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Annual Report 2007

# mybank Ltd.

Bank of today & tomorrow



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(House Financing Scheme)

**Corporate Banking**

**SME Banking**

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A close-up photograph of a hand pointing its index finger towards the word 'Contents' written in large, bold, red letters on a white document. The document is slightly tilted and has horizontal lines. The background is dark, and the lighting is dramatic, highlighting the hand and the text.

# Contents



## **VISION STATEMENT**

To be the best  
Customer Service  
Bank in the country with  
highest  
Economic Value Added  
(EVA) through  
engaged and  
motivated People.

## **CORE VALUES**

Integrity  
Customer Focus  
Teamwork  
Innovation

**BOARD OF DIRECTORS**

Mr. Iqbal Alimohamed  
Chairman

Mr. Sohail Muzaffar  
Vice Chairman

Mr. Danish Iqbal  
Director

Mr. Afzal Ghani  
Director

Mr. Zahid Saeed  
Director

Mr. Iqbal Ebrahim  
Director

Mr. Mamnoon Ahmed Alvi  
Director

Mr. Muhammad Bilal Sheikh  
President & CEO/Director

**COMPANY SECRETARY**

Ms. Mona Sultan, FCMA, CFA

**MANAGEMENT\***

Mr. Muhammad Bilal Sheikh  
President & Chief Executive Officer

Ms. Mona Sultan, FCMA, CFA  
E.V.P - Head of Operations

Mr. Akhtar Ali Khan  
E.V.P - Head of Credit

Mr. Faisal Sheikh  
E.V.P- Head of Investment &  
Treasury Division (Front Office)

Mr. Anis Iqbal  
E.V.P - Head of Information  
Technology Division

Mr. Muhammad Imran  
S.V.P / C.F.O  
Head of Finance Division

Mr. Faisal Idreis  
S.V.P - Head of Risk Management  
Division

Mr. Tariq Idrees  
S.V.P - Head of Credit  
Administration Division

Mr. Syed Nazir Hussain  
S.V.P - Head of Consumer Banking  
Division

Mr. Khawaja Tajammul Hussain  
S.V.P - Head of Human Resource  
Division

Mr. Akhtar Aleem Syed  
S.V.P - Head of Legal / SAM  
Division

Mr. Baber Saeed Khan  
S.V.P - Head of International &  
Foreign Exchange Division

Mr. Shaukat Ali Larik  
V.P- Head of Compliance Division

Mr. Hamid Mahmood  
V.P - Head of Audit & Inspection  
Division

Lt. Col. (R) Shahzad Begg  
V.P - Head of Administration  
Division

\*Position as on 26-2-2008



#### MANAGEMENT OF REGIONS

Mr. Mamnoon Ahmed Alvi  
S.E.V.P & General Manager  
(Punjab and Northern Regions)

Mr. Khawaja Ghalib  
E.V.P & General Manager  
(Southern Region)

Mr. M. Pervaiz Sheikh  
E.V.P & Zonal Chief  
(Gujranwala Zone)

Mr. Shaukat Javaid Anjum  
S.V.P & Zonal Chief (NWFP)

Ms. Javeria Zafar  
S.V.P & Zonal Chief  
(Islamabad Zone)

#### AUDIT COMMITTEE

Mr. Afzal Ghani  
Chairman

Mr. Iqbal Alimohamed  
Member

Mr. Sohail Muzaffar  
Member

Mr. Danish Iqbal  
Member

Ms. Bershama Shabbir  
Secretary

#### AUDITORS

Messrs M. Yousuf Adil Saleem & Co.  
Chartered Accountants

#### SHARES REGISTRAR

Noble Computer Services (Pvt) Ltd  
2nd Floor Sohni Center, BS 5 & 6,  
Main Karimabad Block - 4, Federal B Area, Karachi.  
Tel: (92-21) 6801610, 6801880  
Fax: (92-21) 6801129  
E-mail: ncs1@noble-computers.com  
website: www.noble-computers.com



## SERVING CUSTOMERS ACROSS PAKISTAN

A dedicated, resourceful, dynamic and capable team of professionals is ever-ready to provide for the changing and growing needs of our customers.





## Notice of 16th Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of mybank Limited will be held on Friday, March 28, 2008 at 9:15 a.m. at its Registered Office situated at Regal Chowk, Jinnah Road, Quetta to transact the following business:

1. To confirm the minutes of the Annual General Meeting of the Bank held on March 30, 2007.
2. To receive and adopt the audited accounts of the Bank for the year ended December 31, 2007 together with the Directors' and Auditor's Report thereon.
3. To elect (7) directors of the Bank as fixed by the Board of Directors in accordance with the section 178(1) of the Companies Ordinance 1984, for the term of next three years. The retiring directors, who are also eligible for election are:

01	Mr. Iqbal Alimohamed	05	Mr. Afzal Ghani
02	Mr. Danish Iqbal	06	Mr. Mamnoon Ahmed Alvi
03	Mr. Iqbal Ebrahim	07	Mr. Zahid Saeed
04	Mr. Sohail Muzaffar		
4. To ratify the issuance of 12.5% Bonus Shares for every 100 Ordinary Shares out of revenue reserves and profit for the half year ended June 2007 as approved by the Board of Directors in its meeting held on August 18, 2007.
5. To appoint auditors for the year ending December 31, 2008 and to fix their remuneration. The retiring Auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountant, being eligible, offer themselves for reappointment.
6. To consider any other business of the Bank with the permission of the Chair.

By Order of the Board

Place: Karachi

Date : February 26, 2008

Company Secretary

### Notes:

1. Share Transfer Books of the Bank will remain closed from March 21, 2008 to March 28, 2008 (both days inclusive).
2. Any person who seeks to contest the election for the office of director shall, whether he is a retiring director or otherwise, file with the Bank's registered office not later than 14 days before the date of meeting at which elections are to be held.
  - i) His intention to offer himself for the election of directors in terms of Section 178(3) of the Companies Ordinance 1984 together with (a) consent on Form 28 of the Companies Ordinance 1984, (b) a Declaration with consent to act as Director under clause (ii) of the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan to the effect that he is aware of the duties and power of directors under the Companies Ordinance 1984, and the listing regulations of the Karachi Stock Exchange and the Memorandum and Articles of Association of Bank, (c) a Declaration in terms of clauses (iii) and (iv) of the Code of Corporate Governance of the Securities and Exchange Commission of Pakistan and (d) a Declaration that he is not ineligible to become a director of Bank under any circulars / directives of the State Bank of Pakistan.

- ii) A questionnaire duly completed, recent photograph, copy of CNIC / Passport and an affidavit to, inter alia, meet the requirement of State Bank of Pakistan G-I and the Fit and Proper Test for Appointment of Directors as contained in Annexure VI-A and VII-A to the State Bank of Pakistan Prudential Regulations.
3. In terms of the criteria prescribed by the State Bank of Pakistan, association of the following person as director is undesirable and against public interest:
    - a) A person who is/has been associated with any illegal activity, especially relating to banking business;
    - b) A person who is in his individual capacity or a proprietary concern of any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and/or in default of payment of any taxes.
  4. A person is not permitted to be a director of more than one financial institution. The term “financial institution” will include any bank, Modarba company, leasing company, investment bank, venture capital company, financing company, housing finance company, a non-banking finance company or any other company as defined under the Law.
  5. CDC Account Holders will have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan to attend the Annual General Meeting.
    - A. For Attending the Meeting
      - i) In case of individuals, the account holder or sub-account holder (Physical or CDC), shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original valid passport at the time of attending the Meeting.
      - ii) In case of corporate entity, the Board of Directors’ resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
    - B. For Appointing Proxies:
      - i) In case of individuals, the account holder or sub-account holder (Physical or CDC), shall submit the proxy form as per the above requirement.
      - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
      - iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
      - iv) The proxy shall produce his original CNIC or original valid passport at the time of the meeting.
      - v) In case of corporate entity, the Board of Directors’ resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
      - vi) Proxy forms in order to be effective must be received by the Bank at the Registered Office not later than 48 hours before the time of the meeting.
  6. Members are requested to promptly notify the change of address, if any, and also for the consideration of folio numbers, if any member holds more than one folio, to the Registrar.

## President's Review



The bank has made significant strides during 2007 in terms of growth in assets, infrastructure, human capital and stakeholders' interests at large. It will not be wrong to say that 2007 was indeed the turnaround year in the bank's history with unprecedented growth in nearly all facets of the bank's performance. These positive indicators have partially been offset by changes in regulatory framework resulting in higher provisioning against non-performing portfolio during 2007.

The bank has continued to focus on core banking activities to generate business, which is imperative to the long-term stability of the organization and has invested heavily in human resource, IT infrastructure and business development activities. I am pleased to report that as a measure to convey the Board of Directors' and management's commitment to both internal and external stakeholders, a 12.50% bonus issue was made during 2007.

The process of consolidation in the financial sector witnessed in 2006 gained further momentum in 2007 putting further pressures in the already highly competitive market. The bank, however, intends to establish a niche for itself through dedicated teamwork, effective policies, cutting edge technology, innovative products and commitment to enhanced customer satisfaction. We remain committed as always to maximize return on all stakeholders' investments.

The first full year of the new senior management team has added a much-needed boost to the bank's overall image. Business has flourished multi-fold with emphasis

on fee based income streams, low-cost deposits to finance growth, increase in branch network after a considerable period of stagnation, e-banking and allied products, and risk management approach towards investments and asset build up.

The progress made by the Bank during 2007 can be easily gauged from the following presentation of summarized results:

#### Financial Highlights

Rupees in Million

	December 2007	December 2006	Increase/ (Decrease)
Deposit	30,153	19,169	57%
Advances (Net of Provision)	20,792	13,487	54%
Gross Assets	40,602	26,290	54%
Net Assets	5,942	4,814	23%
Gross Profit (before tax & provision)	876	660	33%
Net Profit (before tax & after provision)	225	623	-64%
Net Profit (after tax & provision)	340	499	-32%
Capital	4,243	3,086	37%
Intermediation Cost	2.43%	3.19%	-24%

The Bank's overall performance was somewhat effected by the change in the regulatory framework as pertained to provisioning requirements and the conservative attitude of Bank's management to prudently classify and provide certain advances on subjective basis during 2007. The Bank's management is confident that it shall be able to revive most of its non-performing portfolio in 2008.

The focus in 2007 was and continues to be for the foreseeable future to compete with peer banks and cater multiple economic segments. The Bank shall continue to invest in People, Premises and Technology, develop a core team of seasoned professionals, further growth in branch network not only in urban centers but also remote locations within the country. The bank is currently actively pursuing a strategy to roll out Enterprise Risk Management and to develop a robust risk management framework for the bank.

I am thankful to the management for their dedication and loyalty and to all stakeholders for their patience and confidence that has transformed this bank to a new era of success, stability and strength.

Muhammad Bilal Sheikh  
President & CEO

Place: Karachi  
Date: February 26, 2008

## Directors' Report

The Board of Directors is pleased to present the 16th Annual Report of mybank Limited (hereinafter called the Bank) for the year ended December 31, 2007.

### Performance Review

The past year 2007 turned out as the best performing year for the Bank since its inception. Tremendous growth has been witnessed in terms of balance sheet size, deposits, investments and advances. This unprecedented growth has been possible because of increased efficiencies, focused marketing, staff motivation and increase in the branch network. The following are the summarized comparative financial indicators.

	2007	2006
	Rupees in '000	
Profit before taxation and provision / write off against non-performing loans	876,189	660,832
Less: Provision / write off against non-performing loans	651,101	37,772
Profit before taxation	225,088	623,060
Less: Taxation	(115,231)	123,715
Profit after taxation	340,319	499,345
Add: Profit brought forward	586,905	278,297
Add: Transfer from surplus on revaluation of fixed assets	23,382	11,990
Profit available for appropriation	950,606	789,632
Earnings per share – Rupees	0.87	1.49

Had the State Bank of Pakistan's BSD Circular No. 7 dated October 12, 2007, regarding withdrawal of the benefit of Forced Sale Value (FSV) not been issued, the Earning per Share (EPS) would have been Rs. 1.67.

### Credit Rating

The bank enjoys "A" (Single-A) rating for the medium to long term and "A-1" (A-one) rating for the short term with a stable outlook from the Pakistan Credit Rating Agency Limited (PACRA).

### Increase in Paid-up Capital

In compliance with the State Bank of Pakistan Banking Supervision Department's BSD Circular No. 6 of October 28, 2005, the Board of Directors decided to increase the issued capital of the Bank in its 102nd meeting held on August 18, 2007 by issuing 12.50% Bonus Shares and 25.00% Right Issue at Par to the existing shareholders. During the period under review, the Bonus and Right Issue of the Bank has been completely subscribed and the Paid up Capital of the Bank has in turn increased to Rs. 4.243 billion.

### The Effects of BSD Circular No. 07 of 2007

The Bank has made tremendous improvements in performance, profitability and operations, as is evident from the summarized results shown above. However, during the year the State Bank of Pakistan

issued BSD Circular No. 07 of 2007 dated October 12, 2007. The directives contained in the circular have restricted all commercial banks from taking benefit of Forced Sale Value (FSV) on all collaterals with a additional two-tier reduction in FSV benefit for house finance while computing its provisions. The Bank while complying with the requirements of the BSD Circular No. 07 of 2007 has made additional provisions against non-performing portfolio resulting from withdrawal of FSV of Rs. 483.886 million. The two-tier reduction in house finance portfolio is not expected to have any material impact of future profitability owing to the low proportion of house finance portfolio to the bank's total portfolio. Had this change in allowing benefit of Forced Sale Value (FSV) not been in effect, the profit after tax of the Bank would have been higher by Rs. 314.526 million for the year ended December 31, 2007.

Also the Bank's management prudently and conservatively classified and provided certain advances as non-performing against which the Bank is confident that it shall be able to revive and reverse this negative impact in the year 2008.

#### Changes in the Composition of the Board of Directors

During the year 2007, Mr. Mirza Ghulam Mujtaba resigned from the Board. His resignation was accepted by the Board in its 102nd meeting held on August 18, 2007. Mr. Mamnoon Ahmed Alvi, Senior Executive Vice President / General Manager (Punjab) was co-opted as Executive Director to fill in the vacancy. Mr. Alvi is a seasoned banker and carries over 40 years of rich experience, both within and outside Pakistan. Before his association with the Bank he was associated with PICIC Commercial Bank Limited (now NIB Bank Limited).

The Board wishes to welcome Mr. Alvi to the Board.

#### Core Banking Application (Misys) Implementation

The Board takes great satisfaction in informing that as of December 31, 2007 all branches of the Bank have been rolled-out on Misys Core Banking Application. Further, the bank due to this facility is now offering real-time online banking facilities to its customers. The Board feels that it will go a long way in enhancing the bank's image as a customer focused and service oriented bank. Also, the Bank has entered the cutting edge e-banking and GPRS supported banking platforms and hopes to create a market niche through enterprising e-products at highly competitive costs.

#### Basel II Implementation

The Bank has entered into an agreement with an external consultant for acquisition of a Basel - II financial risk management software and is pleased to report that the Basel - II capital framework is being actively pursued within the Bank. All efforts are being made to strengthen the Risk Management function within the Bank and the Bank is committed to ensure compliance to all timelines of the Basel - II framework road map issued by the State Bank of Pakistan and other guidelines in this regard being issued from time to time.

#### mybank Limited; present and future

The Bank is steadily moving towards stability and increasing its capacity building to absorb macro economic downturns in medium to long run. Asset quality, customer diversification, efficient portfolio management, lowest turnaround time, automation and human resource retention are now the core strengths that the



Bank intends to build on. Several changes have been made internally to keep the progress up to the desired pace and for efficient functioning. Branch and operational automation will remain the top most priority of the management. During the period under review, automation has progressed substantially and besides the previous network, all new branches are successfully functioning on Misys. Going forward, we are confident to see the bank on much firmer footing and an organization where customer service is a prime mission of the Bank.

#### Internal Controls

The Board of Directors endorses the management's evaluation and representation on the internal control system and environment prevailing in the Bank during the year. The internal control environment is being further strengthened to manage and mitigate rather than eliminate risk of failure to achieve objectives, and by its nature can only provide reasonable not absolute assurance against material misstatement or loss. The management has made representations relating to internal control and risk assessment framework to meet the requirements of the State Bank of Pakistan (SBP) BSD Circular No. 7 of 2004, BSD Circular letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

#### Audit Committee

An Independent Audit Committee of the Board is functioning effectively in compliance with the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan comprising non-executive directors of the Board. The committee functions under written terms of reference incorporated in its charter as approved by the Board. The role of the committee is to assist the Board in fulfilling responsibilities.

#### Corporate & Financial Reporting Framework (Code of Corporate Governance)

The Board extends full support and commitment towards the implementation of the highest standards of Corporate Governance. The Bank is in compliance of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan and other instructions issued by the State Bank of Pakistan on the code from time to time. It has also followed the principles set out in the Listing Regulations of the Stock Exchanges in letter and spirit. A prescribed statement by the management along with the auditors' review report thereon forms part of this Annual Report.

#### Statements under Clause XIX of the Code of Corporate Governance

- a) The financial statements prepared by the management of the Bank present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of account of the Bank have been maintained.
- c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in the preparation of financial statements without any material departure.

However, the State Bank of Pakistan has specifically deferred the implementation of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property, till further instructions. Accordingly the requirements of those standards have not been followed in the preparation of these financial statements.

- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts about the Bank continuing as a going concern.
- g) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges of Pakistan.
- h) Summarized key operating and financial data of the last six years is tabulated in this Annual Report.
- i) The details of Board Meetings held and attended by the directors forms part of this Annual Report.
- j) The prescribed pattern of shareholding is given as part of the Annual Report along with the disclosure requirement of clause (xix) sub clause (j) of the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan.
- k) The book value of the investments made by the Employee's Provident Fund is Rs. 52.934 million as per audited financial statement for the year ended December 31, 2006.
- l) All taxes have been paid and nothing is outstanding, except as disclosed in these financial statements.

