

Financial Statements
Askari Commercial Bank Limited
for the year ended December 31, 2006

Statement of Compliance with the Code of Corporate Governance

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

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

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

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

For and on behalf of the Board



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Rawalpindi
February 14, 2007

A.F. FERGUSON & CO.

CHARTERED ACCOUNTANTS
KARACHI-LAHORE-ISLAMABAD

Review Report to the Members

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

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

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

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

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

Islamabad
February 14, 2007


A.F. Ferguson & Co.
Chartered Accountants

A.F. FERGUSON & CO.

CHARTERED ACCOUNTANTS
KARACHI-LAHORE-ISLAMABAD

Auditors' Report to the Members

We have audited the annexed balance sheet of Askari Commercial Bank Limited (the Bank) as at December 31, 2006 and the related profit and loss account, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the financial statements) for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 15 branches which have been audited by us and one branch audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change referred in note 5.1 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

A.F. FERGUSON & CO.

CHARTERED ACCOUNTANTS
KARACHI-LAHORE-ISLAMABAD

- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2006 and its true balance of the profit, its changes in equity and cash flows for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Islamabad
February 14, 2007


A.F. Ferguson & Co.
Chartered Accountants

Balance Sheet

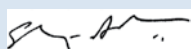
as at December 31, 2006

(Rupees in thousand)	Notes	2006	Restated 2005
Assets			
Cash and balances with treasury banks	6	14,879,230	11,766,925
Balances with other banks	7	7,333,002	5,550,148
Lendings to financial institutions	8	8,392,950	10,172,242
Investments	9	28,625,915	25,708,194
Advances	10	99,179,372	85,976,895
Operating fixed assets	11	3,810,331	3,192,862
Deferred tax assets		-	-
Other assets	12	3,812,788	2,732,641
		166,033,588	145,099,907
Liabilities			
Bills payable	13	1,839,077	1,315,680
Borrowings	14	14,964,087	10,562,338
Deposits and other accounts	15	131,839,283	118,794,690
Sub-ordinated loans	16	2,998,500	2,999,700
Liabilities against assets subject to finance lease	17	-	1,459
Deferred tax liabilities	18	736,298	567,217
Other liabilities	19	2,603,113	2,045,340
		154,980,358	136,286,424
Net assets		11,053,230	8,813,483
Represented by:			
Share capital	20	2,004,333	1,507,018
Reserves	21	5,814,754	4,470,530
Unappropriated profit		1,799,979	1,617,597
		9,619,066	7,595,145
Surplus on revaluation of assets - net of tax	22	1,434,164	1,218,338
		11,053,230	8,813,483

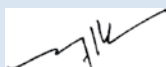
Contingencies and commitments

23

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



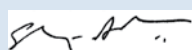
Lt. Gen. Waseem Ahmed Ashraf
Chairman

Profit and Loss Account

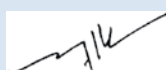
For the year ended December 31, 2006

(Rupees in thousand)	Notes	2006	Restated 2005
Mark-up / return / interest earned	26	12,596,921	8,780,698
Mark-up / return / interest expensed	27	6,977,313	4,278,374
Net mark-up / interest income		5,619,608	4,502,324
Provision against non-performing loans and advances	10.4	1,128,137	638,547
Provision / (reversal) for impairment in the value of investments	9.2.1	376	(36,555)
Bad debts written off directly		–	–
		1,128,513	601,992
Net mark-up / interest income after provisions		4,491,095	3,900,332
Non mark-up / interest income			
Fee, commission and brokerage income		1,013,660	838,561
Dividend income		109,326	51,143
Income from dealing in foreign currencies		584,344	356,218
Gain on sale of securities - net	28	112,474	100,407
Unrealised loss on revaluation of investments classified as held for trading - net		(2,308)	(582)
Other income	29	321,758	206,819
Total non-markup / interest income		2,139,254	1,552,566
		6,630,349	5,452,898
Non mark-up / interest expenses			
Administrative expenses	30	3,277,353	2,591,985
Other provisions / write offs		–	–
Other charges	31	6,141	1,832
Total non-markup / interest expenses		3,283,494	2,593,817
		3,346,855	2,859,081
Extra ordinary / unusual items		–	–
Profit before taxation			
		3,346,855	2,859,081
Taxation – current		983,875	828,774
– prior years'		–	(188,247)
– deferred		113,006	196,558
	32	1,096,881	837,085
Profit after taxation			
		2,249,974	2,021,996
Unappropriated profit brought forward		1,617,597	1,538,432
Profit available for appropriation		3,867,571	3,560,428
Basic / diluted earnings per share - Rupees			
	33	11.23	10.09

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



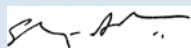
Lt. Gen. Waseem Ahmed Ashraf
Chairman

Statement of Changes in Equity

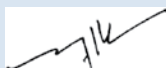
for the year ended December 31, 2006

(Rupees in thousand)	Share Capital	Capital Reserve for Issue of Bonus Shares	Statutory Reserve	Revenue Reserves		Un-appropriated profit	Total
				General Reserve	Reserve for Contingencies		
Balance as at December 31, 2004							
- as previously reported	1,255,848	251,170	1,444,870	2,311,261	310,000	-	5,573,149
Effect of changes in accounting policy with respect to appropriations after balance sheet date:							
Proposed final dividend	-	-	-	-	-	251,170	251,170
Reserve for issue of bonus shares	-	(251,170)	-	-	-	251,170	-
General reserve	-	-	-	(1,036,092)	-	1,036,092	-
Balance as at December 31, 2004 - restated	1,255,848	-	1,444,870	1,275,169	310,000	1,538,432	5,824,319
Net profit for the year	-	-	-	-	-	2,021,996	2,021,996
Transfer to:							
Statutory reserve	-	-	404,399	-	-	(404,399)	-
General reserve	-	-	-	1,036,092	-	(1,036,092)	-
Final dividend - for the year ended December 31, 2004 declared subsequent to year end	-	-	-	-	-	(251,170)	(251,170)
Bonus shares declared / issued subsequent to year end	251,170	-	-	-	-	(251,170)	-
Balance as at December 31, 2005 - restated	1,507,018	-	1,849,269	2,311,261	310,000	1,617,597	7,595,145
Net profit for the year	-	-	-	-	-	2,249,974	2,249,974
Transfer to:							
Statutory reserve	-	-	449,995	-	-	(449,995)	-
General reserve	-	-	-	894,229	-	(894,229)	-
Final dividend - for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-	(226,053)	(226,053)
Bonus shares declared / issued subsequent to year end	497,315	-	-	-	-	(497,315)	-
Contingency reserve transferred to General Reserve (refer note 21)	-	-	-	310,000	(310,000)	-	-
Balance as at December 31, 2006	2,004,333	-	2,299,264	3,515,490	-	1,799,979	9,619,066

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



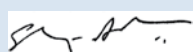
Lt. Gen. Waseem Ahmed Ashraf
Chairman

Cash Flow Statement

for the year ended December 31, 2006

(Rupees in thousand)	Note	2006	2005
Cash flow from operating activities			
Profit before taxation		3,346,855	2,859,081
Less: Dividend income		(109,326)	(51,143)
		3,237,529	2,807,938
Adjustments:			
Depreciation		339,606	275,190
Provision against non-performing advances (net)		1,128,137	638,547
Provision / (reversal) for impairment in the value of investments		376	(36,555)
Net profit on sale of property and equipment		(6,761)	(6,712)
Finance charges on leased assets		12	474
		1,461,370	870,944
		4,698,899	3,678,882
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,299,292	(5,867,403)
Held for trading securities		229,901	(340,534)
Advances		(14,330,614)	(16,777,050)
Other assets (excluding advance taxation)		(1,143,032)	(1,005,825)
		(13,944,453)	(23,990,812)
Increase / (decrease) in operating liabilities			
Bills payable		523,397	88,587
Borrowings		4,401,749	(3,219,217)
Deposits		13,044,593	35,475,895
Other liabilities (excluding current taxation)		554,966	1,012,745
		18,524,705	33,358,010
Cash flow before tax		9,279,151	13,046,080
Income tax paid		(923,125)	(776,608)
Net cash flow from operating activities		8,356,026	12,269,472
Cash flow from investing activities			
Net investments in available-for-sale securities		(1,098,213)	(6,311,097)
Net investments in held-to-maturity securities		(1,777,884)	(1,093,031)
Net investments in subsidiary / associate		–	(100,000)
Dividend income		111,461	51,143
Investments in operating fixed assets - net of adjustment		(974,108)	(887,158)
Sale proceeds of operating fixed assets-disposed off		23,794	20,841
Net cash flow used in investing activities		(3,714,950)	(8,319,302)
Cash flow from financing activities			
(Payments)/receipts of sub-ordinated loans-net		(1,200)	1,999,700
Payments of lease obligations		(1,471)	(13,277)
Dividends paid		(223,246)	(250,285)
Net cash flow (used in)/ from financing activities		(225,917)	1,736,138
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	34	19,297,073	13,610,765
Cash and cash equivalents at end of the year	34	23,712,232	19,297,073

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Notes to the Financial Statements

For the year ended December 31, 2006

1. Status and nature of business

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

The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 122 branches (2005: 99 branches); 121 in Pakistan and Azad Jammu and Kashmir, including 6 Islamic Banking branches, and an Offshore Banking Unit (OBU) in the Kingdom of Bahrain.

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

2. Basis of presentation

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

2.2 During the year, the State Bank of Pakistan vide BSD Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual Financial Statements' which has replaced existing forms prescribed through BSD Circular No. 36 dated October 10, 2001. These revised forms are applicable for financial statements for the year ended December 31, 2006 and include certain additional disclosures which are also applicable for corresponding period. These financial statements have been presented in accordance with such revised forms.

3. Statement of compliance

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

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

The published amendments to existing standard 'IAS 1 Presentation of Financial Statements - Capital Disclosures' are not yet effective and are mandatory for the Bank's accounting periods beginning on or after January 1, 2007 or later periods. However, effect of adoption of the above amendments on the future financial statements is not likely to be material.

4. Basis of measurement

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

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

5. Summary of significant accounting policies

5.1 Appropriations subsequent to balance sheet date

Consequent to directive of the Institute of Chartered Accountants of Pakistan, through Circular No. 6 of June 19, 2006 and revised forms of Annual Financial Statements issued by the State Bank of Pakistan through Circular No. 4 of February 17, 2006, the accounting policy for appropriations subsequent to balance sheet date has been changed during the year. Appropriations subsequent to year end are now recognised during the year in which those appropriations are made. Upto previous year, appropriations approved after the year end date but before the financial statements were authorised for issue, were recognised in the financial statements for that year. This change in accounting policy has been accounted for retrospectively as required by the International Accounting Standard 8 and has no impact on profit for the year.

5.2 Cash and cash equivalents

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

5.3 Sale and repurchase agreements

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

5.4 Investments

Investments are classified as follows:

Held for trading

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

Available for sale

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

Held to maturity

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

Investments in subsidiary and associates are carried at cost.

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

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

5.5 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.4.1.

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

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

Capital work-in-progress is stated at cost.

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

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

5.7 Taxation

Current

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

Deferred

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

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

5.8 Staff retirement benefits

Defined benefit plan

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

Defined contribution plan

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

Compensated absences

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

5.9 Revenue recognition

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

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

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

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

5.10 Foreign currencies

Foreign currency transactions

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

Foreign branch

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

Translation gains and losses

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

Commitments

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

5.11 Provisions

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

5.12 Off-setting

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

5.13 Related party transactions

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

(Rupees in thousand)	Notes	2006	2005
6. Cash and balances with treasury banks			
In hand:			
Local currency		1,897,556	1,592,860
Foreign currencies		504,108	424,135
		2,401,664	2,016,995
National Prize Bonds		15,439	8,834
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	7,799,986	5,619,232
Foreign currency current account	6.1	1,070,976	917,317
Foreign currency deposit account	6.2	3,256,304	2,805,483
		12,127,266	9,342,032
With National Bank of Pakistan in:			
Local currency current accounts		334,861	399,064
		14,879,230	11,766,925

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

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

(Rupees in thousand)	Note	2006	2005
7. Balances with other banks			
In Pakistan			
On current accounts		843,755	179,221
On deposit accounts		370,114	102
Outside Pakistan			
On current accounts		470,222	421,655
On deposit accounts	7.1	5,648,911	4,949,170
		7,333,002	5,550,148

7.1 These represents overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 2.34% to 5.23% (2005: 2.30% to 4.53%) per annum receivable on maturity.

(Rupees in thousand)	Notes	2006	2005
8. Lendings to financial institutions			
Call money lendings		1,500,000	1,980,000
Repurchase agreement lendings (reverse repo)	8.1	2,250,210	4,313,011
Purchase under resale arrangement of listed equity securities	8.2	640,000	100,000
		2,890,210	4,413,011
Trade related deals	8.3	852,740	404,946
Others	8.4	3,150,000	3,374,285
		8,392,950	10,172,242

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up rates ranging from 8.67% to 9.40% (2005 : 6.75% to 8.75%) per annum and maturities of upto 1 month (2005 : upto 6 months).

8.2 This represents shares of listed companies purchased under resale agreement at mark-up rates ranging from 13.75% to 14.5% (2005 : 15%) per annum with maturity of upto 3 months (2005 : upto 3 months).

8.3 These are trade related risk participation deals made by Bank's Offshore Banking Unit with returns ranging from 6.62% to 8.93% (2005 : 4.85% to 7.88%) per annum with maturities of upto 6 months (2005 : upto 11 months).

8.4 This represents lendings to various financial institutions at mark-up rates ranging from 10.35% to 11.90% (2005: 9.60% to 11.50%) per annum with maturities of upto 3 months (2005 : upto 3 to 6 months).

(Rupees in thousand)		2006	2005
8.5	Particulars of lending		
	In local currency	7,540,210	9,767,296
	In foreign currencies	852,740	404,946
		8,392,950	10,172,242

(Rupees in thousand)		2006			2005		
		Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.6	Securities held as collateral against lendings to financial institutions						
	Market Treasury Bills	740,210	–	740,210	2,468,011	–	2,468,011
	Pakistan Investment Bonds	1,510,000	–	1,510,000	1,845,000	–	1,845,000
	Purchase under resale arrangement of listed shares	640,000	–	640,000	100,000	–	100,000
		2,890,210	–	2,890,210	4,413,011	–	4,413,011

9. Investments

(Rupees in thousand)		2006			2005			
	Notes	Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total	
9.1	Investments by types:							
	Held for trading securities							
	Fully paid ordinary shares	316,022	–	316,022	544,197	–	544,197	
	Available for sale securities							
	Market Treasury Bills	15,880,231	389,256	16,269,487	14,009,426	482,769	14,492,195	
	Pakistan Investment Bonds	2,772,739	44,000	2,816,739	4,290,462	344,000	4,634,462	
	Fully paid ordinary shares	1,231,386	–	1,231,386	844,562	–	844,562	
	Fully paid preference shares	125,000	–	125,000	125,000	–	125,000	
	Askari Income Fund - Units	9.7	250,000	–	250,000	–	250,000	
	Term Finance Certificates (TFCs)		745,840	–	745,840	–	–	
	Foreign securities	9.11	304,550	–	304,550	–	298,570	
			21,309,746	433,256	21,743,002	19,818,020	826,769	20,644,789
	Held to maturity securities							
	Term Finance Certificates (TFCs)		1,893,700	–	1,893,700	–	–	1,886,579
	Pakistan Investment Bonds		1,747,296	–	1,747,296	–	–	–
	Government of Pakistan Sukuk Bonds	9.2.4	550,989	–	550,989	–	–	541,063
	Government of Pakistan Euro Bonds	9.2.4	732,765	–	732,765	–	–	719,224
			4,924,750	–	4,924,750	–	–	3,146,866
	Investment in associate							
	Askari General Insurance Company Limited	9.8	11,182	–	11,182	–	–	11,182
	Investment in subsidiary							
	Askari Investment Management Limited	9.4	100,000	–	100,000	–	–	100,000
	Investment at cost		26,661,700	433,256	27,094,956	23,620,265	826,769	24,447,034
	Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(1,887)	–	(1,887)	(1,511)	–	(1,511)
	Investments (net of provision)		26,659,813	433,256	27,093,069	23,618,754	826,769	24,445,523
	Less: Deficit on revaluation of held for trading securities - net		(2,308)	–	(2,308)	(582)	–	(582)
	Add: Surplus on revaluation of available for sale securities - net		1,529,242	5,912	1,535,154	1,291,107	(27,854)	1,263,253
	Total investments at market value		28,186,747	439,168	28,625,915	24,909,279	798,915	25,708,194

Investment in Pakistan Investment Bonds to the extent of Rs 1,747,296 thousand has been reclassified during the year from 'available for sale securities' to 'held to maturity securities' in accordance with BSD Circular 7 dated May 30, 2006 issued by the State Bank of Pakistan.

(Rupees in thousand)		Notes	2006	2005
9.2	Investments by segments:			
	Federal Government Securities	9.2.3		
	Market Treasury Bills		16,269,487	14,492,195
	Pakistan Investment Bonds		4,564,035	4,634,462
	Government of Pakistan Sukuk Bonds	9.2.4	550,989	541,063
	Government of Pakistan Euro Bonds	9.2.4	732,765	719,224
			22,117,276	20,386,944
	Fully paid up ordinary shares			
	Listed companies	9.3	1,752,910	1,594,261
	Unlisted companies	9.4	155,680	155,680
			1,908,590	1,749,941
	Fully paid preference shares			
	Listed companies	9.5	125,000	125,000
	Term Finance Certificates (TFCs)	9.6		
	Listed Term Finance Certificates		1,111,764	652,300
	Unlisted Term Finance Certificates		1,527,776	1,234,279
			2,639,540	1,886,579
	Foreign Securities			
	Callable notes	9.11	304,550	298,570
	Total investment at cost		27,094,956	24,447,034
	Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(1,887)	(1,511)
	Investments (net of provisions)		27,093,069	24,445,523
	Less: Deficit on revaluation of held for trading securities - net		(2,308)	(582)
	Add: Surplus on revaluation of available for sale securities - net		1,535,154	1,263,253
	Total investments at market value		28,625,915	25,708,194
9.2.1	Particulars of provision for impairment in value of investments			
	Opening balance		1,511	38,066
	Charge for the year		376	619
	Reversals		-	(37,174)
			376	(36,555)
	Closing balance		1,887	1,511
9.2.2	Particulars of provision in respect of type and segment			
	Available for sale securities			
	Fully paid ordinary shares		1,887	1,511
9.2.3	Principal terms of investments in Federal Government securities			
Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2007 to December 2007	On maturity	8.78% to 9.01%	at maturity
Pakistan Investment Bonds	October 2008 to October 2013	On maturity	7% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually

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

9.3 Investments in listed shares

No. of ordinary shares		Paid-up / Break-up value per share (Rupees)	Name of companies / mutual funds	Note	2006	2005
2006	2005				(Rupees in thousand)	
2,420,022	2,350,020	5.45	Sui Northern Gas Pipelines Limited		13,199	23,624
4,249,500	5,250,000	9.52	Atlas Fund of Funds		40,471	50,000
808,500	2,500,000	10.00	Meezan Balanced Fund		8,085	25,000
256,000	80,000	222.57	National Bank of Pakistan		56,979	15,294
400,000	476,500	230.94	MCB Bank Limited		92,375	76,055
100,000	20,000	14.45	Maple Leaf Cement Co. Limited		1,445	882
50,000	460,000	64.38	D. G. Khan Cement Co. Limited		3,219	49,580
1,808,647	1,532,753	6.18	Askari General Insurance Company Limited	9.8	11,182	11,182
290,000	2,633,000	44.23	Pakistan Telecommunication Company Limited		12,828	169,477
1,059,500	2,536,000	28.28	Hub Power Company Limited		29,958	63,243
155,000	235,000	114.65	Oil and Gas Development Company Limited		17,770	27,328
-	5,000,000	-	ABAMCO Composite Fund		-	50,000
2,321,000	4,659,500	10.00	Pakistan Strategic Allocation Fund		23,210	46,595
65,000	100,200	302.34	Pakistan State Oil Company Limited		19,652	42,137
50,170	19,170	127.11	Fauji Fertilizer Company Limited		6,377	2,305
-	150,000	-	Lucky Cement Limited		-	12,605
165,000	65,000	355.34	Pakistan Oilfields Limited		58,631	27,473
115,000	443,000	233.47	Pakistan Petroleum Limited		26,849	92,595
47,000	92,000	170.81	Engro Chemical (Pakistan) Limited		8,028	15,228
-	50,700	-	Crescent Steel Mills Limited		-	4,166
-	19,000	-	Honda Atlas Cars Limited		-	2,290
5,300	37,000	184.72	Packages Limited		979	6,832
27,500	70,000	123.56	ICI Pakistan Limited		3,398	9,585
117,000	48,000	99.57	The Bank of Punjab		11,650	4,805
-	289,000	-	Nishat Textile Mills Limited		-	31,384
100,000	295,500	28.56	Fauji Fertilizer Bin Qasim Limited		2,856	11,299
55,000	113,000	152.64	Adamjee Insurance Company Limited		8,395	15,811
-	250,000	-	Japan Power Generation Limited		-	1,425
-	488,500	-	Faysal Bank Limited		-	35,850
16,376,106	16,376,106	25.66	Allied Bank Limited		420,211	420,211
1,160,000	-	10.00	UTP Large Capital Fund		11,600	-
599,500	-	42.03	Kot Addu Power Company Limited		25,199	-
2,500,000	2,500,000	100.00	Askari Income Fund		250,000	250,000
100,000	-	100.00	United Stock Advantage Fund		10,000	-
5,095,000	-	9.81	NAFA Cash Fund		50,000	-
800	-	122.02	Pak Re-Insurance		98	-
441,000	-	64.10	Pakistan Industrial Credit & Investment Corporation Limited		28,266	-
9,963,516	-	50.18	Pakistan Income Fund		500,000	-
					1,752,910	1,594,261
Add: Surplus on revaluation of shares - (net)					1,280,609	1,153,703
Market value as on December 31					3,033,519	2,747,964

9.4 Particulars of investments held in unlisted companies / mutual fund

Investee	Notes	Percentage of holding %	Number of shares / units held	Cost /	Total	Break up value	Based on accounts audited as at	Name of Chief Executive
				Paid-up value per share / unit (Rupees)	Paid-up value (Rupees in thousand)			
Companies / Bank								
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,006	31 Dec 2005	Mr. M.Ghalib Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10.00	5,680	3,793	31 Dec 2005	Mr. S.M. Zaeem
Askari Investment Management Limited - subsidiary	9.4.3	100.00	10,000,000	10.00	100,000	81,929	31 Dec 2006	Mr. Adnan Afaq
					155,680			

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per SBP letter No. BSD (RU-26/625-MfB/13817/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale/ transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 1,887 thousand (2005: Rs. 1,511 thousand) is considered as impairment and has been fully provided for.

9.4.3 Askari Investment Management Limited is a wholly owned subsidiary of the Bank, licensed as a Non-Banking Finance Company (NBFC), to undertake asset management and investment advisory services under NBFC (Establishment and Regulation) Rules, 2003.

