	(305,657)	(21,512)	272,743	516,203	

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

41.2 The interest rate exposure taken by the Group arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Group. This risk is addressed by an Asset and Liability Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Group remains at an acceptable level.

41.3 The advances and deposits of the Group are re-priced on a periodic basis based on interest rates scenario.



42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and also takes into account the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	2007									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	1,501,363	972,243	347,496	89,002	13,232	13,232	33,079	19,847	13,232	-
Balances with other banks	229,873	229,873	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,427,824	2,962,824	1,065,000	400,000	-	-	-	-	-	-
Investments	5,271,201	613,196	514,431	1,502,372	1,001,312	129,147	268,616	808,611	403,516	30,000
Advances	9,205,452	1,614,307	1,062,201	1,489,646	2,832,815	1,051,313	523,084	321,121	67,505	243,460
Operating fixed assets	992,146	682	2,377	2,630	4,090	177,244	103,148	142,737	370,206	189,032
Deferred tax assets	169,125	-	-	294	-	-	-	162,513	6,318	-
Other assets	3,607,713	2,606,323	33,722	242,432	108,571	94,153	2,124	-	-	520,388
	<u>25,404,697</u>	<u>8,999,448</u>	<u>3,025,227</u>	<u>3,726,376</u>	<u>3,960,020</u>	<u>1,465,089</u>	<u>930,051</u>	<u>1,454,829</u>	<u>860,777</u>	<u>982,880</u>
Liabilities										
Bills payable	288,907	288,907	-	-	-	-	-	-	-	-
Borrowings	1,493,859	342,264	827,281	157,647	66,667	100,000	-	-	-	-
Deposits and other accounts	15,320,840	2,264,280	5,355,209	2,519,814	2,108,720	610,761	923,805	1,349,227	189,024	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,090,527	2,312,692	131,292	112,525	322,329	148,279	38,708	18,322	-	6,380
	<u>20,194,133</u>	<u>5,208,143</u>	<u>6,313,782</u>	<u>2,789,986</u>	<u>2,497,716</u>	<u>859,040</u>	<u>962,513</u>	<u>1,367,549</u>	<u>189,024</u>	<u>6,380</u>
Net assets	<u>5,210,564</u>	<u>3,791,305</u>	<u>(3,288,555)</u>	<u>936,390</u>	<u>1,462,304</u>	<u>606,049</u>	<u>(32,462)</u>	<u>87,280</u>	<u>671,753</u>	<u>976,500</u>
Share capital	5,001,466									
Reserves	580,031									
Accumulated loss	(295,047)									
	<u>5,286,450</u>									
Deficit on revaluation of assets	(75,886)									
	<u>5,210,564</u>									

42.1 The Group is exposed to liquidity risk, arising from mismatches between the maturities of its assets and liabilities.

Liquidity risk is defined as the potential loss arising from the Group's inability to meet in orderly way its contractual obligations when due. Liquidity risk arises in the general funding of the Group's activities and in the management of its assets. The Group maintains sufficient liquidity to fund its day-to-day operations, meet customer deposit withdrawals either on demand or at contractual maturity, meet customers' demand for new loans, participate in new investments when opportunities arise, and repay borrowings as they mature. Hence, liquidity is managed to meet known as well as unanticipated cash funding needs.

Liquidity risk is managed within a framework of liquidity policies, controls and limits. These policies, controls and limits ensure that the Group maintains well diversified sources of funding, as well as sufficient liquidity to meet all its contractual obligations when due. The management of liquidity is carried out using a prudent strategic approach to manage the Group's funding requirements.

ALCO monitors Group's liquidity risk position through liquidity reports from the Treasury Front and Middle Office and takes the necessary actions to match asset and liability positions both on and off balance sheet in such a way that Group is able to meet its obligations.

In accordance with SBP regulations, the Group maintains a Statutory Cash Reserve Requirement (CRR) and Statutory Liquidity Requirement (SLR).



43. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems from external events. The Group has developed an operational risk management framework with assignment of responsibilities to various supervision levels, to ensure operating consistency and the right level of management supervision and focus. Also, operational risk categories and sub-categories have been categorized to facilitate operational risk monitoring and capture of loss data to aid analysis to identify and isolate risk "hot spots". Therefore, the Group has done a significant amount of work to strengthen its operating environment which is consistent with best practices and the impending Basel II initiative.