The present auditors, Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, retire and offer themselves for re-appointment. The directors endorse recommendation of the Independent Audit Committee for the re-appointment of Messrs. M. Yousuf Adil Saleem & Co., Chartered Accountants, as the Bank's auditors for the financial year ending December 31, 2008 subject to the laws and regulations prevailing as at the date of the forthcoming Annual General Meeting.

#### Acknowledgement

We would like to express our gratitude and thanks to the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan for their professional support and guidance. Our gratitude is due to our customers for the confidence that they have expressed in the Bank. We thank our shareholders for their patronage and help. We also thank the management and the staff for their hard work and commitment.

On behalf of the Board

Karachi: February 26, 2008

Iqbal Alimohamed  
Chairman

## Statement of Compliance with Code of Corporate Governance

The Board of Directors and management of mybank Limited has always supported and re-confirm its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

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.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Bank.
3. All the Non - Executive Directors of the Bank are registered as a tax payer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI and are not members of any stock exchange.
4. The casual vacancy occurred during the year in the Board of Directors have been filled in by the Directors within the stipulated time.
5. The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by all the Directors and employees of the Bank.
6. The Board has developed a vision / mission statement, core values, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which these were approved or amended has been maintained.
7. The Board has the following functioning Committees and their terms of reference have been approved by the Board:
  - a. Audit Committee - also ensures the independence of the internal audit function and the independence and objectivity of the external auditors.
  - b. Human Resource Management Committee - also monitors the remuneration and appointments of senior management as defined in the terms of reference as well as personnel policies and its implementation.
  - c. Credit and Risk Management Committee - also ensures compliance of the Bank's Credit Policies, Risk Management Framework and SBP Prudential Regulations.
8. All the powers of the Board have duly been exercised and decision on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and the Board met five (5) times in the year. Written notices of the Board meetings, along with agenda and working papers are always circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The Chairman of the Board attended and completed a course on Corporate Governance comprising four (4) modules & obtained certification of "Certified Director" after passing a test. The other directors are also attending the same course organized by the Institute of Corporate Governance of Pakistan and in process of getting certification. Furthermore, few more courses were conducted during the period under review.
11. The Board has approved the appointment of CFO, company secretary and head of internal audit, as determined by the CEO.

12. The Directors' report for this year has been prepared in compliance with the requirements of the code and which fully describes the salient matters required to be disclosed.
13. The information regarding change of Directors has been communicated to the Securities and Exchange Commission of Pakistan (SECP) and Stock Exchanges within the stipulated time.
14. The financial statements of the Bank were duly endorsed by CEO and CFO prior to presentation before the Audit Committee and the Board of Directors for approval.
15. The Directors, CEO and Executives of the Bank do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
16. The Bank has complied with all the corporate and financial reporting requirements of the code.
17. The Board has formed an Audit Committee, which comprises of four members, all of whom are Non - Executive Directors including the Chairman of the Committee.
18. 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.
19. The Board has set-up an Internal Audit Division. The Internal Audit Division reports directly to the Chairman Audit Committee.
20. 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, and they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all of its partners are in compliance with International Federation of Accountants Committee (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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 auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The quarterly un-audited financial statements of the Bank are circulated along with the Report of Directors. Half-yearly financial statements were subjected to limited review by the statutory auditors. Financial statements for the year ended December 31, 2007 have been audited and circulated in accordance with the clause (xxii) of the code.
23. All material information as described in clause (xxiii) of the code is disseminated to the Stock Exchange and Securities and Exchange Commission of Pakistan in a timely fashion.
24. We confirm that all other material principles contained in the code have been complied with.

By order of the Board

Muhammad Bilal Sheikh  
President & CEO

Place: Karachi

Date: February 26, 2008

## Statement of Internal Controls

Management of mybank Limited is responsible for establishing and maintaining a desirable system of internal control aimed at achieving the following objectives of the Bank:

- Efficiency and effectiveness of operations.
- Compliance with applicable laws and regulations.
- Reliability of financial reporting.

The following statements are made by the management, to meet the requirements of the State Bank of Pakistan (SBP) circular No. BSD 7 of 2004, Banking Supervision Department circular letter No. 2 of 2005 and the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP).

1. The management has adopted different strategies to monitor and improve internal controls on going basis. These include internal audit and various management committees. Moreover, in 2007 the management has engaged an outside consulting company to review the design and effectiveness of the system of internal control through policy revision. The reviews of the internal controls are being strengthened and measures for improvement where required are implemented.
2. The Bank has adopted a statement of ethics and business practices that is signed by all Directors and employees every year. Further, a compliance function has been established to ensure ongoing monitoring of Bank's compliance with laws, regulations and code of ethics.
3. The Bank has written policies and procedures duly approved by the Board of Directors and are presently under review and being revised.
4. The Bank has mission, vision and corporate strategy duly approved by the Board.
5. A comprehensive and enhanced organization structure is being developed which supports clear lines of communication and tiered levels of authority with delegation of responsibility and accountability.
6. The Bank has an effective internal audit division, which reports directly to the Audit Committee of the Board. The internal audit periodically carries out audits of branches and central office divisions to monitor the compliance of Bank's policies and procedures based on an audit plan approved by the Audit Committee.
7. Management gives due considerations to the recommendations made by the internal and external auditors for improvements in the internal control system and takes timely action to implement such recommendations.
8. The management has in place evaluation and approval procedures for major capital expenditure and other transactions.
9. There is an annual budgeting and strategic planning process. Financial forecasts are reviewed during the year to reflect significant changes in business environment. Regular reporting and monitoring of financial performance of the divisions highlighting key performance indicators and variance from budgets and forecasts, is in place.

During the year 2007, the Bank made considerable efforts in maintaining a suitable internal control framework, considering size of its operations, to ensure a comfortable level of effectiveness, efficiency and soundness of its internal control system and in implementing the desired control procedures.

During the year, the management initiated necessary steps to ensure non-repetition and elimination of observations, deficiencies and weaknesses identified by the statutory auditors, internal audit and the regulatory agency to the maximum possible level. The existing policies and procedures are being reviewed and revised.

Development of internal controls systems is an ongoing process, which includes identification, evaluation and management of significant risks faced by the Bank. Accordingly the Bank continuously reviews its entire system of controls, including the control environment, risk management and compliance procedures, and revisiting the policies and procedures to ensure that these conform to best practices.

Additionally, the Bank is also in the process of strengthening its systems for capturing and communicating relevant information and had acquired state of art technology which is in the pilot phase of implementation.

Based on the evaluation of the system of internal control, the management assesses that the internal control system, customer services and operation was adequate, considering the size and nature of banks operations, and expect that the internal control system will further improve in the period ahead.

By order of the Board

Muhammad Bilal Sheikh  
President & CEO

Place: Karachi  
Date: February 26, 2008

## Auditors' Review Report to The Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of mybank Limited to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No.37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange and Regulation 11 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 of Corporate Governance 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 of Corporate Governance as applicable to the Bank for the year ended December 31, 2007.

Place: Karachi  
Date: February 26, 2008

M. Yousuf Adil Saleem & Co.,  
Chartered Accountants

## Auditors' Report to The Members

We have audited the annexed balance sheet of mybank 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 eight 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 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 60 percent of the total loans and advances of the bank, we report that:

- a) In our opinion proper books of account have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) In our opinion:
  - i) The balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) The expenditure incurred during the year was for the purpose of the bank's business; and
  - iii) The business conducted, investments made and the expenditures 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 the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2007 and its true balance of the profit, its 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.

Place: Karachi  
Date: February 26, 2008

M. Yousuf Adil Saleem & Co.,  
Chartered Accountants



## Balance Sheet As At December 31, 2007

	Note	2007 Rupees in '000	Restated 2006
<b>ASSETS</b>			
Cash and balances with treasury banks	6	2,613,835	1,993,815
Balances with other banks	7	280,497	722,089
Lendings to financial institutions	8	1,567,626	4,780,887
Investments	9	11,601,143	2,711,220
Advances	10	20,791,751	13,486,839
Operating fixed assets	11	2,080,341	2,036,225
Deferred tax assets	12	86,261	-
Other assets	13	1,580,159	558,642
		40,601,613	26,289,717
<b>LIABILITIES</b>			
Bills payable	14	895,616	225,322
Borrowings	15	2,796,478	1,624,470
Deposits and other accounts	16	30,153,164	19,169,226
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	12	-	120,221
Other liabilities	17	814,035	336,652
		34,659,293	21,475,891
<b>NET ASSETS</b>		<u>5,942,320</u>	<u>4,813,826</u>
<b>REPRESENTED BY</b>			
Share capital	18	4,242,866	3,085,721
Reserves		324,005	255,941
Unappropriated profit		496,827	586,905
		5,063,698	3,928,567
Surplus on revaluation of assets	19	878,622	885,259
		<u>5,942,320</u>	<u>4,813,826</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Bilal Sheikh  
President & CEO

Iqbal Alimohamed  
Chairman

Sohail Muzaffar  
Vice Chairman

Afzal Ghani  
Director

## Profit And Loss Account For The Year Ended December 31, 2007

	Note	2007 Rupees in '000	Restated 2006
Mark-up/return/interest earned	21	2,907,075	1,685,810
Mark-up/return/interest expensed	22	2,208,225	865,668
Net mark-up/ interest income		698,850	820,142
Provision against non-performing loans and advances	10.3	648,425	31,231
Provision for diminution in the value of investments		-	-
Bad debts written off directly	10.4	2,676	6,541
		651,101	37,772
Net mark-up / interest income after provisions		47,749	782,370
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		140,270	115,544
Dividend income		151,691	138,094
Income from dealing in foreign currencies		67,163	37,194
Gain on sale of securities	23	489,123	49,927
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading	9.4	-	40,993
Other income	24	62,313	70,486
Total non mark-up / interest income		910,560	452,238
		958,309	1,234,608
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	25	722,553	587,525
Other provisions / write offs		2,183	1,000
Other charges	26	8,485	23,023
Total non mark-up / interest expenses		733,221	611,548
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		225,088	623,060
Taxation - current		88,314	126,085
- prior year		-	-
- deferred		(203,545)	(2,370)
	27	(115,231)	123,715
<b>PROFIT AFTER TAXATION</b>		340,319	499,345
Unappropriated profit brought forward		586,905	278,297
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation-net of deferred tax		23,382	11,990
Profit available for appropriation		950,606	789,632
Basic and diluted earnings per share	28	0.87	1.49

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Bilal Sheikh  
President & CEO

Iqbal Alimohamed  
Chairman

Sohail Muzaffar  
Vice Chairman

Afzal Ghani  
Director

## Cash Flow Statement For The Year Ended December 31, 2007

	Note	2007 Rupees in '000	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		225,088	623,060
Less: dividend income		(151,691)	(138,094)
		73,397	484,966
Adjustments:			
Depreciation	11.2	102,514	74,219
Amortisation of intangible assets	11.3	3,778	1,920
Amortisation of premium on held to maturity securities	21.2	13,376	13,145
Provision and write off against non-performing advances		651,101	37,772
Provision against other assets	13.3	-	1,000
(Gain) on sale of fixed assets	11.2.2	(6,408)	(3,867)
Other provisions / write-offs		2,183	-
		766,544	124,189
		839,941	609,155
<b>(Increase) / decrease in operating assets</b>			
Lendings to financial institutions		2,338,261	(2,222,384)
Held-for-trading securities		378,637	(229,751)
Advances		(7,956,013)	(4,230,230)
Others assets (excluding advance taxation)		(861,787)	(245,515)
		(6,100,902)	(6,927,880)
<b>Increase/ (decrease) in operating liabilities</b>			
Bills payable		670,294	(40,830)
Borrowings from financial institutions		971,681	284,808
Deposits and other accounts		10,983,938	6,312,611
Other liabilities (excluding current taxation)		537,445	132,037
		13,163,358	6,688,626
		7,902,397	369,901
Income tax paid		(309,149)	(25,108)
Net cash flows from operating activities		7,593,248	344,793
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(9,268,128)	(1,281,184)
Net investments in held-to-maturity securities		-	1,894,033
Dividend income received		150,555	136,081
Investments in operating fixed assets		(154,312)	(105,907)
Sale proceeds of property and equipment disposed-off	11.2.2	10,312	12,239
Net cash flows (used in) / from investing activities		(9,261,573)	655,262
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of share capital		771,430	1,028,574
Dividend paid		(4)	(102,858)
Net cash flows from financing activities		771,426	925,716
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase / (decrease) in cash and cash equivalents		(896,899)	1,925,771
Cash and cash equivalents at beginning of the year	29	3,740,904	1,815,133
Cash and cash equivalents at end of the year	29	2,844,005	3,740,904

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Bilal Sheikh  
President & CEO

Iqbal Alimohamed  
Chairman

Sohail Muzaffar  
Vice Chairman

Afzal Ghani  
Director

## Statement Of Changes In Equity For The Year Ended December 31, 2007

	Share capital	Capital reserve		Total
		Statutory reserve	Unappropriated profit / (loss)	
Rupees in '000				
Opening balance as at January 1, 2006	2,057,147	156,072	278,297	2,491,516
Transfer from surplus on revaluation of fixed asset on account of incremental depreciation	-	-	18,447	18,447
Net income recognised directly in equity - as reported	-	-	18,447	18,447
Effect of prior year error (Note 12.1)	-	-	(6,457)	(6,457)
Net income recognised directly in equity - as restated	-	-	11,990	11,990
Profit for the year ended December 31, 2006 - as restated	-	-	499,345	499,345
Total recognized income and expense for the year	-	-	511,335	511,335
Transfer to statutory reserve	-	99,869	(99,869)	-
Cash dividend @ 50 paises per share	-	-	(102,858)	(102,858)
Issue of share capital	1,028,574	-	-	1,028,574
Opening balance as at January 1, 2007 - as restated	3,085,721	255,941	586,905	3,928,567
Transfer from surplus on revaluation of fixed asset on account of incremental depreciation-net of deferred tax	-	-	23,382	23,382
Net income recognised directly in equity	-	-	23,382	23,382
Profit for the year ended December 31, 2007	-	-	340,319	340,319
Total recognized income and expense for the year	-	-	363,701	363,701
Transfer to statutory reserve	-	68,064	(68,064)	-
Issue of bonus shares	385,715	-	(385,715)	-
Issue of right shares	771,430	-	-	771,430
Closing balance as at December 31, 2007	4,242,866	324,005	496,827	5,063,698

The annexed notes 1 to 40 form an integral part of these financial statements.

Muhammad Bilal Sheikh  
President & CEO

Iqbal Alimohamed  
Chairman

Sohail Muzaffar  
Vice Chairman

Afzal Ghani  
Director

## Notes to the Financial Statements for the year ended December 31, 2007

### 1. STATUS AND NATURE OF BUSINESS

mybank Limited was incorporated in Pakistan on October 7, 1991 as a public limited company under the Companies Ordinance, 1984. The Bank's registered office is situated at Regal Chowk, Jinnah Road, Quetta with principal place of business at 10th Floor, Business and Finance Centre, I.I. Chundrigar Road, Karachi. Its shares are quoted on Karachi, Lahore and Islamabad Stock Exchanges of Pakistan. The Bank is engaged in commercial banking and related services as described in the Banking Companies Ordinance, 1962 and operates 60 (2006: 50) branches in Pakistan. Currently the Bank's medium and long-term credit rating is A, and its short term credit rating is A-1 (A-one) with a stable outlook.

### 2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by 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 utilized and the appropriate portion of mark-up thereon.

### 3. STATEMENT OF COMPLIANCE

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, directives issued by the State Bank of Pakistan, the Banking Companies Ordinance, 1962, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the requirements of the directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan take precedence.

The SECP has approved the adoption of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property". The requirements of these standards have not been taken into account for the purpose of these financial statements as the implementation of the said standards has been deferred by SBP, vide BSD Circular No. 10 dated August 26, 2002, for banks in Pakistan till further instructions. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

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

The following amendments to existing standards have been published that are applicable to the Bank's financial statements covering annual periods, beginning on or after the following dates:

i) IFRS 7, "Financial Instruments" - Disclosures	The effective date of these standards has not been notified by the SECP
ii) IFRS 8, "Operating Segments"	
iii) IFRIC 11, "IFRS 2-Group and Treasury Share"	effective from March 1, 2007
iv) IFRIC 12, "Service Concession Agreement"	effective from January 1, 2009
v) IFRIC 14, "IAS- 19 The limit on a Defined Benefit Asset"	effective from January 1, 2009

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

#### 4. BASIS OF MEASUREMENT

##### 4.1 Accounting convention

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

##### 4.2 Critical accounting estimates and judgements

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 judgement in the process of applying the Bank's accounting policies.

##### 4.2.1 Critical judgements in applying the Bank's accounting policies.

In the process of applying the Bank's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

###### a) Held-to-maturity securities

As described in note 5.3, held-to-maturity securities are investments where the management has positive intent to hold-to-maturity. The classification of these securities involves management judgment whether the financial assets are held-to-maturity investments.

###### b) Taxation and Contingencies

As described in notes 20.4 and 20.5, management considers that the Bank is not likely to incur further liabilities mentioned therein.

##### 4.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

###### a) Provision against non-performing advances

The Bank continuously monitors the recoverability of advances and makes general and specific provisions as considered necessary to comply with the Prudential Regulations issued by the State Bank of Pakistan (SBP). Keeping in view the requirements of the Prudential Regulations, the Bank may apply the subjective criteria of classification on regular basis and accordingly the classification of an advance is downgraded on the basis of evaluation of credit worthiness of borrower, its cash flows, operations in account and adequacy of security in order to ensure the best estimate of the provision.

###### b) Useful life of property and equipment and intangible assets

Useful life of the property and equipment and intangible assets are based on management's best estimates.

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with treasury banks, balances with other banks in current and deposit accounts, overdrawn nostro accounts and call money lending in the money market.

##### 5.2 Lendings to / borrowings from financial institutions

###### Sale under re-purchase obligation

Securities sold subject to a re-purchase agreement (Repo) are retained as investments and the corresponding counter party liability is recognized as borrowings from financial institutions.