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value	Investee	Rate%	Book Value		Market Value	
2006	2005	per share			2006	2005	2006	2005
		(Rupees)			(Rupees in thousand)		(Rupees in thousand)	
10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	71,500	90,700
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six month Karachi Inter Bank offered Rate (KIBOR) plus 2 percent per annum	25,000	25,000	25,000	25,000
					125,000	125,000	96,500	115,700

9.6 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate	2006		2005	
2006	2005			Rupees	(Rupees in thousand)	(Rupees in thousand)	(Rupees in thousand)
Listed							
500	500	Sui Southern Gas Company Limited	16,654	8,327	29,144		
6,067	–	Worldcall Telecom Limited	5,000	30,335	–		
–	6,000	Gulistan Textile Mills Limited	–	–	9,992		
30,000	30,000	Bank Al-Habib Limited	4,996	149,880	149,940		
35,000	35,000	Bank Alfalah Limited	4,997	174,894	174,961		
4,600	9,600	Prime Commercial Bank Limited	4,997	22,986	47,990		
12,000	15,000	Soneri Bank Limited	4,997	59,964	74,985		
10,000	10,000	Union Bank Limited	4,999	49,990	50,000		
44,432	20,000	United Bank Limited	4,998	222,083	99,962		
–	6,000	Shakar Ganj Mills Limited	–	–	11,993		
–	8,000	Securetel SPV Limited	–	–	3,333		
39,992	–	Pakistan Mobile Communications (Private) Limited	5,000	199,960	–		
38,669	–	Allied Bank Limited	5,000	193,345	–		
Book value as on December 31				1,111,764	652,300		
Unlisted							
30,000	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	4,000	120,000	150,000		
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Tariq Kirmani)	4,625	323,737	341,236		
400	–	Dominion Fertilizer Limited (Chief Executive: Mr. Ahmed Sheikh)	1,000,000	400,000	–		
18	18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Tariq Saeed Saigol)	1,874,998	33,750	56,250		
18,995	18,995	Dewan Cement Limited (Formerly Pakland Cement Limited) (Chief Executive: Syed Muhammad Ali)	4,569	75,289	86,793		
20,000	20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf)	3,750	75,000	100,000		
50	50	Pak Arab Fertilizer Limited (Chief Executive: Mr. Sheikh Fawad)	10,000,000	500,000	500,000		
Book value as on December 31				1,527,776	1,234,279		

These carry rate of return ranging from 8.45% to 14.40% (2005 : 8.45% to 14.00%) per annum and having maturity periods of upto 8 years (2005: upto 8 years).

- 9.7** This represents investment in Askari Income Fund managed by Askari Investment Management Limited; a wholly owned subsidiary of the Bank.
- 9.8** Investment in associate represents 15% (2005: 15%) investment in the equity of Askari General Insurance Company Limited, a listed associated company (market value as at December 31, 2006: Rs. 74,064 thousand; 2005: Rs. 41,538 thousand).
- 9.9** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT / DD discounting facilities.
- 9.10** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.
- 9.11** This represents investments by the Bank's OBU in callable notes issued by Federal Home Loan Mortgage Corporation, USA at rates ranging from 3.25% to 5.00% (2005 : 3.25% to 5.00%) per annum maturing on July 8, 2008.

9.12 Quality of Available for Sale Securities

(Rupees in thousand)	Notes	2006		2005	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.12.1	16,251,844	unrated	14,478,198	unrated
Pakistan Investment Bonds	9.12.1	3,122,924	unrated	4,776,787	unrated
Fully paid up ordinary shares	9.12.2				
Pakistan Oilfields Limited		32,177	unrated	21,400	unrated
Hub Power Company Limited		24,219	unrated	5,400	unrated
Pakistan Petroleum Limited		3,480	unrated	–	–
Kot Addu Power Company Limited		24,400	unrated	–	–
Fauji Fertilizer Company Limited		5,295	unrated	2,626	unrated
ICI Pakistan Limited		3,176	unrated	9,835	unrated
United Stock Advantage Fund		9,537	unrated	–	–
Pakistan Export Finance Guarantee Agency Limited		5,680	unrated	5,680	unrated
Maple Leaf Cement Company Limited		–	–	795	unrated
D.G. Khan Cement Company Limited		–	–	32,000	unrated
Pakistan Telecommunication Company Limited		–	–	6,540	unrated
Honda Atlas Cars Limited		–	–	2,175	unrated
Crescent Steel Mills Limited		–	–	3,980	unrated
Oil and Gas Development Company Limited		–	–	12,390	unrated
Atlas Fund of Funds		33,996	4-Star	46,725	unrated
Meezan Balanced Fund		6,953	5-Star	24,375	unrated
Pakistan Strategic Allocation Fund		19,729	5-Star	54,516	unrated
Pakistan Income Fund		525,077	4-Star	–	–
NAFA Cash Fund		53,617	A (f)	–	–
National Bank of Pakistan		1,346	AAA(M2L)	5,984	AAA(M2L)
Sui Northern Gas Pipelines Limited		158,511	AA- (L)	149,601	AA- (L)
Packages Limited		1,113	AA (L)	7,474	AA (L)
Khushali Bank		50,000	A- (M2L)	50,000	A- (M2L)
Allied Bank Limited		1,531,165	A+(M2L)	1,416,532	A+(M2L)
ABAMCO Composite Fund		–	–	67,500	unrated
Pakistan State Oil Company Limited		–	–	20,843	AAA(L)
MCB Bank Limited		–	–	52,476	AA (L)
Fully paid preference shares	9.12.2	96,500	unrated	115,700	unrated
UTP - Large Capital Fund		9,280	unrated	–	–
Askari Income Fund - Units	9.12.2	265,550	unrated	250,000	unrated
Term Finance Certificates (TFCs)					
Dominion Fertilizer Limited		400,000	unrated	–	–
WorldCall Telecom Limited		30,336	AA- (L)	–	–
United Bank Limited		122,160	AA- (M)	–	–
Allied Bank Limited		193,345	A (M)	–	–
		745,841	–	–	–
Foreign securities					
Callable notes		296,746	AAA	288,510	AAA
		23,278,156		21,908,042	

(M = Medium Term, L = Long Term, M2L = Medium to Long Term)

9.12.1 These are Government of Pakistan guaranteed securities.

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

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

(Rupees in thousand)		Notes	2006	2005						
9.13	Unrealized loss on revaluation of investments classified as held for trading									
	Fully paid ordinary shares		(2,308)	(582)						
10.	Advances									
	Loans, cash credits, running finances, etc.									
	In Pakistan		83,370,260	73,272,718						
	Outside Pakistan		791,830	–						
			84,162,090	73,272,718						
	Ijara Financing - In Pakistan	10.2	31,694	–						
	Bills discounted and purchased (excluding treasury bills)									
	Payable in Pakistan		5,987,391	5,297,919						
	Payable outside Pakistan		11,207,285	9,463,507						
			17,194,676	14,761,426						
			101,388,460	88,034,144						
	Financing in respect of continuous funding system		1,336,419	361,718						
	Advances - gross		102,724,879	88,395,862						
	Provision against loans and advances	10.4								
	Specific provision		(2,739,631)	(1,410,802)						
	General provision		(442,481)	(765,867)						
	General provision against consumer loans		(363,395)	(242,298)						
			(3,545,507)	(2,418,967)						
	Advances - net of provision		99,179,372	85,976,895						
10.1	Particulars of advances									
10.1.1	In local currency		89,363,704	76,712,364						
	In foreign currencies		13,361,175	11,683,498						
			102,724,879	88,395,862						
10.1.2	Short term (for upto one year)		77,266,831	67,353,484						
	Long term (for over one year)		25,458,048	21,042,378						
			102,724,879	88,395,862						
10.2	Ijara Financing - In Pakistan									
			2006							
			2005							
(Rupees in thousand)			Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Ijara rentals receivable		8,878	21,870	–	30,748	–	–	–	–
	Residual value		–	10,186	–	10,186	–	–	–	–
	Minimum lease payments		8,878	32,056	–	40,934	–	–	–	–
	Profits for future periods		3,344	5,896	–	9,240	–	–	–	–
	Present value of minimum Ijara payments		5,534	26,160	–	31,694	–	–	–	–

10.3 Advances include Rs. 3,656,297 thousand (2005: Rs. 2,373,166 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Notes	2006								
		Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in thousand										
Special mention	10.3.1	-	-	-	63,832	-	63,832	63,832	-	63,832
Other Assets Especially Mentioned	10.3.2	3,293	-	3,293	-	-	-	-	-	-
Substandard		107,494	-	107,494	21,961	-	21,961	21,961	-	21,961
Doubtful		103,473	-	103,473	46,579	-	46,579	46,579	-	46,579
Loss		3,442,037	-	3,442,037	2,607,259	-	2,607,259	2,607,259	-	2,607,259
		3,656,297	-	3,656,297	2,739,631	-	2,739,631	2,739,631	-	2,739,631

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

10.3.2 This represents classification made for agricultural finances.

10.4 Particulars of provision against non-performing advances

Note	2006				2005			
	Specific	General	Consumer		Specific	General	Consumer	
			Loans-General	Total			Loans-General	Total
(Rupees in thousand)								
Opening balance	1,410,802	765,867	242,298	2,418,967	944,256	700,381	135,814	1,780,451
Charge / (reversal) for the year	1,330,426	(323,386)	121,097	1,128,137	466,577	65,486	106,484	638,547
Amounts written off	10.6	(1,597)	-	(1,597)	(31)	-	-	(31)
Closing balance	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967

10.4.1 The general provision is maintained at the rate of 0.5% on advances other than non-performing and consumer advances. Previously, general provision was maintained on judgemental basis. Consequent to change in the basis for determining general provision, an amount of Rs 369.835 million has been reversed during the year, resulting in an increase in profit before tax and net of tax profit by Rs 369.835 million and Rs 240.393 million respectively.

10.5 Particulars of provision against non-performing advances

	2006				2005			
	Specific	General	Consumer		Specific	General	Consumer	
			Loans-General	Total			Loans-General	Total
(Rupees in thousand)								
In local currency	2,713,340	375,824	363,395	3,452,559	1,387,328	707,580	242,298	2,337,206
In foreign currencies	26,291	66,657	-	92,948	23,474	58,287	-	81,761
	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967

(Rupees in thousand)

10.6 Particulars of write-offs:

	Notes	2006	2005
10.6.1 Against provisions	10.4	1,597	31
Directly charged to profit and loss account		-	-
		1,597	31
10.6.2 Write offs of Rs. 500,000 and above	10.4	1,597	-
Write offs of below Rs. 500,000		-	31
		1,597	31

10.7 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2006 is given at Annexure-1.

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

(Rupees in thousand)	Notes	2006	2005
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		77,407	43,658
Loans granted during the year		134,238	56,143
Repayments		(49,273)	(22,394)
Balance at end of year		162,372	77,407
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		-	-
Loans granted during the year		-	-
Repayments		-	-
Balance at end of year		-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		764,619	342,574
Loans granted during the year		50,120	4,569,093
Repayments		(597,503)	(4,147,048)
Balance at end of year		217,236	764,619
		379,608	842,026

11. Operating fixed assets

Capital work-in-progress	11.1	724,449	236,012
Property and equipment	11.2	3,085,882	2,956,850
		3,810,331	3,192,862

11.1 Capital work-in-progress

Civil works	-	10,468
Advances to suppliers and contractors	724,449	225,544
	724,449	236,012

11.2 Property and equipment

(Rupees in thousand)	COST			DEPRECIATION			Book Value as at December 31, 2006	Annual Rate of Depreciation %	
	as at January 1, 2006	additions	transfers/ (deletions)/ adjustments* as at December 31, 2006	as at January 1, 2006	charge for the year	on transfers/ (deletions)/ adjustments* as at December 31, 2006			
Land -freehold	404,943	-	404,943	-	-	-	404,943	-	
Land -leasehold	408,775	255	409,030	-	-	-	409,030	-	
Buildings on freehold land	514,693	-	514,693	119,737	19,750	-	139,487	5	
Buildings on leasehold land	782,581	-	782,581	95,430	34,358	-	129,788	5	
Renovation of leased premises	364,646	139,376	(23,929)	480,093	200,364	(21,565)	247,800	20	
Furniture, fixtures and office equipment	207,382	47,308	(3,744)	250,946	60,175	(1,825)	75,792	10	
Carpets	12,941	2,522	(1,958)	13,505	9,496	(1,814)	9,049	20	
Machine and equipments	475,762	82,941	(12,837)	545,866	218,327	(7,785)	271,964	20	
Computer equipments	520,504	112,406	(1,585)	631,325	222,739	(702)	296,572	20	
Vehicles	215,333	88,253	54,096	324,705	43,833	44,177	117,162	20	
			(32,977)			(26,306)			
Other assets	43,955	12,610	-	56,565	34,483	-	40,756	20	
	3,951,515	485,671	54,096	4,414,252	1,004,584	339,606	44,177	1,328,370	3,085,882
			(77,030)			(59,997)			
Assets held under finance lease:									
Vehicles	54,096	-	(54,096)	-	44,177	-	(44,177)	-	20
2006	4,005,611	485,671	(77,030)	4,414,252	1,048,761	339,606	(59,997)	1,328,370	3,085,882
2005	3,192,465	871,238	(57,112)	4,005,611	816,592	275,190	(42,983)	1,048,761	2,956,850
			(980)*				(38)*		

Cost of fully depreciated property and equipment still in use was Rs. 119,121 thousand (2005: Rs. 107,320 thousand).

11.3 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in thousand)						
Suzuki Cultus	525	525	–	184	As per Bank policy	Mr. Azhar Rasheed – Executive
Suzuki Cultus	525	525	–	184	-do	Mr. Iftikhar Baloch – Executive
Toyota Corolla	735	735	–	259	-do	Mr. Nehal Ahmed – Executive
Toyota Corolla	849	439	410	431	-do-	Mr. A J Mubbashar – Executive
Suzuki Baleno	699	501	198	303	-do-	Mr. Sayed Hasan Sajjad – Executive
Suzuki Cultus	550	477	73	237	-do-	Mr. Saeed Ahmed – Executive
Suzuki Cultus	560	308	252	277	-do-	Mr. Afzal Mujtaba – Executive
Suzuki Cultus	560	364	196	275	-do-	Mr. Ali Rehman – Executive
Suzuki Cultus	560	355	205	274	-do-	Mr. Saleem Ahmed Khan – Executive
Suzuki Cultus	560	75	485	492	-do-	Mr. Ghulam Sabir – ex-Executive
Suzuki Cultus	560	224	336	336	-do-	Miss Mobashara Zubair – ex-Executive
Toyota Corolla	769	666	103	308	-do-	Mr. Jaffer Khanani – Executive
Suzuki Cultus	699	699	–	245	-do-	Mr. Tanveer Afzal Khan – Executive
Toyota Corolla	769	769	–	269	-do-	Mian Shamim Ahmed – Executive
Suzuki Baleno	699	699	–	245	-do-	Mr. Muhammad Iqbal – Executive
Toyota Corolla	769	769	–	269	-do-	Mr. Saif ur Rahman – Executive
Toyota Corolla	849	580	269	380	-do-	Mr. Tahir Yaqoob – Executive
Toyota Corolla	769	769	–	269	-do-	Kh. Shaukat Iqbal – Executive
Suzuki Baleno	699	699	–	400	-do-	Askari Investment Management Ltd – Subsidiary
Honda Civic	1,197	399	798	240	-do-	Mr. Kalim-ur-Rahman – ex-President & CEO
Suzuki Cultus	560	355	205	274	-do-	Mr. Faheemuddin Sufi – ex-Executive
Toyota Corolla	994	629	365	490	Insurance Claim	M/s Askari General Insurance Co. Limited – A related party
Suzuki Bolan	367	61	306	365	-do-	M/s Askari General Insurance Co. Limited – A related party
Adam Zabardast Jeep	883	318	565	725	-do-	M/s Askari General Insurance Co. Limited – A related party
Toyota Corolla	849	481	368	440	-do-	M/s Askari General Insurance Co. Limited – A related party
Motor Cycle (Honda)	71	26	45	46	-do-	M/s Askari General Insurance Co. Limited – A related party
Honda City	878	410	468	685	-do-	M/s Askari General Insurance Co. Limited – A related party
Honda City	795	225	570	700	-do-	M/s Askari General Insurance Co. Limited – A related party
Toyota Corolla	939	485	454	939	-do-	M/s Askari General Insurance Co. Limited – A related party
	20,238	13,567	6,671	10,541		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	56,792	46,430	10,362	13,253		
2006	77,030	59,997	17,033	23,794		
2005	57,112	42,983	14,129	20,841		

(Rupees in thousand)

	Note	2006	2005
12. Other Assets			
Income / mark-up accrued in local currency	12.1	2,683,439	1,903,444
Income / mark-up accrued in foreign currencies		268,518	148,277
Advances, deposits, advance rent and other prepayments		441,973	280,372
Advance taxation (payments less provisions)		121,402	182,152
Un-realized gain on forward foreign exchange contracts-net		147,345	68,446
Suspense account		3,421	24,192
Stationary and stamps in hand		54,871	43,289
Dividend receivable		6,888	9,023
Others		84,931	73,446
		3,812,788	2,732,641

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 709,384 thousand (2005: Rs. 494,423 thousand).

(Rupees in thousand)		Notes	2006	2005
13.	Bills payable			
	In Pakistan		1,839,077	1,315,680
14.	Borrowings			
	In Pakistan		14,962,736	10,560,524
	Outside Pakistan		1,351	1,814
			14,964,087	10,562,338
14.1	Particulars of borrowings with respect to currencies			
	In local currency		14,962,736	10,560,524
	In foreign currencies		1,351	1,814
			14,964,087	10,562,338
14.2	Details of borrowings - secured / unsecured			
	In Pakistan - local currency			
	Secured			
	Borrowings from the State Bank of Pakistan:			
	Export refinance scheme	14.2.1	10,736,316	9,465,394
	Long term financing of export oriented projects	14.2.2	2,642,164	312,361
	Repurchase agreement borrowings (repo)	14.2.3	389,256	782,769
	Unsecured			
	Call borrowings	14.2.4	1,195,000	–
			14,962,736	10,560,524
	Outside Pakistan - foreign currencies			
	Overdrawn nostro accounts - unsecured		1,351	1,814
			14,964,087	10,562,338

14.2.1 This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 6.5% (2005: 7.5%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up ranging from 4.0% to 5.0% (2005: 2.0% to 4.9%) per annum payable on a quarterly basis.

14.2.3 These are secured against pledge of Government Securities, and carry mark-up ranging from 8.35% to 8.81% (2005: 8.10% to 8.45%) per annum and have maturities of upto 1 month.

14.2.4 These represent borrowings at rates ranging from 9.60% to 10.25% (2005: Nil) per annum and have maturities of upto 1 (2005: Nil) month.

(Rupees in thousand)		2006	2005
15.	Deposits and other accounts		
	Customers		
	Fixed deposits	40,349,941	37,999,587
	Savings deposits	64,698,318	57,854,949
	Current accounts - non-remunerative	23,925,338	20,089,228
	Special exporters' account	24,306	304,924
	Margin accounts	1,375,381	1,076,511
	Others	290,634	125,010
	Financial institutions		
	Remunerative deposits	1,175,365	1,344,481
		131,839,283	118,794,690
15.1	Particulars of deposits		
	In local currency	110,008,367	98,378,918
	In foreign currencies	21,830,916	20,415,772
		131,839,283	118,794,690

15.1.1 The above include deposits of related parties amounting to Rs. 921,004 thousand (2005: Rs. 886,721 thousand).

(Rupees in thousand)		2006	2005
16.	Sub-ordinated loans		
	Term Finance Certificates	2,998,500	2,999,700

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

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount - Rupees in thousand	1,499,100	1,499,400
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA	AA
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

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

(Rupees in thousand)	2006			2005		
	Minimum lease payments	Financial charges for future periods	Principal Outstanding	Minimum lease payments	Financial charges for future periods	Principal Outstanding
Not later than one year	-	-	-	1,482	23	1,459
Later than one year and not later than five years	-	-	-	-	-	-
	-	-	-	1,482	23	1,459

(Rupees in thousand)	2006	2005
18. Deferred tax liabilities		
Deferred credits arising due to:		
Accelerated tax depreciation	373,705	335,514
Excess of accounting book value of leased assets over lease liabilities	-	(511)
Surplus on revaluation of securities	100,990	44,915
Profit on securities recognized but not received	261,603	187,299
	736,298	567,217

(Rupees in thousand)		2006	2005
19.	Other liabilities		
	Mark-up / return / interest payable in local currency	1,177,133	905,564
	Mark-up / return / interest payable in foreign currencies	40,996	6,328
	Unearned income / commission	13,307	10,108
	Accrued expenses	192,976	148,187
	Advance payments	159,560	167,487
	Unclaimed dividends	32,731	29,924
	Branch adjustment account	604,881	345,791
	Payable to defined contribution plan	–	13
	Payable against purchase of listed shares	98,768	200,436
	Withholding taxes payable	8,299	8,188
	Federal excise duty payable	4,286	–
	Others	270,176	223,314
		2,603,113	2,045,340

20. Share capital

20.1 Authorised capital

2006		2005		2006		2005	
Number of shares				(Rupees in thousand)			
400,000,000	400,000,000	Ordinary shares of Rs. 10 each		4,000,000		4,000,000	

20.2 Issued, subscribed and paid up

Number of shares		Ordinary shares of Rs. 10 each:					
67,500,000	67,500,000	Fully paid in cash		675,000		675,000	
132,933,239	83,201,684	Issued as bonus shares		1,329,333		832,018	
200,433,239	150,701,684			2,004,333		1,507,018	

21. Reserves

(Rupees in thousand)	Note	Statutory Reserve	Revenue Reserves			2006	2005
			General Reserves	Reserve for Contingencies	Total Revenue Reserves		
Balance as at January 01 - restated*		1,849,269	2,311,261	310,000	2,621,261	4,470,530	3,030,039
Transfers	21.1	–	310,000	(310,000)	–	–	–
Transfer from profit and loss account		449,995	894,229	–	894,229	1,344,224	1,440,491
Balance as at December 31		2,299,264	3,515,490	–	3,515,490	5,814,754	4,470,530

21.1 In view of the revised policy for general provision @ 0.5% on performing advances other than consumer advances as stated in note 10.4.1 contingency reserve created in earlier years for same purpose has now been transferred to general reserve.

* The effect of restatement has been disclosed in the statement of changes in equity.

(Rupees in thousand)		2006	2005
22.	Surplus on revaluation of assets		
	Surplus on revaluation of available for sale securities		
	i) Federal Government securities	288,542	128,328
	ii) Listed shares	1,254,416	1,144,985
	iii) Other securities	(7,804)	(10,060)
		1,535,154	1,263,253
	Less: Related deferred tax effect	(100,990)	(44,915)
		1,434,164	1,218,338

(Rupees in thousand)		2006	2005
23.	Contingencies and commitments		
23.1	Direct credit substitutes		
	i) Government	816,548	–
	ii) Others	7,234,189	8,899,087
		8,050,737	8,899,087
23.2	Transaction-related contingent liabilities		
	Money for which the Bank is contingently liable:		
	a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	14,888	8,182
	b) Contingent liability in respect of guarantees given, favouring:		
	i) Government	28,298,104	20,785,229
	ii) Banks and other financial institutions	956,090	1,130,038
	iii) Others	7,136,348	4,097,783
		36,390,542	26,013,050
		36,405,430	26,021,232
23.3	Trade-related contingent liabilities	28,222,121	22,482,877
23.4	Other contingencies	2,636,981	861,056

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

23.5 For contingencies in respect of tax matters refer to note 32.2

(Rupees in thousand)		2006	2005
23.6	Commitments in respect of forward lending		
	Commitments against "REPO" transactions		
	Purchase and resale agreements	2,264,121	4,359,006
	Sale and repurchase agreements	392,133	788,871
23.7	Commitments in respect of forward purchase / sale of listed equity securities		
	Purchase	72,059	19,749
	Sale	240,029	525,554
23.8	Commitments in respect of forward exchange contracts		
	Purchase	5,337,752	4,291,946
	Sale	10,992,267	7,605,106
23.9	Commitments for the acquisition of operating fixed assets	292,974	259,668
23.10	Other commitments		
	Commitments to extend credit	4,567,110	1,716,272
23.11	Bills for collection		
	Payable in Pakistan	747,011	342,504
	Payable outside Pakistan	11,974,690	23,105,625
		12,721,701	23,448,129

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

24. Off balance sheet financial instruments

Off balance sheet financial instruments are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

25. Derivative instruments

The Bank does not deal in derivative instruments.