44. GENERAL

44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.

44.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

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

45. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 22, 2008 by the Board of Directors of the Group.



Aziz Rajkotwala
Chief Executive Officer



Yusuf H. Shirazi
Chairman



Tariq Amin
Director



S. Salim Raza
Director



Statement Showing Write off Loans of Rs.500,000/- or Above
During the Year Ended December 31, 2007

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
1.	ABID/ARIF / ASIF SAIGOL. 91-E/1, GULBERG III, LAHORE	ABID SAIGOL 270-92-006204	RAFIQUE SAIGOL	13,216,893	2,072,862	15,289,755	13,216,893	2,072,862	15,289,755
		ARIF SAIGOL 270-59-088209	RAFIQUE SAIGOL						
		ASIF SAIGOL 270-92-006202	RAFIQUE SAIGOL						
2.	AIM FASHIONS. PLOT NO. 30-B, NEAR KHUNDOO GOATH, BLOCK B, NORTH NAZIMABAD, KARACHI	SAAD MAJEED 502-63-227226	MAJEED AKBAR	908,963	167,482	1,076,445	908,963	167,482	1,076,445
		IRFAN MAJEED 502-58-227224	MAJEED AKBAR						
		FAWAD MAJEED 502-88-227227	MAJEED AKBAR						
		ASIF MAJEED 502-56-227222	MAJEED AKBAR						
3.	ALI INTERNATIONAL. E-37/1, BLOCK 7, GULSHAN-E- IQBAL, KARACHI	SYED SHAHID ALI 518-61-054078	SYED SHAFQAT ALI	1,644,940	401,245	2,046,185	1,644,940	401,245	2,046,185
		SYED ZAHID ALI 518-93-054079	SYED SHAFQAT ALI						
4.	ALI INTERNATIONAL. KNITWEAR (PVT.) LIMITED. 139-GULBERG III, LAHORE	ALI WAZIR KHAN 273-83-152110	M. WAZIR KHAN	1,470,878	386,722	1,857,600	1,470,878	386,722	1,857,600
		TAJWER KHAN 273-68-152108	W/O M. WAZIR KHAN						
		FARKHANDA WAZIR 272-91-152114	M. WAZIR KHAN						
5.	AL-ZAIN TRADING ESTABLISHMENT. K-21, OVERSEAS BUNGLOWS, BLOCK 16-A, GULISTAN-E-JOHAR, KARACHI	SYED SHAHID ALI 518-61-054078	SYED SHAFQAT ALI	637,625	158,075	795,700	637,625	158,075	795,700
		SYED ZAHID ALI 518-65-054079	SYED SHAFQAT ALI						
6.	COLIBRATIVE HEAVY INDUSTRIES (PVT) LIMITED. 301-A NEW MUSLIM TOWN LAHORE	TAHIR SHUJA KHAN	QAISER UDDIN KHAN	19,379,094	6,191,381	25,570,475	19,379,094	6,191,381	25,570,475
		ATHAR SHUJA KHAN	QAISER UDDIN KHAN						
		NAYYAR SHUJA KHAN	QAISER UDDIN KHAN						
7.	FAREED UR REHMAN KHAN. HOUSE NO. D-63 KDA SCHEME NO. 1, KARACHI	FAREED UR REHMAN KHAN	NAFEES-UR-REHMAN KHAN	5,675,934	-	5,675,934	5,675,934	-	5,675,934
8.	FAROOQ ENGINEERING WORKS. PLOT NO.1-6,SECTOR -5, KORANGI INDUSTRIAL AREA, KARACHI	MIAN M. FAROOQ 514-39-161797	MIAN NOOR MOHAMMAD	6,435,160	2,665,920	9,101,080	6,435,160	2,665,920	9,101,080
		MIAN M. FAROOQ 514-39-161797	MIAN NOOR MOHAMMAD						