The difference in sales and re-purchase value is treated as mark-up / return / interest expense and accrued over the life of the repo agreement.

#### Purchase under re-sale obligation

Securities purchased subject to a re-sale agreement (Reverse Repo) are recognized as lendings to financial institutions. The difference between contracted and re-sale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement.

### 5.3 Investments

All purchase and sale of investments that require delivery within the time frame established by regulations or market conventions are recognized at the trade date. Trade date is the date on which the Bank commits to purchase or sell the securities. Classification of investments is made based on the intended purpose of holding such investments, which is as follows:

#### Held-for-trading securities

These are investment securities, which are acquired principally for the purpose of generating profit from short-term fluctuations in price, interest rate movement or dealer's margin, and are to be sold within 90 days.

#### Held-to-maturity securities

These are investment securities with fixed or determinable payments and fixed maturity and the Bank has the positive intent and ability to hold-to-maturity.

#### Available-for-sale securities

These are investments, which do not fall under the held-for-trading or held-to-maturity category.

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

Quoted securities other than those classified under held-to-maturity, are stated at market value in accordance with the requirements of the State Bank of Pakistan (SBP). Investments held-to-maturity are stated at amortized cost.

Surplus /(deficit) arising on revaluation of held-for-trading securities and amortization of held-to-maturity investments are directly taken to profit and loss account.

In accordance with the requirements of Banking Surveillance Department Circular No. 20 dated August 4, 2000, the surplus / (deficit) arising on securities classified as available-for-sale investments for which ready quotes are available on Reuters page (PKRV) or Stock Exchange is kept in a separate account and shown in balance sheet below equity. Unquoted equity securities are valued at lower of cost and break-up value less impairment losses, if any. Break-up value of shares is calculated with reference to net assets of investee company based on latest available audited financial statements.

Provision for diminution in the value of securities (except debentures, bonds, participatory certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, bonds, participatory certificates and term finance certificates is made in accordance with the requirements of Prudential Regulations issued by the State Bank of Pakistan (SBP).

Gains and losses on disposal of investments are taken to profit and loss account in the year in which they arise.

#### 5.4 Advances

Advances are stated net of general and specific provisions on non-performing advances. Specific provision is made in accordance with the requirements of Prudential Regulations issued by SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of loans by the bank) for classification of non-performing loans and advances and computing provision thereagainst. Further, SBP also requires the bank to maintain general provision against consumer advance at specified percentage of such portfolio. Advances are written off where there are no realistic prospects of recovery.

#### 5.5 Operating fixed assets - owned

##### Property and equipment

Property and equipments, other than land which is carried at revalued amount, are stated at cost or revalued amounts less accumulated depreciation and impairment losses, if any.

Depreciation on premises on leasehold land and furniture and fixture is charged to income applying the reducing balance method and depreciation on computer equipments and vehicles is charged to income applying straight line method at the rates stated in note 11.2.

Depreciation is provided on assets acquired during the year from the month of purchase of assets, and on assets disposed-off during the year till the month these assets are disposed-off.

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

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

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

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

##### Capital work-in-progress

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

##### Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Amortization is provided applying the straight line method at the rates mentioned in note 11.3.

#### 5.6 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its operating fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the greater of net selling price and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.



## 5.7 Taxation

### Current

Provision for current taxation is based on taxable income at the current rate of taxation after taking into account; tax credits, tax rebates and exemption available if any, or half percent of turnover whichever is higher in accordance with the provisions of Income Tax Ordinance, 2001.

### Deferred

Deferred tax is calculated using balance sheet liability method, providing for major temporary differences arising at the balance sheet date, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized on deductible temporary differences to the extent that it is probable that tax profits and taxable temporary differences will be available against which deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits and taxable temporary differences will be available to allow or part of the asset to be recovered.

Deferred taxes are calculated at the tax rate that are expected to apply to the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case their deferred tax is also dealt within equity.

## 5.8 Staff retirement benefits

### Defined contribution plan

The Bank operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Bank and its employees, to the fund at the rate of 8.33 percent of the basic salaries of the employees.

### Defined benefit plan

The Bank has a gratuity fund, contributions to which have been discontinued since 2002. However, the Fund being a separate legal entity still exists and the members entitled to the balance of fund shall be able to draw their balances upon completion of or termination from the employment of the Bank.

## 5.9 Dividend and other appropriations

Dividend is recognized as liability in the period in which it is declared. Appropriations to reserves, other than statutory appropriations made after the Balance sheet date are recognized in the period in which such appropriations are approved.

## 5.10 Revenue recognition

Mark-up / return / interest on advances and return on investments are recognized on time proportion basis except in case of advances classified under the Prudential Regulations issued by the State Bank of Pakistan (SBP) on which mark-up is recognized on receipt basis. Interest / mark-up on re-scheduled / re-structured loans and advances and investments is recognized in accordance with the directives of the State Bank of Pakistan.

Fee, commission and brokerage income is recognized at the time of performance of services. Dividend income is recognized when right to receive is established.

## 5.11 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events, it is probable that the 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 estimates.

- 5.12 Foreign currency translation
- 5.12.1 Functional and presentation currency  
These financial statements are presented in rupees, which is the Bank's functional and presentation currency.
- 5.12.2 Transaction and balances  
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account. Foreign bills purchased and forward foreign exchange other than those relating to foreign currency deposits are valued at the rates applicable to the respective maturities of the relevant foreign bills purchased and forward exchange contracts.
- 5.12.3 Commitments  
Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statement at committed amount. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in functional currency at the rates of exchange ruling on the balance sheet date.
- 5.13 Segment Reporting  
A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.
- 5.13.1 Business segments
- Corporate finance  
Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, Initial Public Offering (IPO) and secondary private placements.
- Trading and sales  
It includes fixed income, equity, foreign exchange, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.
- Retail Banking  
It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.
- Commercial banking  
Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.
- 5.13.2 Geographical segments  
The Bank operates only in Pakistan.
- 5.14 Financial instruments  
Financial assets and liabilities are recognized at the time the Bank becomes a party to the contractual provisions of the instruments. Any gain or loss on de-recognition of the financial assets and liabilities is included in the net profit and loss for the year in which it arises.
- 5.15 Off - setting  
Financial assets and liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on the net basis or to realize the assets and to settle the liabilities simultaneously.

	Note	2007 Rupees in '000	2006
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		465,619	382,481
Foreign currencies		72,294	14,920
		537,913	397,401
With State Bank of Pakistan in			
Local currency current accounts	6.1	1,899,465	1,489,763
Foreign currency current account	6.2	38,316	13,874
Foreign currency deposit account	6.3	24,606	25,519
		1,962,387	1,529,156
With National Bank of Pakistan in			
Local currency current accounts		113,535	67,258
		<u>2,613,835</u>	<u>1,993,815</u>
6.1	Deposits are maintained with the State Bank of Pakistan (SBP) to comply with their requirements issued from time to time.		
6.2	It includes non-remunerative cash reserve of 5 percent per annum on deposits held under the new foreign currency account scheme, required to be maintained with the State Bank of Pakistan (SBP).		
6.3	This represents statutory cash reserve maintained against foreign currencies deposits mobilised under FE-25 scheme, as prescribed by State Bank of Pakistan (SBP) and is remunerated on monthly basis at rate of return specified by the SBP, rate for the month of December is 4.24 percent (December 2006: 4.35 percent)		

	Note	2007 Rupees in '000	2006
<b>7. BALANCES WITH OTHER BANKS</b>			
In Pakistan			
On current accounts		107,033	240,729
On deposit account	7.1	71,776	-
		178,809	240,729
Outside Pakistan			
On current accounts		64,428	475,392
On deposit accounts	7.2	37,260	5,968
		101,688	481,360
		<u>280,497</u>	<u>722,089</u>
7.1	This represents saving deposits with local banks carrying interest rates of 1 percent to 7 percent per annum (2006: Nil).		
7.2	This represents placement of funds with foreign bank amounting to GBP 300,000 (2006: GBP 50,000) maturing within one month of the balance sheet date and carrying interest rate of 5.92 percent per annum (2006: 5 percent per annum). The principal and interest amount is receivable at the time of maturity.		

	Note	2007 Rupees in '000	2006
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	8.1	150,000	1,025,000
Certificates of investment	8.2	100,000	250,000
Repurchase agreement lendings (reverse repo)	8.3	517,626	3,005,887
Other placements	8.4	800,000	500,000
		<u>1,567,626</u>	<u>4,780,887</u>

8.1 These represent clean placements and call money lendings to financial institutions with maturity period ranging from 2 to 14 days and carry mark-up ranging from 10 percent to 10.8 percent per annum (2006: 12 percent to 12.5 percent)

8.2 This represents placement of funds with a financial institution with maturity period of 92 days and carrying mark-up at the rate of 10.25 percent per annum (2006: 10.75 percent to 12.70 percent)

8.3 These represent lendings to financial institutions against purchase of government securities and listed shares under resale obligation (reverse repo) at mark-up rates ranging from 9.95 percent to 13 percent per annum (2006: 8.4 percent to 15 percent) for periods ranging between 2 to 35 days. These are secured against underlying government securities and listed shares. The difference between purchase and resale purchase price is treated as mark-up income and recognised over the period of reverse repo agreement.

8.4 This represents placement of funds with a local bank having maturity of 91 days and carrying interest of 10.75 percent to 11 percent per annum (2006: 12.75 percent). The principal and interest amount is receivable at the time of maturity.

	2007 Rupees in '000	2006
<b>8.5 Particulars of Lending</b>		
In local currency	1,567,626	4,780,887
In foreign currencies	-	-
	<u>1,567,626</u>	<u>4,780,887</u>

**8.6 Securities held as collateral against lending to financial institution**

	2007			2006		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
	Rupees in '000					
Market treasury bills	392,626	-	392,626	1,210,227	-	1,210,227
Pakistan Investment Bonds	-	-	-	525,000	-	525,000
Listed companies' shares	125,000	-	125,000	1,270,660	-	1,270,660
	<u>517,626</u>	<u>-</u>	<u>517,626</u>	<u>3,005,887</u>	<u>-</u>	<u>3,005,887</u>

8.6.1 Market value of the collaterals held under repurchase agreement lendings amounts to Rs. 590.8 million (2006: 3,678 million).

## 9. INVESTMENTS

### 9.1 Investments by Types

Note	2007			2006			
	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total	
Rupees in '000							
<b>Held-for-trading securities</b>							
Listed companies' shares	-	-	-	248,715	-	248,715	
Mutual fund- units-open-ended	-	-	-	-	-	-	
	-	-	-	248,715	-	248,715	
<b>Available-for-sale securities</b>							
Market Treasury Bills	4,756,144	1,000,000	5,756,144	779,163	-	779,163	
National Investment Trust Units	300,000	-	300,000	346,250	-	346,250	
Term Finance Certificates- listed	174,574	-	174,574	200,263	-	200,263	
Term Finance Certificates- unlisted	138,943	-	138,943	54,630	-	54,630	
Listed companies' shares	49,472	-	49,472	-	-	-	
Unlisted companies' shares	10,000	-	10,000	10,000	-	10,000	
Mutual funds-units-closed-end	318,214	-	318,214	313,913	-	313,913	
Mutual funds- units-open-ended	3,800,000	-	3,800,000	75,000	-	75,000	
Preference shares	50,000	-	50,000	50,000	-	50,000	
	9,597,347	1,000,000	10,597,347	1,829,219	-	1,829,219	
<b>Held-to-maturity securities</b>							
Pakistan Investment Bonds	526,910	-	526,910	539,535	-	539,535	
WAPDA bonds	50,245	-	50,245	50,996	-	50,996	
	577,155	-	577,155	590,531	-	590,531	
<b>Associates</b>							
Mutual funds-units- open-ended	9.1.1	500,000	-	500,000	88,929	-	88,929
Investment at cost		10,674,502	1,000,000	11,674,502	2,757,394	-	2,757,394
Less: Provision for Diminution in value of Investments		-	-	-	-	-	-
Investments (net of provisions)		10,674,502	1,000,000	11,674,502	2,757,394	-	2,757,394
Surplus/(deficit) on revaluation of held-for-trading securities	9.4	-	-	-	40,993	-	40,993
Surplus/(deficit) on revaluation of available-for-sale securities	19.2	(72,647)	(712)	(73,359)	(87,167)	-	(87,167)
Investments at market value		10,601,855	999,288	11,601,143	2,711,220	-	2,711,220

9.1.1 Faysal Income & Growth Fund (2006: Faysal Balanced Growth Fund) is an associated undertaking as per the Companies Ordinance, 1984 on the basis of common directorship, however, for the purpose of measurement, it has been classified as available for sale (2006: held for trading) as the Bank does not exercise any significant influence over it.

	Note	2007 Rupees in '000	2006
9.2	Investments by Segments		
	Government Securities:		
	Market Treasury Bills	5,756,144	779,163
	Pakistan Investment Bonds	526,910	539,535
	WAPDA Bonds	50,245	50,996
		6,333,299	1,369,694
	Fully Paid up Ordinary Shares:		
	Listed companies	49,472	248,715
	Unlisted companies	10,000	10,000
		59,472	258,715
	Preference shares	50,000	50,000
	Term Finance Certificates, Debentures, Bonds and Participation Term Certificates:		
	Listed Term Finance Certificates	174,574	200,263
	Unlisted Term Finance Certificates	138,943	54,630
		313,517	254,893
	Other Investments		
	Mutual funds–units–closed-end	318,214	313,913
	Mutual funds–units–open-ended	3,800,000	75,000
	National Investment Trust–units	300,000	346,250
		4,418,214	735,163
	Investment in associates	500,000	88,929
	Total investment at cost	11,674,502	2,757,394
	Less: Provision for diminution in value of investment	-	-
	Investments (net of provisions)	11,674,502	2,757,394
	Surplus/(deficit) on revaluation of held-for-trading securities	-	40,993
	Surplus/(deficit) on revaluation of available-for-sale securities	(73,359)	(87,167)
	Total investments at market value	11,601,143	2,711,220

9.2.1 Market treasury bills and Pakistan investment bonds are held with the SBP and are eligible for re-discounting.

9.2.2 This includes securities having face value of Rs. 12.10 million (2006: Rs. 12.10 million) pledged with National Bank of Pakistan as security to facilitate T.T discounting of the branches of the Bank.

	Note	2007		2006	
		Amount	Rating	Amount	Rating
9.3 Quality of Available for Sale Securities					
Market Treasury Bills		5,747,752	Unrated	778,860	Unrated
National Investment Trust Units		283,461	4 Stars	315,991	4 Stars
Term finance certificates - unlisted					
Bosicor Pakistan Ltd.	9.3.1	17,143	Unrated	25,714	Unrated
Dewan Textile Mill Ltd.	9.3.1	-		5,000	Unrated
Dewan Mushtaq Textile Mill Ltd.	9.3.1	-		5,166	Unrated
Dewan Farooq Spinning Mills Ltd.	9.3.1	12,500	Unrated	18,750	Unrated
Three Star Cement (Pvt) Ltd	9.3.1	100,000	Unrated	-	
Kunjah Textile Mills Ltd.	9.3.1	9,300	Unrated	-	
		138,943		54,630	
Term finance certificate - listed					
Crescent Leasing Corporation Ltd.		21,177	A-	31,177	A-
Azgard Nine Ltd.		110,100	A+	99,980	Unrated
Telecard Ltd		50,529	BBB	70,283	A
		181,806		201,440	
Listed companies shares					
Askari Commercial Bank Ltd.		11,072	A1+ -AA	-	
D.G Khan Cement Ltd.		9,470	Unrated	-	
Maple Leaf Cement Ltd.		2,015	A1-A	-	
Hub Power Co. Ltd.		15,250	Unrated	-	
Fauji Fertilizer Bin Qasim Ltd.		6,308	Unrated	-	
		44,115		-	
Unlisted companies' shares					
Khushhali Bank Ltd.	9.3.2	10,369	A-	11,030	A-
Mutual funds - units - open-ended					
NAFA Cash Fund		1,000,000	MRF 5 Stars	75,000	A
Askari Income Fund		1,000,000	5 Stars	-	
KASB Liquid Fund		1,000,000	5 Stars	-	
Faysal Income and Growth Fund		500,000	A+F	-	
AKD Income Fund		300,000	AM3+	-	
IGI Income Fund		500,000	AM3-	-	
		4,300,000		75,000	
Mutual funds - units - closed-ended					
UTP Large Capital Fund		173,270	4 Stars	171,131	4 Stars
Pak Strategic - Allocation - Fund		91,000	4 Stars	85,000	4 Stars
PICIC Growth Funds		2,850	2 Stars	-	
Pak Oman Advantage Fund		791	AA-(f)	-	
		267,911		256,131	
Preference shares					
Pak Elektron Ltd	9.3.2	127,467	A1-A	129,400	Unrated
<b>Total</b>		<b>11,101,824</b>		<b>1,822,482</b>	

9.3.1 Fair value of these investments can not be calculated as active market does not exist

9.3.2 These represent the break-up values of the assets, which are higher than the cost at which these have been carried in the financial statements.

9.4 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading.