(Rupees in thousand)		Note	2006	2005
26.	Mark-up / return / interest earned			
	On loans and advances to:			
	i) Customers		9,326,100	6,563,752
	ii) Financial institutions		110,850	97,592
	On investments:			
	i) Available for sale securities		1,725,540	1,301,855
	ii) Held to maturity securities		402,499	220,253
	On deposits with financial institutions		805,909	447,233
	On securities purchased under resale agreements		226,023	150,013
			12,596,921	8,780,698
27.	Mark-up / return / interest expensed			
	On deposits		5,823,072	3,392,338
	On securities sold under repurchase agreements		118,463	173,437
	On sub-ordinated loans		335,036	166,785
	On other short term borrowings		700,742	545,814
			6,977,313	4,278,374
28.	Gain on sale of investments			
	Federal Government Securities			
	Market Treasury Bills		31	–
	Pakistan Investment Bonds		4,773	14,605
	Term Finance Certificates		(55)	–
	Shares - Listed		107,725	85,802
			112,474	100,407
29.	Other income			
	Rent on property	29.1	24,155	36,976
	Net profit on sale of property and equipment		6,761	6,712
	Rent of lockers		9,750	8,493
	Recovery of expenses from customers		281,092	154,638
			321,758	206,819

29.1 This includes an amount of Rs. 19,572 thousand (2005: Rs. 19,251 thousand) on account of rent received from related parties.

(Rupees in thousand)		Notes	2006	2005
30.	Administrative expenses			
	Salaries, allowances, etc.		1,438,707	1,104,687
	Charge for defined benefit plan	36.3	33,592	25,646
	Contribution to defined contribution plan		42,307	31,899
	Non-executive directors' fees, allowances and other expenses		381	82
	Rent, taxes, insurance, electricity, etc.		301,188	265,617
	Legal and professional charges		22,138	33,469
	Brokerage and commission		97,665	82,564
	Communications		215,402	189,982
	Repairs and maintenance		143,689	111,757
	Finance charges on leased assets		12	474
	Stationery and printing		82,289	78,485
	Advertisement and publicity		175,644	120,304
	Donation		-	30,000
	Auditors' remuneration	30.1	3,500	2,031
	Depreciation	11.2	339,606	275,190
	Other expenditure (travelling, security services, vehicle running expenses, etc.)		381,233	239,798
			3,277,353	2,591,985
30.1	Auditors' remuneration			
	Audit fee		1,650	1,500
	Fee for the audit of provident and gratuity funds		65	-
	Special certifications, special credit review of selected customers, half year review and the audit of consolidated financial statements		1,485	436
	Out-of-pocket expenses		300	95
			3,500	2,031
31.	Other charges			
	Penalties imposed by the State Bank of Pakistan		6,141	1,832
32.	Taxation			
	For the year			
	Current		983,875	828,774
	Deferred		113,006	196,558
			1,096,881	1,025,332
	For prior years			
	Current		-	(219,617)
	Deferred		-	31,370
			-	(188,247)
			1,096,881	837,085
32.1	Relationship between tax expense and accounting profit			
	Profit before taxation		3,346,855	2,859,081
	Tax at applicable tax rate of 35 percent (2005: 38 percent)		1,171,400	1,086,451
	Effect of:			
	- Income chargeable to tax at lower rates		(40,044)	(16,877)
	- Income exempt from tax		(36,896)	(29,701)
	- Temporary differences on which deferred tax has been accounted for over enacted reduced rate for subsequent years		-	(16,847)
	- Prior years' adjustment - tax rate effect		-	(43,080)
	- others		-	(145,167)
	- Amounts not deductible for tax purposes		2,421	2,306
			1,096,881	837,085

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

While finalizing assessments for the assessment years 1998-99 to 2002-2003, the taxation officer disallowed provisions made by the Bank for bad and doubtful debts and also charged tax on classified loans credited to suspense account under the Prudential Regulations of the State Bank of Pakistan, thereby raising tax demand of Rs. 557 million. Assessment for tax years 2003 to 2006 was also amended and further demand of Rs. 672 million was raised on account of disallowance of provision for bad and doubtful debts. The Bank successfully appealed before the Commissioner of Income Tax (Appeals) [CIT (Appeals)] who deleted these disallowances. The Income Tax Department has filed appeals to the Income Tax Appellate Tribunal [ITAT] against the appellate orders of the CIT (Appeals). These departmental appeals are pending disposal.

The taxation officer has given effect to the appellate orders of the CIT (Appeals) for the assessment years 2000-2001, 2001-2002, 2002-2003 and tax years 2003, 2004 and 2005 resulting in a refund of Rs 779 million to the Bank.

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

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

	2006	2005
33. Basic / diluted earnings per share		
Profit for the year - Rupees in '000	2,249,974	2,021,996
Number of Ordinary Shares - numbers	200,433,239	200,433,239
Basic / diluted earnings per share - Rupees	11.23	10.09

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

Number of ordinary shares for 2005 has been restated to give effect of bonus shares issued during the year.

(Rupees in thousand)	2006	2005
34. Cash and cash equivalents		
Cash and balances with treasury banks	14,879,230	11,766,925
Balances with other banks	7,333,002	5,550,148
Call money lendings	1,500,000	1,980,000
	23,712,232	19,297,073
(In numbers)		
35. Staff strength		
Permanent	3,241	2,754
Temporary / on contractual basis	687	519
Daily wagers	-	-
Commission based	657	679
Bank's own staff strength at the end of the year	4,585	3,952
Outsourced	641	581
Total staff strength at the end of the year	5,226	4,533

36. Defined benefit plan

36.1 General description

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

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

(Rupees in thousand)		2006	2005
36.2	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligations	266,173	199,511
	Fair value of plan assets	(212,931)	(182,281)
		53,242	17,230
	Unrecognised actuarial losses	(53,242)	(17,230)
	Net liability	–	–
36.3	The amounts recognised in profit and loss account are as follows:		
	Current service cost	28,770	22,300
	Interest on obligation	19,951	15,194
	Expected return on plan assets	(15,129)	(11,848)
		33,592	25,646
36.4	Actual return on plan assets	20,389	18,199
36.5	Changes in the present value of defined benefit obligation		
	Opening defined benefit obligation	199,511	168,820
	Current service cost	28,770	22,300
	Interest cost	19,951	15,194
	Actuarial loss	35,523	7,992
	Benefits paid	(17,582)	(14,795)
	Closing defined benefit obligation	266,173	199,511
36.6	Changes in fair value of plan assets		
	Opening fair value of plan assets	182,281	163,289
	Expected return	15,129	11,848
	Actuarial losses	(489)	(3,707)
	Contributions by employer	33,592	25,646
	Benefits paid	(17,582)	(14,795)
	Closing fair value of plan assets	212,931	182,281

The Bank expects to contribute Rs. 48,879 thousand to its defined benefit gratuity plan in 2007.

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

	2006		2005	
	Rupees in thousand	%age	Rupees in thousand	%age
36.7 Break-up of category of assets				
Bonds				
Defence saving certificates	133,883	63	121,720	67
Pakistan investment bonds	41,451	19	16,323	9
Bank deposit accounts	37,597	18	44,238	24
	212,931	100	182,281	100

36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2006 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2006	2005
Discount rate - per annum	10%	10%
Expected rate of increase in salaries - per annum	10%	10%
Expected rate of return on plan assets - per annum	10%	8%

(Rupees in thousand)	2006	2005	2004	2003	2002
36.9 Amounts for current and previous four annual periods are as follows:					
As at December 31,					
Defined benefit obligation	266,173	199,511	168,820	114,039	89,796
Plan assets	(212,931)	(182,281)	(163,289)	(113,554)	(88,090)
Deficit	53,242	17,230	5,531	485	1,706
Experience adjustments					
Actuarial loss on obligation	(35,523)	(7,992)	(38,125)	(4,400)	—*
Actuarial (loss) / gain on plan assets	(489)	(3,707)	33,079	5,622	—*

*Actuarial valuation was not carried out for the year ended December 31, 2002.

37. Defined contribution plan

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

38. Compensated absences**38.1 General description**

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

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

38.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2006 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2006 was Rs 92,258 thousand against related liability of Rs 64,176 thousand carried at December 31, 2005. Charge for the year of Rs 28,082 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	13 days

39. Compensation of Directors and Executives

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	*2006	2005	2006	2005	2006	2005
Fees	52	14	381	82	-	-
Managerial remuneration	6,458	4,209	-	-	106,670	67,610
Charge for defined benefit plan	1,537	351	-	-	22,092	12,113
Contribution to defined contribution plan	538	351	-	-	8,963	5,453
Rent and house maintenance	2,679	1,263	-	-	45,913	28,669
Utilities	646	421	-	-	11,357	6,629
Medical	861	210	-	-	10,814	5,638
Bonus	2,750	1,754	-	-	40,893	26,974
	15,521	8,573	381	82	246,702	153,086
Number of persons	2	1	12	12	139	87

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

* During the year Mr. Shaharyar Ahmad was appointed as Chief Executive in place of Mr. Kalim-ur-Rahman with effect from March 25, 2006.

40. Fair value of financial instruments**40.1 On-balance sheet financial instruments**

(Rupees in thousand)	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
Assets				
Cash and balances with treasury banks	14,879,230	14,879,230	11,766,925	11,766,925
Balances with other banks	7,333,002	7,333,002	5,550,148	5,550,148
Lendings to financial institutions	8,392,950	8,392,950	10,172,242	10,172,242
Investments	28,625,915	28,625,915	25,708,194	25,708,194
Advances				
Term loans	28,498,936	28,498,936	24,135,198	24,135,198
Staff advances	724,472	724,472	587,241	587,241
Other advances	69,955,964	69,955,964	61,254,456	61,254,456
Other assets	3,812,788	3,812,788	2,732,641	2,732,641
	162,223,257	162,223,257	141,907,045	141,907,045
Liabilities				
Bills payable	1,839,077	1,839,077	1,315,680	1,315,680
Borrowings	14,964,087	14,964,087	10,562,338	10,562,338
Deposits and other accounts				
Current and saving accounts	91,489,342	91,489,342	80,795,103	80,795,103
Term deposits	40,349,941	40,349,941	37,999,587	37,999,587
Sub-ordinated loans	2,998,500	2,998,500	2,999,700	2,999,700
Liabilities against assets subject to finance lease	–	–	1,459	1,459
Other liabilities	2,603,113	2,603,113	2,045,340	2,045,340
	154,244,060	154,244,060	135,719,207	135,719,207
40.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	5,337,752	5,337,752	4,291,946	4,291,946
Sale and repurchase agreements	392,133	392,133	788,871	788,871
Forward sale of foreign exchange	10,992,267	10,992,267	7,605,106	7,605,106
Purchase and resale agreements	2,264,121	2,264,121	4,359,006	4,359,006

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

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

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

41. Segment details with respect to Business Activities

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

Rupees in thousand	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
2006									
Total income	36,027	103,373	1,872,423	12,647,767	66,847	9,736	-	-	-
Total expenses	8,028	23,033	676,949	10,329,209	14,895	2,170	-	-	335,036
Net income (loss)	27,999	80,340	1,195,474	2,318,558	51,952	7,566	-	-	(335,036)
Segment Assets (Gross)	10,746	344,548	11,670,781	157,530,177	19,939	2,904	-	-	-
Segment Non Performing Loans	-	-	401,136	3,255,161	-	-	-	-	-
Segment Provision Required	-	-	698,954	2,846,553	-	-	-	-	-
Segment Liabilities	79	2,548	81,129	151,897,934	147	21	-	-	2,998,500
Segment Return on net Assets (ROA) (%)	0.02%	0.05%	0.84%	1.41%	0.03%	0.01%	-	-	-
Segment Cost of funds (%)	0.01%	0.01%	0.44%	6.67%	0.01%	0.00%	-	-	0.22%
2005									
Total income	14,683	86,852	1,232,595	8,925,728	64,913	8,493	-	-	-
Total expenses	3,686	21,801	489,293	6,774,192	16,294	2,132	-	-	166,785
Net income (loss)	10,997	65,051	743,302	2,151,536	48,619	6,361	-	-	(166,785)
Segment Assets (Gross)	5,136	573,992	8,959,746	137,954,326	22,704	2,970	-	-	-
Segment Non Performing Loans	-	-	263,491	2,109,675	-	-	-	-	-
Segment Provision Required	-	-	439,217	1,979,750	-	-	-	-	-
Segment Liabilities	31	3,500	51,956	133,231,081	138	18	-	-	2,999,700
Segment Return on net Assets (ROA) (%)	0.01%	0.05%	0.59%	1.71%	0.04%	0.01%	-	-	-
Segment Cost of funds (%)	0.00%	0.02%	0.36%	4.96%	0.01%	0.00%	-	-	0.12%

Assumptions used:

- Administrative expenses have been allocated to segments based on respective segment income.
- Unallocatable assets representing 2.65% (2005: 2.49%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 0.79% (2005: 0.64%) of the total liabilities have been allocated to segments based on their respective assets.

42. Related party transactions

As Army Welfare Trust (AWT) holds 47.19% (2005: 46.49%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its subsidiary company, its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

(Rupees in thousand)	As at December 31, 2006					As at December 31, 2005				
	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Company	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Subsidiary Company	Employee Funds
Balances outstanding at the year end										
- Advances at the year end	-	41,806	217,236	-	-	-	444	764,619	-	-
- Deposits at the year end	691,635	14,611	162,399	2,220	50,139	527,643	5,912	296,146	539	56,481
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	585	-	14,303	-	-	-	-	8,344	-	-
- Investment in shares - at cost	-	-	278,462	100,000	-	-	-	316,862	100,000	-
- Reimbursable expenses on behalf of AIML	-	-	-	-	-	-	-	-	1,121	-
Transactions during the year										
- Net mark-up / interest expensed	32,197	113	21,108	655	1,429	11,969	2	19,478	-	-
- Net mark-up / interest earned	-	1,842	40,259	-	-	-	54	38,649	-	-
- Contribution to employees' funds	-	-	-	-	75,899	-	-	-	-	57,653
- Rent of property / service charges paid	32,461	-	32,022	-	-	35,852	-	51,697	-	-
- Rent of property received	12,317	-	7,255	-	-	13,870	-	5,381	-	-
- Insurance premium paid	-	-	11,518	-	-	-	-	5,007	-	-
- Insurance claims received	-	-	554	-	-	-	-	882	-	-
- Dividend Income	-	-	17,172	-	-	-	-	8,932	-	-
- Security services costs	-	-	38,852	-	-	-	-	31,110	-	-
- Fee, commission and brokerage income	327	-	298	-	-	166	-	-	-	-
- Payments and recovery to / from AIML; a wholly owned subsidiary of the Bank	-	-	-	5,285	-	-	-	-	7,255	-
- Payment to associated undertaking	-	-	422	-	-	-	-	3,000	-	-

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

43. Capital adequacy

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

(Rupees in thousand)	2006		Restated 2005	
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital/Assigned Capital	2,004,333	2,004,333	1,507,018	1,507,018
Reserves	5,814,754	5,814,754	4,470,530	4,470,530
Unappropriated / unremitted profits (net of losses)	1,799,979	1,799,979	1,617,597	1,617,597
	9,619,066	9,619,066	7,595,145	7,595,145
Less: Adjustments				
Investment in equity of subsidiary company	(100,000)	(100,000)	(100,000)	(100,000)
Total Tier I Capital	9,519,066	9,519,066	7,495,145	7,495,145
Tier II Capital				
Sub-ordinated Debt (upto 50% of total Tier I Capital)	2,998,500	2,998,500	2,999,700	2,999,700
General Provisions subject to 1.25% of Total Risk Weighted Assets	805,876	805,876	1,008,165	1,008,165
Revaluation Reserve (upto 50%)	627,208	627,208	572,493	572,493
Total Tier II Capital	4,431,584	4,431,584	4,580,358	4,580,358
Eligible Tier III Capital	-	-	-	-
Total Regulatory Capital (a)	13,950,650	13,950,650	12,075,503	12,075,503
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet items:				
Cash and other liquid Assets	22,212,232	1,533,573	17,317,073	1,189,842
Money at call	6,142,740	4,942,740	5,859,231	4,275,231
Investments	28,212,201	5,451,480	25,064,579	4,148,680
Loans and Advances	99,985,248	78,793,850	86,985,060	69,084,388
Fixed Assets	3,810,331	3,810,331	3,192,862	3,192,862
Other Assets	3,812,788	3,481,698	2,732,641	2,377,641
	164,175,540	98,013,672	141,151,446	84,268,644
Off Balance Sheet items:				
Loan Repayment Guarantees	6,918,196	5,990,456	7,896,618	6,849,943
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	34,493,870	6,998,546	24,185,088	5,638,296
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit and other LCs	28,179,084	10,243,036	23,033,653	6,756,142
Outstanding Foreign Exchange Contracts				
Purchase				
- With the State Bank of Pakistan	610,500	-	1,804,900	-
- Other banks	4,727,252	28,364	2,487,046	14,922
Sale				
- With the State Bank of Pakistan	-	-	-	-
- Other banks	10,992,267	65,954	7,605,106	45,631
Outstanding foreign exchange contracts with SBP	610,500	-	1,804,900	-
Outstanding foreign exchange contracts with other banks maturity of one year or less	15,719,519	62,878	10,092,152	40,369
	102,251,188	23,389,234	78,909,463	19,345,303
Credit risk-weighted exposures	266,426,728	121,402,906	220,060,909	103,613,947
Market Risk				
General market risk	313,714	313,714	543,615	543,615
Specific market Risk	313,714	313,714	543,615	543,615
Foreign exchange contracts	5,660,962	5,660,962	3,317,583	3,317,583
Market risk-weighted exposures	6,288,390	6,288,390	4,404,813	4,404,813
Total Risk-Weighted exposures (b)	272,715,118	127,691,296	224,465,722	108,018,760
Capital Adequacy Ratio [(a) / (b) x 100]		10.93%		11.18%

44. Use of critical accounting estimates and judgements

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

- i) classification of investments (note 9)
- ii) provision against investments (note 9.2.1) and advances (note 10)
- iii) useful life of property and equipments (note 11)
- iv) income taxes (note 32)
- v) staff retirement benefits (note 36 and note 37)

45. Risk management

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

45.1 Credit Risk:

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

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

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

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

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

45.1.1 Segment by class of business

	2006					
	Advances		Deposits		Contingencies and commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	2,732,678	2.66	1,962,736	1.49	–	–
Automobiles & Allied	2,408,164	2.34	2,340,520	1.78	13,386	0.01
Cables / Electronics	1,854,740	1.80	1,044,979	0.79	36,568	0.04
Carpets	377,012	0.37	454,585	0.34	–	–
Cements	707,260	0.69	240,173	0.18	423,541	0.43
Chemicals / Pharmaceuticals	3,552,688	3.46	1,089,576	0.83	119,609	0.12
Engineering	254,595	0.25	277,182	0.21	68,504	0.07
Fertilizers	3,276,711	3.19	1,444,061	1.10	1,928,363	1.94
Food & Allied	2,053,282	2.00	539,221	0.41	491,431	0.49
Fuel / Energy	3,776,066	3.67	6,777,569	5.14	623,989	0.63
Ghee & Edible Oil	3,000,394	2.92	318,806	0.24	41,074	0.04
Glass and Ceramics	1,243,782	1.21	487,547	0.37	–	–
Hotels and Restaurants	197,154	0.19	232,322	0.18	–	–
Individuals	12,939,461	12.60	41,823,619	31.72	28,267,997	28.42
Insurance	–	–	652,279	0.49	–	–
Investment Banks / Scheduled Banks	375,835	0.37	1,165,790	0.88	15,470,270	15.55
Leasing	714,477	0.70	70,770	0.05	–	–
Leather Products and Shoes	1,490,677	1.45	522,552	0.40	–	–
Modarabas	27,276	0.03	121,203	0.09	–	–
Paper and Board	982,197	0.96	147,212	0.11	98,485	0.10
Plastic products	740,642	0.72	896,505	0.68	245,925	0.25
Ready- Made garments	2,584,220	2.51	491,118	0.37	–	–
Real Estate / Construction	5,308,606	5.17	8,274,275	6.28	312,728	0.31
Rice Processing and trading	4,519,747	4.40	420,704	0.32	–	–
Rubber Products	92,602	0.09	152,921	0.12	–	–
Services (Other than Financial, Hotelling & Travelling)	1,386,382	1.35	1,932,790	1.47	–	–
Sports goods	1,127,438	1.10	235,976	0.18	–	–
Sugar	210,564	0.20	256,622	0.19	–	–
Surgical equipment / Metal Products	2,609,663	2.54	432,031	0.33	–	–
Synthetic & Rayon	517,782	0.50	243,594	0.18	–	–
Textile	27,839,786	27.10	3,247,539	2.46	1,105,968	1.11
Tobacco / Cigarette manufacturing	119,375	0.12	61,156	0.05	–	–
Transport and communication	3,138,543	3.05	2,317,371	1.76	3,152,350	3.17
Travel Agencies	208,735	0.20	122,763	0.09	–	–
Woollen	294,132	0.29	999,403	0.76	–	–
Public sector / Government	222,408	0.22	24,530,800	18.61	30,013,395	30.17
Others	9,839,805	9.58	25,511,013	19.35	17,060,131	17.15
	102,724,879	100.00	131,839,283	100.00	99,473,714	100.00

45.1.2 Segment by sector

	2006					
	Advances		Deposits		Contingencies and commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public sector / Government	222,408	0.22	24,530,800	18.61	30,013,395	30.17
Private	102,502,471	99.78	107,308,483	81.39	69,460,319	69.83
	102,724,879	100.00	131,839,283	100.00	99,473,714	100.00

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

(Rupees in thousand)	2006		2005	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture / Agribusiness	5,911	–	–	–
Automobiles & Allied	332,005	154,411	28,309	21,909
Cables / Electronics	28,758	21,017	30,657	22,916
Chemicals / Pharmaceuticals	19,526	19,526	20,925	20,925
Food & Allied	165,558	110,125	–	–
Fuel / Energy	532	64,364	–	63,832
Individuals	401,677	336,101	253,601	197,526
Investment Banks / Scheduled Banks	116,667	116,667	–	–
Leather Products and Shoes	234,897	225,659	255,457	225,005
Real Estate / Construction	42,450	13,133	–	–
Services (Other than Financial, Hotelling & Travelling)	9,953	9,953	–	–
Textile	1,539,885	1,203,832	991,466	369,761
Others	758,478	464,843	792,751	488,928
	3,656,297	2,739,631	2,373,166	1,410,802

45.1.4 Details of non-performing advances and specific provisions by sector	2006		2005	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Public sector / Government	–	–	–	–
Private	3,656,297	2,739,631	2,373,166	1,410,802
	3,656,297	2,739,631	2,373,166	1,410,802

45.1.5 Geographical segment analysis

(Rupees in thousand)	Note	2006			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan		3,300,332	162,499,287	10,892,691	99,230,302
Asia Pacific (including South Asia)		–	–	–	–
Europe		–	–	–	–
United States of America and Canada		–	–	–	–
Middle East	45.1.5.1	46,523	3,534,301	160,539	243,412
Others		–	–	–	–
		3,346,855	166,033,588	11,053,230	99,473,714

45.1.5.1 These do not include intra group items of Rs. 3,228,429 thousand (2005: Rs. 2,030,077 thousand) eliminated upon consolidation of foreign branch results.

