SONERI BANK LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2006

	Note	2006
		(Rupe
ASSETS		
Cash and balances with treasury banks	6	5,551,302
Balances with other banks	7	6,603,003
Lendings to financial and other institutions	8	3,193,405
Investments - net	9	16,724,253
Advances - net	10	35,412,248
Operating fixed assets	11	1,929,885
Deferred tax assets		-
Other assets - net	12	1,315,578
		70,729,674
LIABILITIES		
Bills payable	14	957,576
Borrowings	15	8,916,437
Deposits and other accounts	16	53,000,647
Sub-ordinated loans	17	1,199,280
Liabilities against assets subject to finance lease		-
Deferred tax liabilities - net	18	338,698
Other liabilities	19	705,133
		65,117,771
NET ASSETS		5,611,903
REPRESENTED BY		
Share capital	20	3,116,835
Reserves		1,676,602
Unappropriated profit		400,853
		5,194,290
Surplus on revaluation of assets - net of tax	21	417,613
		5,611,903
CONTINGENCIES AND COMMITMENTS	22	

The annexed notes 1 to 45 and Annexures I & II form an integral part of these financial statements.

President / Chief Executive	**Director**	**Director**

SONERI BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006
		(Rup
Mark-up / return / interest earned	23	5,536,09
Mark-up / return / interest expensed	24	3,768,32
Net mark-up / return / interest income		1,767,77
Provision against non-performing loans and advances - net	10.3	36,62
Provision for diminution in the value of investments	9.3	
Bad debts written off directly	10.4	12
		36,74
Net mark-up / return / interest income after provisions		1,731,03
Non mark-up / interest income		
Fee, commission and brokerage income		242,82
Dividend income		31,20
Income from dealing in foreign currencies		149,19
Gain on sale of securities - net	25	112,99
Unrealised gain / (loss) on revaluation of investments classified as 'held for trading'		
Other income	26	218,65
Total non-markup / interest income		754,87
		2,485,90
Non mark-up / interest expenses		
Administrative expenses	27	1,028,82
Provision against other assets	12.1	
Other charges	28	8,18
Total non-markup / interest expenses		1,037,00
		1,448,90
Extra ordinary / unusual items		
Profit before taxation		1,448,90
Taxation - Current	29	448,00
- Prior years	29	(83,54
- Deferred	29	99,14
		463,60
Profit after taxation		985,29
Unappropriated profit brought forward		753,87
Profit available for appropriation		1,739,17
Basic / diluted earnings per share (Rupees)	30	3.2

The annexed notes 1 to 45 and Annexures I & II form an integral part of these financial statements.

President / Chief Executive **Director** **Director**

SONERI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Share capital	Capital reserves			General reserve
		Reserve for issue of bonus shares	Share premium	Statutory reserve (a)	
	------------------	------------------	(Rupees in '000)	------------------	------------------
Opening balance for the year 2005 as previously reported	1,271,919	381,576	1,405	687,880	521,210
Transfer to general reserves for the year ended December 31, 2004 appropriated subsequent to year end	-	-	-	-	(125,000)
Transfer to reserve for issue of bonus shares declared subsequent to year end	-	(381,576)	-	-	-
Opening balance for the year 2005 as restated	1,271,919	-	1,405	687,880	396,210
Effect of change in accounting policy (note 5.19)					
Transfer to general reserves for the year ended December 31, 2004 appropriated subsequent to year end	-	-	-	-	125,000
Transfer to reserve for issue of bonus shares declared subsequent to year end	-	381,576	-	-	-
Profit after taxation for the year 2005	-	-	-	-	-
Issue of bonus shares	381,576	(381,576)	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-
Transfers to reserve for issue of bonus shares and to statutory & general reserve	-	496,049	-	184,047	85,000
Final cash dividend @10% for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-
Balance as at December 31, 2005 as previously reported	1,653,495	496,049	1,405	871,927	606,210
Effect of change in accounting policy (note 5.19)					
Transfer to general reserve for the year ended December 31, 2005 appropriated subsequent to year end	-	-	-	-	(85,000)
Transfer to reserve for issue of bonus shares declared subsequent to year end	-	(496,049)	-	-	-
Final cash dividend @10% for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-
Balance as at December 31, 2005 as restated	1,653,495	-	1,405	871,927	521,210
Effect of change in accounting policy (note 5.19)					
Transfer to general reserves for the year ended December 31, 2005 appropriated subsequent to year end	-	-	-	-	85,000
Transfer to reserve for issue of bonus shares declared subsequent to year end	-	496,049	-	-	-
Final cash dividend @10% for the year ended December 31, 2005 declared subsequent to year end	-	-	-	-	-
Transfer to reserve for issue of interim bonus shares	-	429,906	-	-	-
Issue of bonus shares declared subsequent to year end	496,049	(496,049)	-	-	-
Issue of interim bonus shares	429,906	(429,906)	-	-	-
Issue of rights shares during the year	537,385	-	-	-	-
Profit after taxation for the year 2006	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax (note 21.1)	-	-	-	-	-
Transfer to statutory reserve	-	-	-	197,060	-
Balance as at December 31, 2006	3,116,835	-	1,405	1,068,987	606,210

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes 1 to 45 and Annexures I & II form an integral part of these financial statements.