	2007	2006
	Rupees in '000	
Listed companies' shares	-	5,648
Mutual fund-units-open-ended	-	35,345
	<u>-</u>	<u>40,993</u>

9.5 Particulars of Investments held as Strategic Investment- at cost

UTP Large Capital Funds	213,913	213,913
Pakistan Strategic Allocation Fund	100,000	100,000
Preference Shares Pak Elektron Ltd.	50,000	50,000
Unlisted Shares Khushhali Bank Ltd.	10,000	10,000
	<u>373,913</u>	<u>373,913</u>

9.6 Principal terms of investments

9.6.1 Particulars of investments held in Government Securities

Investee	Maturity	Principal Payment	Interest Rate %	Interest Payment
Pakistan investment bond	Feb 2011 to Oct 2013	On maturity	8.00 to 14.00	Semi-annually
Market treasury bills	Jan 2008 to Dec 2008	On maturity	9.05 to 9.40	At maturity
Wapda bonds - 10th Issue	April 2008	On maturity	SBP discount rate - 0.25%	Semi-annually

9.6.2 Particulars of investments held in Term Finance Certificate

Investee	Principal	Profit/Payment	Rate of mark-up / profit
Bosicor Pakistan Ltd.	After 2 years on equal basis- over 5 years	Semi-annually	6 month KIBOR plus 550 bps with a floor and cap respectively of 9.00 and 13.00 percent per annum
Dewan Farooq Spinning Mills Ltd.	After 18 months- over 5 Years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.
Three Star Cement (Pvt) Ltd.	Over 1 year	Quarterly	Average 6 months KIBOR plus 2.50 percent per annum.
Kunjah Textile Mills Ltd.	After 6 month over 7 years	Semi-annually	Average 6 months KIBOR plus 3 percent per annum.
Crescent Leasing Corp. Ltd.	Over 5 years	Semi-annually	Average 'ask side' rate of 6 month KIBOR plus 175 bps with no floor and no cap
Azgard Nine Ltd.	Over 7 years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.
Telecard Ltd.	Over 6 years	Semi-annually	Average 6 months KIBOR plus 3.75 percent per annum.



### 9.6.3 Particulars of investments in NIT units

	Face Value	Book Value	Market Value
	Rupees in '000		
National Investment Trust Units	250,000	100,000	95,990
National Investment Trust Units	100,000	200,000	187,471
	<u>350,000</u>	<u>300,000</u>	<u>283,461</u>

### 9.7 Investment in listed securities- ordinary shares

2007	2006	Paid up value per share (Rs.)	Name of Company	2007	2006
No. of ordinary shares				Rupees in '000	
-	350,000	10	MCB Bank Ltd.	-	81,550
-	170,000	10	National Bank of Pakistan	-	37,273
-	750,000	10	Oil and Gas Development Corporation	-	86,287
-	190,000	10	Pakistan Petroleum Ltd.	-	43,605
111,000	-	10	Askari Commercial Bank Ltd	11,750	-
100,000	-	10	D.G. Khan Cement Ltd.	11,926	-
105,000	-	10	Maple Leaf Cement Ltd.	2,691	-
500,000	-	10	Hub Power Co.	16,171	-
150,000	-	10	Fauji Fertilizer Bin Qasim Ltd.	6,934	-
				<u>49,472</u>	<u>248,715</u>
			Add: Surplus/(deficit) on revaluation of shares- net	(5,357)	5,648
			Market Value as at December 31	<u>44,115</u>	<u>254,363</u>

### 9.8 Investment in mutual funds

Investee	No. of Units / certificates		2007	
			Book Value	Market Value
			Rupees in '000	
UTP Large Capital Fund	Closed-end	21,391,312	213,913	173,270
Pak Strategic Allocation Fund	Closed-end	10,000,000	100,000	91,000
PICIC Growth Fund	Closed-end	100,000	3,341	2,850
Pak Oman Advantage Fund	Closed-end	96,000	960	791
NAFA Cash Fund	Open-ended	95,132,995	1,000,000	1,000,000
Askari Income Fund	Open-ended	9,468,800	1,000,000	1,000,000
KASB Liquid Fund	Open-ended	9,499,832	1,000,000	1,000,000
Faysal Income & Growth Fund	Open-ended	4,728,132	500,000	500,000
AKD Income Fund	Open-ended	5,686,266	300,000	300,000
IGI Income Fund	Open-ended	4,764,627	500,000	500,000
			<u>4,618,214</u>	<u>4,567,911</u>
Less: Deficit on revaluation of mutual funds- (net) - available for sale			(50,303)	
Less: Deficit on revaluation of mutual funds- (net) - held-for-trading			-	
Market Value as at December 31, 2007			<u>4,567,911</u>	

9.9 Investment in term finance certificate - listed - each with face value of Rs. 5,000

No. of certificates 2007	2006	Name of Company	Name of Chief Executive	Redeemed Value	
				2007	2006
				Rupees in '000	
10,000	10,000	Crescent Leasing Corporation Ltd.	Mr. Syed Shahnawaz A Rizvi	20,000	30,000
15,000	15,000	Telecard Ltd.	Mr. Shahid Feroz	54,654	70,283
20,000	20,000	Azgard Nine Ltd.	Mr. Mueen Afzal	99,920	99,980
				174,574	200,263
Add: Surplus on revaluation of TFCs - (net)				7,232	1,177
Market Value as at December 31				181,806	201,440

Investment in term finance certificate - unlisted - each with face value of Rs. 5,000

No. of certificates 2007	2006	Name of Company	Name of Chief Executive	Redeemed Value	
				2007	2006
				Rupees in '000	
6,000	6,000	Bosicor Pakistan Ltd.	Mr. M. Wasi Khan	17,143	25,714
-	8,000	Dewan Textile Mill Ltd.	Mr. Dewan Ghalib Mustafa Khalid	-	5,000
-	8,266	Dewan Mushtaq Textile Mill Ltd.	Mr. Dewan Ghalib Mustafa Khalid	-	5,166
5,000	5,000	Dewan Farooq Spinning Mills Ltd.	Mr. Muhammad Yousuf Farooqi	12,500	18,750
20,000	-	Three Star Cement (Pvt) Ltd.	Mr. Muhammad Rasheed	100,000	-
1,860	-	Kunjah Textile Mills Ltd.	Mr. Shafay Hussain	9,300	-
				138,943	54,630
				320,749	256,070

9.10 Investment in unlisted securities— ordinary shares / preference shares

No. of shares / units held	Note	Name of Investee Company	Name of Chief Executive	Percentage of holding %	Cost / Paid up Value per share / unit	Total Paid up Value	Break up Value	Based on accounts audited as at
								Rupees in '000
10	9.10.1	Khushhali Bank Limited	Mr. Ghalib Nishtar	0.60%	1,000,000	10,000	10,369	Dec-06
5,000,000	9.10.2	Pak Elektron Limited (PEL)	Mr. Naseem Saigol	3.65%	10	50,000	127,467	Jun-07

9.10.1 This represents the Bank's subscription towards the paid up capital of Khushhali Bank Ltd in terms of SBP letter No. BSD ((RU-26) 265)/625-MfB/13817/00 dated August 07, 2000.

9.10.2 These preference shares carry fixed dividend of 9.5 percent on cumulative basis. For redemption, payment of call option can be exercised by PEL upto 75 percent after 3 years but before 5 years of issue at the higher of three months average quoted price of preference shares plus any cumulative unpaid dividend or issue price plus call premium of 1 percent plus any cumulative unpaid dividends. Conversion option of preference shares into ordinary shares can be exercised by the Bank upto 25 percent after 3 years but before 5 years of issue date as per ratio specified in the agreement.

	Note	2007 Rupees in '000	2006							
10. ADVANCES										
Loans, cash credits, running finances, etc.										
In Pakistan		18,269,930	12,833,930							
Outside Pakistan		-	-							
		<u>18,269,930</u>	<u>12,833,930</u>							
Bills discounted and purchased (excluding treasury bills)										
Payable in Pakistan		2,745,309	584,230							
Payable outside Pakistan		753,744	468,620							
		<u>3,499,053</u>	<u>1,052,850</u>							
Financing in respect of continuous funding system (CFS)		-	6,743							
Advances - Gross	10.1	<u>21,768,983</u>	<u>13,893,523</u>							
Provision against loans and advances										
Specific provision		(975,385)	(403,844)							
General provision against consumer loans		(1,847)	(2,840)							
	10.3	<u>(977,232)</u>	<u>(406,684)</u>							
Advances - net of provision		<u><u>20,791,751</u></u>	<u><u>13,486,839</u></u>							
10.1 Particulars of advances - Gross										
10.1.1 In local currency		21,407,712	13,886,275							
In foreign currencies		361,271	7,248							
		<u>21,768,983</u>	<u>13,893,523</u>							
10.1.2 Short term ( for upto one year)		17,370,344	12,354,524							
Long term ( for over one year)		4,398,639	1,538,999							
		<u>21,768,983</u>	<u>13,893,523</u>							
10.2 Advances include Rs.1,184.684 million (2006: 1,011.020 million) which have been placed under non-performing status as detailed below:										
		2007								
Category of Classification		Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
		Rupees in '000								
Other Assets Especially Mentioned		21,669	-	21,669	-	-	-	-	-	-
Substandard		214,405	-	214,405	52,200	-	52,200	52,200	-	52,200
Doubtful		50,845	-	50,845	25,420	-	25,420	25,420	-	25,420
Loss		897,765	-	897,765	897,765	-	897,765	897,765	-	897,765
		<u>1,184,684</u>	<u>-</u>	<u>1,184,684</u>	<u>975,385</u>	<u>-</u>	<u>975,385</u>	<u>975,385</u>	<u>-</u>	<u>975,385</u>

10.3 Particulars of provision against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	403,844	2,840	406,684	413,379	5,245	418,624
Exchange adjustments	-	-	-	-	-	-
Charge for the year	721,369	-	721,369	94,413	-	94,413
Reversals	(71,951)	(993)	(72,944)	(60,777)	(2,405)	(63,182)
	649,418	(993)	648,425	33,636	(2,405)	31,231
Amounts written off	10.4 (77,877)	-	(77,877)	(43,171)	-	(43,171)
Closing balance	975,385	1,847	977,232	403,844	2,840	406,684

10.3.1 Particulars of provisions against non-performing advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	975,385	1,847	977,232	403,844	2,840	406,684
In foreign currencies	-	-	-	-	-	-
	975,385	1,847	977,232	403,844	2,840	406,684

10.3.2 During the current year, in order to comply with the requirements of BSD Circular No. 07, dated October 12, 2007, issued by the SBP, the Bank changed the method of computation of provision against the non-performing advances. The Circular requires the Bank to withdraw the benefit of Forced Sale Value (FSV) of the collaterals held against all non performing advances except for housing finance, for the purposes of determining provision against non-performing advances. Through this Circular, the time period for classifying 'Personal loans' as loss has also been reduced from one year to 180 days.

Had the above referred withdrawal of FSV of collaterals held against non performing advances and reduction in time period for classifying 'Personal Loans' not occurred, profit before taxation for the current period and advances net of provision at the end of the current year would have been higher by Rs. 483.886 million.

10.4 Particulars of write offs:

	Note	2007	2006
		Rupees in '000	
10.4.1 Against Provisions	10.3	77,877	43,171
Directly charged to Profit & Loss account		2,676	6,541
		<u>80,553</u>	<u>49,712</u>
10.4.2 Write Offs of Rs. 500,000 and above	10.5	78,174	49,083
Write Offs of Below Rs. 500,000		2,379	629
		<u>80,553</u>	<u>49,712</u>

10.5 Details of loan write off of Rs. 500,000/- and above  
In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2007 is given at Annexure-I. However, this write-off does not affect the Bank's right to recover the debt from their customers.

10.6 Particulars of loan and advances to directors, associated companies etc.

	2007	2006
	Rupees in '000	
Debts due from directors, executives or officers of the bank or any of them either severally or jointly with any other persons		
Balance at beginning of year	54,077	58,964
Loans granted during the year	36,567	5,211
Repayments	(32,355)	(10,098)
Balance at end of year	58,289	54,077
Debts due from 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	20,000	14,340
Loans granted during the year	78,063	39,992
Repayments	(27,443)	(34,332)
Balance at end of year	70,620	20,000
	<u>128,909</u>	<u>74,077</u>

## 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	176,760	132,133
Property and equipment	11.2	1,901,828	1,900,364
Intangible assets	11.3	1,753	3,728
		<u>2,080,341</u>	<u>2,036,225</u>

### 11.1 Capital work-in-progress

Civil works		18,349	628
Equipments		1,824	-
Advances to suppliers and contractors	11.1.1	156,587	131,505
		<u>176,760</u>	<u>132,133</u>

11.1.1 This includes payments made towards implementation of Misys (Core Banking Application Software System)

## 11.2 Property and equipment

	Note	COST			DEPRECIATION			Book value as at Dec. 31, 2007	Rate of depreciation %
		as at Jan. 1, 2007	additions / (deletions)	as at Dec. 31, 2007 (Rupees in '000)	as at Jan. 1, 2007	charge / impairment	as at Dec. 31, 2007		
Lease hold land	11.2.1	504,782	-	504,782	-	-	-	504,782	
Buildings	11.2.1	1,290,482	29,073 (974)	1,318,581	58,891	61,782 (534)	120,139	1,198,442	5
Furnitures and fixtures		202,816	32,241 (1,040)	234,017	122,707	10,133 (774)	132,066	101,951	10 to 33.33
Computer equipments		121,235	28,681 (369)	149,547	104,155	10,788 (62)	114,881	34,666	25
Vehicles		107,667	17,887 (18,519)	107,035	40,865	19,811 (15,628)	45,048	61,987	20
2007	11.2.2	2,226,982	107,882 (20,902)	2,313,962	326,618	102,514 (16,998)	412,134	1,901,828	

	COST				DEPRECIATION				Book value as at Dec. 31, 2006	Rate of depreciation %
	as at Jan. 1, 2006	Additions/ (deletions)	Revaluation adjustment	as at Dec 31, 2006 (Rupees in '000)	as at Jan.1, 2006	Charge/ impairment	Revaluation adjustment	as at Dec 31, 2006		
Tangible										
Lease hold land	-	-	504,782	504,782	-	-	-	-	504,782	
Buildings	659,127	67,678	563,677	1,290,482	190,179	42,934	(174,222)	58,891	1,231,591	5
Furnitures and fixtures	184,749	23,439 (5,372)	-	202,816	116,032	10,581 (3,906)	-	122,707	80,109	10 to 33.33
Computer equipments	113,281	7,954	-	121,235	97,889	6,266	-	104,155	17,080	25
Vehicles	94,080	31,601 (18,014)	-	107,667	37,535	14,438 (11,108)	-	40,865	66,802	20
2006	1,051,237	130,672 (23,386)	1,068,459	2,226,982	441,635	74,219 (15,014)	(174,222)	326,618	1,900,364	

11.2.1 The properties of the Bank were last revalued by independent professional valuers as at June 30, 2006. The revaluation was carried out by M/s. Sadruddin Associates (Pvt.) Limited on the basis of professional assessment of present market values and resulted in a surplus of Rs. 1,242.6 million over the written down value of Rs. 441.3 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

Rupees in '000

Lease hold land and Buildings 514,962

Due to non-availability of breakup of land and buildings before revaluation, separate disclosure of carrying amount of these land and buildings can not be given.

### 11.2.2 Details of disposals of fixed assets

Description	Cost	Accumulated depreciation	WDV	Sale proceeds	Gain/loss	Mode of disposal	Name of purchaser
	Rupees in '000						
<b>Vehicles</b>							
1 Honda Civic	1,177	1,177	-	562	562	Quotations	Mr. Iqbal Saleem Awan
2 Honda Civic	1,189	795	394	742	348	Negotiation	Nasir A. Chaudry - Staff
3 Toyota Corolla	1,328	908	420	764	344	Quotations	Nadeem Ur Rehman
4 Mitsubishi Lancer	1,166	680	486	550	64	Quotations	Naeem Farooqi
5 Honda Civic	1,151	691	460	732	272	Quotations	Muhammad Khalid
	<u>6,011</u>	<u>4,251</u>	<u>1,760</u>	<u>3,350</u>	<u>1,590</u>		
Other vehicles having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	12,508	11,377	1,131	6,452	5,321		Various
<b>Buildings - Renovations</b>							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	974	534	440	50	(390)		Various
<b>Computer equipments</b>							
Items having book value of more than Rs. 0.25 million or cost of more than Rs. 1 million which ever is lower	312	32	280	250	(30)	Insurance claim	M/s. Adamjee Insurance Co.
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	57	30	27	34	7		Various
<b>Furniture and fixture</b>							
Items having book value of less than Rs. 0.25 million or cost of less than Rs. 1 million which ever is lower	1,040	774	266	176	(90)		Various
	<u>20,902</u>	<u>16,998</u>	<u>3,904</u>	<u>10,312</u>	<u>6,408</u>		

11.2.3 The land and buildings currently in use of the bank include certain properties that have been acquired in satisfaction of claims. The carrying amount of these properties as at December 31, 2007 amounted to Rs. 53.57 million.

### 11.3 Intangible assets

	COST			ACCUMULATED AMORTISATION			Book value	Rate of
	As at Jan 1	Additions/ (Deletions)	As at Dec 31	As at Jan 1	Amortisation/ Impairment	As at Dec 31	As at Dec 31	amortization %
	(Rupees in '000)							
2007	8,085	1,803	9,888	4,357	3,778	8,135	1,753	33.33%
2006	<u>5,620</u>	<u>2,465</u>	<u>8,085</u>	<u>2,437</u>	<u>1,920</u>	<u>4,357</u>	<u>3,728</u>	

	Note	2007 Rupees in '000	Restated 2006
<b>12. DEFERRED TAX ASSETS / (LIABILITIES)</b>			
Deferred tax debits arising in respect of			
Provision against advances		341,550	142,082
Provision against other assets		2,100	2,100
Deficit on revaluation of investments		2,937	-
Amortization of premium on purchase of government securities		22,041	-
Mark-up in suspense account		9,697	11,489
		<u>378,325</u>	<u>155,671</u>
Deferred tax credits arising due to	12.1 & 19.1	(239,218)	(251,808)
Accelerated tax depreciation		(52,846)	(24,084)
		<u>86,261</u>	<u>(120,221)</u>

- 12.1 During the year, the bank has rectified the prior year error in respect of accounting of deferred taxation arising on taxable temporary difference between carrying amount of revalued fix assets and their tax basis, which was not recognized on the 'surplus on revaluation of fixed assets'. The error has been corrected retrospectively and the comparative figures has been restated in accordance with the treatment specified in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' as discussed below.