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

45.2 Market Risk:

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

45.2.1 Foreign Exchange Risk

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

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

2006				
(Rupees in thousand)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	135,204,205	111,317,635	5,654,515	29,541,085
U.S. Dollars	24,574,814	40,026,901	(5,013,954)	(20,466,041)
Pound Sterling	1,322,732	1,612,172	(221,005)	(510,445)
Japanese Yen	5,947	57,810	6,447	(45,416)
Euro	933,272	885,397	(410,740)	(362,865)
Other European Currencies	10,637	57,989	–	(47,352)
Other Currencies	171,650	286,156	(15,263)	(129,769)
	162,223,257	154,244,060	–	7,979,197

45.2.2 Equity position risk

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

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

45.2.3 Mismatch of interest rate sensitive assets and liabilities

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

2006												
(Rupees in thousand)	Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 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%	14,879,230	3,256,304	-	-	-	-	-	-	-	-	11,622,926
Balances with other banks	5.86%	7,333,002	6,019,025	-	-	-	-	-	-	-	-	1,313,977
Lendings to financial institutions	9.67%	8,392,950	5,450,210	2,211,820	274,095	152,275	304,550	-	-	-	-	-
Investments	8.70%	28,625,915	3,309,742	1,640,832	1,476,981	10,364,329	809,916	1,583,059	4,269,910	2,054,163	-	3,116,983
Advances	10.22%	99,179,372	14,648,476	21,255,811	24,572,558	16,789,986	1,854,421	8,616,123	3,508,586	3,638,630	4,294,781	-
Other assets	-	3,812,788	-	-	-	-	-	-	-	-	-	3,812,788
		162,223,257	32,683,757	25,108,463	26,323,634	27,306,590	2,968,887	10,199,182	7,778,496	5,692,793	4,294,781	19,866,674
Liabilities												
Bills payable	-	1,839,077	-	-	-	-	-	-	-	-	-	1,839,077
Borrowings	7.06%	14,964,087	3,592,379	8,027,088	3,344,620	-	-	-	-	-	-	-
Deposits and other accounts	5.05%	131,839,283	34,937,155	18,936,341	14,567,317	10,274,080	140,367	147,440	820,861	26,400,062	-	25,615,660
Sub-ordinated loans	11.17%	2,998,500	-	300	300	600	1,200	1,200	2,400	2,992,500	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	2,603,113	-	-	-	-	-	-	-	-	-	2,603,113
		154,244,060	38,529,534	26,963,729	17,912,237	10,274,680	141,567	148,640	823,261	29,392,562	-	30,057,850
On-balance sheet gap		7,979,197	(5,845,777)	(1,855,266)	8,411,397	17,031,910	2,827,320	10,050,542	6,955,235	(23,699,769)	4,294,781	(10,191,176)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.04%	2,264,121	2,264,121	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	8.70%	392,133	392,133	-	-	-	-	-	-	-	-	-
Commitments to extend credit	-	4,567,110	4,567,110	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(2,695,122)	(2,695,122)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(8,540,899)	(1,855,266)	8,411,397	17,031,910	2,827,320	10,050,542	6,955,235	(23,699,769)	4,294,781	(10,191,176)
Cumulative yield / interest risk sensitivity gap			(8,540,899)	(10,396,165)	(1,984,768)	15,047,142	17,874,462	27,925,004	34,880,239	11,180,470	15,475,251	5,284,075

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

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

45.3 Liquidity Risk

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

45.3.1 Maturities of Assets and Liabilities

(Rupees in thousand)	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
Assets										
Cash and balances with treasury banks	14,879,230	14,879,230	-	-	-	-	-	-	-	-
Balances with other banks	7,333,002	7,333,002	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,392,950	5,450,210	2,211,820	274,095	152,275	304,550	-	-	-	-
Investments	28,625,915	3,239,416	1,954,547	1,476,981	10,364,329	809,916	1,583,059	4,269,910	4,816,575	111,182
Advances	99,179,372	14,648,476	21,255,811	24,572,558	16,789,986	1,854,421	8,616,123	3,508,586	3,638,630	4,294,781
Operating fixed assets	3,810,331	27,846	417,916	445,761	167,074	289,249	243,419	306,777	406,343	1,505,946
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	3,812,788	245,412	2,920,282	99,737	468,841	78,516	-	-	-	-
	166,033,588	45,823,592	28,760,376	26,869,132	27,942,505	3,336,652	10,442,601	8,085,273	8,861,548	5,911,909
Liabilities										
Bills payable	1,839,077	919,539	919,538	-	-	-	-	-	-	-
Borrowings	14,964,087	3,592,379	8,027,088	3,344,620	-	-	-	-	-	-
Deposits and other accounts	131,839,283	40,685,070	22,060,201	17,691,177	14,314,250	140,367	147,440	820,861	35,979,917	-
Sub-ordinated loans	2,998,500	-	300	300	600	1,200	1,200	2,400	2,992,500	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	736,298	100,990	-	-	261,603	-	-	-	-	373,705
Other liabilities	2,603,113	1,934,363	385,267	-	283,483	-	-	-	-	-
	154,980,358	47,232,341	31,392,394	21,036,097	14,859,936	141,567	148,640	823,261	38,972,417	373,705
Net assets	11,053,230	(1,408,749)	(2,632,018)	5,833,035	13,082,569	3,195,085	10,293,961	7,262,012	(30,110,869)	5,538,204
Share Capital	2,004,333									
Reserves	5,814,754									
Unappropriated Profit	1,799,979									
Surplus on revaluation of assets	1,434,164									
	11,053,230									

45.4 Operational risk

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

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

46. Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 14, 2007 has proposed a cash dividend of Rs. 1 per share (2005: Rs 1.5 per share). In addition, the directors have also announced a bonus issue of 50 percent (2005: 33 percent). These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2006 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2007 as follows:

	Rupees in thousand
Transfer from unappropriated profit to:	
Proposed dividend	200,433
Reserve for issue of bonus shares	1,002,166
General Reserve	597,380

47. Corresponding figures

Due to change in accounting policy for appropriations subsequent to balance sheet date as more fully explained in note 5.1, reserves and unappropriated profit balances as at December 31, 2005 have been restated as shown in the statement of changes in equity. The effect of other rearrangement and reclassifications is not material.

48. General


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


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


49. Date of authorization

These financial statements were authorised for issue on February 14, 2007 by the Board of Directors of the Bank.


Shaharyar Ahmad
President & Chief Executive


Zafar Alam Khan Sumbal
Director


Lt. Gen. (R) Zarrar Azim
Director


Lt. Gen. Waseem Ahmed Ashraf
Chairman

Annexure - 1

referred to in note 10.7 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2006.

(Rupees in thousand)											
S.#	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1.	Linex International (Pvt) Limited 13-B, East Avenue, DHA Karachi	Mr. Zafar Alam (517-90-218324) Mr. Arif Alam (517-88-218325) Mr. Amjad Alam (517-91-218326)	Mr. Habib-ur-Rahman	1,597	864	-	2,461	1,597	864	-	2,461
Total				1,597	864	-	2,461	1,597	864	-	2,461

Annexure -2

Islamic Banking Business

The Bank is operating 6 Islamic banking branches at the end of 2006 as compared to nil Islamic banking branches at the end of 2005.

(Rupees in thousand)	2006	2005
Assets		
Cash and balances with treasury banks	126,867	-
Balances with and Due from Financial Institutions	370,112	-
Investments	-	-
Financing and Receivables		
- Murahaba	19,094	-
- Ijara	31,291	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	102,779	-
Total Assets	650,143	-
Liabilities		
Bills payable	3,616	-
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	152,864	-
- Saving Accounts	177,359	-
- Term Deposits	19,950	-
- Others	15,800	-
- Deposit from Financial Institutions - Remunerative	211,682	-
- Deposits from Financial Institutions - Non-Remunerative	-	-
Due to Head Office	-	-
Other liabilities	7,565	-
	588,836	-
Net assets	61,307	-
Represented by		
Islamic Banking Fund	100,000	-
Reserves	-	-
Unappropriated / Unremitted loss	(38,693)	-
	61,307	-
Surplus / (Deficit) on revaluation of assets	-	-
	61,307	-
Remuneration to Shariah Advisor / Board	360	-
Charity fund		
Opening Balance	-	-
Additions during the period	-	-
Payments / Utilization during the period	-	-
Closing Balance	-	-



Consolidated
Financial Statements
Askari Commercial Bank Limited
and its Subsidiary Company
for the year ended December 31, 2006

A.F. FERGUSON & CO.

CHARTERED ACCOUNTANTS
KARACHI-LAHORE-ISLAMABAD

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of Askari Commercial Bank Limited (the Bank) and its subsidiary company as at December 31, 2006 and the related consolidated Profit and Loss Account, consolidated Statement of Changes in Equity and consolidated Cash Flow Statement, together with the notes forming part thereof for the year then ended. These financial statements include unaudited certified returns from the branches, except for 15 branches, which have been audited by us and 1 branch audited by auditors abroad. We have also expressed separate opinions on the financial statements of Askari Commercial Bank Limited and its subsidiary company Askari Investment Management Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements examined by us, based on 15 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of Askari Commercial Bank Limited and its subsidiary company as at December 31, 2006 and the results of their operations, changes in equity and cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Islamabad
February 14, 2007


A.F. Ferguson & Co.
Chartered Accountants

Consolidated Balance Sheet

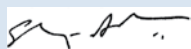
as at December 31, 2006

(Rupees in thousand)	Notes	2006	Restated 2005
Assets			
Cash and balances with treasury banks	6	14,879,231	11,766,928
Balances with other banks	7	7,336,838	5,578,654
Lendings to financial institutions	8	8,392,950	10,197,242
Investments	9	28,571,969	25,618,620
Advances	10	99,179,439	85,998,649
Operating fixed assets	11	3,828,818	3,198,666
Deferred tax assets		-	-
Other assets	12	3,824,105	2,736,799
		166,013,350	145,095,558
Liabilities			
Bills payable	13	1,839,077	1,315,680
Borrowings	14	14,964,087	10,562,338
Deposits and other accounts	15	131,837,230	118,794,151
Sub-ordinated loans	16	2,998,500	2,999,700
Liabilities against assets subject to finance lease	17	4,440	3,971
Deferred tax liabilities	18	726,497	564,388
Other liabilities	19	2,608,360	2,047,100
		154,978,191	136,287,328
Net assets		11,035,159	8,808,230
Represented by:			
Share capital	20	2,004,333	1,507,018
Reserves	21	5,814,754	4,470,530
Unappropriated profit		1,781,908	1,612,344
		9,600,995	7,589,892
Surplus on revaluation of assets - net of tax	22	1,434,164	1,218,338
		11,035,159	8,808,230

Contingencies and commitments

23

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



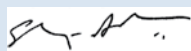
Lt. Gen. Waseem Ahmed Ashraf
Chairman

Consolidated Profit and Loss Account


For the year ended December 31, 2006

(Rupees in thousand)	Notes	2006	Restated 2005
Mark-up / return / interest earned	26	12,602,910	8,782,369
Mark-up / return / interest expensed	27	6,976,704	4,276,130
Net mark-up / interest income		5,626,206	4,506,239
Provision against non-performing loans and advances	10.4	1,128,137	638,547
Provision / (reversal) for impairment in the value of investments	9.2.1	376	(36,555)
Bad debts written off directly		–	–
		1,128,513	601,992
Net mark-up / interest income after provisions		4,497,693	3,904,247
Non mark-up / interest income			
Fee, commission and brokerage income		1,027,491	838,588
Dividend income		109,326	51,143
Income from dealing in foreign currencies		584,344	356,218
Gain on sale of securities - net	28	113,040	100,396
Unrealised loss on revaluation of investments classified as held for trading - net		(1,250)	(564)
Other income	29	321,700	206,819
Total non-markup / interest income		2,154,651	1,552,600
		6,652,344	5,456,847
Non mark-up / interest expenses			
Administrative expenses	30	3,319,069	2,604,016
Other provisions / write offs		–	–
Other charges	31	6,141	1,832
Total non-markup / interest expenses		3,325,210	2,605,848
		3,327,134	2,850,999
Extra ordinary / unusual items		–	–
Profit before taxation			
		3,327,134	2,850,999
Taxation – current		983,944	828,774
– prior years'		–	(188,247)
– deferred		106,034	193,729
	32	1,089,978	834,256
Profit after taxation			
		2,237,156	2,016,743
Unappropriated profit brought forward		1,612,344	1,533,179
Profit available for appropriation		3,849,500	3,549,922
Basic / diluted earnings per share - Rupees			
	33	11.16	10.06

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



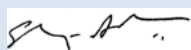
Lt. Gen. Waseem Ahmed Ashraf
Chairman

Consolidated Statement of Changes in Equity

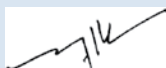
for the year ended December 31, 2006

(Rupees in thousand)	Share Capital	Capital Reserve for Issue of Bonus Shares	Statutory Reserve	Revenue Reserves		Un-appropriated profit	Total
				General Reserve	Reserve for Contingencies		
Balance as at December 31, 2004							
- as previously reported	1,255,848	251,170	1,444,870	2,311,261	310,000	-	5,573,149
Effect of changes in accounting policy with respect to appropriations after balance sheet date:							
Proposed final dividend	-	-	-	-	-	251,170	251,170
Reserve for issue of bonus shares	-	(251,170)	-	-	-	251,170	-
General reserve	-	-	-	(1,036,092)	-	1,036,092	-
Balance as at December 31, 2004 - restated	1,255,848	-	1,444,870	1,275,169	310,000	1,538,432	5,824,319
Net profit for the year	-	-	-	-	-	2,016,743	2,016,743
Transfer to:							
Statutory reserve	-	-	404,399	-	-	(404,399)	-
General reserve	-	-	-	1,036,092	-	(1,036,092)	-
Final dividend - for the year ended December 31, 2004 declared subsequent to year end	-	-	-	-	-	(251,170)	(251,170)
Bonus shares declared / issued subsequent to year end	251,170	-	-	-	-	(251,170)	-
Balance as at December 31, 2005 - restated	1,507,018	-	1,849,269	2,311,261	310,000	1,612,344	7,589,892
Net profit for the year	-	-	-	-	-	2,237,156	2,237,156
Transfer to:							
Statutory reserve	-	-	449,995	-	-	(449,995)	-
General reserve	-	-	-	894,229	-	(894,229)	-
Final dividend - for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-	(226,053)	(226,053)
Bonus shares declared / issued subsequent to year end	497,315	-	-	-	-	(497,315)	-
Contingency reserve transferred to General Reserve (refer note 21)	-	-	-	310,000	(310,000)	-	-
Balance as at December 31, 2006	2,004,333	-	2,299,264	3,515,490	-	1,781,908	9,600,995

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director

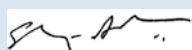


Lt. Gen. Waseem Ahmed Ashraf
Chairman

Consolidated Cash Flow Statement for the year ended December 31, 2006

(Rupees in thousand)	Note	2006	2005
Cash flow from operating activities			
Profit before taxation		3,327,134	2,850,999
Less: Dividend income		(109,326)	(51,143)
		3,217,808	2,799,856
Adjustments:			
Depreciation		342,698	275,437
Provision against non-performing advances (net)		1,128,137	638,547
Provision / (reversal) for impairment in the value of investments		376	(36,555)
Net profit on sale of property and equipment		(6,703)	(6,712)
Finance charges on leased assets		397	510
		1,464,905	871,227
		4,682,713	3,671,083
(Increase) / decrease in operating assets			
Lendings to financial institutions		1,324,292	(5,892,403)
Held for trading securities		204,269	(350,942)
Advances		(14,308,927)	(16,798,804)
Other assets (excluding advance taxation)		(1,149,177)	(1,009,696)
		(13,929,543)	(24,051,845)
Increase / (decrease) in operating liabilities			
Bills payable		523,397	88,587
Borrowings		4,401,749	(3,219,217)
Deposits and other accounts		13,043,079	35,475,356
Other liabilities (excluding current taxation)		558,453	1,014,478
		18,526,678	33,359,204
Cash flow before tax		9,279,848	12,978,442
Income tax paid		(924,208)	(776,902)
Net cash flow from operating activities		8,355,640	12,201,540
Cash flow from investing activities			
Net investments in available-for-sale securities		(1,098,213)	(6,311,097)
Net investments in held-to-maturity securities		(1,787,880)	(1,093,031)
Dividend income		111,461	51,143
Investments in operating fixed assets - net of adjustment		(989,941)	(889,722)
Sale proceeds of operating fixed assets-disposed off		23,794	20,125
Net cash flow used in investing activities		(3,740,779)	(8,222,582)
Cash flow from financing activities			
(Payments)/Receipts of sub-ordinated loans-net		(1,200)	1,999,700
Lease obligations - net		72	(13,556)
Dividends paid		(223,246)	(250,285)
Net cash flow (used in) / from financing activities		(224,374)	1,735,859
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year	34	19,325,582	13,610,765
Cash and cash equivalents at end of the year	34	23,716,069	19,325,582

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



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Notes to the Consolidated Financial Statements

For the year ended December 31, 2006

1. Status and nature of business

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

Askari Commercial Bank Limited (the Bank) was incorporated in Pakistan on October 09, 1991 as a Public Limited Company and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Bank is situated at AWT Plaza, The Mall, Rawalpindi. The Bank obtained its business commencement certificate on February 26, 1992 and started operations from April 01, 1992. Army Welfare Trust directly and indirectly holds a significant portion of the Bank's share capital at the year end. The Bank has 122 branches (2005: 99 branches); 121 in Pakistan and Azad Jammu and Kashmir, including 6 Islamic Banking branches, and an Offshore Banking Unit (OBU) in the Kingdom of Bahrain. The Bank is a scheduled commercial bank and is principally engaged in the business of banking as defined in the Banking Companies Ordinance, 1962.

Askari Investment Management Limited (AIML) was incorporated in Pakistan on May 30, 2005 as a public limited company. AIML is a Non-Banking Finance Company (NBFC), under license by the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management and investment advisory services under the NBFC (Establishment and Regulation) Rules, 2003. The license was obtained on September 21, 2005. AIML is a wholly owned subsidiary of the Bank with its registered office in Karachi. AIML obtained its certificate of commencement of business on September 22, 2005 and did not render any investment advisory services upto December 31, 2006.

The financial statements of AIML have been consolidated based on its audited financial statements for the half year ended December 31, 2006.

2. Basis of presentation

- 2.1 In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued a number of circulars. One permissible form of trade related mode of financing comprises of purchase of goods by the Bank from its customers and resale to them at appropriate mark-up in price on a deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facilities actually utilized and the appropriate portion of mark-up thereon.
- 2.2 During the year, the State Bank of Pakistan vide BSD Circular No. 4 dated February 17, 2006 has issued 'Revised forms of Annual Financial Statements' which has replaced existing forms prescribed through BSD Circular No. 36 dated October 10, 2001. These revised forms are applicable for financial statements for the year ended December 31, 2006 and include certain additional disclosures which are also applicable for corresponding period. These financial statements have been presented in accordance with such revised forms.
- 2.3 The consolidated financial statements include the financial statements of the Bank and its subsidiary company. The financial statements of the subsidiary company have been consolidated on line-by-line basis.
- 2.4 Material intra group balances and transactions have been eliminated.

3. Statement of compliance

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

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

The published amendments to existing standard 'IAS 1 Presentation of Financial Statements - Capital Disclosures' are not yet effective and are mandatory for the Bank's accounting periods beginning on or after January 1, 2007 or later periods. However, effect of adoption of the above amendments on the future financial statements is not likely to be material.

4. Basis of measurement

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

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

5. Summary of significant accounting policies

5.1 Appropriations subsequent to balance sheet date

Consequent to directive of the Institute of Chartered Accountants of Pakistan, through Circular No. 6 of June 19, 2006 and revised forms of Annual Financial Statements issued by the State Bank of Pakistan through Circular No. 4 of February 17, 2006, the accounting policy for appropriations subsequent to balance sheet date has been changed during the year. Appropriations subsequent to year end are now recognised during the year in which those appropriations are made. Upto previous year, appropriations approved after the year end date but before the financial statements were authorised for issue, were recognised in the financial statements for that year. This change in accounting policy has been accounted for retrospectively as required by the International Accounting Standard 8 and has no impact on profit for the year.

5.2 Cash and cash equivalents

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

5.3 Sale and repurchase agreements

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

5.4 Investments

The Group classifies its investments as follows:

Held for trading

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

Available for sale

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

Held to maturity

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

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

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

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

5.5 Advances

Advances are stated net of provisions for non-performing advances. Provision for advances is determined in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan from time to time. In addition, a general provision is maintained for advances other than consumer advances as per details given in note 10.4.1.

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

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

Capital work-in-progress is stated at cost.

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

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

Intangible assets are stated at cost less accumulated amortization at the rate of 25 % per annum on straight line basis. Full month amortization is charged in the month of acquisition and no amortization is charged in the month of deletion. Gains and losses on disposal of these assets are taken to the profit and loss account.

5.7 Taxation

Current

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

Deferred

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

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

5.8 Staff retirement benefits

Defined benefit plan

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

Defined contribution plan

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

Compensated absences

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

5.9 Revenue recognition

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

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

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

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

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

5.10 Foreign currencies

Foreign currency transactions

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

Foreign branch

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

Translation gains and losses

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

Commitments

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

5.11 Provisions

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

5.12 Off-setting

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

5.13 Related party transactions

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

(Rupees in thousand)	Notes	2006	2005
6. Cash and balances with treasury banks			
In hand:			
Local currency		1,897,557	1,592,863
Foreign currencies		504,108	424,135
		2,401,665	2,016,998
National Prize Bonds		15,439	8,834
With the State Bank of Pakistan in:			
Local currency current accounts	6.1	7,799,986	5,619,232
Foreign currency current account	6.1	1,070,976	917,317
Foreign currency deposit account	6.2	3,256,304	2,805,483
		12,127,266	9,342,032
With National Bank of Pakistan in:			
Local currency current accounts		334,861	399,064
		14,879,231	11,766,928

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

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

(Rupees in thousand)	Note	2006	2005
7. Balances with other banks			
In Pakistan			
On current accounts		843,908	179,399
On deposit accounts		373,797	28,430
Outside Pakistan			
On current accounts		470,222	421,655
On deposit accounts	7.1	5,648,911	4,949,170
		7,336,838	5,578,654

7.1 These represents overnight to three months placements with correspondent banks, carrying interest rates determined with respect to underlying currency benchmarks at the rates ranging from 2.34% to 5.23% (2005: 2.30% to 4.53%) per annum receivable on maturity.

(Rupees in thousand)	Notes	2006	2005
8. Lendings to financial institutions			
Call money lendings		1,500,000	1,980,000
Repurchase agreement lendings (reverse repo)	8.1	2,250,210	4,313,011
Purchase under resale arrangement of listed equity securities	8.2	640,000	100,000
		2,890,210	4,413,011
Trade related deals	8.3	852,740	404,946
Others		3,150,000	3,399,285
		8,392,950	10,197,242

8.1 These are secured against underlying Government Securities, the differential between the contracted rate and re-sale price is amortised over the period of related contracts and recorded under mark-up / return / interest earned. These carry mark-up rates ranging from 8.67% to 9.40% (2005 : 6.75% to 8.75%) per annum and maturities of upto 1 month (2005 : upto 6 months).

8.2 This represents shares of listed companies purchased under resale agreement at mark-up rates ranging from 13.75% to 14.5% (2005 : 15%) per annum with maturity of upto 3 months (2005 : upto 3 months).