Annexure-1

Statement Showing Write off Loans of Rs.500,000/- or Above

During the Year Ended December 31, 2007

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
9.	FINE KNIT, SHED NO. "E", C-11/B, GALI NO. 2, S.I.T.E., KARACHI.	YOUSUF SIDAT 514-93-094812	YAQOOB SIDAT	802,920	211,980	1,014,900	802,920	211,980	1,014,900
10.	HAMRAZ INDUSTRIES LIMITED. LAKSON SQUARE BUILDING # 1, SARWAR SHAHEED ROAD, KARACHI	M. JAVED TAWAKKAL ABDUL QADIR TAWAKKAL	ABDUL QADIR TAWAKKAL	3,556,821	997,929	4,554,750	3,556,821	997,929	4,554,750
11.	KOHINOOR LOOMS LIMITED. 111 E/6 , MODEL TOWN E/6, MODEL TOWN, LAHORE	MIAN JAVAID SAIGOL 270-40-015864 MIAN JAVAID SAIGOL 270-40-015864	MIAN YOUSUF SAIGOL MIAN YOUSUF SAIGOL	3,222,720	22,245,045	25,467,765	3,222,720	22,245,045	25,467,765
12.	MOHIB EXPORT LIMITED. AWAMI COMPLEX, USMAN BLOCK NEW GARDEN, LAHORE	ABID SAIGOL 270-92-006204 ARIF SAIGOL 270-59-088209	RAFIQUE SAIGOL RAFIQUE SAIGOL	27,150,461	2,632,679	29,783,140	27,150,461	2,632,679	29,783,140
13.	MOHIB FABRICS INDUSTRIES LTD. AWAMI FLATS GARDEN T, AWAMI FLATS, GARDEN TOWN, LAHORE	ASIF SAIGOL 270-92-006202	RAFIQUE SAIGOL	5,927,450	1,520,250	7,447,700	5,927,450	1,520,250	7,447,700
14.	NEELUM CORPORATION. BANGLOW NO. 26, STREET 19, MODEL COLONY, LAHORE	RANA MUNIR AHMED 42201-0650698-5	ALI MOHAMMAD KHAN	1,092,763	110,469	1,203,232	1,092,764	110,469	1,203,233
15.	NEW PARAMOUNT TRANSPORT SERVICE. A109 13 D-1 , GULSHANE IQBAL, KARACHI.	MASOOD AHMED BHATTI 42501-9967609-5	SIDDIQUE AHMAD BHATTI	1,509,285	137,671	1,646,956	1,409,204	137,671	1,546,875
16.	PLASTIC BAGS PACKAGING (PVT.) LTD. BLOCK J GULSHAN-E-RAVI, BLOCK J, BUND ROAD, LAHORE	MUHAMMAD IJAZ 276-94-059733 MUHAMMAD SAJJAD 276-93-059734 SURIYA JABEEN 274-39-042767		5,942,505	2,813,655	8,756,160	1,442,505	2,813,655	4,256,160
17.	REFRIGERATORS MANUFACTURING CO. ISLAMIC CHAMBER BUILDING, ST- 2A, BLOCK 9, KDA SCHEME, NO.5, CLIFTON, KARACHI	AFTAB ALAM KHAN 502-56-271235 M. FAROOQ FAROOQI 514-44-052571	AZHAR KHAN	854,973	252,277	1,107,250	854,973	252,277	1,107,250
18.	SADDARUDDIN ALLAH DIN. C-116, BLOCK 2, KEHKASHAN SCHEME NO.2, CLIFTON, KARACHI	SADDARUDDIN ALLAH DIN 507-35-064768	ALLAHDIN	901,550	666,230	1,567,780	901,550	666,230	1,567,780