	As per audited accounts December 31,2006	Effect of prior year adjustment Rs in '000'	Restated amount
<b>Restatement in Balance sheet</b>			
Deferred tax assets/ (liability)	131,587	(251,808)	(120,221)
Surplus on revaluation of assets	1,137,067	(251,808)	885,259
<b>Restatement in Profit and Loss Account</b>	<b>492,888</b>	<b>6,457</b>	<b>499,345</b>
<b>Restatement in Statement of changes in equity</b>			
Net income recognised directly in equity	18,447	(6,457)	11,990
Profit for the year ended December 31,2006	492,888	6,457	499,345



	Note	2007 Rupees in '000	2006
<b>13. OTHER ASSETS</b>			
Income/ mark-up accrued in local currency	13.1 & 13.2	683,659	365,438
Advances, deposits, advance rent and other prepayments		131,536	126,854
Advance taxation (payments less provisions)		158,594	-
Branch adjustment account		-	31,070
Unrealized gain on forward foreign exchange contracts		10,040	3,880
Receivable in respect of sale of equity securities		495,473	-
Others		107,571	38,114
		<u>1,586,873</u>	<u>565,356</u>
Less: Provision held against other assets	13.3	(6,714)	(6,714)
Other assets (net of provision)		<u>1,580,159</u>	<u>558,642</u>
13.1 This balance has been arrived at after adjusting mark-up in suspense accounts of Rs. 175.732 million ( 2006: Rs. 209.479 million)			
13.2 This includes the mark-up accrued on related parties transactions amounting to Rs. 1.179 million(2006: Rs. 0.637 million).			
13.3 Provision against other assets			
	Note	2007 Rupees in '000	2006
Opening balance		6,714	5,714
Charge for the year		-	1,000
Reversals		-	-
Amount written off		-	-
Closing balance		<u>6,714</u>	<u>6,714</u>
<b>14. BILLS PAYABLE</b>			
In Pakistan		895,616	225,322
Outside Pakistan		-	-
		<u>895,616</u>	<u>225,322</u>

	Note	2007 Rupees in '000	2006
15. BORROWINGS			
In Pakistan		2,596,151	1,624,470
Outside Pakistan		200,327	-
		<u>2,796,478</u>	<u>1,624,470</u>
15.1 Particulars of borrowings with respect to currencies			
In local currency		2,503,151	1,563,560
In foreign currencies		293,327	60,910
		<u>2,796,478</u>	<u>1,624,470</u>
15.2 Details of borrowings secured / unsecured			
Secured			
Borrowings from State Bank of Pakistan			
Under export re-finance scheme	15.3	1,153,650	1,450,805
Under Long Term Finance - Export Oriented Project Scheme (LTF-EOP)	15.4	108,943	112,755
Repurchase agreement borrowings	15.5	995,558	-
		2,258,151	1,563,560
Unsecured			
Call borrowings	15.6	245,000	-
Overdrawn nostro accounts		200,327	-
Borrowing from financial institutions	15.7	93,000	60,910
		538,327	60,910
		<u>2,796,478</u>	<u>1,624,470</u>

15.3 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export re-finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 6.5 percent per annum (2006: 6.5 percent to 7.5 percent per annum) payable on quarterly basis.

15.4 The Bank has entered into agreement with the SBP for extending LTF-EOP to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amount from the Bank at the date of maturity by directly debiting the current account maintained with the SBP. The effective mark-up rate is 5 percent per annum (2006: 5 percent per annum) payable on quarterly basis. These LTF-EOP have the maturity of 7 years and 6 months from the date of contract with the SBP.

15.5 These carry mark up at the rate of 10.5 percent per annum (2006: Nil) and are secured against government securities having carrying value Rs. 999.288 million (2006: Nil). These are repayable on January 2, 2008.

15.6 These carry mark up at the rate of 10.5 percent per annum (2006: Nil).

15.7 This represents foreign currency borrowings aggregating USD 1,500,000 (2006: USD 1,000,000) carry mark-up ranging from 5 percent to 5.5 percent per annum (2006: 6 percent), having maturities upto March 05, 2008.

	Note	2007 Rupees in '000	2006
<b>16. DEPOSITS AND OTHER ACCOUNTS</b>			
Customers			
Fixed deposits		18,599,015	6,771,460
Savings deposits		5,744,043	4,700,344
Current accounts - Non-remunerative		4,868,017	4,531,323
Call deposits - Non-remunerative		176,325	179,710
Margin accounts - Non-remunerative		394,151	341,389
		29,781,551	16,524,226
Financial Institutions			
Remunerative deposits		371,613	2,645,000
Non-remunerative deposits		-	-
		371,613	2,645,000
		30,153,164	19,169,226
<b>16.1 Particulars of deposits</b>			
In local currency	16.1.1	29,710,485	19,025,326
In foreign currencies		442,679	143,900
		30,153,164	19,169,226
16.1.1 The above includes deposits of related parties amounting to Rs.16.918 million (2006 : Rs.31.345 million).			

	Note	2007 Rupees in '000	2006
<b>17. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		547,869	221,283
Mark-up / return / interest payable in foreign currency		2,398	1,613
Accrued expenses		6,349	6,211
Provision for taxation (provisions less payments)		-	62,241
Dividend payable		1,417	1,421
Branch adjustment account		203,017	-
Payable to defined contribution plan		1,354	720
Others		51,631	43,163
		814,035	336,652

18. SHARE CAPITAL

18.1 Authorized capital

2007 No. of shares in '000	2006 No. of shares in '000		2007 Rupees in '000	2006 Rupees in '000
<u>700,000</u>	<u>700,000</u>	Ordinary shares of Rs.10 each	<u>7,000,000</u>	<u>7,000,000</u>

18.2 Issued, subscribed and paid up

No. of shares in '000			2007	2006
381,046	303,903	Fully paid in cash	3,810,463	3,039,033
43,240	4,669	Issued as bonus shares	432,403	46,688
<u>424,286</u>	<u>308,572</u>		<u>4,242,866</u>	<u>3,085,721</u>

During the year paid-up capital was raised through right issue offering 25 shares (2006: 50 shares) for every 100 shares held at face value of Rs. 10 each and through bonus issue of 12.5 shares for every 100 shares held.

	Note	2007 Rupees in '000	Restated 2006 Rupees in '000
<b>19. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS</b>			
Surplus on revaluation of fixed assets	19.1	949,044	972,426
Surplus/ (Deficit) on revaluation of available-for-sales securities	19.2	(70,422)	(87,167)
		<u>878,622</u>	<u>885,259</u>
<b>19.1 Surplus on revaluation of fixed assets</b>			
Balance as at January 1		1,224,234	-
Effect of revaluation carried out during the year		-	1,242,681
Transferred to un-appropriated profit in respect of			
- incremental depreciation - net of deferred tax		(23,382)	(11,990)
- Related deferred tax liability		(12,590)	(6,457)
		<u>(35,972)</u>	<u>(18,447)</u>
		<u>1,188,262</u>	<u>1,224,234</u>
Related deferred tax liability on:			
- revaluation as at January 01		251,808	-
- transferred to profit & loss account on account of Incremental depreciation		(12,590)	(6,457)
Revaluation carried out during the year		-	258,265
		<u>239,218</u>	<u>251,808</u>
		<u>949,044</u>	<u>972,426</u>

19.2 Surplus / (deficit) on revaluation of available-for-sale securities

	2007	2006
	Rupees in '000	
Federal Government Securities		
Market Treasury Bills	(8,392)	(303)
Term Finance Certificates	7,232	1,177
Other Investments		
Shares	(5,357)	-
Mutual funds- units - closed-end	(50,303)	(57,782)
National Investment Trust units	(16,539)	(30,259)
	(73,359)	(87,167)
Related deferred tax asset / (liability)	2,937	-
	<u>(70,422)</u>	<u>(87,167)</u>

20 CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

i) Government	-	-
ii) Banks and other financial institutions	-	-
iii) Others	1,772,991	2,520,183

20.2 Transaction-related contingent liabilities

Contingent liabilities in respect of guarantees given, favouring

i) Government	1,717,146	970,739
ii) Banks and other financial institutions	394,940	20,896
iii) Others	530,491	367,695

20.3 Trade-related contingent liabilities

Contingent liabilities in respect of letter of credits accepted, favouring

i) Banks and other financial institutions	4,175,069	5,086,360
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#### 20.4 Taxation

Return filed by the Bank for tax year 2007 (Financial year 2006) has been assessed under the self assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001. In respect of assessment year 2002-2003, the bank has preferred appeal with the Income Tax Appellate Tribunal (ITAT) against the demand raised by the income tax department amounting to Rs. 2.587 million. For the tax year 2003, the ITAT decided the case in the favour of Income Tax Department with effect of Rs. 13.015 million. The Bank has preferred appeal against the ITAT order before the Honorable Sindh High Court and has also filed a rectification application before the ITAT for rehearing the case. For the tax year 2004 and 2005, CIT (Appeals) has maintained the disallowances of certain deductions made by taxation officer with aggregate effect of Rs. 115.871 million against which the bank has preferred appealed before the ITAT, where the matter is pending disposal. Further, the bank has filed rectification application and appeals before various appellate forums of Azad Jammu and Kashmir, where the matter is pending disposal, regarding excessive assessments on account of profits relating to Azad Jammu and Kashmir branches for the assessment years 2000-2001, 2001-2002, 2002-2003, and tax year 2003 and 2004 against creation of tax demand aggregating Rs. 50.106 million which was reduced to Rs. 40.184 million by rectification order passed during the year. For the tax year 2004, taxation officer has issued a show cause notice intending to open the order filed under the self assessment scheme, the assessment is still pending. No provision has been made in the financial statements, as the management is confident about favorable outcome of the above matters.

#### 20.5 Other Contingencies

In the year 2004, forward sale of Pakistan Investment Bonds (PIB's) with face value of Rs. 250 million was entered into with Speedway Fondmetall (Private) Limited (Speedway). The deal was not honoured by Speedway on the due date and the contract was rolled over subject to receipt of Rs. 6 million and mortgage of properties. Consequent upon the failure by Speedway to honour the terms of the contract, the Bank served a final notice intimating to settle the deal within stipulated time otherwise the Bank will liquidate the deal, and claim the loss on deal by taking legal recourse. In response, Speedway filed a suit against the Bank and obtained stay from Honorable High Court of Sindh against the sale of PIB's which was vacated by the High Court during the year 2005.

The Bank started proceeding during the financial year 2006 to recover the loss on the deal by disposing off the mortgaged properties. However, Speedway filed another suit and obtained stay from the court against the sale of the properties mortgaged with the Bank, which was also dismissed as withdrawn by Speedway. Speedway filed third suit in the Banking Court No.2 against publication by which the mortgage properties were put to sale. The bank has also filed recovery suit against Speedway in the High Court of Sindh. Subsequently the bank moved an application for transfer of the suit filed by the Speedway in Banking Court No.2 to the High Court of Sindh, so that the two suits are heard together in the apex Court.

During the year, the Honorable High Court of Sindh has passed a decree in Bank's favour for Rs. 25.697 million with markup at the rate of 20 percent per annum from the date of filing of the suit till its realization. The bank has filed an execution application in the court. In this regard provision of Rs. 6 million has been kept in the financial statement as a matter of prudence against the claim receivable of Rs. 26 million.

		2007	2006
		Rupees in '000	
20.6	Commitments in respect of forward exchange contracts		
	Sale	1,084,271	1,326,785
	Purchase	1,473,882	1,196,758
	Principal Terms of Agreement		
	Sale:		
	Currencies	Counter Parties	Maturity
	USD	Banks and Financial Institutions	Jan 2, 2008 - May 30, 2008
	USD	Customers	Jan 14, 2008
	EURO	Banks and Financial Institutions	Jan 2, 2008 - May 20, 2008
	EURO	Customers	Feb 28, 2008 - Mar 25, 2009
	GBP	Banks and Financial Institutions	Jan 3, 2008 - Mar 7, 2008
	Purchase:		
	Currencies	Counter Parties	Maturity
	USD	Banks and Financial Institutions	Jan 2, 2008 - Jun 3, 2008
	USD	Customers	Jan 1, 2008 - Jun 20, 2008
	EURO	Banks and Financial Institutions	Jan 2, 2008 - May 30, 2008
	EURO	Customers	Jan 2, 2008 - May 10, 2008
	GBP	Banks and Financial Institutions	Jan 22, 2008
	GBP	Customers	Jan 13, 2008 - Feb 25, 2008

		2007	2006
		Rupees in '000	
20.7	Commitments in respect of sale and purchase of securities		
	Purchased under re-sale agreements	518,829	3,028,496
	Forward sale of equity securities	-	252,149

20.8 Commitments to extend credit

The Bank has made commitments to extend credits to its customers in the normal course of business that amounts to Rs. 2,309 million as at December 31, 2007 (2006: Rs. 1,784 million). These being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Note	2007	2006
		Rupees in '000	
<b>21. MARK-UP / RETURN / INTEREST EARNED</b>			
a) On loans and advances to:			
i) Customers	21.1	2,300,739	1,228,039
b) On investments in:			
i) Available for sale securities		405,271	184,636
ii) Held to maturity securities	21.2	36,053	35,760
c) On deposits with financial institutions		42,407	17,096
d) On securities purchased under resale agreements			
i) Government		26,859	26,207
ii) Shares		60,500	149,522
iii) CFS		2,356	22,904
e) On call money lendings		32,890	21,646
		<u>2,907,075</u>	<u>1,685,810</u>
21.1 This includes mark-up earned on advances to associated undertakings of Rs. 4.441 million (2006: Rs. 2.090 million).			
21.2 This balance has been arrived at after adjusting amortization of PIBs and WAPDA bonds of Rs. 13.376 million (2006: Rs. 13.145 million).			
		2007	2006
		Rupees in '000	
<b>22. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		2,051,335	816,430
Securities sold under repurchase agreements		45,799	1,670
Other short term borrowings		89,132	27,237
Borrowing from the State Bank of Pakistan		21,959	20,331
		<u>2,208,225</u>	<u>865,668</u>
<b>23. GAIN ON SALE OF SECURITIES</b>			
Shares - Listed		22,843	27,713
Mutual Funds		466,280	22,214
		<u>489,123</u>	<u>49,927</u>
<b>24. OTHER INCOME</b>			
Net profit on sale of fixed assets		6,408	3,867
Recovery Income		25,580	36,466
Rent of lockers		1,921	2,450
Miscellaneous		28,404	27,703
		<u>62,313</u>	<u>70,486</u>



	Note	2007 Rupees in '000	2006
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		297,896	255,221
Contribution to defined contribution plan		8,681	7,839
Non-executive directors' fees, allowances and other expenses		1,290	637
Rent, taxes, insurance, electricity, etc.		89,102	69,303
Legal and professional charges		12,998	11,195
Communications		40,686	35,117
Repairs and maintenance		31,555	14,661
Donations		-	15
Stationery and printing		17,728	19,261
Advertisement and publicity		37,360	13,581
Auditors' remuneration	25.1	1,370	1,175
Depreciation	11.2	102,514	74,219
Amortisation	11.3	3,778	1,920
Travelling and conveyance		26,314	31,047
Security charges		15,171	10,889
Others		36,110	41,445
		<u>722,553</u>	<u>587,525</u>
25.1 Auditors' remuneration			
Audit fee		1,195	1,000
Special certifications and sundry advisory services		75	75
Out-of-pocket expenses		100	100
		<u>1,370</u>	<u>1,175</u>
26. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		5,314	20,851
Stock Exchange listing fee		3,171	2,172
		<u>8,485</u>	<u>23,023</u>
27. TAXATION			
For the year			
Current		88,314	126,085
Deferred		(203,545)	(2,370)
		<u>(115,231)</u>	<u>123,715</u>

		2007	2006
		Rupees in '000	
27.1	Relationship between tax expense and accounting profit		
	Accounting profit for the year	225,088	623,060
	Tax rate	35%	35%
	Tax on accounting profit	78,781	218,071
	Tax effect on separate block of income	(35,110)	(9,132)
	Tax effect on exempted income	(157,395)	(62,120)
	Tax effect of deductible temporary differences previously unrecognized	(1,507)	(23,104)
	Tax effect of items chargeable to tax at reduced rates	-	-
	Tax charge for the prior year	-	-
	Tax expense for the year	(115,231)	123,715
		2007	Restated 2006
28.	BASIC AND DILUTED EARNING PER SHARE		
	There is no diluted effect on the basic earnings per share of the Bank		
	Profit for the year - Rupees in thousands	340,319	499,345
	Weighted average number of ordinary shares (in thousands)	391,620	335,777
	Basic earnings per share - Rupees	0.87	1.49
		Note	2006 (Restated)
		2007	Rupees in '000
29.	CASH AND CASH EQUIVALENTS		
	Cash and balance with treasury banks	6	2,613,835
	Balance with other banks	7	280,497
	Call money lendings	8	150,000
	Overdrawn nostro accounts	15	(200,327)
			2,844,005
30.	STAFF STRENGTH		
		2007	2006
		Number	
	Permanent	754	916
	Temporary / on contractual basis	70	53
	Total staff strength	824	969
31.	DEFINED CONTRIBUTION PLAN		
	The Bank operates an approved contributory provident fund for 754 employees (2006: 916 employees) where contributions are made by the Bank and employees @ 8.33 percent (2006: 8.33 percent) of the basic salary. During the year, the Bank has contributed Rs. 8.681 million (2006: Rs. 8.474 million) in respect of this fund.		