8.3 These are trade related risk participation deals made by the Bank's Offshore Banking Unit with returns ranging from 6.62% to 8.93% (2005 : 4.85% to 7.88%) per annum with maturities of upto 6 months (2005: upto 11 months).

8.4 This represents lendings to various financial institutions at mark-up rates ranging from 10.35% to 11.90% (2005 : 9.60% to 11.50%) per annum with maturities of upto 3 months (2005 : upto 3 to 6 months).

(Rupees in thousand)		2006	2005
8.5	Particulars of lending		
	In local currency	7,540,210	9,792,296
	In foreign currencies	852,740	404,946
		8,392,950	10,197,242

(Rupees in thousand)	2006			2005		
	Held by the Bank	Further given as collateral	Total	Held by the Bank	Further given as collateral	Total
8.6	Securities held as collateral against lendings to financial institutions					
Market Treasury Bills	740,210	–	740,210	2,468,011	–	2,468,011
Pakistan Investment Bonds	1,510,000	–	1,510,000	1,845,000	–	1,845,000
Purchase under resale arrangement of listed equity securities	640,000	–	640,000	100,000	–	100,000
	2,890,210	–	2,890,210	4,413,011	–	4,413,011

9. Investments

(Rupees in thousand)	Notes	2006			2005		
		Held by the Bank	Given as collateral	Total	Held by the Bank	Given as collateral	Total
9.1	Investments by types:						
	Held for trading securities						
Fully paid ordinary shares		351,022	–	351,022	544,605	–	544,605
Term Finance Certificates (TFCs)		–	–	–	10,000	–	10,000
	Available for sale securities						
Market Treasury Bills		15,880,231	389,256	16,269,487	14,009,426	482,769	14,492,195
Pakistan Investment Bonds		2,772,739	44,000	2,816,739	4,290,462	344,000	4,634,462
Fully paid ordinary shares		1,231,386	–	1,231,386	844,562	–	844,562
Fully paid preference shares		125,000	–	125,000	125,000	–	125,000
Askari Income Fund - Units	9.7	250,000	–	250,000	250,000	–	250,000
Term Finance Certificates (TFCs)		745,840	–	745,840	–	–	–
Foreign securities	9.11	304,550	–	304,550	298,570	–	298,570
		21,309,746	433,256	21,743,002	19,818,020	826,769	20,644,789
	Held to maturity securities						
Term Finance Certificates (TFCs)		1,903,696	–	1,903,696	1,886,579	–	1,886,579
Pakistan Investment Bonds		1,747,296	–	1,747,296	–	–	–
Government of Pakistan Sukuk Bonds	9.2.4	550,989	–	550,989	541,063	–	541,063
Government of Pakistan Euro Bonds	9.2.4	732,765	–	732,765	719,224	–	719,224
		4,934,746	–	4,934,746	3,146,866	–	3,146,866
	Investment in associate						
Askari General Insurance Company Limited	9.8	11,182	–	11,182	11,182	–	11,182
	Investment at cost						
		26,606,696	433,256	27,039,952	23,530,673	826,769	24,357,442
Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(1,887)	–	(1,887)	(1,511)	–	(1,511)
		26,604,809	433,256	27,038,065	23,529,162	826,769	24,355,931
	Investments (net of provision)						
Less: Deficit on revaluation of held for trading securities - net		(1,250)	–	(1,250)	(564)	–	(564)
Add: Surplus on revaluation of available for sale securities - net		1,529,242	5,912	1,535,154	1,291,107	(27,854)	1,263,253
Total investments at market value		28,132,801	439,168	28,571,969	24,819,705	798,915	25,618,620

Investment in Pakistan Investment Bonds to the extent of Rs. 1,747,296 thousand has been reclassified during the year from 'available for sale securities' to 'held to maturity securities' in accordance with BSD Circular 7 dated May 30, 2006 issued by the State Bank of Pakistan.

(Rupees in thousand)		Notes	2006	2005
9.2	Investments by segments:			
	Federal Government Securities	9.2.3		
	Market Treasury Bills		16,269,487	14,492,195
	Pakistan Investment Bonds		4,564,035	4,634,462
	Government of Pakistan Sukuk Bonds	9.2.4	550,989	541,063
	Government of Pakistan Euro Bonds	9.2.4	732,765	719,224
			22,117,276	20,386,944
	Fully paid up ordinary shares			
	Listed companies	9.3	1,787,910	1,594,669
	Unlisted companies	9.4	55,680	55,680
			1,843,590	1,650,349
	Fully paid preference shares			
	Listed companies	9.5	125,000	125,000
	Term Finance Certificates (TFCs)	9.6		
	Listed Term Finance Certificates		1,121,760	662,300
	Unlisted Term Finance Certificates		1,527,776	1,234,279
			2,649,536	1,896,579
	Foreign Securities			
	Callable notes	9.11	304,550	298,570
	Total investment at cost		27,039,952	24,357,442
	Less: Provision for impairment in value of investments in unlisted shares	9.2.1	(1,887)	(1,511)
	Investments (net of provision)		27,038,065	24,355,931
	Less: Deficit on revaluation of held for trading securities - net		(1,250)	(564)
	Add: Surplus on revaluation of available for sale securities - net		1,535,154	1,263,253
	Total investments at market value		28,571,969	25,618,620
9.2.1	Particulars of provision for impairment in value of investments - unlisted shares			
	Opening balance		1,511	38,066
	Charge for the year		376	619
	Reversals		-	(37,174)
			376	(36,555)
	Closing balance		1,887	1,511
9.2.2	Particulars of provision in respect of type and segment Available for sale securities			
	Fully paid ordinary shares		1,887	1,511
9.2.3	Principal terms of investments in Federal Government securities			
Name of investment	Maturity	Principal Payment	Rate	Coupon Payment
Market Treasury Bills	January 2007 to December 2007	On maturity	8.78% to 9.01%	at maturity
Pakistan Investment Bonds	October 2008 to October 2013	On maturity	7% to 14%	semi-annually
Government of Pakistan Euro Bonds	February 2009	On maturity	6.75%	semi-annually
Government of Pakistan Sukuk Bonds	January 2010	On maturity	6 months LIBOR plus 2.2%	semi-annually
9.2.4	These represent investments by the Bank's Offshore Banking Unit.			

9.3 Investments in listed shares

No. of ordinary shares		Paid-up / Break-up value per share (Rupees)	Name of companies / mutual funds	Note	2006	2005
2006	2005				(Rupees in thousand)	
2,420,022	2,350,020	5.45	Sui Northern Gas Pipelines Limited		13,199	23,624
4,249,500	5,250,000	9.52	Atlas Fund of Funds		40,471	50,000
808,500	2,500,000	10.00	Meezan Balanced Fund		8,085	25,000
256,000	80,000	222.57	National Bank of Pakistan		56,979	15,294
400,000	476,500	230.94	MCB Bank Limited		92,375	76,055
100,000	20,000	14.45	Maple leaf Cement Co. Limited		1,445	882
50,000	464,000	64.38	D. G. Khan Cement Co. Limited		3,219	49,988
1,808,647	1,532,753	6.18	Askari General Insurance Company Limited	9.8	11,182	11,182
290,000	2,633,000	44.23	Pakistan Telecommunication Company Limited		12,828	169,477
1,059,500	2,536,000	28.28	Hub Power Company Limited		29,958	63,243
155,000	235,000	114.65	Oil and Gas Development Company Limited		17,770	27,328
-	5,000,000	-	ABAMCO Composite Fund		-	50,000
2,321,000	4,659,500	10.00	Pakistan Strategic Allocation Fund		23,210	46,595
65,000	100,200	302.34	Pakistan State Oil Company Limited		19,652	42,137
50,170	19,170	127.11	Fauji Fertilizer Company Limited		6,377	2,305
-	150,000	-	Lucky Cement Limited		-	12,605
165,000	65,000	355.34	Pakistan Oilfields Limited		58,631	27,473
115,000	443,000	233.47	Pakistan Petroleum Limited		26,849	92,595
47,000	92,000	170.81	Engro Chemical (Pakistan) Limited		8,028	15,228
-	50,700	-	Crescent Steel Mills Limited		-	4,166
-	19,000	-	Honda Atlas Cars Limited		-	2,290
5,300	37,000	184.72	Packages Limited		979	6,832
27,500	70,000	123.56	ICI Pakistan Limited		3,398	9,585
117,000	48,000	99.57	The Bank of Punjab		11,650	4,805
-	289,000	-	Nishat Textile Mills Limited		-	31,384
100,000	295,500	28.56	Fauji Fertilizer Bin Qasim Limited		2,856	11,299
55,000	113,000	152.64	Adamjee Insurance Company Limited		8,395	15,811
-	250,000	-	Japan Power Generation Limited		-	1,425
-	488,500	-	Faysal Bank Limited		-	35,850
16,376,106	16,376,106	25.66	Allied Bank Limited		420,211	420,211
1,160,000	-	10.00	UTP Large Capital Fund		11,600	-
599,500	-	42.03	Kot Addu Power Company Limited		25,199	-
2,736,966	2,737,000	100.48	Askari Income Fund		275,000	250,000
102,320	-	97.73	AMZ Plus Income Fund		10,000	-
100,000	-	100.00	United Stock Advantage Fund		10,000	-
5,095,000	-	9.81	NAFA Cash Fund		50,000	-
800	-	122.02	Pak Re - Insurance		98	-
441,000	-	64.10	Pakistan Industrial Credit & Investment Corporation Limited		28,266	-
9,963,516	-	50.18	Pakistan Income Fund		500,000	-
					1,787,910	1,594,669
Add: Surplus on revaluation of shares - (net)					1,281,667	1,153,721
Market value as on December 31					3,069,577	2,748,390

9.4 Particulars of investments held in unlisted companies / mutual fund

Investee	Notes	Percentage of holding %	Number of shares / units held	Cost / Paid-up value per share / unit (Rupees)	Total Paid-up value (Rupees in thousand)	Break up value	Based on accounts audited as at	Name of Chief Executive
Company / Bank								
Khushhali Bank	9.4.1	2.93	50	1,000,000	50,000	51,006	31 Dec 2005	Mr. M.Ghalib Nishtar Nishtar
Pakistan Export Finance Guarantee Agency Limited - a related party	9.4.2	5.26	568,044	10.00	5,680	3,793	31 Dec 2005	Mr. S.M. Zaeem
					55,680			

9.4.1 This represents subscription by the Bank towards capital of Khushhali Bank as per SBP letter No. BSD (RU-26/625-MfB/13817/00) dated August 07, 2000. In accordance with the restrictions imposed under section 10 of the Khushhali Bank Ordinance, 2000, the sale / transfer of these shares shall be subject to the prior approval of the State Bank of Pakistan.

9.4.2 The difference between the paid up value and break up value of Pakistan Export Finance Guarantee Agency Limited amounting to Rs. 1,887 thousand (2005: Rs. 1,511 thousand) is considered as impairment and has been fully provided for.

9.5 Particulars of investments held in preference shares - Listed

No. of preference shares		Paid-up value		Investee	Rate%	Book Value		Market Value	
2006	2005	per share	(Rupees)			2006	2005	2006	2005
						(Rupees in thousand)	(Rupees in thousand)		
10,000,000	10,000,000	10.00	Chenab Limited	9.25	100,000	100,000	71,500	90,700	
2,500,000	2,500,000	10.00	Masood Textile Mills Limited	Average of ask side of six month Karachi Inter Bank offered Rate (KIBOR) plus 2 percent per annum	25,000	25,000	25,000	25,000	
						125,000	125,000	96,500	115,700

9.6 Investment in Term Finance Certificates

No. of certificates		Company's Name	Redeemed value per certificate	Market Value	
2006	2005			2006	2005
			Rupees	(Rupees in thousand)	
Listed					
500	500	Sui Southern Gas Company Limited	16,654	8,327	29,144
6,067	–	Worldcall Telecom Limited	5,000	30,335	–
–	6,000	Gulistan Textile Mills Limited	–	–	9,992
30,000	30,000	Bank Al-Habib Limited	4,996	149,880	149,940
37,000	37,000	Bank Alfalah Limited	4,997	184,890	184,961
4,600	9,600	Prime Commercial Bank Limited	4,997	22,986	47,990
12,000	15,000	Soneri Bank Limited	4,997	59,964	74,985
10,000	10,000	Union Bank Limited	4,999	49,990	50,000
44,432	20,000	United Bank Limited	4,998	222,083	99,962
–	6,000	Shakar Ganj Mills Limited	–	–	11,993
–	8,000	Securetel SPV Limited	–	–	3,333
39,992	–	Pakistan Mobile Communications (Private) Limited	5,000	199,960	–
38,669	–	Allied Bank Limited	5,000	193,345	–
Book value as on December 31				1,121,760	662,300
Unlisted					
30,000	30,000	Pakistan Mobile Communications (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	4,000	120,000	150,000
70,000	70,000	Pakistan International Airlines Corporation Limited (Chief Executive: Mr. Tariq Kirmani)	4,625	323,737	341,236
400	–	Dominion Fertilizer Limited (Chief Executive: Mr. Ahmed Sheikh)	1,000,000	400,000	–
18	18	Kohinoor Textile Mills Limited (Chief Executive: Mr. Tariq Saeed Saigol)	1,874,998	33,750	56,250
18,995	18,995	Dewan Cement Limited (Formerly Pakland Cement Limited) (Chief Executive: Syed Muhammad Ali)	4,569	75,289	86,793
20,000	20,000	Dewan Farooq Spinning Mills Limited (Chief Executive: Mr. Dewan Muhammad Yousaf)	3,750	75,000	100,000
50	50	Pak Arab Fertilizer Limited (Chief Executive: Mr. Sheikh Fawad)	10,000,000	500,000	500,000
Book value as on December 31				1,527,776	1,234,279

These carry rate of return ranging from 8.45% to 14.40% (2005 : 8.45% to 14.00%) per annum and having maturity periods of upto 8 years (2005: upto 8 years).

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

9.8 This represents 15% (2005: 15%) investment in the equity of Askari General Insurance Company Ltd (AGICO), a listed associated company (market value as at December 31, 2006: Rs. 74,064 thousand; 2005: Rs. 41,538 thousand).

The audited financial statements of AGICO for the year ended December 31, 2006 were not available, however the

summarized financial position and results, as per the most recent available financial statements as at September 30, 2006 are as follows:

	Rupees in thousand
Total assets	866,625
Total liabilities	645,771
Net assets	220,854

Total revenue and profit after tax for the nine months ended September 30, 2006 were Rs. 66,687 thousands and Rs. 40,376 thousands respectively.

- 9.9** Investments given as collateral include securities having book value of Rs. 44,000 thousand pledged with the State Bank of Pakistan as security against demand loan and TT/DD discounting facilities.
- 9.10** Market Treasury Bills, Pakistan Investment Bonds and Federal Investment Bonds are securities eligible for re-discounting with the State Bank of Pakistan.
- 9.11** This represents investments by the Bank's OBU in callable notes issued by Federal Home Loan Mortgage Corporation, USA at rates ranging from 3.25% to 5.00% (2005 : 3.25% to 5.00%) per annum maturing on July 8, 2008.

9.12 Quality of Available for Sale Securities

(Rupees in thousand)	Notes	2006		2005	
		Market Value	Rating	Market Value	Rating
Market Treasury Bills	9.12.1	16,251,844	unrated	14,478,198	unrated
Pakistan Investment Bonds	9.12.1	3,122,924	unrated	4,776,787	unrated
Fully paid up ordinary shares	9.12.2				
Pakistan Oilfields Limited		32,177	unrated	21,400	unrated
Hub Power Company Limited		24,219	unrated	5,400	unrated
Pakistan Petroleum Limited		3,480	unrated	–	–
Kot Addu Power Company Limited		24,400	unrated	–	–
Fauji Fertilizer Company Limited		5,295	unrated	2,626	unrated
ICI Pakistan Limited		3,176	unrated	9,835	unrated
United Stock Advantage Fund		9,537	unrated	–	–
Pakistan Export Finance Guarantee Agency Limited		5,680	unrated	5,680	unrated
Maple Leaf Cement Company Limited		–	–	795	unrated
D.G. Khan Cement Company Limited		–	–	32,000	unrated
Pakistan Telecommunication Company Limited		–	–	6,540	unrated
Honda Atlas Cars Limited		–	–	2,175	unrated
Crescent Steel Mills Limited		–	–	3,980	unrated
Oil and Gas Development Company Limited		–	–	12,390	unrated
Atlas Fund of Funds		33,996	4-Star	46,725	unrated
Meezan Balanced Fund		6,953	5-Star	24,375	unrated
Pakistan Strategic Allocation Fund		19,729	5-Star	54,516	unrated
Pakistan Income Fund		525,077	4-Star	–	–
NAFA Cash Fund		53,617	A (f)	–	–
National Bank of Pakistan		1,346	AAA(M2L)	5,984	AAA(M2L)
Sui Northern Gas Pipelines Limited		158,511	AA- (L)	149,601	AA- (L)
Packages Limited		1,113	AA (L)	7,474	AA (L)
Khushali Bank		50,000	A- (M2L)	50,000	A- (M2L)
Allied Bank Limited		1,531,165	A+(M2L)	1,416,532	A+(M2L)
ABAMCO Composite Fund		–	–	67,500	unrated
Pakistan State Oil Company Limited		–	–	20,843	AAA(L)
MCB Bank Limited		–	–	52,476	AA (L)
Fully paid preference shares	9.12.2	96,500	unrated	115,700	unrated
UTP - Large Capital Fund		9,280	unrated	–	–
Askari Income Fund - Units	9.12.2	265,550	unrated	250,000	unrated
Term Finance Certificates (TFCs)					
Dominion Fertilizer Limited		400,000	unrated	–	–
WorldCall Telecom Limited		30,336	AA- (L)	–	–
United Bank Limited		122,160	AA- (M)	–	–
Allied Bank Limited		193,345	A (M)	–	–
		745,841	–	–	–
Foreign securities					
Callable notes		296,746	AAA	288,510	AAA
		23,278,156		21,908,042	

(M = Medium Term, L = Long Term, M2L = Medium to Long Term)

9.12.1 These are Government of Pakistan guaranteed securities.

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

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

(Rupees in thousand)		Notes	2006	2005						
9.13	Unrealized loss on revaluation of investments classified as held for trading									
	Fully paid ordinary shares		(1,250)	(564)						
10.	Advances									
	Loans, cash credits, running finances, etc.									
	In Pakistan		83,370,327	73,273,033						
	Outside Pakistan		791,830	–						
			84,162,157	73,273,033						
	Ijara Financing - In Pakistan	10.2	31,694	–						
	Bills discounted and purchased (excluding treasury bills)									
	Payable in Pakistan		5,987,391	5,297,919						
	Payable outside Pakistan		11,207,285	9,463,507						
			17,194,676	14,761,426						
			101,388,527	88,034,459						
	Financing in respect of continuous funding system		1,336,419	383,157						
	Advances - gross		102,724,946	88,417,616						
	Provision against loans and advances	10.4								
	Specific provision		(2,739,631)	(1,410,802)						
	General provision		(442,481)	(765,867)						
	General provision against consumer loans		(363,395)	(242,298)						
			(3,545,507)	(2,418,967)						
	Advances - net of provision		99,179,439	85,998,649						
10.1	Particulars of advances									
10.1.1	In local currency		89,363,771	76,734,118						
	In foreign currencies		13,361,175	11,683,498						
			102,724,946	88,417,616						
10.1.2	Short term (for upto one year)		77,266,898	67,375,238						
	Long term (for over one year)		25,458,048	21,042,378						
			102,724,946	88,417,616						
10.2	Ijara Financing - In Pakistan									
			2006							
			2005							
(Rupees in thousand)			Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Ijara rentals receivable		8,878	21,870	–	30,748	–	–	–	–
	Residual value		–	10,186	–	10,186	–	–	–	–
	Minimum lease payments		8,878	32,056	–	40,934	–	–	–	–
	Profits for future periods		3,344	5,896	–	9,240	–	–	–	–
	Present value of minimum Ijara payments		5,534	26,160	–	31,694	–	–	–	–

10.3 Advances include Rs. 3,656,297 thousand (2005: Rs. 2,373,166 thousand) which have been placed under non-performing status as detailed below:

Category of classification	Notes	2006								
		Classified Advances			Provision Required			Provision Held		
		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in thousand										
Special mention	10.3.1	-	-	-	63,832	-	63,832	63,832	-	63,832
Other Assets Especially Mentioned	10.3.2	3,293	-	3,293	-	-	-	-	-	-
Substandard		107,494	-	107,494	21,961	-	21,961	21,961	-	21,961
Doubtful		103,473	-	103,473	46,579	-	46,579	46,579	-	46,579
Loss		3,442,037	-	3,442,037	2,607,259	-	2,607,259	2,607,259	-	2,607,259
		3,656,297	-	3,656,297	2,739,631	-	2,739,631	2,739,631	-	2,739,631

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

10.3.2 This represents classification made for agricultural finances.

10.4 Particulars of provision against non-performing advances

Note	2006				2005			
	Specific	General	Consumer		Specific	General	Consumer	
			Loans-General	Total			Loans-General	Total
(Rupees in thousand)								
Opening balance	1,410,802	765,867	242,298	2,418,967	944,256	700,381	135,814	1,780,451
Charge / (reversal) for the year	1,330,426	(323,386)	121,097	1,128,137	466,577	65,486	106,484	638,547
Amounts written off	10.6	(1,597)	-	(1,597)	(31)	-	-	(31)
Closing balance	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967

10.4.1 The general provision is maintained at the rate of 0.5% on advances other than non-performing and consumer advances. Previously, general provision was maintained on judgemental basis. Consequent to change in the basis for determining general provision, an amount of Rs 369.835 million has been reversed during the year, resulting in an increase in profit before tax and net of tax profit by Rs 369.835 million and Rs 240.393 million respectively.