**Statement Showing Write off Loans of Rs.500,000/- or Above
During the Year Ended December 31, 2007**

S.NO.	Name and address of the borrower	Name of Individuals / Partners / Directors with NIC#	Father / Husband's name	Outstanding liabilities at January 1, 2007			Principal Written Off	Interest/ Markup Written Off	Total
				Principal	Interest/ Markup	Total			
19.	SINDH ALKALLIS LIMITED. STATE LIFE BUILDING, 1-A 3RD FLOOR, LANDHI INDUSTRIAL AREA, KARACHI	S. M. HAIDER KAZMI MASOOD KHALIQ ZIA UR RAHIM JAN MUHAMMAD SHER BAZ AWAN	S. M. KAZMI MUHAMMAD KHALIQ MUHAMMAD RAHIM MR MUHAMMAD MUHAMMAD AWAN	29,078,077	5,198,898	34,276,975	29,078,077	5,198,898	34,276,975
20.	SPENCER DISTRIBUTION LIMITED. ASSOCIATED CHAMBERS, LINK MCLOAD ROAD, PATIALA GROUND, LAHORE	SHEIKH ASIF SALAM 35202-3143089-7 SHEIKH ARIF SALAM 270-64-144473	SHEIKH ABDUS SALAM SHEIKH ASIF SALAM	836,682	80,463	917,145	836,682	80,463	917,145
21.	SWEDE-BUS PAKISTAN (PVT.) LTD. 7, ABDULLAH HAROON ROAD, KARACHI	AHMED SHABIR 42201-9528294-3 MOHAMMAD NASIM 42201-0804036-3 KHALID RAFI 42301-0734542-9	FAZAL HUSSAIN MALIK MOHAMMAD IBRAHIM SHEIKH MOHAMMAD RAFI	7,758,950	1,224,502	8,983,452	2,658,950	1,180,000	3,838,950
22.	TAJ DISTRIBUTION (PVT.) LTD. 72-D, COMMERCIAL AREA, BLOCK- 6, P.E.C.H.S., COMMERCIAL AREA, KARACHI	MUHAMMAD SALEEM KHAN 516-71-362040 SYED MUHAMMAD IHATRAM ZAIDI 503-60-106920	MUHAMMAD ISMAIL KHAN MUHAMMAD HATIM ZAIDI	1,404,048	480,387	1,884,435	1,404,048	480,387	1,884,435
23.	TWINSTAR ENTERPRISES. FLAT # C-203, RABIA GARDEN, GULISTAN-E-JAUHER, BLOCK 17, KARACHI	KAMRAN RASHEED 42201-2474683-9	MOHAMMAD RASHEED	530,956	114,319	645,275	530,956	114,319	645,275
24.	WORLDBRIDGE CONNECT (PVT.) LIMITED. BAHRIA COMPLEX. 103 - A, UPPER MALL, LAHORE	GURUJOT SINGH KHALSA 999-99-000001* VERA ASSAD GEBRAN 999-99-111111*	ALWYN TAYLOR ASSAD GEBRAN	21,709,913	3,704,871	25,414,784	21,709,913	3,704,871	25,414,784
25.	ANSAR HASIB KHAN. 13-R, L.C.C.H.S,LAHORE	270-66-085187	HASIB KHAN	756,752	232,232	988,984	756,752	232,232	988,984
26.	MR. ASIF HASIB KHAN. 42-R L.C.C.H.S.LAHORE	270-63-085186	HASIB KHAN	701,538	216,987	918,525	701,538	216,987	918,525
27.	ZAHID SHAH. HOUSE NO 524/21, STREET NO 11, BANGASH COLONY, ISLAMABAD	61101-2776371-1	SHAHEEN SHAH	586,583	1,067,340	1,653,923	586,583	1,090,484	1,677,067
TOTAL				163,694,434	55,951,871	219,646,305	153,994,354	55,930,513	209,924,867