### 32. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	Rupees in '000					
Fees	-	-	1,290	637	-	-
Managerial remuneration	8,180	6,901	-	-	32,012	34,001
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	2,305	29,343
Rent and house maintenance	2,400	1,263	-	-	12,450	15,301
Utilities	108	-	-	-	1,381	3,259
Medical	818	281	-	-	2,305	2,720
Conveyance	421	314	-	-	6,927	13,445
Others	576	183	-	-	7,681	9,088
	<u>12,503</u>	<u>8,942</u>	<u>1,290</u>	<u>637</u>	<u>65,061</u>	<u>107,157</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>30</u>	<u>71</u>

The chief executive and executives are provided with free use of Bank's maintained cars. Executive means employees, other than the chief executive officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

### 33. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 33.1 On-balance sheet financial instruments

	2007		2006	
	Book value	Fair value	Book value	Fair value
	Rupees in '000			
<b>Assets</b>				
Cash balances with treasury banks	2,613,835	2,613,835	1,993,815	1,993,815
Balances with other banks	280,497	280,497	722,089	722,089
Lending to financial institutions	1,567,626	1,567,626	4,780,887	4,780,887
Investments	11,601,143	11,533,008	2,711,220	2,700,537
Advances	20,791,751	20,791,751	13,486,839	13,486,839
Other assets	1,189,172	1,189,172	369,318	369,318
	<u>38,044,024</u>	<u>37,975,889</u>	<u>24,064,168</u>	<u>24,053,485</u>
<b>Liabilities</b>				
Bills payable	895,616	895,616	225,322	266,152
Borrowings	2,796,478	2,796,478	1,624,470	1,339,662
Deposits and other accounts	30,153,164	30,153,164	19,169,226	12,856,615
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	559,387	559,387	231,248	231,248
	<u>34,404,645</u>	<u>34,404,645</u>	<u>21,250,266</u>	<u>14,693,677</u>

2007		2006	
Book value	Fair value	Book value	Fair value

Rupees in '000

### 33.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	<u>1,473,882</u>	<u>1,473,882</u>	<u>1,196,758</u>	<u>1,196,758</u>
Forward sale of foreign exchange	<u>1,084,271</u>	<u>1,084,271</u>	<u>1,326,785</u>	<u>1,326,785</u>
Purchased under re-sale agreements	<u>518,829</u>	<u>518,829</u>	<u>3,028,496</u>	<u>3,028,496</u>
Forward sale of equity securities	<u>-</u>	<u>-</u>	<u>252,149</u>	<u>252,149</u>

Investment in quoted government securities are valued at market prices taken from Stock Exchange quotations and Reuters (PKRV) page. Fair value of investments in unquoted shares have been estimated using the net assets value based on latest available financial statements.

Fair value of loans and advances can not be determined with reasonable accuracy as there is no active market. Loans and advances are re-priced frequently on market rates. The provision for impairment of advances has been accounted for in accordance with the Bank's accounting policy as stated in note 5.4. Fair value of all other assets and liabilities including deposits and capital / reserves cannot be calculated with reasonable accuracy as active market does not exist for these instruments. Most of the deposits are short term in nature. In management's opinion fair value of these instruments does not significantly differ from their carrying values.

### 34. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2007				2006			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Corporate Finance	Trading & Sale	Retail Banking	Commercial Banking
	Rupees in '000							
Total income	91,999	1,314,314	104,278	2,307,044	101,869	723,978	115,879	1,196,322
Total expenses	4,928	472,274	141,114	2,974,231	20,598	290,656	67,302	1,136,432
Net income	87,071	842,040	(36,836)	(667,187)	81,271	433,322	48,577	59,890
Segment Assets (Gross)	272,487	18,652,173	580,934	22,073,251	898,834	11,011,100	447,549	14,338,918
Segment Non Performing Loans	-	-	132,549	1,052,135	-	-	77,869	933,151
Segment Provision Required	-	-	79,960	897,272	-	-	24,242	382,442
Segment Liabilities	511	1,584,672	2,187,657	30,886,453	64,860	980,562	2,220,363	18,210,106
Segment Return on net Assets (ROA) (%)	32.01%	4.93%	2.29%	7.57%	9.75%	4.32%	-2.74%	-1.55%
Segment Cost of funds (%)	0.00%	8.80%	3.30%	6.84%	0.00%	4.61%	5.71%	4.83%

### 35. RELATED PARTY TRANSACTIONS

Related parties comprise associated undertakings, major shareholders, employee benefit plans and its directors and executive officers (including their associates).

Detail of transactions with related parties during the year and balances with them as at the year ended are as follows:

	2007			2006		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	Rupees in '000					
<b>Advances</b>						
At January 1,	-	20,000	54,077	-	14,340	58,964
Disbursed during the year	-	78,063	36,567	-	39,992	5,211
Repaid during the year	-	(27,443)	(32,355)	-	(34,332)	(10,098)
<b>At December 31</b>	<b>-</b>	<b>70,620</b>	<b>58,289</b>	<b>-</b>	<b>20,000</b>	<b>54,077</b>
<b>Deposits</b>						
At January 1,	255	2,542	28,548	436	2,963	25,210
Disbursed during the year	54,011	85,568	23,117	33,973	313,325	24,707
Repaid during the year	(51,824)	(88,030)	(37,269)	(34,154)	(313,746)	(21,369)
<b>At December 31</b>	<b>2,442</b>	<b>80</b>	<b>14,396</b>	<b>255</b>	<b>2,542</b>	<b>28,548</b>
Letter of credit	-	-	-	-	5,043	-
Letter of guarantee	-	-	-	-	1,685	-
Mark-up / interest / return earned	-	4,441	3,639	-	2,090	2,817
Mark-up / interest / return expensed	662	-	571	-	-	1,005
Mark-up receivable	-	1,179	-	-	637	-
Mark-up payable	416	-	653	203	-	571
Commission earned	-	-	-	-	56	-
Contribution to provident fund	-	-	8,681	-	-	8,474
Remuneration paid	24,815	-	-	22,559	-	-

## 36. CAPITAL ADEQUACY

### 36.1 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet are:

- To comply with the capital requirements set by the regulators of the banking markets where the bank operates;
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for others stakeholders; and
- To maintain a strong capital base to support the development of its business.

The State Bank of Pakistan, through BSD Circular No. 6 dated 28 October 2005 has raised the minimum paid-up capital requirement for banks/DFIs to Rs. 6 billion (net of losses) to be achieved in a phased manner by 31 December 2009. The minimum paid-up capital requirement to be achieved by 31 December 2007 was Rs. 4 billion. Further, the amount of capital required to be maintained by all banks/DFIs carrying on business in Pakistan should at least be equivalent to 8 percent of the risk weighted assets.

The State Bank of Pakistan's regulatory capital as managed by the bank is analyzed into following tiers

- Tier I capital, which comprise of highest quality capital element and include fully paid up capital, share premium, reserve for bonus shares, general reserves and unappropriated profits.
- Tier II capital, which include general reserve for loan losses, revaluation reserves, exchange translation reserves, undisclosed reserves and subordinated debts.
- Tier III capital, which include short term sub-ordinated debts. This capital is solely for the purpose of meeting a proportion of the capital requirements for market risk.

Various limits are applied to elements of the capital base. Qualifying tier II and tier III capital cannot exceed the tier I capital. Revaluations reserves are eligible upto 50 percent for treatment as tier II capital. There is also restriction on the amount of general reserve for loan losses upto 1.25 percent of total risk weighted assets. Undisclosed reserves, despite being unpublished, are eligible if they appear in the internal account of the bank. Subordinated debts cannot exceed 50 percent of tier I capital. Further tier III capital cannot exceed 250 percent of tier I capital.

Risk weighted assets are measured according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counter party, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect more contingent nature of potential losses.

Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the State Bank of Pakistan. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratios under SBP rules, which ultimately determine the regulatory capital required to be maintained by Banks and DFIs.

The bank has complied with all externally imposed capital requirements throughout the period. The paid-up capital of the Bank as at December 31, 2007 is Rs. 4.24 billion, whereas, the Bank's capital adequacy ratio at that date is 18.78% of its risk weighted exposure. There have been no material changes in the Bank's management of capital during the period.

### 36.2 Capital adequacy ratio

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

	2007		2006		
	Rupees in '000				
<b>Regulatory capital base</b>					
<b>Tier I capital</b>					
Shareholders capital / assigned capital		4,242,866		3,085,721	
Reserves		324,005		255,941	
Unappropriated profits (net of losses)		496,827		586,905	
Deficit on account of revaluation of investment classified as AFS		(77,654)		(88,344)	
<b>Total tier I capital</b>		<b>4,986,044</b>		<b>3,840,223</b>	
<b>Tier II capital</b>					
Subordinated debt (upto 50% of total tier I capital)		-		-	
General provisions subject to 1.25% of total risk weighted assets		1,847		2,840	
Revaluation reserve (upto 50%)		478,138		486,802	
<b>Total tier II capital</b>		<b>479,985</b>		<b>489,642</b>	
<b>Eligible tier III capital</b>					
<b>Total regulatory capital</b>	(a)	<b>5,466,029</b>		<b>4,329,865</b>	
<b>Risk- Weighted Exposures</b>					
		2007		2006	
		Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
		Rupees in '000			
<b>Credit risk</b>					
<b>Balance sheet items:-</b>					
Cash and other liquid assets		2,894,332	78,806	2,715,904	109,724
Money at call		1,567,626	1,175,000	4,780,887	4,255,887
Investments		11,601,143	5,276,236	2,711,220	1,318,698
Loans and advances		15,450,762	13,140,958	12,693,691	10,849,090
Fixed assets		2,080,341	2,080,341	2,036,225	2,036,225
Other assets		1,666,420	1,494,091	558,642	539,859
		<u>35,260,624</u>	<u>23,245,432</u>	<u>25,496,569</u>	<u>19,109,483</u>
<b>Off balance sheet items</b>					
Loan repayment guarantees		3,716,079	3,716,079	2,220,183	2,220,183
Purchase and resale agreements		125,971	-	1,545,291	-
Performance bonds etc		14,775	7,387	1,220,884	610,442
Stand by letters of credit		3,958,665	1,979,332	5,287,084	2,643,542
Outstanding foreign exchange contracts		1,876,973	15,378	2,332,890	16,484
		<u>9,692,463</u>	<u>5,718,176</u>	<u>12,606,332</u>	<u>5,490,651</u>
<b>Credit risk-weighted exposures</b>		<b>28,963,608</b>		<b>24,600,134</b>	
<b>Market risk</b>					
General market risk		-		126,488	
Specific market Risk		149,466		839,813	
<b>Market risk-weighted exposures</b>		<b>149,466</b>		<b>966,301</b>	
<b>Total risk-weighted exposures</b>	(b)	<b>29,113,074</b>		<b>25,566,435</b>	
<b>Capital adequacy ratio [ (a) / (b) x 100]</b>		<b>18.78%</b>		<b>16.94%</b>	

## 37. RISK MANAGEMENT

The bank's Risk Management Framework sets three broad risk management objectives:

- Protect against unforeseen losses;
- Ensure earning stability; and
- Maximize earnings potential and opportunities leading to shareholder value creation.

The bank's risk management framework encapsulated in its design three lines of defense

- Focused and informed oversight by the board, and accountability and responsibility of business management, all supported by appropriate internal control, risk management and governance structures
- Independent monitoring at bank level by Risk Management Division
- Independent assurance provided by internal audit

The Risk Management Division is independent of the operational business units. The Head of Risk Management Division, who reports to the Chief Executive, provides key support to the various risk committees and work closely with the business units.

### 37.1 Credit Risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in economic loss to the bank.

Credit risk, which arises from lending activities that forms the bank's core business, is by far the most significant risk type. Credit risk is managed in terms of the Board-approved Credit Risk Management Framework, which encompasses comprehensive credit policy, approved counter party limits and governance structure. The bank focuses on short-term trade related financing on a secured and self-liquidating basis.

Credit and Investment Committee, chaired by CEO is responsible for approving and recommending credits. At the Central Office, independent Credit Sanctioning and Monitoring Division is responsible for continuing review and monitoring of borrowers' account and effective compliance of Prudential Regulations. Risk Management Division monitors credit at portfolio level and reports to executive management and board risk management committee on a regular basis. An "early warning" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing.



### 37.1.1 Segmental information

#### 37.1.1.1 Segments by class of business

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	258,459	1.19%	404,563	1.34%	344,122	2.95%
Mining and Quarrying	44,087	0.20%	28,142	0.09%	16,295	0.14%
Textile	2,520,563	11.58%	923,742	3.06%	1,163,368	9.97%
Chemical and Pharmaceuticals	220,432	1.01%	322,623	1.07%	142,774	1.22%
Cement	-	0.00%	-	0.00%	28,140	0.24%
Sugar	1,745,708	8.02%	9,065	0.03%	176,836	1.52%
Footwear and Leather garments	578,885	2.66%	346,110	1.15%	260	0.00%
Automobile and transportation equipment	611,794	2.81%	134,760	0.45%	493,509	4.23%
Electronics and electrical appliances	411,950	1.89%	291,401	0.97%	249,515	2.14%
Machinery and allied equipment	873,746	4.01%	137,005	0.45%	59,636	0.51%
Construction	1,137,004	5.22%	201,566	0.67%	219,996	1.89%
Power (electricity), Gas, Water, Sanitary	2,665	0.01%	2,512,135	8.33%	2,278,156	19.53%
Wholesale and Retail Trade	8,067,952	37.06%	11,249,682	37.31%	398,058	3.41%
Exports/Imports	355,253	1.63%	415,765	1.38%	347,856	2.98%
Transport, Storage and Communication	1,121,786	5.15%	520,490	1.73%	444,018	3.81%
Financial	-	0.00%	371,613	1.23%	518,811	4.45%
Insurance	-	0.00%	-	0.00%	3,730	0.03%
Services	620,063	2.85%	3,018,787	10.01%	54,857	0.47%
Individuals	163,333	0.75%	3,867,642	12.83%	326,918	2.80%
Others	3,035,303	13.94%	5,398,073	17.90%	4,400,764	37.72%
	21,768,983	100%	30,153,164	100%	11,667,619	100%

	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Agriculture, Forestry, Hunting and Fishing	192,957	1.39%	292,449	1.53%	-	0.00%
Mining and Quarrying	20,763	0.15%	11,563	0.06%	-	0.00%
Textile	2,373,162	17.08%	804,614	4.20%	899,309	6.09%
Chemical and Pharmaceuticals	128,304	0.92%	282,975	1.48%	699,151	4.73%
Cement	-	0.00%	-	0.00%	104,518	0.71%
Sugar	904,806	6.51%	4,171	0.02%	402,474	2.72%
Footwear and Leather garments	469,932	3.38%	294,463	1.54%	11,015	0.07%
Automobile and transportation equipment	453,668	3.27%	22,750	0.12%	1,149,401	7.78%
Electronics and electrical appliances	209,341	1.51%	140,506	0.73%	816,198	5.53%
Machinery and allied equipments	780,403	5.62%	70,962	0.37%	1,770	0.01%
Construction	569,511	4.10%	153,181	0.80%	336,885	2.28%
Power (electricity), Gas, Water, Sanitary	-	0.00%	2,137,597	11.15%	280,571	1.90%
Wholesale and Retail Trade	4,608,747	33.17%	6,409,293	33.44%	350,901	2.38%
Exports/Imports	228,087	1.64%	368,214	1.92%	51,502	0.35%
Transport, Storage and Communication	1,040,027	7.49%	383,948	2.00%	1,222,901	8.28%
Financial	6,743	0.05%	2,645,000	13.80%	5,808,937	39.33%
Insurance	-	0.00%	-	0.00%	24,380	0.17%
Services	452,863	3.26%	375,566	1.96%	1,459,907	9.88%
Individuals	211,650	1.52%	3,398,395	17.73%	142,062	0.96%
Others	1,242,559	8.94%	1,373,579	7.17%	1,008,179	6.83%
	13,893,523	100%	19,169,226	100%	14,770,061	100%

## 37.1.1.2 Segment by sector

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	4,888,287	16%	1,717,146	15%
Private	21,768,983	100%	25,264,877	84%	9,950,473	85%
	21,768,983	100%	30,153,164	100%	11,667,619	100%
	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	-	-	2,514,257	13%	970,739	7%
Private	13,893,523	100%	16,654,969	87%	13,799,322	93%
	13,893,523	100%	19,169,226	100%	14,770,061	100%

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

	2007		2006	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	116,645	68,865	68,810	17,672
Mining and Quarrying	-	-	-	-
Textile	150,125	127,625	388,393	158,031
Chemical and Pharmaceuticals	68,037	67,144	25,251	10,274
Cement	-	-	-	-
Sugar	-	-	-	-
Footwear and Leather garments	-	-	11,079	4,508
Automobile and transportation equipment	-	-	2,987	1,215
Electronics and electrical appliances	304	304	-	-
Machinery and allied equipments	-	-	-	-
Construction	17,051	17,051	-	-
Power (electricity), Gas Water, Sanitary	2,665	2,665	-	-
Wholesale and Retail Trade	218,328	201,329	53,071	21,594
Exports/Imports	33,917	33,917	-	-
Transport, Storage and Communication	149,901	37,475	-	-
Financial	-	-	-	-
Insurance	-	-	-	-
Services	88,900	88,825	10,000	4,069
Individuals	15,903	11,095	9,259	6,570
Others	322,908	319,090	442,170	179,911
	1,184,684	975,385	1,011,020	403,844

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

	2007		2006	
	Rupees in '000			
Public/ Government	-	-	-	-
Private	1,184,684	975,385	1,011,020	403,844
	1,184,684	975,385	1,011,020	403,844

### 37.1.3 Geographical segment analysis

The Bank does not have operations outside Pakistan, therefore, these financial statements represent operations of the Bank in Pakistan.