10.5 Particulars of provision against non-performing advances

	2006				2005			
	Specific	General	Consumer		Specific	General	Consumer	
			Loans-General	Total			Loans-General	Total
(Rupees in thousand)								
In local currency	2,713,340	375,824	363,395	3,452,559	1,387,328	707,580	242,298	2,337,206
In foreign currencies	26,291	66,657	-	92,948	23,474	58,287	-	81,761
	2,739,631	442,481	363,395	3,545,507	1,410,802	765,867	242,298	2,418,967

(Rupees in thousand)

10.6 Particulars of write-offs:

	Notes	2006	2005
10.6.1 Against provisions	10.4	1,597	31
Directly charged to profit and loss account		-	-
		1,597	31
10.6.2 Write offs of Rs. 500,000 and above	10.4	1,597	-
Write offs of below Rs. 500,000		-	31
		1,597	31

10.7 In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2006 is given at Annexure-1.

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

(Rupees in thousand)	Notes	2006	2005
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		77,722	43,658
Loans granted during the year		134,338	56,563
Repayments		(49,621)	(22,499)
Balance at end of year		162,439	77,722
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		-	-
Loans granted during the year		-	-
Repayments		-	-
Balance at end of year		-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of year		764,619	342,574
Loans granted during the year		50,120	4,569,093
Repayments		(597,503)	(4,147,048)
Balance at end of year		217,236	764,619
		379,675	842,341

11. Operating fixed assets

Capital work-in-progress	11.1	724,449	236,012
Property and equipment	11.2	3,104,369	2,962,654
		3,828,818	3,198,666

11.1 Capital work-in-progress

Civil works	-	10,468
Advances to suppliers and contractors	724,449	225,544
	724,449	236,012

11.2 Property and equipment

(Rupees in thousand)	COST			DEPRECIATION			Book Value as at December 31, 2006	Annual Rate of Depreciation %		
	as at January 1, 2006	additions	transfers/ (deletions)/ adjustments* as at December 31, 2006	as at January 1, 2006	charge for the year	on transfers/ (deletions)/ adjustments* as at December 31, 2006				
Land -freehold	404,943	-	404,943	-	-	-	404,943	-		
Land -leasehold	408,775	255	409,030	-	-	-	409,030	-		
Buildings on freehold land	514,693	-	514,693	119,737	19,750	-	375,206	5		
Buildings on leasehold land	782,581	-	782,581	95,430	34,358	-	652,793	5		
Renovation of leased premises	364,646	144,341	(23,929)	485,058	200,364	69,415	248,214	236,844	20	
Furniture, fixtures and office equipments	208,256	49,011	(3,744)	253,293	60,268	17,567	(1,825)	75,958	177,335	10
			(230)*				(52)*			
Carpets	12,941	2,522	(1,958)	13,505	9,496	1,367	(1,814)	9,049	4,456	20
Machine and equipments	475,762	82,941	(12,837)	545,866	218,327	61,422	(7,785)	271,964	273,902	20
Computer equipments	521,515	114,162	(1,651)	634,026	222,757	74,916	(710)	296,963	337,063	20
Vehicles	216,242	88,653	54,096	325,165	43,963	55,653	44,177	117,176	207,989	20
			(849)*				(311)*			
			(32,977)				(26,306)			
Other assets	43,955	17,717	-	61,672	34,483	7,456	-	41,939	19,733	20-25
	3,954,309	499,602	54,096	4,429,832	1,004,825	341,904	44,177	1,330,538	3,099,294	
			(77,096)				(60,005)			
			(1,079)*				(363)*			
Assets held under finance lease:										
Vehicles	57,716	2,618	(54,096)	6,238	44,546	794	(44,177)	1,163	5,075	20
2006	4,012,025	502,220	(77,096)	4,436,070	1,049,371	342,698	(60,005)	1,331,701	3,104,369	
			(1,079)*				(363)*			
2005	3,192,465	876,573	(56,033)	4,012,025	816,592	275,437	(42,620)	1,049,371	2,962,654	
			(980)*				(38)*			

Cost of fully depreciated property and equipment still in use was Rs.119,121 thousand (2005: Rs. 107,320 thousand).

11.3 Detail of disposals of operating fixed assets

Particulars of assets	Original cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers
(Rupees in thousand)						
Suzuki Cultus	525	525	–	184	As per Bank policy	Mr. Azhar Rasheed – Executive
Suzuki Cultus	525	525	–	184	-do	Mr. Iftikhar Baloch – Executive
Toyota Corolla	735	735	–	259	-do	Mr. Nehal Ahmed – Executive
Toyota Corolla	849	439	410	431	-do-	Mr. A J Mubbashar – Executive
Suzuki Baleno	699	501	198	303	-do-	Mr. Sayed Hasan Sajjad – Executive
Suzuki Cultus	550	477	73	237	-do-	Mr. Saeed Ahmed – Executive
Suzuki Cultus	560	308	252	277	-do-	Mr. Afzal Mujtaba – Executive
Suzuki Cultus	560	364	196	275	-do-	Mr. Ali Rehman – Executive
Suzuki Cultus	560	355	205	274	-do-	Mr. Saleem Ahmed Khan – Executive
Suzuki Cultus	560	75	485	492	-do-	Mr. Ghulam Sabir – ex-Executive
Suzuki Cultus	560	224	336	336	-do-	Miss Mobashara Zubair – ex-Executive
Toyota Corolla	769	666	103	308	-do-	Mr. Jaffer Khanani – Executive
Suzuki Cultus	699	699	–	245	-do-	Mr. Tanveer Afzal Khan – Executive
Toyota Corolla	769	769	–	269	-do-	Mian Shamim Ahmed – Executive
Suzuki Baleno	699	699	–	245	-do-	Mr. Muhammad Iqbal – Executive
Toyota Corolla	769	769	–	269	-do-	Mr. Saif ur Rahman – Executive
Toyota Corolla	849	580	269	380	-do-	Mr. Tahir Yaqoob – Executive
Toyota Corolla	769	769	–	269	-do-	Kh. Shaukat Iqbal – Executive
Suzuki Baleno	699	699	–	400	-do-	Askari Investment Management Ltd – Subsidiary
Honda Civic	1,197	399	798	240	-do-	Mr. Kalim-ur-Rahman – ex-President & CEO
Suzuki Cultus	560	355	205	274	-do-	Mr. Faheemuddin Sufi – ex-Executive
Toyota Corolla	994	629	365	490	Insurance Claim	M/s Askari General Insurance Co. Limited – A related party
Suzuki Bolan	367	61	306	365	-do-	M/s Askari General Insurance Co. Limited – A related party
Adam Zabardast Jeep	883	318	565	725	-do-	M/s Askari General Insurance Co. Limited – A related party
Toyota Corolla	849	481	368	440	-do-	M/s Askari General Insurance Co. Limited – A related party
Motor Cycle (Honda)	71	26	45	46	-do-	M/s Askari General Insurance Co. Limited – A related party
Honda City	878	410	468	685	-do-	M/s Askari General Insurance Co. Limited – A related party
Honda City	795	225	570	700	-do-	M/s Askari General Insurance Co. Limited – A related party
Toyota Corolla	939	485	454	939	-do-	M/s Askari General Insurance Co. Limited – A related party
	20,238	13,567	6,671	10,541		
Other assets having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	56,858	46,438	10,420	13,253		
2006	77,096	60,005	17,091	23,794		
2005	56,033	42,620	13,413	20,125		

(Rupees in thousand)

	Note	2006	2005
12. Other Assets			
Income / mark-up accrued in local currency	12.1	2,683,563	1,904,428
Income / mark-up accrued in foreign currencies		268,518	148,277
Advances, deposits, advance rent and other prepayments		451,858	280,720
Advance taxation (payments less provisions)		122,710	182,446
Un-realized gain on forward foreign exchange contracts-net		147,345	68,446
Suspense account		3,421	24,192
Stationary and stamps in hand		54,871	43,289
Dividend receivable		6,888	9,023
Others		84,931	75,978
		3,824,105	2,736,799

12.1 This balance has been arrived at after adjusting interest in suspense of Rs. 709,384 thousand (2005: Rs. 494,423 thousand).

(Rupees in thousand)		Notes	2006	2005
13.	Bills payable			
	In Pakistan		1,839,077	1,315,680
14.	Borrowings			
	In Pakistan		14,962,736	10,560,524
	Outside Pakistan		1,351	1,814
			14,964,087	10,562,338
14.1	Particulars of borrowings with respect to currencies			
	In local currency		14,962,736	10,560,524
	In foreign currencies		1,351	1,814
			14,964,087	10,562,338
14.2	Detail of borrowings - secured / unsecured			
	In Pakistan - local currency			
	Secured			
	Borrowings from the State Bank of Pakistan:			
	Export refinance scheme	14.2.1	10,736,316	9,465,394
	Long term financing of export oriented projects	14.2.2	2,642,164	312,361
	Repurchase agreement borrowings (repo)	14.2.3	389,256	782,769
	Unsecured			
	Call borrowings	14.2.4	1,195,000	–
			14,962,736	10,560,524
	Outside Pakistan - foreign currencies			
	Overdrawn nostro accounts - unsecured		1,351	1,814
			14,964,087	10,562,338

14.2.1 This facility is secured against demand promissory note executed in favour of the State Bank of Pakistan. The effective mark-up rate is 6.5% (2005: 7.5%) per annum payable on a quarterly basis.

14.2.2 These carry mark-up ranging from 4.0% to 5.0% (2005: 2.0% to 4.9%) per annum payable on a quarterly basis.

14.2.3 These are secured against pledge of Government Securities, and carry mark-up ranging from 8.35% to 8.81% (2005: 8.10% to 8.45%) per annum and have maturities of upto 1 month.

14.2.4 These represent borrowings at rates ranging from 9.60% to 10.25% (2005: Nil) per annum and have maturities of upto 1 (2005: Nil) month.

(Rupees in thousand)		2006	2005
15.	Deposits and other accounts		
	Customers		
	Fixed deposits	40,349,941	37,999,587
	Savings deposits	64,696,265	57,854,410
	Current accounts - non-remunerative	23,925,338	20,089,228
	Special exporters' account	24,306	304,924
	Margin accounts	1,375,381	1,076,511
	Others	290,634	125,010
	Financial institutions		
	Remunerative deposits	1,175,365	1,344,481
		131,837,230	118,794,151
15.1	Particulars of deposits		
	In local currency	110,006,314	98,378,379
	In foreign currencies	21,830,916	20,415,772
		131,837,230	118,794,151

15.1.1 The above include deposits of related parties amounting to Rs. 921,004 thousand (2005: Rs. 886,182 thousand).

(Rupees in thousand)		2006	2005
16.	Sub-ordinated loans		
	Term Finance Certificates	2,998,500	2,999,700

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

	Term Finance Certificate - I	Term Finance Certificate - II
Outstanding amount - Rupees in thousand	1,499,100	1,499,400
Issue date	February 4, 2005	October 31, 2005
Total issue	Rupees 1,500 million	Rupees 1,500 million
Rating	AA	AA
Listing	Lahore Stock Exchange (Guarantee) Limited	Lahore Stock Exchange (Guarantee) Limited
Rate	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.	Payable six monthly - Base Rate plus 1.5% Base Rate is the simple average of the ask rate of six months KIBOR prevailing on the base rate setting date.
Repayment	8 Years	8 Years
Redemption	6-90th month: 0.3% 96th month: 99.7%	6-90th month: 0.3% 96th month: 99.7%

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

(Rupees in thousand)	2006			2005		
	Minimum lease payments	Financial charges for future periods	Principal Outstanding	Minimum lease payments	Financial charges for future periods	Principal Outstanding
Not later than one year	1,255	435	820	2,076	246	1,830
Later than one year and not later than five years	4,341	721	3,620	2,598	457	2,141
	5,596	1,156	4,440	4,674	703	3,971

(Rupees in thousand)		2006	2005
18.	Deferred tax liabilities		
	Deferred credits arising due to:		
	Accelerated tax depreciation	375,453	335,684
	Excess of accounting book value of leased assets over lease liabilities	(71)	(441)
	Surplus on revaluation of securities	100,990	44,915
	Profit on securities recognized but not received	261,603	187,299
	Business loss of AIML	(10,169)	(1,573)
	Pre commencement expenditure of AIML	(1,309)	(1,496)
		726,497	564,388

(Rupees in thousand)		2006	2005
19.	Other liabilities		
	Mark-up / return / interest payable in local currency	1,177,133	905,564
	Mark-up / return / interest payable in foreign currencies	40,996	6,328
	Unearned income / commission	13,307	10,108
	Accrued expenses	197,985	149,795
	Advance payments	159,560	167,486
	Unclaimed dividends	32,731	29,924
	Branch adjustment account	604,881	345,791
	Payable to defined contribution plan	–	13
	Payable against purchase of listed shares	98,768	200,436
	Withholding taxes payable	8,496	8,239
	Federal excise duty payable	4,286	–
	Others	270,217	223,416
		2,608,360	2,047,100

20. Share capital

20.1 Authorised capital

2006		2005		2006		2005	
Number of shares				(Rupees in thousand)			
400,000,000	400,000,000	Ordinary shares of Rs. 10 each		4,000,000		4,000,000	

20.2 Issued, subscribed and paid up

Number of shares		Ordinary shares of Rs. 10 each:					
67,500,000	67,500,000	Fully paid in cash		675,000		675,000	
132,933,239	83,201,684	Issued as bonus shares		1,329,333		832,018	
200,433,239	150,701,684			2,004,333		1,507,018	

21. Reserves

(Rupees in thousand)	Note	Statutory Reserve	Revenue Reserves			2006	2005
			General Reserves	Reserve for Contingencies	Total Revenue Reserves		
Balance as at January 01 - restated*		1,849,269	2,311,261	310,000	2,621,261	4,470,530	3,030,039
Transfers	21.1	–	310,000	(310,000)	–	–	–
Transfer from profit and loss account		449,995	894,229	–	894,229	1,344,224	1,440,491
Balance as at December 31		2,299,264	3,515,490	–	3,515,490	5,814,754	4,470,530

21.1 In view of the revised policy for general provision @ 0.5% on performing advances other than consumer advances as stated in note 10.4.1, contingency reserve created in earlier years for same purpose has now been transferred to general reserve.

* The effect of restatement has been disclosed in the statement of changes in equity.

(Rupees in thousand)		2006	2005
22.	Surplus on revaluation of assets		
	Surplus on revaluation of available for sale securities		
	i) Federal Government Securities	288,542	128,328
	ii) Listed Shares	1,254,416	1,144,985
	iii) Other Securities	(7,804)	(10,060)
		1,535,154	1,263,253
	Less: Related deferred tax effect	(100,990)	(44,915)
		1,434,164	1,218,338

(Rupees in thousand)		2006	2005
23.	Contingencies and commitments		
23.1	Direct credit substitutes		
	i) Government	816,548	–
	ii) Others	7,234,189	8,899,087
		8,050,737	8,899,087
23.2	Transaction-related contingent liabilities		
	Money for which the Bank is contingently liable:		
	a) Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly) with any other person, subsidiaries and associated undertakings.	14,888	8,182
	b) Contingent liability in respect of guarantees given, favouring:		
	i) Government	28,298,104	20,785,229
	ii) Banks and other financial institutions	956,090	1,130,038
	iii) Others	7,136,348	4,097,783
		36,390,542	26,013,050
		36,405,430	26,021,232
23.3	Trade-related contingent liabilities	28,222,121	22,482,877
23.4	Other contingencies	2,636,981	861,056

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

23.5 For contingencies in respect of tax matters refer to note 32.2

(Rupees in thousand)		2006	2005
23.6	Commitments in respect of forward lending		
	Commitments against "REPO" transactions		
	Purchase and resale agreements	2,264,121	4,359,006
	Sale and repurchase agreements	392,133	788,871
23.7	Commitments in respect of forward purchase / sale of listed equity securities		
	Purchase	72,059	19,749
	Sale	240,029	525,970
23.8	Commitments in respect of forward exchange contracts		
	Purchase	5,337,752	4,291,946
	Sale	10,992,267	7,605,106
23.9	Commitments for the acquisition of operating fixed assets	292,974	259,668
23.10	Other commitments		
	Commitments to extend credit	4,567,110	1,716,272
23.11	Bills for collection		
	Payable in Pakistan	747,011	342,504
	Payable outside Pakistan	11,974,690	23,105,625
		12,721,701	23,448,129

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

24. Off balance sheet financial instruments

Off balance sheet financial instruments are contracts the characteristics of which are derived from those of underlying assets. These include forwards and swaps in money and foreign exchange markets. The Bank's exposure in these instruments represents forward foreign exchange contracts, on behalf of customers in imports and exports transactions, forward sales and forward purchases on behalf of customers in the inter-bank money market and with the State Bank of Pakistan. The Bank also enters into repo transactions against Government Securities carrying fixed interest rates and having fixed contractual maturities. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counterparties' intra-day and overnight limits. In addition, these also come under the State Bank of Pakistan's net open position limits. The credit risk associated with repo transactions is secured through underlying Government Securities.

25. Derivative instruments

The Bank does not deal in derivative instruments.

(Rupees in thousand)	Note	2006	2005
26. Mark-up / return / interest earned			
On loans and advances to:			
i) Customers		9,326,100	6,564,409
ii) Financial institutions		112,389	97,592
On investments:			
i) Held for trading securities		–	235
ii) Available for sale securities		1,725,540	1,301,855
iii) Held to maturity securities		406,949	220,253
On deposits with financial institutions		805,909	448,012
On securities purchased under resale agreements		226,023	150,013
		12,602,910	8,782,369
27. Mark-up / return / interest expensed			
On deposits		5,822,463	3,390,094
On securities sold under repurchase agreements		118,463	173,437
On sub-ordinated loans		335,036	166,785
On other short term borrowings		700,742	545,814
		6,976,704	4,276,130
28. Gain on sale of investments			
Federal Government Securities			
Market Treasury Bills		31	–
Pakistan Investment Bonds		4,773	14,605
Term Finance Certificates		511	–
Shares - Listed		107,725	85,791
		113,040	100,396
29. Other income			
Rent on property	29.1	24,155	36,976
Net profit on sale of property and equipment		6,703	6,712
Rent of lockers		9,750	8,493
Recovery of expenses from customers		281,092	154,638
		321,700	206,819

29.1 This includes an amount of Rs. 19,572 thousand (2005: Rs. 19,251 thousand) on account of rent received from related parties.

(Rupees in thousand)		Notes	2006	2005
30.	Administrative expenses			
	Salaries, allowances, etc.		1,457,810	1,110,784
	Charge for defined benefit plan	36.3	33,592	25,646
	Contribution to defined contribution plan		42,307	31,899
	Non-executive directors' fees, allowances and other expenses		666	192
	Rent, taxes, insurance, electricity, etc.		305,678	267,011
	Legal and professional charges		22,837	35,363
	Brokerage and commission		100,131	82,649
	Communications		215,402	189,982
	Repairs and maintenance		143,900	111,807
	Finance charges on leased assets		397	510
	Stationery and printing		83,885	78,766
	Advertisement and publicity		181,430	120,447
	Donation		-	30,000
	Auditors' remuneration	30.1	3,885	2,031
	Depreciation	11.2	342,698	275,437
	Other expenditure (travelling, security services, vehicle running expenses, etc.)		384,451	241,492
			3,319,069	2,604,016
30.1	Auditors' remuneration			
	Audit fee		1,650	1,500
	Fee for the audit of provident and gratuity funds		65	-
	Special certifications, special credit review of selected customers, half year review, audit of subsidiary company and audit of consolidated financial statements		1,835	436
	Out-of-pocket expenses		335	95
			3,885	2,031
31.	Other charges			
	Penalties imposed by the State Bank of Pakistan		6,141	1,832
32.	Taxation			
	For the year			
	Current		983,944	828,774
	Deferred		106,034	193,729
			1,089,978	1,022,503
	For prior years			
	Current		-	(219,617)
	Deferred		-	31,370
			-	(188,247)
			1,089,978	834,256
32.1	Relationship between tax expense and accounting profit			
	Profit before taxation		3,327,134	2,850,999
	Tax at applicable tax rate of 35 percent (2005: 38 percent)		1,164,497	1,083,381
	Effect of:			
	- Income chargeable to tax at lower rates		(40,044)	(16,877)
	- Income exempt from tax		(36,896)	(29,701)
	- Temporary differences on which deferred tax has been accounted for over enacted reduced rate for subsequent years		-	(16,606)
	- Prior years' adjustment - tax rate effect		-	(43,080)
	- others		-	(145,167)
	- Amounts not deductible for tax purposes		2,421	2,306
			1,089,978	834,256

32.2 Income tax authorities have finalized tax assessments of the Bank upto and including the assessment year 2002-2003 (income year ended December 31, 2001). Returns filed by the Bank for tax years 2003, 2004, 2005 and 2006 have been assessed under self-assessment scheme envisaged in section 120 of the Income Tax Ordinance, 2001.

While finalizing assessments for the assessment years 1998-99 to 2002-2003, the taxation officer disallowed provisions made by the Bank for bad and doubtful debts and also charged tax on classified loans credited to suspense account under the Prudential Regulations of the State Bank of Pakistan, thereby raising tax demand of Rs. 557 million. Assessment for tax years 2003 to 2006 was also amended and further demand of Rs. 672 million was raised on account of disallowance of provision for bad and doubtful debts. The Bank successfully appealed before the Commissioner of Income Tax (Appeals) [CIT (Appeals)] who deleted these disallowances. The Income Tax Department has filed appeals to the Income Tax Appellate Tribunal [ITAT] against the appellate orders of the CIT (Appeals). These departmental appeals are pending disposal.

The taxation officer has given effect to the appellate orders of the CIT (Appeals) for the assessment years 2000-2001, 2001-2002, 2002-2003 and tax years 2003, 2004 and 2005 resulting in a refund of Rs 779 million to the Bank.

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

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

	2006	2005
33. Basic / diluted earnings per share		
Profit for the year - Rupees in '000	2,237,156	2,016,743
Number of Ordinary Shares - numbers	200,433,239	200,433,239
Basic / diluted earnings per share - Rupees	11.16	10.06

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

Number of ordinary shares for 2005 has been restated to give effect of bonus shares issued during the year.

(Rupees in thousand)	2006	2005
34. Cash and cash equivalents		
Cash and balances with treasury banks	14,879,231	11,766,928
Balances with other banks	7,336,838	5,578,654
Call money lendings	1,500,000	1,980,000
	23,716,069	19,325,582
(In numbers)		
35. Staff strength		
Permanent	3,257	2,764
Temporary / on contractual basis	687	519
Daily wagers	-	-
Commission based	657	679
Group's staff strength at the end of the year	4,601	3,962
Outsourced	641	581
Total staff strength at the end of the year	5,242	4,543

36. Defined benefit plan

36.1 General description

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

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

(Rupees in thousand)		2006	2005
36.2	The amounts recognised in the balance sheet are as follows:		
	Present value of defined benefit obligations	266,173	199,511
	Fair value of plan assets	(212,931)	(182,281)
		53,242	17,230
	Unrecognised actuarial losses	(53,242)	(17,230)
	Net liability	–	–
36.3	The amounts recognised in profit and loss account are as follows:		
	Current service cost	28,770	22,300
	Interest on obligation	19,951	15,194
	Expected return on plan assets	(15,129)	(11,848)
		33,592	25,646
36.4	Actual return on plan assets	20,389	18,199
36.5	Changes in the present value of defined benefit obligation		
	Opening defined benefit obligation	199,511	168,820
	Current service cost	28,770	22,300
	Interest cost	19,951	15,194
	Actuarial loss	35,523	7,992
	Benefits paid	(17,582)	(14,795)
	Closing defined benefit obligation	266,173	199,511
36.6	Changes in fair value of plan assets		
	Opening fair value of plan assets	182,281	163,289
	Expected return	15,129	11,848
	Actuarial losses	(489)	(3,707)
	Contributions by employer	33,592	25,646
	Benefits paid	(17,582)	(14,795)
	Closing fair value of plan assets	212,931	182,281

The Bank expects to contribute Rs. 48,879 thousand to its defined benefit gratuity plan in 2007.

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

	2006		2005	
	Rupees in thousand	%age	Rupees in thousand	%age
36.7 Break-up of category of assets				
Bonds				
Defence saving certificates	133,883	63	121,720	67
Pakistan investment bonds	41,451	19	16,323	9
Bank deposit accounts	37,597	18	44,238	24
	212,931	100	182,281	100

36.8 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2006 using "Projected Unit Credit Method". The main assumptions used for actuarial valuation are as follows:

	2006	2005
Discount rate - per annum	10%	10%
Expected rate of increase in salaries - per annum	10%	10%
Expected rate of return on plan assets - per annum	10%	8%

(Rupees in thousand)	2006	2005	2004	2003	2002
36.9 Amounts for current and previous four annual periods are as follows:					
As at December 31,					
Defined benefit obligation	266,173	199,511	168,820	114,039	89,796
Plan assets	(212,931)	(182,281)	(163,289)	(113,554)	(88,090)
Deficit	53,242	17,230	5,531	485	1,706
Experience adjustments					
Actuarial loss on obligation	(35,523)	(7,992)	(38,125)	(4,400)	—*
Actuarial (loss) / gain on plan assets	(489)	(3,707)	33,079	5,622	—*

*Actuarial valuation was not carried out for the year ended December 31, 2002.