* Passport number



Branch Network

S.No.	Name	Address	Telephone / Fax
1	Zaibun Nisa St. Branch	B-6/16-A, Sadar Bazar Quarters, Zaibun Nisa Street, Karachi.	(21) 5660611-14 (21) 5660615
2	Federation House Branch	Ground Floor, Federation House, Abdullah Shah Ghazi Rd., Clifton, Karachi.	(21) 5379769-70 (21) 5379767
3	Preedy Street Branch	West View Bldg., Preedy Street, Saddar, Karachi.	(21) 2721984,2722025 (21) 2721936
4	SITE Branch	B/53, Estate Avenue, SITE Area, Karachi.	(21) 2587533,35,37,111 (21) 2587672
5	Sharae Faisal Branch	44/A-Nice Trade Orbit, Shop 8, Block-6, PECHS, Sharae Faisal, Karachi.	(21) 4386184-7 (21) 4386180
6	Hasan Square Branch	I/15, Hassan Square, Block 13/A, Gulshan-e-Iqbal, Karachi.	(21) 4818759-63-66 (21) 4818720
7	I. I. Chundrigar Rd.,Main Branch	P&O Plaza (ex-Volkart Building), I. I. Chundrigar Road, Karachi.	(21) 2463745-51 (21) 2463744
8	Korangi Ind Area Branch	37/9, Sector 15, Korangi Industrial Area, Karachi.	(21) 8790872 (21) 8790871
9	Karachi Stock Exchange Branch	Rooms # 52, 52A & 52B, 1st Floor, Karachi Stock Exchange, Karachi.	(21) 2462500-3 (21) 2462504
10	Bahadurabad Branch	28-Adam Arcade, Sub Plot # B/7 & B/8, Block # 3, BMCHS, Karachi.	(21) 4145317-8, 21-24 (21) 4145325
11	DHA Phase-I Branch	101-C, Commercial Area B, DHA Phase-I, Karachi.	(21) 5314063-7-8-66 (21) 5314069
12	Kotwali Rd. Branch	P-12, Kotwali Road, Faisalabad.	(41) 2412150,51,52 (41) 2412154
13	Abdali Road Branch	77, Abdali Tower, Moaza Taraf Ismail, Abdali Rd, Multan.	(61) 4575264,69,946 (61) 4575249
14	Gulberg Branch	131/A-E-1, Gulberg-III, Lahore.	(42) 5871740-43,45 (42) 5871744
15	The Mall Branch	56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall), Lahore.	(42) 6284799,6284800-4 (42) 6284805
16	Z Block DHA Branch	323-Z, DHA, Phase-3, Lahore	(42) 5693114-5-6-7, 5693119 (42) 5692414
17	Faisal Town Branch	853/D, Akbar Chowk, Faisal Town, Lahore.	(42) 5204101-3 (42) 5204104
18	Azam Cloth Mkt. Branch	285-286, Punjab Block, Azam Cloth Market, Lahore	(42) 7634520 (42) 7661863
19	Circular Road Branch	1 SE 38-R/D Circular Road, Lahore.	(42) 7379207-11 (42) 7379212
20	G. T Road Branch	B/11-S7/103, G. T. Road, Gujranwala	(55) 3255133 (55) 3257134
21	Blue Area Branch	24-West Raza Noor Plaza Jinnah Avenue, Blue Area, Islamabad	(51) 2871630-2 (51) 2871596
22	Bank Road Branch	60, Bank Road, Rawalpindi	(51) 5566671,5564123 (51) 5528148
23	Sadar Branch	Shop # 4, Jasmine Arcade, Fakhar-e-Alam Road, Peshawar.	(91) 5260988 (91) 5260917
24	Club Road Branch	2B, Club Road, Civil Lines, Sargodha	(48) 3741840-42 (48) 3741843
25	G.T Road Branch	Small Industrial Area, G.T Road, Gujrat.	(53) 3534522



The Company Secretary,
Atlas Bank Limited
3rd Floor, Federation House,
Abdullah Shah Ghazi Road, Clifton,
Karachi.

I /We _____
of _____
being a member (s) of Atlas Bank Limited and holder(s) of _____
Ordinary Shares, as per Registered Folio/ CDC Account or Sub-Account No. _____ hereby
appoint _____
of _____
or failing him _____
of _____

as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held at the Registered Office of the Bank at 3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi on Saturday, March 29, 2008, at 12:00 noon and at any adjournment thereof.

As witness my/our hand this _____ day of _____, 2008
signed by the said _____ in the presence of

WITNESSES

1. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

Signature



2. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

(Signature must agree with the specimen signature registered with the Bank's Registrar)

Note: Proxies in order to be effective, must be received at the Bank's Share Registrar Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed. A proxy must be a member of the Bank.



AFFIX
POSTAGE

Atlas Bank Limited
SHARE REGISTRAR
THK Associates (Pvt) Ltd.
Ground Floor, State Life Building No. 3,
Dr. Ziauddin Ahmed Rd. KARACHI.

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Fold Here

Fold Here



3rd Floor, Federation House, Abdullah Shah Ghazi Road, Clifton, Karachi-75600.

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