## 37.2 Market Risk

Market Risk is the risk of loss in earnings and capital due to adverse changes in interest rates, foreign exchange rate, equity prices and market conditions. A comprehensive market risk framework is used to support and assist the Board in its responsibility to oversee that market risks are understood and managed. Governance structures are in place to achieve effective independent monitoring and management of market risk as follows:

- The Board Risk Management Committee
- The Asset and Liability Committee (ALCO). ALCO reviews the portfolio on regular basis to ensure that market risk is within acceptable limits
- Investment and Treasury Division
- Independent Risk Management Division

### 37.2.1 Currency Risk

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	37,814,708	33,675,373	(400,005)	3,739,330
United States Dollar	113,560	624,010	392,466	(117,984)
Great Britain Pound	43,089	-	3,054	46,143
ACU	14,012	45,494	-	(31,482)
Euro	55,597	59,768	4,485	314
Japanese Yen	2,061	-	-	2,061
UAE Dirham	318	-	-	318
Canadian Dollar	511	-	-	511
Singapore Dollar	63	-	-	63
Swiss Frank	105	-	-	105
	38,044,024	34,404,645	-	3,639,379

	2006			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan Rupee	23,521,248	21,044,786	130,026	2,606,488
United States Dollar	458,590	163,753	(122,149)	172,688
Great Britain Pound	28,532	37,619	15,457	6,370
ACU	15,851	201	-	15,650
Euro	25,625	3,907	(23,334)	(1,616)
Japanese Yen	7,421	-	-	7,421
UAE Dirham	6,390	-	-	6,390
Canadian Dollar	191	-	-	191
Singapore Dollar	134	-	-	134
Swiss Frank	186	-	-	186
	24,064,168	21,250,266	-	2,813,902

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

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



	Effective Yield/ Interest Rate	2006 Exposed to Yield/ Interest risk										Non-interest bearing financial instrument	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years			
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	4.35%	25,519	-	-	-	-	-	-	-	-	-	-	1,968,296
Balances with other banks	12.75%	5,968	-	-	-	-	-	-	-	-	-	-	716,121
Lending to financial institutions	8.91%	2,760,227	2,020,680	-	-	-	-	-	-	-	-	-	-
Investments	10.10%	-	593,574	10,166	185,286	50,996	75,643	619,515	-	-	-	-	1,085,757
Advances	9.92%	2,021,208	3,106,917	3,493,865	3,732,534	351,084	60,796	48,263	64,996	-	-	-	607,176
Other assets		369,318	-	-	-	-	-	-	-	-	-	-	369,318
		4,812,922	5,721,151	3,504,031	3,917,820	402,080	136,439	667,778	64,996	-	-	-	4,746,668
Liabilities													
Bills payable		-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	8.88%	239,884	749,701	457,468	165,446	11,971	-	-	-	-	-	-	225,322
Deposits and other accounts	4.67%	2,051,133	4,511,969	2,658,176	3,804,213	377,639	118,903	647,006	-	-	-	-	5,000,187
Sub-ordinated loans		-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities		-	-	-	-	-	-	-	-	-	-	-	231,248
		2,291,017	5,261,670	3,115,644	3,969,659	389,610	118,903	647,006	-	-	-	-	5,456,757
On-balance sheet gap		2,521,905	459,481	388,387	(51,839)	12,470	17,536	20,772	64,996	-	-	-	(710,089)
Off-balance sheet financial instruments													
Purchase and resale agreements	9.76%	3,028,496	-	-	-	-	-	-	-	-	-	-	-
Forward sale of equity securities		252,149	252,149	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		3,028,496	252,149	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		5,550,401	711,630	388,387	(51,839)	12,470	17,536	20,772	64,996	-	-	-	(710,089)
Cumulative Yield/Interest Risk Sensitivity Gap		5,550,401	6,262,031	6,650,418	6,598,579	6,611,049	6,628,585	6,739,640	6,804,636	6,804,636	6,804,636	6,804,636	6,094,547
Reconciliation with total assets:													
Assets as per above		24,064,168	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets		2,036,225	-	-	-	-	-	-	-	-	-	-	-
Other Assets		189,324	-	-	-	-	-	-	-	-	-	-	-
Assets as per Balance Sheet		26,289,717	-	-	-	-	-	-	-	-	-	-	-
Reconciliation with total liabilities:													
Liabilities as per above		21,250,266	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax		120,221	-	-	-	-	-	-	-	-	-	-	-
Provision for taxation		62,241	-	-	-	-	-	-	-	-	-	-	-
Others		43,163	-	-	-	-	-	-	-	-	-	-	-
Liabilities as per Balance Sheet		21,475,891	-	-	-	-	-	-	-	-	-	-	-



2006

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	1,993,815	1,993,815	-	-	-	-	-	-	-	-
Balances with other banks	722,089	722,089	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,780,887	2,760,227	2,020,660	-	-	-	-	-	-	-
Investments	2,711,220	378,634	653,576	10,166	576,277	50,996	75,643	90,283	875,645	-
Advances	13,486,839	2,021,208	3,106,917	3,493,865	3,732,534	351,084	607,176	607,176	48,263	64,996
Operating fixed assets	2,036,225	-	-	-	-	-	-	20,807	146,911	1,868,507
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	558,642	233,499	31,169	-	293,974	-	-	-	-	-
	26,289,717	8,109,472	5,812,322	3,504,031	4,602,785	402,080	136,439	718,266	1,070,819	1,933,503
<b>Liabilities</b>										
Bills payable	225,322	225,322	-	-	-	-	-	-	-	-
Borrowings	1,624,470	239,884	749,701	457,468	165,446	11,971	-	-	-	-
Deposits and other accounts	19,169,226	7,051,320	4,511,969	2,658,176	3,804,213	377,639	118,903	-	647,006	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	120,221	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	336,652	95,782	1,421	-	239,449	120,221	-	-	-	-
Other liabilities	21,475,891	7,612,308	5,263,091	3,115,644	4,209,108	509,831	118,903	-	647,006	-
	4,813,826	497,164	549,231	388,387	393,677	(107,751)	17,536	718,266	423,813	1,933,503
Net assets										
Share capital	3,085,721									
Reserves	255,941									
Unappropriated profit	586,905									
Surplus / (deficit) on revaluation of assets	885,259									
	4,813,826									

Where an asset or a liability does not have a contractual maturity date, the period in which these are assumed to mature have been taken as expected date of maturity.



### 37.4 Operational Risk

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

The bank's operational risk management framework has been developed to create an environment within which operational risk can be identified, measured, managed and monitored in a consistent manner. Business management is responsible for the identification, management and monitoring of operational risk. Central Operation Division co-ordinates with the respective business units for controlling their operational risk. Internal audit division provides assurance to the board of directors that the operational risk management framework is sound and that the policies and processes related to operational risk management are adhered to.

### 38. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on February 26, 2008 by the Board of Directors of the Bank.

### 39. RECLASSIFICATION

Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for the purposes of comparison. Significant reclassifications made are as follows:

From	To	Nature	Amount Rupees in '000
Balances with other banks	Lendings to financial institutions	Term Deposit Receipts (TDRs)	500,000
Investments	Lendings to financial institutions	Certificate of investments	250,000
Other assets	Cash and balances with treasury banks	Balance with SBP	3,763
Other assets	Other liabilities	Advance taxation	128,176

### 40. GENERAL

Figures have been rounded-off to the nearest thousand Rupees.

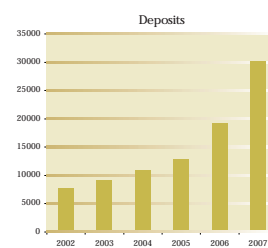
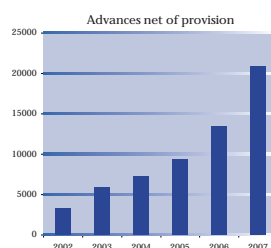
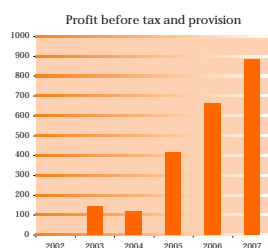
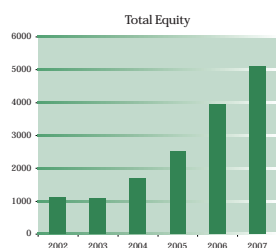
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF  
FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2007

Amount in thousand

Sr.#	Name of the borrower	Name of the individual/ partners/directors (with CNIC number)	Father's/Husband's Name	Address	Outstanding liabilities				Principal Written - Off	Mark- up written off	Other financial relief	Total
					Principal	Interest/ Mark-up	Others	Total				
1	S.H.Traders	Saeeda Begum 517-56-257358	Gafeez Gul	Sharja Trade Center\ 5-6, 4th Floor, Shahra-e-Liaquat, Karachi.	7,496	2,045	-	9,541	3,996	2,045	-	6,041
2	S. A. Enterprises	Mr. Saeed Abbas 42301-3473448-1	Mr. Abbas Ahmed	12 K/1, 9th Gizri Street, Phase-IV, DHA, Karachi	16,829	5,602	-	22,431	-	1,350	-	1,350
3	Al-Abbas Corporation	Mrs. Shahida Idrees Vaid 506-89-369858	Idrees Abbas Vaid	Room No.1-A, 1st Floor Namco Center, Campbell Street, Karachi	951	-	-	951	951	-	-	951
4	Kathrani & Co.	1) Mr. Idrees 502-56-107936 2) Mrs. Fatima Bibi 502-20-253213 3) Mrs. Shahida Abbas 502-58-499781 4) Mrs. Rahana Abbas 502-57-491282 5) Mrs. Khatija Abbas 502-62-108025	Abbas Ahmed Abbas Ahmed Abbas Ahmed Abbas Ahmed	Room No.1-A, 1st Floor Namco Center, Campbell Street, Karachi	35,664	-	-	35,664	35,664	-	-	35,664
5	Sh.Ashfaq Ahmed	Sh. Ashfaq Ahmed 502-85-154769	Sh. Nazeer Ahmed	Office No.S/51, 2nd Floor, Alam Cloth Market, MA Jinnah Rd. Karachi.	1,653	1,081	-	2,734	1,191	1,081	-	2,272
6	Kauser Paints	1) Mian Saheb S.M. Yousuf Baghpattee 517-24-995043 2) Mian S.M.Yahya Baghpattee 517-87-179859 3) Mian S.Zafar Shakil Baghpattee 517-89-210719 4) Mian S.Javaid Yousuf Baghpattee 517-54-210720	S.M.Abdul Majeed Baghpattee S.M. Yousuf Baghpattee S.M. Yousuf Baghpattee S.M. Yousuf Baghpattee	Altaf Hussain Road, Opp. Mybank Ltd, New Challi Branch, Karachi	16,043	4,202	-	20,245	4,052	4,202	-	8,254
7	Masomeen International	Mrs. Shaheen 501-66-571124	Syed Shehzad Ali	A-42, Zohra Nagar, Main University Road, Karachi.	100	565	-	665	100	565	-	665
8	Pearl Fabrics	1) Syed Ziauddin 42301-6935828-3 2) Mrs. Farah Zia 42301-4608066-6	S/o Syed Qayyumuddin W/o Syed Ziauddin	C-87, Khayaban-e-Bahria, Phase-VII, DHA Karachi.	6,400	1,413	466	8,279	-	1,143	-	1,143
9	Baig Textile	Mirza Abid Baig 270-47-142660	Mirza Sultan Baig	House No.118, New Garden Town, Lahore	43,051	1,971	-	45,022				
10	Baig Enterprises	1) Mirza Abid Baig 270-47-142660 2) Mrs. Nargis Abid 270-49-009772 3) Mirza Imran Baig 271-89-009763	Mirza Sultan Baig Mirza Abid Baig Mirza Abid Baig	House No.118, New Garden Town, Lahore	3,312	-	-	3,312	23,483	1,971	-	25,454
11	Gulshan Enterprises	1) Muhammad Zahid 517-50-314904 2) Tasneem Qayyum 267-50-314904	Muhammad Qayyum Muhammad Zahid	29-B, Akram Arcade, Temple Road, Lahore.	1,501	1,703	-	3,204	-	1,654	-	1,654
12	Ejaz & Co.	Ejaz Khalid 267-59-379918	Bootay Khan	House No.8, Street No.25, Pak Nagar, Akram Road Chah Meeran Lahore.	548	-	-	548	548	-	-	548
13	Raza Muhammad	Raza Muhammad Khan 54400-6763263-3	Khan Bahadur Yar Muhammad Khan	2nd Floor, Barich Plaza Manan Chowk, Quetta.	100	852	-	952	-	852	-	852
14	Aly's Travel	1) Samina Zulfiqar Hussain 502-87-217017 2) Mr. Shakir Hussain 502-64-217015 3) Mrs. Farida Hussain	Zulfiqar Hussain Shakir Hussain Zulfiqar Hussain	21, Sheraton Shopping Arcade, Club Road, Karachi	1,125	499	-	1,624	169	499	-	668
15	Adil Associates	Mr. Muhammad Umar Ajmeri 512-87-216217	-	2nd floor, M.R.4/17, Near Achi Kabar, Ali Akber Street, Jodia Bazar, Karachi.	770	178	-	948	770	178	-	948
16	Bashir Ahmed Mehboob Elahi	Ashfaque Ahmed 42301-8957483-5	Mian Bashir Ahmed	Veromal Hasmat Roy Building, New Challi, Karachi.	2,001	621	-	2,622	2,001	621	-	2,622
17	J.H.A. Trading	Mr.Hussain Ali Agha 91509-0110668-9	Mr. Ashiq Ali Agha	25-C, Street No.2, Saba Commercial Area, D.H.A., Karachi	4,525	200	-	4,725	4,525	200	-	4,725
18	Al-Hamd Chemidyes	Amir Kaliya 511-88-088734	Muhammad Ilyas	Yousuf Manzil, 3rd Floor, Mohammad Feroze Street, Jodia Bazar, Karachi.	343	174	-	517	343	174	-	517
19	Taj Distribution	1) Muhammad Saleem 517-71-362113 2) Syed Ahtram Zaidi, 503-60-106920	M. Ismail M. Hatim Zaidi	99-E, Block # 6, P.E.C.H.S, Karachi.	381	431	-	812	381	431	-	812
					142,793	21,537	466	164,796	78,174	16,966	-	95,140

## Six Years Financial Summary

	2007	2006	2005	2004	2003	2002
	(Rupees in million)					
<b>OPERATIONAL RESULT</b>						
- Net income / interest	699	820	703	411	394	203
- Commission income	140	115	68	45	41	98
- Other operating income	771	337	181	53	82	156
<b>OPERATING EXPENSES</b>						
- Administrative expenses	733	612	539	403	374	382
<b>PROFIT / (LOSS)</b>						
- Profit before tax and provision against NPLs	876	661	413	117	143	75
- Profit before tax	225	623	211	87	6	25
<b>BALANCE SHEET</b>						
<b>SHAREHOLDERS' EQUITY</b>						
- Paid-up capital	4,243	3,086	2,057	1,524	1,016	1,016
- Reserve	821	843	434	1,60	76	97
Total Equity	5,064	3,929	2,491	1,684	1,092	1,113
Total Assets	40,602	26,290	17,219	13,436	11,759	10,595
Advances-net of provision	20,792	13,487	9,294	7,245	5,853	3,298
Investments	11,601	2,711	3,253	1,937	1,929	1,328
<b>DEPOSITS</b>						
- Remunerative	24,715	14,117	7,323	4,388	4,161	3,768
- Non - Remunerative	5,438	5,052	5,533	6,535	4,845	3,993



**Number of Board Meetings Held During The Year and Attendance by Each Director as Required Under Clause XIX (H) of the Code of Corporate Governance**

<u>Name of the Directors / President</u>	<u>Meetings Held</u>	<u>Meetings Attended</u>
Mr. Iqbal Alimohamed	5	5
Mr. Sohail Muzaffar	5	4
Mr. Iqbal Ebrahim	5	4
Mr. Zahid Saeed	5	2
Mr. Danish Iqbal	5	5
Mr. Afzal Ghani	5	4
Mr. Mirza Ghulam Mujtaba	2	2
Mr. Mamnoon Ahmed Alvi	3	3
Mr. Muhammed Bilal Sheikh	5	5

Mr. Mirza Ghulam Mujtaba (Director) resigned from the Board of Directors and Mr. Mamnoon Ahmed Alvi (Director) was co-opted in his place on August 18, 2007 in the 102nd Meeting of Board of Directors.