37. Defined contribution plan

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

38. Compensated absences**38.1 General description**

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

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

38.2 Principal actuarial assumptions

The actuarial valuation was carried out for the year ended December 31, 2006 using "Projected Unit Credit Method". Present value of obligation as at December 31, 2006 was Rs 92,258 thousand against related liability of Rs 64,176 thousand carried at December 31, 2005. Charge for the year of Rs 28,082 thousand has been included under administrative expenses. The main assumptions used for actuarial valuation are as follows:

Discount rate	10 percent per annum
Expected rate of increase in salaries	10 percent per annum
Leave accumulation factor	13 days

39. Compensation of Directors and Executives

(Rupees in thousand)	President / Chief Executive		Directors		Executives	
	*2006	2005	2006	2005	2006	2005
Fees	52	14	666	192	75	30
Managerial remuneration	6,458	4,209	-	-	115,946	69,704
Charge for defined benefit plan	1,537	351	-	-	22,092	12,113
Contribution to defined contribution plan	538	351	-	-	9,061	5,537
Rent and house maintenance	2,679	1,263	-	-	47,668	29,418
Utilities	646	421	-	-	12,012	6,801
Medical	861	210	-	-	10,814	5,638
Bonus	2,750	1,754	-	-	41,018	27,528
Others	-	-	-	-	2,368	806
	15,521	8,573	666	192	261,054	157,575
Number of persons	2	1	20	19	146	91

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

* During the year Mr. Shaharyar Ahmad was appointed as Chief Executive of the Bank in place of Mr. Kalim-ur-Rahman with effect from March 25, 2006.

40. Fair value of financial instruments**40.1 On-balance sheet financial instruments**

(Rupees in thousand)	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
Assets				
Cash and balances with treasury banks	14,879,231	14,879,231	11,766,928	11,766,928
Balances with other banks	7,336,838	7,336,838	5,578,654	5,578,654
Lendings to financial institutions	8,392,950	8,392,950	10,197,242	10,197,242
Investments	28,571,969	28,571,969	25,618,620	25,618,620
Advances				
Term loans	28,498,936	28,498,936	24,135,198	24,135,198
Staff advances	724,539	724,539	587,556	587,556
Other advances	69,955,964	69,955,964	61,275,895	61,275,895
Other assets	3,824,105	3,824,105	2,736,799	2,736,799
	162,184,532	162,184,532	141,896,892	141,896,892
Liabilities				
Bills payable	1,839,077	1,839,077	1,315,680	1,315,680
Borrowings	14,964,087	14,964,087	10,562,338	10,562,338
Deposits and other accounts				
Current and saving accounts	91,487,289	91,487,289	80,794,564	80,794,564
Term deposits	40,349,941	40,349,941	37,999,587	37,999,587
Sub-ordinated loans	2,998,500	2,998,500	2,999,700	2,999,700
Liabilities against assets subject to finance lease	4,440	4,440	3,971	3,971
Other liabilities	2,608,360	2,608,360	2,047,100	2,047,100
	154,251,694	154,251,694	135,722,940	135,722,940
40.2 Off-balance sheet financial instruments				
Forward purchase of foreign exchange	5,337,752	5,337,752	4,291,946	4,291,946
Sale and repurchase agreements	392,133	392,133	788,871	788,871
Forward sale of foreign exchange	10,992,267	10,992,267	7,605,106	7,605,106
Purchase and resale agreements	2,264,121	2,264,121	4,359,006	4,359,006

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

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

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

41. Segment details with respect to Business Activities

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

Rupees in thousand	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Assets Management	Retail Brokerage	Sub-Ordinated Loans
2006									
Total income	36,027	103,373	1,872,423	12,647,767	66,847	9,736	21,388	-	-
Total expenses	8,028	23,033	676,949	10,328,600	14,895	2,170	41,716	-	335,036
Net income (loss)	27,999	80,340	1,195,474	2,319,167	51,952	7,566	(20,328)	-	(335,036)
Segment Assets (Gross)	10,746	344,548	11,670,781	157,530,177	19,939	2,904	79,762	-	-
Segment Non Performing Loans	-	-	401,136	3,255,161	-	-	-	-	-
Segment Provision Required	-	-	698,954	2,846,553	-	-	-	-	-
Segment Liabilities	79	2,548	81,129	151,886,044	147	21	9,723	-	2,998,500
Segment Return on net Assets (ROA) (%)	0.02%	0.05%	0.77%	1.49%	0.03%	0.00%	0.00%	-	0.00%
Segment Cost of funds (%)	0.01%	0.01%	0.44%	6.66%	0.01%	0.00%	0.03%	-	0.22%
2005									
Total income	14,683	86,852	1,232,595	8,925,728	64,913	8,493	1,705	-	-
Total expenses	3,686	21,801	489,293	6,771,955	16,294	2,132	12,024	-	166,785
Net income (loss)	10,997	65,051	743,302	2,153,773	48,619	6,361	(10,319)	-	(166,785)
Segment Assets (Gross)	5,136	573,992	8,959,746	137,853,205	22,704	2,970	96,772	-	-
Segment Non Performing Loans	-	-	263,491	2,109,675	-	-	-	-	-
Segment Provision Required	-	-	439,217	1,979,750	-	-	-	-	-
Segment Liabilities	31	3,500	51,956	133,227,713	138	18	4,272	-	2,999,700
Segment Return on net Assets (ROA) (%)	0.01%	0.05%	0.59%	1.71%	0.04%	0.01%	0.00%	-	0.00%
Segment Cost of funds (%)	0.00%	0.02%	0.36%	4.97%	0.01%	0.00%	0.01%	-	0.12%

Assumptions used:

- Administrative expenses of the holding company have been allocated to segments based on respective segment income.
- Unallocatable assets representing 2.55% (2005: 2.45%) of the total assets have been allocated to segments based on their respective incomes.
- Unallocatable liabilities representing 0.79% (2005: 0.65%) of the total liabilities have been allocated to segments based on their respective assets.

42. Related Party Transactions

As Army Welfare Trust (AWT) holds 47.19% (2005: 46.49%) of the Bank's share capital at the year end, therefore, all subsidiaries and associated undertakings of AWT are related parties of the Bank. Also, the Bank has related party relationships with its directors, key management personnel, entities over which the directors are able to exercise significant influence and employees' funds.

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

(Rupees in thousand)	As at December 31, 2006				As at December 31, 2005			
	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds	Parent	Directors	Companies with common directorship having equity under 20%	Employee Funds
Balances outstanding at the year end								
- Advances at the year end	-	41,806	217,236	-	-	444	764,639	-
- Deposits at the year end	691,635	14,611	162,399	50,139	527,643	5,912	296,146	56,481
- Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	585	-	14,303	-	-	-	8,344	-
- Investment in shares - at cost	-	-	303,462	-	-	-	316,862	-
- Reimbursable expenses on behalf of Askari Income Fund	-	-	1,852	-	-	-	2,113	-
Transactions during the year								
- Net mark-up / interest expensed	32,197	113	21,124	1,429	11,969	2	17,233	-
- Net mark-up / interest earned	-	1,842	40,379	-	-	54	38,649	-
- Contribution to employees' funds	-	-	-	75,899	-	-	-	57,653
- Rent of property / service charges paid	34,295	-	33,145	-	35,852	-	51,697	-
- Rent of property received	12,317	-	7,255	-	13,870	-	5,381	-
- Insurance premium paid	-	-	11,672	-	-	-	5,109	-
- Insurance claims received	-	-	554	-	-	-	882	-
- Dividend Income	-	-	17,172	-	-	-	8,932	-
- Security services costs	-	-	38,852	-	-	-	31,110	-
- Fee, commission and brokerage income	327	-	14,529	-	193	-	-	-
- Recover of expenses from Askari Income Fund by AIML	-	-	5,158	-	-	-	-	-
- Payment to associated undertaking	-	-	422	-	-	-	3,000	-

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

43. Capital adequacy

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

(Rupees in thousand)	2006		Restated 2005	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Regulatory Capital Base				
Tier I Capital				
Shareholders Capital/Assigned Capital	2,004,333	2,004,333	1,507,018	1,507,018
Reserves	5,809,501	5,809,501	4,470,530	4,470,530
Unappropriated / unremitted profits (net of losses)	1,787,161	1,787,161	1,612,344	1,612,344
<i>Total Tier I Capital</i>	9,600,995	9,600,995	7,589,892	7,589,892
Tier II Capital				
Sub-ordinated Debt (upto 50% of total Tier I Capital)	2,998,500	2,998,500	2,999,700	2,999,700
General Provisions subject to 1.25% of Total Risk Weighted Assets	805,876	805,876	1,008,165	1,008,165
Revaluation Reserve (upto 50%)	627,208	627,208	572,493	572,493
<i>Total Tier II Capital</i>	4,431,584	4,431,584	4,580,358	4,580,358
Eligible Tier III Capital	-	-	-	-
Total Regulatory Capital (a)	14,032,579	14,032,579	12,170,250	12,170,250
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet items:				
Cash and other liquid Assets	22,216,069	1,534,340	17,345,582	1,195,544
Money at call	6,142,740	4,942,740	5,884,231	4,300,231
Investments	28,222,197	5,461,476	25,064,579	4,148,680
Loans and Advances	99,985,315	78,793,850	87,006,814	69,106,142
Fixed Assets	3,828,818	3,828,818	3,198,666	3,198,666
Other Assets	3,824,105	3,491,707	2,736,799	2,381,505
	164,219,244	98,052,931	141,236,671	84,330,768
Off Balance Sheet items:				
Loan Repayment Guarantees	6,918,196	5,990,456	7,896,618	6,849,943
Purchase and Resale Agreements	-	-	-	-
Performance Bonds etc	34,493,870	6,998,546	24,185,088	5,638,296
Revolving underwriting Commitments	-	-	-	-
Stand By Letters of Credit and other LCs	28,179,084	10,243,036	23,033,653	6,756,142
Outstanding Foreign Exchange Contracts				
Purchase				
- With the State Bank of Pakistan	610,500	-	1,804,900	-
- Other banks	4,727,252	28,364	2,487,046	14,922
Sale				
- With the State Bank of Pakistan	-	-	-	-
- Other banks	10,992,267	65,954	7,605,106	45,631
Outstanding foreign exchange contracts with SBP	610,500	-	1,804,900	-
Outstanding foreign exchange contracts with other banks maturity of one year or less	15,719,519	62,878	10,092,152	40,369
	102,251,188	23,389,234	78,909,463	19,345,303
Credit risk-weighted exposures	266,470,432	121,442,165	220,146,134	103,676,071
Market Risk				
General market risk	349,772	349,772	554,041	554,041
Specific market Risk	349,772	349,772	554,041	554,041
Foreign exchange contracts	5,660,962	5,660,962	3,317,583	3,317,583
Market risk-weighted exposures	6,360,506	6,360,506	4,425,665	4,425,665
Total Risk-Weighted exposures (b)	272,830,938	127,802,671	224,571,799	108,101,736
Capital Adequacy Ratio [(a) / (b) x 100]		10.98%		11.26%

44. Use of critical accounting estimates and judgements

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

- i) classification of investments (note 9)
- ii) provision against investments (note 9.2.1) and advances (note 10)
- iii) useful life of property and equipments (note 11)
- iv) income taxes (note 32)
- v) staff retirement benefits (note 36 and note 37)

45. Risk management

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

45.1 Credit Risk:

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

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

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

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

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

45.1.1 Segment by class of business

	2006					
	Advances		Deposits		Contingencies and commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Agriculture / Agribusiness	2,732,678	2.66	1,962,736	1.49	–	–
Automobiles & Allied	2,408,164	2.34	2,340,520	1.78	13,386	0.01
Cables / Electronics	1,854,740	1.80	1,044,979	0.79	36,568	0.04
Carpets	377,012	0.37	454,585	0.34	–	–
Cements	707,260	0.69	240,173	0.18	423,541	0.43
Chemicals / Pharmaceuticals	3,552,688	3.46	1,089,576	0.83	119,609	0.12
Engineering	254,595	0.25	277,182	0.21	68,504	0.07
Fertilizers	3,276,711	3.19	1,444,061	1.10	1,928,363	1.94
Food & Allied	2,053,282	2.00	539,221	0.41	491,431	0.49
Fuel / Energy	3,776,066	3.67	6,777,569	5.14	623,989	0.63
Ghee & Edible Oil	3,000,394	2.92	318,806	0.24	41,074	0.04
Glass and Ceramics	1,243,782	1.21	487,547	0.37	–	–
Hotels and Restaurants	197,154	0.19	232,322	0.18	–	–
Individuals	12,939,461	12.60	41,823,619	31.72	28,267,997	28.42
Insurance	–	–	652,279	0.49	–	–
Investment Banks / Scheduled Banks	375,835	0.37	1,165,790	0.88	15,470,270	15.55
Leasing	714,477	0.70	70,770	0.05	–	–
Leather Products and Shoes	1,490,677	1.45	522,552	0.40	–	–
Modarabas	27,276	0.03	121,203	0.09	–	–
Paper and Board	982,197	0.96	147,212	0.11	98,485	0.10
Plastic products	740,642	0.72	896,505	0.68	245,925	0.25
Ready- Made garments	2,584,220	2.51	491,118	0.37	–	–
Real Estate / Construction	5,308,606	5.17	8,274,275	6.28	312,728	0.31
Rice Processing and trading	4,519,747	4.40	420,704	0.32	–	–
Rubber Products	92,602	0.09	152,921	0.12	–	–
Services (Other than Financial, Hotelling & Travelling)	1,386,382	1.35	1,932,790	1.47	–	–
Sports goods	1,127,438	1.10	235,976	0.18	–	–
Sugar	210,564	0.20	256,622	0.19	–	–
Surgical equipment / Metal Products	2,609,663	2.54	432,031	0.33	–	–
Synthetic & Rayon	517,782	0.50	243,594	0.18	–	–
Textile	27,839,786	27.10	3,247,539	2.46	1,105,968	1.11
Tobacco / Cigarette manufacturing	119,375	0.12	61,156	0.05	–	–
Transport and communication	3,138,543	3.05	2,317,371	1.76	3,152,350	3.17
Travel Agencies	208,735	0.20	122,763	0.09	–	–
Woollen	294,132	0.29	999,403	0.76	–	–
Public sector / Government	222,408	0.22	24,530,800	18.61	30,013,395	30.17
Others	9,839,872	9.58	25,508,960	19.35	17,060,131	17.15
	102,724,946	100.00	131,837,230	100.00	99,473,714	100.00

45.1.2 Segment by sector

	2006					
	Advances		Deposits		Contingencies and commitments	
	Rupees in thousand	Percent	Rupees in thousand	Percent	Rupees in thousand	Percent
Public sector / Government	222,408	0.22	24,530,800	18.61	30,013,395	30.17
Private	102,502,538	99.78	107,306,430	81.39	69,460,319	69.83
	102,724,946	100.00	131,837,230	100.00	99,473,714	100.00

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

(Rupees in thousand)	2006		2005	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
Agriculture / Agribusiness	5,911	–	–	–
Automobiles & Allied	332,005	154,411	28,309	21,909
Cables / Electronics	28,758	21,017	30,657	22,916
Chemicals / Pharmaceuticals	19,526	19,526	20,925	20,925
Food & Allied	165,558	110,125	–	–
Fuel / Energy	532	64,364	–	63,832
Individuals	401,677	336,101	253,601	197,526
Investment Banks / Scheduled Banks	116,667	116,667	–	–
Leather Products and Shoes	234,897	225,659	255,457	225,005
Real Estate / Construction	42,450	13,133	–	–
Services (Other than Financial, Hotelling & Travelling)	9,953	9,953	–	–
Textile	1,539,885	1,203,832	991,466	369,761
Others	758,478	464,843	792,751	488,928
	3,656,297	2,739,631	2,373,166	1,410,802

(Rupees in thousand)	2006		2005	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
45.1.4 Details of non-performing advances and specific provisions by sector				
Public sector / Government	–	–	–	–
Private	3,656,297	2,739,631	2,373,166	1,410,802
	3,656,297	2,739,631	2,373,166	1,410,802

45.1.5 Geographical segment analysis

(Rupees in thousand)	Note	2006			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and Commitments
Pakistan		3,280,611	162,479,049	10,874,620	99,230,302
Asia Pacific (including South Asia)		–	–	–	–
Europe		–	–	–	–
United States of America and Canada		–	–	–	–
Middle East	45.1.5.1	46,523	3,534,301	160,539	243,412
Others		–	–	–	–
		3,327,134	166,013,350	11,035,159	99,473,714

45.1.5.1 These do not include intra group items of Rs. 3,228,429 thousand (2005: Rs. 2,030,077 thousand) eliminated upon consolidation of foreign branch results.

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

45.2 Market Risk:

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

45.2.1 Foreign Exchange Risk

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

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

2006				
(Rupees in thousand)	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Pakistan Rupees	135,165,480	111,325,269	5,654,515	29,494,726
U.S. Dollars	24,574,814	40,026,901	(5,013,954)	(20,466,041)
Pound Sterling	1,322,732	1,612,172	(221,005)	(510,445)
Japanese Yen	5,947	57,810	6,447	(45,416)
Euro	933,272	885,397	(410,740)	(362,865)
Other European Currencies	10,637	57,989	–	(47,352)
Other Currencies	171,650	286,156	(15,263)	(129,769)
	162,184,532	154,251,694	–	7,932,838

45.2.2 Equity position risk

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

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

45.2.3 Mismatch of interest rate sensitive assets and liabilities

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

2006												
(Rupees in thousand)	Effective Yield / Interest rate	Total	Exposed to yield / interest risk								Non-interest bearing financial instruments	
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 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%	14,879,231	3,256,304	-	-	-	-	-	-	-	-	11,622,927
Balances with other banks	5.86%	7,336,838	6,022,708	-	-	-	-	-	-	-	-	1,314,130
Lendings to financial institutions	9.67%	8,392,950	5,450,210	2,211,820	274,095	152,275	304,550	-	-	-	-	-
Investments	8.76%	28,571,969	3,309,742	1,640,832	1,513,039	10,364,329	809,916	1,583,059	4,269,910	2,064,159	-	3,016,983
Advances	10.21%	99,179,439	14,648,476	21,255,811	24,572,558	16,789,986	1,854,421	8,616,123	3,508,586	3,638,630	4,294,781	67
Other assets	-	3,824,105	-	-	-	-	-	-	-	-	-	3,824,105
		162,184,532	32,687,440	25,108,463	26,359,692	27,306,590	2,968,887	10,199,182	7,778,496	5,702,789	4,294,781	19,778,212
Liabilities												
Bills payable	-	1,839,077	-	-	-	-	-	-	-	-	-	1,839,077
Borrowings	7.06%	14,964,087	3,592,379	8,027,088	3,344,620	-	-	-	-	-	-	-
Deposits and other accounts	5.05%	131,837,230	34,935,102	18,936,341	14,567,317	10,274,080	140,367	147,440	820,861	26,400,062	-	25,615,660
Sub-ordinated loans	11.17%	2,998,500	-	300	300	600	1,200	1,200	2,400	2,992,500	-	-
Liabilities against assets subject to finance lease	-	4,440	-	-	-	820	-	-	3,620	-	-	-
Other liabilities	-	2,608,360	-	-	-	-	-	-	-	-	-	2,608,360
		154,251,694	38,527,481	26,963,729	17,912,237	10,275,500	141,567	148,640	826,881	29,392,562	-	30,063,097
On-balance sheet gap		7,932,838	(5,840,041)	(1,855,266)	8,447,455	17,031,090	2,827,320	10,050,542	6,951,615	(23,689,773)	4,294,781	(10,284,885)
Off-balance sheet financial instruments												
Purchase and resale agreements	9.04%	2,264,121	2,264,121	-	-	-	-	-	-	-	-	-
Sale and repurchase agreements	8.70%	392,133	392,133	-	-	-	-	-	-	-	-	-
Commitments to extend credit	-	4,567,110	4,567,110	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		(2,695,122)	(2,695,122)	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(8,535,163)	(1,855,266)	8,447,455	17,031,090	2,827,320	10,050,542	6,951,615	(23,689,773)	4,294,781	(10,284,885)
Cumulative yield / interest risk sensitivity gap			(8,535,163)	(10,390,429)	(1,942,975)	15,088,115	17,915,435	27,965,977	34,917,592	11,227,819	15,522,600	5,237,715

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

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

45.3 Liquidity Risk

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

45.3.1 Maturities of Assets and Liabilities

(Rupees in thousand)	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
Assets										
Cash and balances with treasury banks	14,879,231	14,879,231	-	-	-	-	-	-	-	-
Balances with other banks	7,336,838	7,336,838	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,392,950	5,450,210	2,211,820	274,095	152,275	304,550	-	-	-	-
Investments	28,571,969	3,239,416	1,954,547	1,513,039	10,364,329	809,916	1,583,059	4,269,910	4,826,571	11,182
Advances	99,179,439	14,648,476	21,255,811	24,572,625	16,789,986	1,854,421	8,616,123	3,508,586	3,638,630	4,294,781
Operating fixed assets	3,828,818	27,846	417,916	445,761	167,074	289,249	243,419	306,777	417,169	1,513,607
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	3,824,105	245,412	2,920,282	99,737	480,158	78,516	-	-	-	-
	166,013,350	45,827,429	28,760,376	26,905,257	27,953,822	3,336,652	10,442,601	8,085,273	8,882,370	5,819,570
Liabilities										
Bills payable	1,839,077	919,539	919,538	-	-	-	-	-	-	-
Borrowings	14,964,087	3,592,379	8,027,088	3,344,620	-	-	-	-	-	-
Deposits and other accounts	131,837,230	40,683,017	22,060,201	17,691,177	14,314,250	140,367	147,440	820,861	35,979,917	-
Sub-ordinated loans	2,998,500	-	300	300	600	1,200	1,200	2,400	2,992,500	-
Liabilities against assets subject to finance lease	4,440	-	-	-	820	-	-	3,620	-	-
Deferred tax liabilities	726,497	100,990	-	-	261,603	-	-	-	-	363,904
Other liabilities	2,608,360	1,934,363	385,267	-	288,730	-	-	-	-	-
	154,978,191	47,230,288	31,392,394	21,036,097	14,866,003	141,567	148,640	826,881	38,972,417	363,904
Net assets	11,035,159	(1,402,859)	(2,632,018)	5,869,160	13,087,819	3,195,085	10,293,961	7,258,392	(30,090,047)	5,455,666
Share Capital	2,004,333									
Reserves	5,809,501									
Unappropriated Profit	1,787,161									
Surplus on revaluation of assets	1,434,164									
	11,035,159									

45.4 Operational risk

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

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

46. Non-adjusting events after the balance sheet date

The Board of Directors in its meeting held on February 14, 2007 has proposed a cash dividend of Rs. 1 per share (2005: Rs 1.5 per share). In addition, the directors have also announced a bonus issue of 50 percent (2005: 33 percent). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2006 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2007 as follows:

	Rupees in thousand
Transfer from unappropriated profit to:	
Proposed dividend	200,433
Reserve for issue of bonus shares	1,002,166
General Reserve	579,309

47. Corresponding figures

Due to change in accounting policy for appropriations subsequent to balance sheet date as more fully explained in note 5.1, reserves and unappropriated profit balances as at December 31, 2005 have been restated as shown in the statement of changes in equity. The effect of other rearrangement and reclassifications is not material.

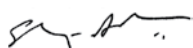
48. General

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

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

49. Date of authorization

These consolidated financial statements were authorised for issue on February 14, 2007 by the Board of Directors of the Bank.