## Pattern of Shareholdings ( Under Clause XIX (I) of the Code of Corporate Governance) as at December 31, 2007

Directors	Shares held
1. Mr. Iqbal Alimohamed	165,704,864
2. Mr. Danish Iqbal	15,160,046
3. Mr. Sohail Muzaffar	202,826
4. Mr. Zahid Saeed	4,172
5. Mr. Iqbal Ebrahim	2,086
6. Mr. Mamnoon Ahmed Alvi	1,375
7. Mr. Afzal Ghani	1,237
Directors' Spouses and Minor Children	Nil
Associated Companies, Undertakings and Related Parties	
Excel Insurance Company	2,784
NIT and ICP	
1. National Bank of Pakistan, Trustee Deptt.	240
2. Investment Corporation of Pakistan	1,125
3. IDBP (ICP Unit)	463
Executives	Nil
Public Sector Companies and Corporations	Nil
Banks, DFIs, NBFIs, Insurance Companies	
1. Financial Institutions	4,212,610
2. Leasing Companies	84
3. Insurance Companies	209,937
4. Modarabas	Nil
5. Mutual Funds	79,006
6. Investment Companies	5,058,250
Foreign Investors	48,301,464
Joint Stock Companies	34,976,650
Charitable Trust	21,655
Individuals	149,140,890
Others	1,204,779

Shares traded by Directors, CEO, CFO, Company Secretary and their spouse and minor children are given as under:

	No. of Shares Transferred	Remarks
1. Mr. Iqbal Alimohamed, Director	15,120,029	Gifted to his son
2. Mr. Iqbal Alimohamed, Director	15,120,029	Gifted to his daughter
3. Mr. Danish Iqbal, Director	8,889,942	Gifted to his father
4. Mr. Mamnoon Ahmed Alvi, Director	1,000	Purchased from the Stock Exchange

Shareholders holding ten percent or more (Other than sponsors and Directors) Nil

## Pattern of Share Holdings CDC and Physical as on December 31, 2007

Number of shareholders	Having shares		Shares held
	From	To	
5,372	1-	100	265,228
1,361	101-	500	338,198
1,916	501-	1,000	1,302,459
991	1,001-	5,000	2,139,034
147	5,001-	10,000	1,035,949
59	10,001-	15,000	722,493
21	15,001-	20,000	366,803
22	20,001-	25,000	499,339
16	25,001-	30,000	439,395
7	30,001-	35,000	230,429
7	35,001-	40,000	260,983
1	40,001-	45,000	44,350
7	45,001-	50,000	343,404
3	50,001-	55,000	159,582
2	55,001-	60,000	118,312
2	60,001-	65,000	123,687
8	65,001-	70,000	542,666
2	70,001-	75,000	148,355
3	75,001-	80,000	233,498
3	80,001-	85,000	245,375
2	85,001-	90,000	176,777
1	90,001-	95,000	92,484
2	95,001-	100,000	195,435
1	100,001-	105,000	100,154
2	105,001-	110,000	212,280
2	110,001-	115,000	224,790
4	135,001-	140,000	548,500
1	140,001-	145,000	143,631
3	145,001-	150,000	444,718
1	160,001-	165,000	161,375
1	170,001-	175,000	174,562
1	180,001-	185,000	182,000
1	190,001-	195,000	192,000
2	195,001-	200,000	400,000
1	200,001-	205,000	200,404
3	205,001-	210,000	619,062
2	215,001-	220,000	436,124
1	220,001-	225,000	225,000
1	225,001-	230,000	226,187
1	245,001-	250,000	250,000
2	255,001-	260,000	517,624
1	280,001-	285,000	281,250
1	305,001-	310,000	306,937
1	330,001-	335,000	334,905
1	340,001-	345,000	343,508
1	355,001-	360,000	356,400
1	445,001-	450,000	448,750
1	490,001-	495,000	492,000
1	495,001-	500,000	500,000
1	500,001-	505,000	502,878
1	555,001-	560,000	558,000
1	605,001-	610,000	607,995
1	615,001-	620,000	618,669
1	655,001-	660,000	660,000
1	660,001-	665,000	660,187
1	665,001-	670,000	668,500
1	775,001-	780,000	776,500
1	785,001-	790,000	787,187
1	1,035,001-	1,040,000	1,038,750
2	1,145,001-	1,150,000	2,292,158
1	1,545,001-	1,550,000	1,546,875
1	1,880,001-	1,885,000	1,883,250
1	2,055,001-	2,060,000	2,055,280
1	2,380,001-	2,385,000	2,382,187
1	2,470,001-	2,475,000	2,475,000
1	2,650,001-	2,655,000	2,654,000
1	2,655,001-	2,660,000	2,655,893
1	2,850,001-	2,855,000	2,852,495
1	2,895,001-	2,900,000	2,900,000
1	4,370,001-	4,375,000	4,372,725
1	4,495,001-	4,500,000	4,500,000
5	6,745,001-	6,750,000	33,750,000
1	8,980,001-	8,985,000	8,982,778
1	9,015,001-	9,020,000	9,015,337
1	9,780,001-	9,785,000	9,784,211
2	10,360,001-	10,365,000	20,725,281
1	10,785,001-	10,790,000	10,787,321
1	20,285,001-	20,290,000	20,288,855
2	20,790,001-	20,795,000	41,580,078
1	22,965,001-	22,970,000	22,967,446
1	25,560,001-	25,565,000	25,561,340
1	163,045,001-	163,050,000	163,048,971
			<hr/> <hr/>
			10,033
			424,286,543
			<hr/> <hr/>

## Branches Network

### SOUTHERN REGION

S. No.	Name	Address	Code No.	Telephone No.	Fax No.	E-mail Addresses
1	REGIONAL OFFICE	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	5824381-2	5824383	rokhia@mybankltd.com
2	CLIFTON BRANCH KARACHI	Pearl Heaven Apartments, Khayaban-e-Roomi, Block No-5, Clifton, Karachi.	021	5373231 5867651	5867647	clf@mybankltd.com
3	JODIA BAZAR BRANCH KARACHI	Ram Bharti Street, Ismail Trade Centre, Karachi.	021	2471120 2437991-3	2437994	jbk@mybankltd.com
4	NORTH NAPIER ROAD BRANCH KARACHI	18-19, North Napier Road, Karachi.	021	2766477 2766755	2766487	nnk@mybankltd.com
5	NEW CHALLI BRANCH KARACHI	Zia Plaza, Altaf Hussain Rd., New Challi, Karachi.	021	2620231-33	2621202	nck@mybankltd.com
6	PAPER MARKET BRANCH KARACHI	AI-Abbas Centre, Paper Market, Shahrah-e-Liaquat, Karachi.	021	2639671-2	2639670	pmk@mybankltd.com
7	ABDULLAH HAROON ROAD BRANCH KARACHI	282/3, Abdullah Haroon Road, Area, Saddar, Karachi.	021	5685269 5685393 5685940	5683991	sad@mybankltd.com
8	WATER PUMP BRANCH KARACHI	Lateef Square. Block-16, Federal 'B' Area, Main Water Pump Market, Karachi.	021	6314817 6321387	6314848	wpk@mybankltd.com
9	BAHADUR SHAH CENTER BRANCH KARACHI	Bahadur Shah Center, Urdu Bazar, Off: M.A. Jinnah Road, Karachi.	021	2768547 2768559	2765083	bsk@mybankltd.com
10	I. I. CHUNDRIGAR ROAD BRANCH KARACHI	5-Business & Finance Centre, Opp: State Bank of Pakistan, Karachi.	021	2438212 2472176 2471796	2438218	iic@mybankltd.com
11	NORTH KARACHI INDUSTRIAL AREA BRANCH KARACHI	Plot No. R-14, Gabol Town, North Karachi Industrial Area, Karachi.	021	2015919 2015920	6975919	nia@mybankltd.com
12	GARDEN EAST BRANCH KARACHI	Shop No. 4,5 & 6, Jumani Centre Plot No. 177-B, Garden East, Karachi.	021	2243311-13	2243314	gek@mybankltd.com
13	S.I.T.E. BRANCH KARACHI	B/9-B/3, Near Metro Chowrangi S.I.T.E., Area, Karachi.	021	2586801-4 2587166-8	2586806	site@mybankltd.com
14	PLAZA QUARTERS BRANCH KARACHI	AI-Shafi Building Noman Street, Off: M.A. Jinnah Road, Karachi.	021	2771515 16-18	2771517	ppk@mybankltd.com
15	CLOTH MARKET BRANCH KARACHI	222-Alam Market, Saleh Muhammad Street, Karachi.	021	2400790 2424177	2424175	cmk@mybankltd.com
16	TIMBER MARKET BRANCH KARACHI	Siddique Wahab Road, Karachi.	021	2732729 2766995	2733214	tmk@mybankltd.com
17	GULSHAN-E-IQBAL BRANCH KARACHI	B-44, Block 12/A, Main University Road, Gulshan-e-Iqbal, Karachi.	021	4987688 4987739-40	4987689	gik@mybankltd.com
18	TARIQ ROAD BRANCH KARACHI	C-51, Central Commercial Area, Near KFC Tariq Road, P.E.C.H.S., Karachi.	021	4556486 4556682	4555478	trk@mybankltd.com
19	BARKAT-E-HYDARI BRANCH KARACHI	Almas Square, Block-G, North Nazimabad, Karachi.	021	6628931 6629144 6706896	6706897	bhk@mybankltd.com
20	SHAHRAH-E-FAISAL BRANCH KARACHI	Business Avenue Block-6, P.E.C.H.S., Karachi.	021	4386417-18	4531819	sfk@mybankltd.com
21	DEFENCE BRANCH KARACHI	55-C, Phase-II, D.H.A, Opp Toyota Motors, Main Korangi Road, Karachi.	021	5387809 5396263 5312592	5387810	dha@mybankltd.com

S. No.	Name	Address	Code No.	Telephone No.	Fax No.	E-mail Addresses
22	STOCK EXCHANGE BRANCH KARACHI	Room No. 68 & 69 1st Floor, Stock Exchange Building, Stock Exchange Road, Karachi.	021	2462540-42	2462550	kse@mybankltd.com
23	GULISTAN-E-JAUHAR BRANCH KARACHI	Shop No. 5,6,7 & Shop No. D-2 , Farhan Centre Block No. 1. Gulistan-e-Jauhar Karachi.	021	4022259 4613674 4619276	4022639	gej@mybankltd.com

HYDERABAD BRANCHES

24	AREA OFFICE HYDERABAD	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad.	022	2720430	2720206	hyd@mybankltd.com
25	SADDAR BRANCH HYDERABAD	Plot No. 444-449, Haji Shah Rd., Saddar, Cantonment Area, Hyderabad.	022	2720483 2720248	2720206	hyd@mybankltd.com
26	MARICH BAZAR BRANCH SUKKUR	Marich Bazar, Sukkur.	071	5624316	5624317	suk@mybankltd.com
27	SHAHED-E-MILLAT ROAD BRANCH MIRPURKHAS	Shaheed-e-Millat Road, Mirpurkhas.	0233	874518	875925	mks@mybankltd.com

QUETTA BRANCHES

28	AREA OFFICE QUETTA	Regal Chowk, Jinnah Rd., Quetta.	081	2824966	2827075	jrj@mybankltd.com
29	JINNAH ROAD BRANCH QUETTA	Regal Chowk, Jinnah Rd., Quetta.	081	2837028-29	2825065	jrj@mybankltd.com
30	LIAQUAT BAZAR BRANCH QUETTA	Ainuddin Street, Quetta.	081	2837300-1	2837302	lbq@mybankltd.com
31	MAIN BAZAR BRANCH TURBAT	Main Bazar, Turbat.	0852	413874	414048	turb@mybankltd.com
32	GAWADAR BRANCH	Airport Road, Khasra No. 430, Khewat No. 192, Khatoni No. 192, Gawadar Pakistan.	0864	212144-46	212147	gwr@mybankltd.com



### CENTRAL REGION

S. No.	Name	Address	Code No.	Telephone No.	Fax No.	E-mail Addresses
1	GM OFFICE	159, Y- Block D.H.A.Lahore.	042	5692737	5692740	rolhr@mybankltd.com
2	DHA BRANCH LAHORE	159, Y- Block D.H.A.Lahore.	042	5692738-39 5692619-20 5692580	5692579	dhalhr@mybankltd.com
3	SHAH ALAM GATE BRANCH LAHORE	12-A, ShahAlam Gate, Lahore.	042	7633487 7630616 7670250 7663090	7633488	sag@mybankltd.com
4	AZAM CLOTH MARKET BRANCH LAHORE	F-1208, Azam Cloth Market, Lahore.	042	7667297 7651374	7662026	acm@mybankltd.com
5	JOHAR TOWN BRANCH LAHORE	Plot No.20, Block-A, Moulana Shaukat Ali Road, Johar Town, Lahore.	042	5223047-49	5223050	jhrt@mybankltd.com
6	BOOTH AT DOCTORS HOSPITAL LAHORE	152-A, G1, Canal Bank, Johar Town, Lahore.	042	5314640	5314642	dhalhr@mybankltd.com
7	BOOTH AT LAHORE MEDICAL & DENTAL COLLEGE	Tulsapura, Canal Bank, Lahore.	042	6583304	6583305	dhalhr@mybankltd.com
8	BADAMI BAGH BRANCH LAHORE	203-Grain Market, Badami Bagh, Lahore.	042	7724583 7720382 7705036	7730867	bbl@mybankltd.com
9	EGERTON ROAD BRANCH LAHORE	27-Ajmal House, Egerton Road, Lahore.	042	6364522 6364532	6364542	egr@mybankltd.com
10	LIBERTY MARKET BRANCH LAHORE	26/C, Commercial Zone, Liberty Market, Gulberg, Lahore.	042	111-692-265 5717273 5763308	5763310	lml@mybankltd.com
11	ALLAMA IQBAL TOWN BRANCH LAHORE	56/12, Karim Block, Allama Iqbal Town, Lahore.	042	5434160-61 5434163	5434164	ait@mybankltd.com
12	RAVI ROAD BRANCH OKARA	23/A, Ravi Road, Okara.	0442	528755 525355	521955	okr@mybankltd.com
13	KUTCHERY ROAD BRANCH KASUR	Near Pul Qatal Gahri, Kutchery Road, Kasur.	049	2721993	2721994	qsr@mybankltd.com
14	HIGH STREET BRANCH SAHIWAL	558/8-1, Navid, Plaza, High Street Shaiwal.	040	4229247 4221615	4460960	swl@mybankltd.com
15	HUSSAIN AGAHI ROAD BRANCH MULTAN	2576, Hussain Agahi Road, Multan.	061	4548083 4583268	4543794	mul@mybankltd.com
16	RAHIMYAR KHAN SHAHI ROAD BRANCH	31/34 Shahi Road, Rahimyar Khan.	0685	877821 883876	876776	ryk@mybankltd.com

### ZONAL OFFICE GUJRANWALA

17	ZONAL OFFICE GUJRANWALA	G. T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820400	3820404	zogu@mybankltd.com
18	G. T. ROAD GUJRANWALA BRANCH	G.T. Rd., Opp. General Bus Stand, Gujranwala.	055	3820401-03	3820404	guj@mybankltd.com
19	NAROWAL MURIDKE NAROWAL ROAD BRANCH	Sughra Shafi, Medical Complex, Muridke Narowal Rd., Narowal.	0542	414090 414105	414089	nar@mybankltd.com

S. No.	Name	Address	Code No.	Telephone No.	Fax No.	E-mail Addresses
20	G. T. ROAD BRANCH GUJRAT	Sethi Plaza. Opp. MY Guest House, Near Small Industrial Estate Gate, G.T. Road Gujrat.	0533	537161-62 524640 524447	525108	gtr@mybankltd.com
21	KUTCHERY BAZAR BRANCH SARGODHA	36-Block-5, Kutchery Bazar, Sargodha.	048	372577 3722913	3722914	sgd@mybankltd.com
22	AMINPUR BAZAR BRANCH FAISALABAD	Aminpur Bazar, Faisalabad.	041	2634705 2626783 2636783	2611363	fsd@mybankltd.com
23	BANK ROAD MANDI BHAUDDIN BRANCH	Khasra # 143/112, Chak #51, Bank Rd., Off Railway Rd., (Ghalla Mandi), Mandi Bahauddin.	0546	600901 600903-4	600902	mdb@mybankltd.com
24	SIALKOT RAILWAY ROAD BRANCH	Railway Road. Sialkot.	052	4582231 4586507	4582232	skt@mybankltd.com

ZONAL OFFICE ISLAMABAD

25	ZONAL OFFICE ISLAMABAD	20 - AI Asghar Plaza, Blue Area, Islamabad.	051	111-692-265 2874743	2871012	roisb@mybankltd.com
26	BLUE AREA BRANCH ISLAMABAD	20 - AI Asghar Plaza, Blue Area, Islamabad.	051	111-692-265 2823204 2872913	2274276	isd@mybankltd.com
27	BHARAH KOH BRANCH ISLAMABAD	Murree Road, Tehsil / District, Islamabad.	051	2231344 2233136	2231345	bkh@mybankltd.com
28	SHAMSABAD BRANCH RAWALPINDI	DD/29, Shamsabad Murree Rd., Ojri Kalan, Rawalpindi.	051	4854400 4854401-03	4854404	smr@mybankltd.com
29	BANK ROAD BRANCH RAWALPINDI	Saddar Bazar, Rawalpindi Cantt.,	051	5523840-41	5523837	rwp@mybankltd.com
30	RAJA BAZAR BRANCH RAWALPINDI	Raja Bazar, Rawalpindi.	051	5534173 5557244	5559544	rbp@mybankltd.com
31	CHAKWAL BRANCH	Khasra No. 1886, Khewat No. 778/1 Khatooni No. 1334/1. Al- Noor Plaza Sabzi Mandi, Talagang Road, Chakwal.	0543	554796	554797	chk@mybankltd.com
32	DADYAL BRANCH AZAD KASHMIR	Choudhary Centre, Ara Jattan, Dadyal, Azad Kashmir.	058630	42475	44316	dad@mybankltd.com
33	NANGI CHOWK BRANCH AZAD KASHMIR	Nangi Chowk, Mirpur, Azad Kashmir.	058610	44550	44522	mak@mybankltd.com

ZONAL OFFICE NWFP

34	ZONAL OFFICE NWFP	3-A, Arbab Road, Peshawar Cantt., Peshawar.	091	5253841	5274251	pwr@mybankltd.com
35	ARBAB ROAD BRANCH PESHAWAR	3-A, Arbab Road, Peshawar Cantt., Peshawar.	091	5270463 5275915	5274251	pwr@mybankltd.com
36	CHOWK YADGAR BRANCH PESHAWAR	Near Clock Tower, Chowk Yadgar, Peshawar.	091	2550477 2550466	2550488	cyp@mybankltd.com
37	BANK ROAD BRANCH MARDAN	Bank Road, Mardan.	0937	865341	865342	mrd@mybankltd.com

## FORM OF PROXY

I / We \_\_\_\_\_ of \_\_\_\_\_

being member of mybank Limited and holding \_\_\_\_\_ ordinary shares  
are per \_\_\_\_\_

Register Folio No. / CDC Account and Participant's ID  
No. \_\_\_\_\_

hereby appoint Mr./Mrs./Miss. \_\_\_\_\_ of \_\_\_\_\_ or  
failing him / her \_\_\_\_\_ of \_\_\_\_\_ as

my / our Proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual  
General Meeting of the Bank to be held on March 28, 2008 and at any adjournment there-of.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2008

1. Witness \_\_\_\_\_  
Signature \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_

Member's Signature  
on Rs.5.00  
Revenue Stamp

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

2. Witness \_\_\_\_\_  
Signature \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_

### NOTES:

1. A member entitled to attend and vote at the Annual General Meeting of the Bank may appoint another member as his / her proxy to attend and vote instead of him / her. The proxy shall have the right to attend, speak and vote in place of the member appointed him at the meeting.
2. The instrument appointing a proxy should be signed by the member(s) or by his / her Attorney, duly authorized in writing. If the member is a Corporation, its common seal should be affixed to the instrument.
3. The Proxy Form duly completed, must be deposited at the Bank's Registered Office at mybank Building, Regal Chowk, Jinnah Road, Quetta not less than 48 hours before the time of holding the meeting.
4. CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his / her own as well as the proxy's CNIC / Passport with the proxy form. The proxy shall also produce his / her original CNIC or passport at the time of meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted along with proxy form.