Shaharyar Ahmad
President & Chief Executive



Zafar Alam Khan Sumbal
Director



Lt. Gen. (R) Zarrar Azim
Director



Lt. Gen. Waseem Ahmed Ashraf
Chairman

Annexure - 1

referred to in note 10.7 to these financial statements

Statement in terms of sub-section (3) of section 33-A of the Banking Companies Ordinance, 1962 in respect of written off loans or any other financial reliefs of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2006.

(Rupees in thousand)											
S.#	Name and address of the Borrower	Name of Individuals / Partners / Directors	Father's / Husband's Name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / Mark-up written-off	Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
1.	Linex International (Pvt) Limited 13-B, East Avenue, DHA Karachi	Mr. Zafar Alam (517-90-218324) Mr. Arif Alam (517-88-218325) Mr. Amjad Alam (517-91-218326)	Mr. Habib-ur-Rahman	1,597	864	-	2,461	1,597	864	-	2,461
Total				1,597	864	-	2,461	1,597	864	-	2,461

Annexure - 2

Islamic Banking Business

The Bank is operating 6 Islamic banking branches at the end of 2006 as compared to nil Islamic banking branches at the end of 2005.

(Rupees in thousand)	2006	2005
Assets		
Cash and balances with treasury banks	126,867	-
Balances with and Due from Financial Institutions	370,112	-
Investments	-	-
Financing and Receivables		
- Murahaba	19,094	-
- Ijara	31,291	-
- Musharaka	-	-
- Diminishing Musharaka	-	-
- Salam	-	-
- Other Islamic Modes	-	-
Other assets	102,779	-
Total Assets	650,143	-
Liabilities		
Bills payable	3,616	-
Due to Financial Institutions	-	-
Deposits and other accounts		
- Current Accounts	152,864	-
- Saving Accounts	177,359	-
- Term Deposits	19,950	-
- Others	15,800	-
- Deposit from Financial Institutions - Remunerative	211,682	-
- Deposits from Financial Institutions - Non-Remunerative	-	-
Due to Head Office	-	-
Other liabilities	7,565	-
	588,836	-
Net assets	61,307	-
Represented by		
Islamic Banking Fund	100,000	-
Reserves	-	-
Unappropriated / Unremitted loss	(38,693)	-
	61,307	-
Surplus / (Deficit) on revaluation of assets	-	-
	61,307	-
Remuneration to Shariah Advisor / Board	360	-
Charity fund		
Opening Balance	-	-
Additions during the period	-	-
Payments / Utilization during the period	-	-
Closing Balance	-	-

Pattern of Shareholding

as at December 31, 2006

Number of shareholders	Shareholding		Total shares held
	From	To	
3,236	1	100	131,784
3,606	101	500	990,505
1,852	501	1,000	1,426,399
4,839	1,001	5,000	11,468,595
467	5,001	10,000	3,450,462
553	10,001	110,000	16,423,965
71	110,001	315,000	13,110,674
11	325,001	405,000	4,070,022
8	405,001	490,000	3,545,721
11	510,001	610,000	5,971,977
13	625,001	990,000	9,921,826
11	995,001	2,525,000	18,778,134
3	3,470,001	15,060,000	31,638,026
1	79,505,001	79,510,000	79,505,149
14,682			200,433,239

Categories of shareholders

Particulars	Number of shareholders	Shares held	Percent
Individuals - Note 1	14,244	46,406,464	23.15
Investment companies	171	22,983,195	11.47
Insurance companies	23	5,378,403	2.68
Joint stock companies	43	9,334,158	4.66
Financial institutions	62	11,133,481	5.55
Modaraba and Mutual Funds	37	2,094,386	1.05
Charitable and other trusts	36	96,867,144	48.33
Foreign investors	58	6,018,760	3.00
Others	8	217,248	0.11
Total	14,682	200,433,239	100.00

Note 1: Individuals include 8 directors holding 6,384 shares, detailed below, in their capacity as nominees of Army Welfare Trust (AWT). The ultimate ownership remains with AWT.

Held by

Particulars	Number of shareholders	Shares held	Percent
Associated company			
Army Welfare Trust	1	94,574,143	47.18
NIT / ICP			
National Investment (Unit) Trust	1	15,192,691	7.58
Investment Corporation of Pakistan	1	8,535	0.00
Directors & Chief Executive			
Lt. Gen. Waseem Ahmad Ashraf	1	798	0.00
Lt. Gen (R.) Zarrar Azim	1	798	0.00
Brig. (R.) Muhammad Shiraz Baig	1	798	0.00
Brig. (R.) Muhammad Bashir Baz	1	798	0.00
Mr. Kashif Mateen Ansari	1	798	0.00
Brig. (R.) Shaukat Mahmood Chaudhari	1	798	0.00
Mr. Zafar Alam Khan Sumbal	1	798	0.00
Brig. (R.) Asmat Ullah Khan Niazi	1	798	0.00
	8	6,384	0.00
Muhammad Afzal Munif	1	627,599	0.31
Executives of the Bank	12	22,239	0.01
Public sector companies and corporations	-	-	0.00
Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds (excluding NIT & ICP)	334	35,722,397	17.83
Individuals	14,264	46,666,485	23.29
Others	60	7,612,766	3.80
Total	14,682	200,433,239	100.00

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

Correspondent Network

- 1. Algeria**
Banque de l'Agriculture et du
Development Rural
- 2. Argentina**
HSBC Bank Argentina SA
- 3. Armenia**
HSBC Bank Armenia Jsc
- 4. Australia**
Australia & Newzealand Banking Group
Commonwealth Bank of Australia
Habib Finance Australia Limited
HSBC Bank Australia Limited
St. George Bank Limited
WestPac Banking Corporation
- 5. Austria**
Bank Austria Creditanstalt AG
Citibank International Plc
Oberosterreichische Landsbank AG
Raiffeisen Zentralbank Osterreich (RZB)
Schoellerbank AG
- 6. Azerbaijan**
The International Bank of Azerbaijan
Republic
- 7. Bangladesh**
Export Import Bank of Bangladesh
United Commercial Bank Limited
- 8. Belgium**
Dexia Bank Belgium
Fortis Bank, NV/S.A
ING Belgium NV/SA
KBC Bank NV
- 9. Bosnia Herzegovina**
HVB Central Profit Banka dd
- 10. Brazil**
Banco Citibank SA
- 11. Bulgaria**
HVB Bank Biochim AD
- 12. Canada**
Canadian Imperial Bank of Commerce
HSBC Bank Canada
National Bank of Canada
Royal Bank of Canada
Toronto-Dominion Bank
- 13. Chile**
BBV Banco BHIF
- 14. China**
Agricultural Bank of China
Bank of China Limited
Bank of Communications
China Construction Bank Corporation
China Merchants Bank
China Minsheng Banking Corporation
Export Import Bank of China
(EXIM Bank)
Guangdong Development Bank
Industrial and Commercial Bank of
China Limited
Jinan City Commercial Bank
- 15. Croatia**
HVB Splitska banka dd Split
Zagrebacka Banka dd
- 16. Cyprus**
Cyprus Popular Bank Public
Company Limited
Hellenic Bank Public Company Limited
- 17. Czech Republic**
Ceskoslovenska Obchodni Banka as
HVB Bank Czech Republic a.s.
Raiffeisenbank as
- 18. Denmark**
Danske Bank Aktieselskab
Nordea Bank Denmark A/S
Spar Nord Bank
- 19. Egypt**
Bank of Alexandria
- 20. Finland**
Sampo Bank Plc
Nordea Bank plc
- 21. France**
BNP Paribas SA
CALYON
Credit Lyonnais
Credit Agricole SA
HSBC France
Societe Generale
Union de Banques et de Francaises
(UBAF)
- 22. Germany**
Bayerische Landesbank
Bayerische Hypo-Und Vereinsbank AG
Commerzbank A.G
Deutsche Bank, A.G
Dresdner Bank A.G
DZ Bank AG Deutsche Zentral-
Genosschaftsbank
Sparkasse Aachen
WGZ-Bank AG Westdeutsche
Genossenschafts-Zentralbank
- 23. Greece**
Alpha Bank AE
- 24. Hong Kong**
Bank of China (Hong Kong) Limited
Bank of East Asia Ltd. (The)
Hang Seng Bank
Hong Kong & Shanghai Banking Corp.
- 25. Hungary**
Budapest Credit & Development Bank Rt
Citibank Zrt
HVB Bank Hungary Zrt
Raiffeisen Bank Zrt
- 26. India**
State Bank of India
ICICI Bank Limited
- 27. Indonesia**
PT Bank Lippo Tbk
PT. Bank Mandiri (Persero) Tbk
- 28. Iran**
Bank Mellat
Bank Melli Iran
Bank Saderat Iran
- 29. Ireland**
Bank of Ireland
Hypo Public Finance Bank
- 30. Italy**
Banca di Roma SpA
Banca Nazionale Del Lavoro SpA
Banca Antonveneta SpA
Banca Intesa SpA
Banca Cassa Di Risparmio Di
Tortona SpA
Banca UBAE SpA
UniCredito Italiano SPA
- 31. Japan**
The Bank of Tokyo - Mitsubishi UFJ
Limited
Mizuho Corporate Bank Limited
Resona Bank Limited
Somitomo Mitsui Banking Corp.
- 32. Jordan**
Jordan Ahli Bank Plc
The Housing Bank for Trade & Finance
- 33. Kazakhstan**
ABN AMRO Bank Kazakhstan
Alliance Bank Joint Stock Company
Bank TuranAlem
Citibank Kazakhstan
- 34. Kenya**
African Banking Corporation Limited
Kenya Commercial Bank
Stanbic Bank Kenya Limited
- 35. Korea (South)**
Daegu Bank Limited
Kookmin Bank
KorAm Bank
Korea Exchange Bank
Shinhan Bank
- 36. Kuwait**
Al-Ahli Bank of Kuwait KSC
Bank of Kuwait and Middle East
Commercial Bank of Kuwait
Gulf Bank KSC
- 37. Lebanon**
Byblos Bank SAL
- 38. Luxembourg**
Banque Geneale De Luxemburg
- 39. Malaysia**
HSBC Bank Malaysia Berhad
Public Bank Berhad
RHB Bank Berhad
- 40. Mauritius**
The Mauritius Commercial Bank
- 41. Mexico**
HSBC Mexico SA

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

Branch Network

NORTH REGION

ISLAMABAD - AREA

Aabpara

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

Beverly Centre, Blue Area

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

Chashma

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

F-7 Markaz

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

F-8 Markaz

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

I-9 Industrial Area

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

Jinnah Avenue

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

RAWALPINDI NORTH - AREA

AWT Plaza

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

Chaklala Scheme-III

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

Haider Road

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

Mirpur (AK)

Nathia Building , Chowk Shaheedan,
Mirpur.
PABX: (058610) 45451-52
Direct: (058610) 45450
Fax: (058610) 35429

Muzafarabad (AK)

Main Secretariat Road,
Muzafarabad.
PABX: (058810) 43387 & 43557
Direct: (058810) 43475
Fax: (058810) 43454

Peshawar Road

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

Satellite Town

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

RAWALPINDI EAST - AREA

Adyala Road

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

Chakwal

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

College Road

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

DHA

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

F-10 Markaz

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

General Headquarters (GHQ)

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

Gujar Khan

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

Jhelum

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

PESHAWAR - AREA

Abbottabad

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

Dera Ismail Khan

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

Kohat

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

Mardan

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

Mingora

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

Nowshera

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

Peshawar Cantt.

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

Peshawar City

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

CENTRAL REGION

LAHORE-I - AREA

Baghbanpura

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

Circular Road

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

D.H.A.

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

D.H.A.Phase-II

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

Model Town

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

Shad Bagh

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

Shah Alam Market

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

Township

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

Tufail Road

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

LAHORE-II - AREA

Allama Iqbal Town

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

Badami Bagh

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

Cavalry Ground

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

Gulberg

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

M.A. Johar Town

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

Phool Nagar

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

Ravi Road

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

Shahdara

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

Shahrah-E-Aiwan-E-Tijarat

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

The Mall

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

FAISALABAD - AREA

Jhang

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

Khurrianwala

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

Okara

Chak No. 2/42, M.A. Jinnah Road, Tehsil & District Okara.
PABX: (044) 2529973-74 & 2529976
Direct: (044) 2550002
Fax: (044) 2550974

Okara Cantt

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

Peoples Colony

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

Sahiwal

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

Sargodha

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

University Road

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

MULTAN - AREA

Abdali Road

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

Bahawalpur

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

Bosan Road

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

Burewala

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

Khanewal

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

Rahim Yar Khan

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

Sadiqabad

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

Vehari

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

GUJRANWALA - AREA

G.T. Road

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

Gujrat

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

Jalalpur Bhattian

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

Sheikhupura

Property No. B-IX-6S-44,
Main Lahore-Sargodha Road,
Sheikhupura.
PABX: (056) 3788031 & 3788071
Direct: (056) 3788037
Fax: (065) 3788084

Sialkot Cantt

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

Sialkot City

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

SOUTH REGION

KARACHI-I - AREA

Bohra Pir

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

Cloth Market

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

Gawadar

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

Jodia Bazar

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

M.A. Jinnah Road

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

Marriot Road

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

New Challi

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

North Napier Road

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

Saima Trade Tower

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

Timber Market

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

KARACHI-II - AREA

Atrium Mall

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

Badar Commercial

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

Clifton

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

D H A

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

Korangi Industrial Area

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

Malir Cantt.

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

Marston Road

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

Saddar

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

KARACHI-III - AREA

Bahadurabad

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

Federal B Area

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

Gabol Town

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

Gulistan-e-Jauhar

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

Gulshan-e-Iqbal

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

Hydri North Nazimabad

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

Metroville

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

S.I.T.E.

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

Shaheed-e-Millat

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

Shahrah-e-Faisal

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

HYDERABAD - AREA

Daharki

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

Ghotki

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

Hyderabad

332-333, Saddar Bazar, Hyderabad.
P.O Box 470.
PABX: (0221) 2783616, 2783618,
(0221) 2784852, 2783615
Direct: (0221) 783615
Fax: (0221) 2784760

Jacobabad

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

Kandhkot

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

Larkana

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

Mirpurkhas

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

Nawabshah

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

Sukkur

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

QUETTA - AREA

Cantt.

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

Chaman

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

Hazar Ganji

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

M.A. Jinnah Road

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

Masjid Road

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

Meezan Chowk

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

Satellite Town

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

ISLAMIC BANKING BRANCHES

ISLAMABAD

Jinnah Avenue

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

KARACHI

Jodia Bazar

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

LAHORE

Cavalry Ground

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

PESHAWAR

Peshawar Cantt.

1-2, Cantt. Plaza, Fakhre-Alam Road,
Peshawar.
PABX: (091) 9213740-41
Direct: (091) 9213743
Fax: (091) 9213742

RAWALPINDI

Chandani Chowk

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

QUETTA

M.A. Jinnah Road

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

OVERSEAS OPERATIONS

BAHRAIN (OBU)

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

Balance Sheet in US\$

as at December 31, 2006

In thousands of US\$	2006	Restated 2005
Assets		
Cash and balances with treasury banks	244,362	196,738
Balances with other banks	120,430	92,796
Lendings to financial institutions	137,838	170,076
Investments	470,125	429,831
Advances	1,628,829	1,437,500
Operating fixed assets	62,577	53,384
Deferred tax assets	-	-
Other assets	62,618	45,689
	2,726,779	2,426,014
Liabilities		
Bills payable	30,203	21,998
Borrowings	245,756	176,598
Deposits and other accounts	2,165,204	1,986,201
Sub-ordinated loans	49,245	50,154
Liabilities against assets subject to finance lease	-	24
Deferred tax liabilities	12,092	9,484
Other liabilities	42,751	34,197
	2,545,251	2,278,656
Net assets	181,528	147,358
Represented by:		
Share capital	32,918	25,196
Reserves	95,496	74,746
Unappropriated profit	29,561	27,046
	157,975	126,988
Surplus on revaluation of assets - net of tax	23,553	20,370
	181,528	147,358

Note:

The above is for information only and conversions have been made @ 1 US\$ = Rs.60.89 as at December 31, 2006 (Rs.59.81 as at December 31, 2005).

Profit and Loss Account in US\$

For the year ended December 31, 2006

In thousands of US\$	2006	Restated 2005
Mark-up / return / interest earned	206,880	146,810
Mark-up / return / interest expensed	114,589	71,533
Net mark-up / interest income	92,291	75,277
Provision against non-performing loans and advances	18,528	10,676
Provision / (reversal) for impairment in the value of investments	6	(611)
Bad debts written off directly	-	-
	18,534	10,065
Net mark-up / interest income after provisions	73,757	65,212
Non mark-up / interest income		
Fee, commission and brokerage income	16,647	14,020
Dividend income	1,795	855
Income from dealing in foreign currencies	9,597	5,956
Gain on sale of securities - net	1,848	1,679
Unrealised loss on revaluation of investments classified as held for trading - net	(38)	(10)
Other income	5,284	3,458
Total non-markup / interest income	35,133	25,958
	108,890	91,170
Non mark-up / interest expenses		
Administrative expenses	53,824	43,337
Other provisions / write offs	-	-
Other charges	101	31
Total non-markup / interest expenses	53,925	43,368
	54,965	47,803
Extra ordinary / unusual items	-	-
Profit before taxation	54,965	47,803
Taxation – current	16,158	13,857
– prior years'	-	(3,147)
– deferred	1,856	3,286
	18,014	13,996
Profit after taxation	36,951	33,807
Unappropriated profit brought forward	26,566	25,722
Profit available for appropriation	63,517	59,529
Basic / diluted earnings per share - US\$	0.18	0.17

Note:

The above is for information only and conversions have been made @ 1 US\$ = Rs.60.89 as at December 31, 2006 (Rs.59.81 as at December 31, 2005).

Glossary of Financial & Banking Terms

Acceptances

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

Accrual Basis

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

Bills for Collection

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

Bonus Issue (Scrip Issue)

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

Capital Adequacy Ratio

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

Cash Equivalents

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

Commitments

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

Commitment to Extend Credit

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

Contingencies

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

Cost/Income Ratio

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

Corporate Governance

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

CAGR

An abbreviation for Compound Annual Growth Rate.

Deferred Taxation

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

Earning per Share

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

Effective Tax Rate

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

Equity Method

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

Finance Lease

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

Forward Exchange Contract.

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

Gross Dividends

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

Guarantees

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

Historical Cost convention

Recording transactions at the actual value received or paid.

Interest in Suspense

Interest suspended on non-performing loans and advances.

Interest Spread

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

Liquid Assets

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

Loan Losses and Provisions

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

Market Capitalisation

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

Materiality

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

Net Assets Value per Share

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

Net Dividends

Dividend net of withholding tax.

Net Interest Income

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

Non Performing Loans

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

Off Balance Sheet Transaction

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

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by earnings per share.

Prudence

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

Related Parties

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

Return on Average Assets

Profit after tax divided by the average assets.

Risk weighted assets

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

Repurchase Agreement

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

Reverse Repurchase Agreement

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

Return on average Equity

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

Revenue Reserve

Reserves set aside for future distribution and investment.

Shareholders' Funds

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

Statutory Reserve Funds

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

Subsidiary Company

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

Notes

AGM

On March 29, 2007 at 10.00 a.m

Blue Lagoon Complex

Opposite Outward Gate of

Pearl Continental Hotel, Rawalpindi.

Form of Proxy

Askari Commercial Bank Limited

Folio No. _____ or CDC participant identity No. _____ CDC A/C No. _____

I / We _____

of _____

being a member(s) of the Askari Commercial Bank Limited holding shares No. _____

HEREBY APPOINT _____

of _____

also a member of the Askari Commercial Bank Ltd. (Folio No. _____) or failing him / her _____

_____ of _____ also a member of Askari Commercial Bank Ltd. (Folio No. _____) as my / our

proxy to vote for me / us, and on my / our behalf at the 15th Annual General Meeting of Askari Commercial Bank Ltd. to be held at 10:00 a.m. Thursday, the 29th day of March 2007.

Signed this _____ day of _____ 2007.

Witnesses:

1. Name: _____

Address: _____

C.N.I.C. No. _____

Signature _____

Affix Revenue Stamp
of Five Rupees

2. Name: _____

Address: _____

C.N.I.C. No. _____

Signature _____

Signature _____

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

NOTES:

A. General:

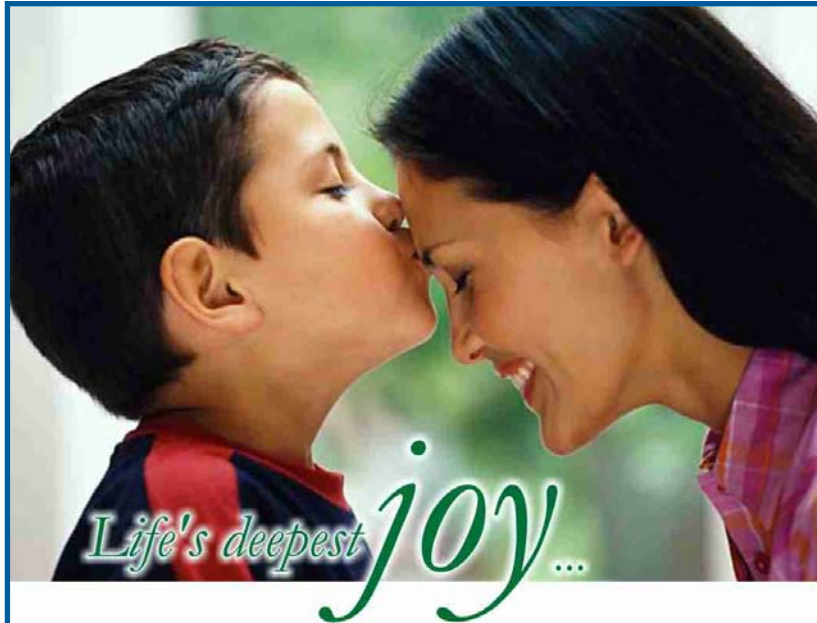
1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of the Bank except that Government of Pakistan / State Bank of Pakistan / corporate entity may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporate entity (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy, thereof, should be deposited, with our Registrar and Share Transfer Office, M/s THK Associates (Pvt) Ltd. Ground Floor, State Life Building # 3, Dr. Ziauddin Ahmad Road, Karachi-75530, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instruments of proxy, are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders:

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

The Company Secretary:
ASKARI COMMERCIAL BANK LIMITED
AWT Plaza, The Mall, P.O. Box No. 1084
Rawalpindi - Pakistan.





...True fulfillment

Askari Bank's Value Plus Rupee Deposit Account	Askari Bank's ASKCARD Debit Card	Askari Islamic Banking Products
Askari Bank's Personal Finance Loans Scheme	Askari Bank's ASKPOWER Prepaid Card	Askari Ijarah Bis Sayyarah (Vehicle Leasing)
Askari Bank's ASKAR Auto Loans	Askari Bank's Home Finance Home Loans	Askari Home Musharakah (Home Finance)
Askari Bank's I-Net Banking Internet Banking solutions	Askari Bank's Business Finance Business Loans	Murabaha (Business Finance)
Askari Bank's Touch n Pay Utility Bills payment through Internet and ATM	Askari Bank's SmartCash Running Finance Facility for Consumers	Diminishing Musharakah (Business Finance - Partnership with ownership)
Askari MasterCard Credit Card facility	Askari Kissan Agri Finance Programme	Islamic Trade Finance
Askari Bank's Travellers Cheques Rupee Travellers Cheques	Askari Bank's Mobile ATM	Islamic Structured Finance
		Askari Investment Management Ltd. Products <small>(A wholly owned subsidiary of Askari Commercial Bank Ltd.) Askari Income Fund</small>



Toll Free: 0800 00078

inspiring relationships

www.askaribank.com.pk