President / Chief Executive **Director** **Director**

SONERI BANK LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006
		(Rup
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		1,448,90
Less: Dividend income		31,20
		1,417,69
Adjustments:		
Depreciation and write offs'		177,08
Provision against non-performing advances		36,62
Provision for diminution in the value of investments / other assets		-
Gain on sale of fixed assets		(2,76
Bad debts written off directly		12
		211,06
		1,628,76
(Increase)/ decrease in operating assets		
Lendings to financial and other institutions		1,652,16
Advances		(3,396,44
Others assets (excluding advance taxation)		30,88
		(1,713,39
Increase/ (decrease) in operating liabilities		
Bills payable		93,64
Borrowings		673,47
Deposits and other accounts		5,395,13
Other liabilities (excluding current taxation)		135,47
		6,297,74
		6,213,11
Payments of provision against off-balance sheet obligations		-
Income tax paid		(445,56
Net cash in flow from operating activities		5,767,55
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities		(6,837,18
Net investments in held to maturity securities		6,368,36
Dividend income		33,57
Investments in operating fixed assets		(360,24
Sale proceeds of property and equipment disposed-off		4,45
Net cash out flow on investing activities		(791,04
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts / payments of sub-ordinated loan		(48
Issue of right shares		537,38
Dividend paid		(165,34
Net cash in flow from / out flow on financing activities		371,55
Increase / (decrease) in cash and cash equivalents		5,348,06
Cash and cash equivalents at beginning of the year		6,806,23
Cash and cash equivalents at end of the year	31	12,154,30

The annexed notes 1 to 45 and Annexures I & II form an integral part of these financial statements.

President / Chief Executive **Director** **Director**

SONERI BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

1. STATUS AND NATURE OF BUSINESS

Soneri Bank Limited was incorporated in Pakistan on September 28, 1991 as a public limited c
Companies Ordinance, 1984 with registered office situated at 4th floor, IEP building, 97-B / D - 1, G
Punjab. Its shares are quoted on all the stock exchanges in Pakistan. The bank is engaged in b
described in the Banking Companies Ordinance, 1962 and operates 72 branches including tw
branches (2005: 60 branches including one Islamic banking branch) in Pakistan.

2 BASIS OF PRESENTATION

(a) In accordance with the directives of the Federal Government regarding the shifting of the
Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. P
trade-related modes of financing include purchase of goods by banks from their customers an
to them at appropriate mark-up in price on deferred payment basis. The purchases and sales
arrangements are not reflected in these financial statements as such but are restricted to th
actually utilised and the appropriate portion of mark-up thereon.

(b) The financial results of the Islamic Banking branches of the bank has been consolidated
statements for reporting purposes, after eliminating material intra branch transactions / bala
results of the Islamic Banking branches are disclosed in Annexure II to these financial stateme

3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standar
Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies
Approved accounting standards comprise of such International Financial Reporting Standards as
provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies
Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Comm
and the State Bank of Pakistan differ with the requirements of these standards, the requirements
Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives ta

3.2 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (
Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Inves
Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the req
standards have not been considered in the preparation of these financial statements. However, inve
classified and valued in accordance with the requirements prescribed by the State Bank of Pakist
circulars.

3.3 Initial Application of a Standard or an Interpretation

Amendments to published standards and new interpretations effective in 2006

IAS 19 (Amendment), Employee Benefits, is mandatory for the bank's accounting periods beg
January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains
adds new disclosure requirements. As the bank does not intend to change the accounting
recognition of actuarial gains and losses, adoption of this amendment only impacts the for
disclosures presented in the financial statements.

The other new standards, amendments and interpretations that are mandatory for accounting perio
after January 1, 2006 but considered not to be relevant or to have any significant effect on the ban
therefore not been detailed in these financial statements.

Standards, interpretations and amendments to published approved accounting standards effective

The following amendment to existing standards have been published that are mandatory for the periods beginning on the dates mentioned below:

- IAS 1 Presentation of Financial Statements – Capital Disclosures (Effective from January 1, 20

Adoption of the above amendment will only impact the extent of disclosures presented in the financi

4 BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention, except that are stated at revalued amounts, certain investments and commitments in respect of certain contracts have been marked to market and are carried at fair value and staff retirement benefit ar value.

4.2 Critical accounting estimate and judgements

The preparation of financial statements in conformity with the approved accounting standards certain critical accounting estimates. It also requires management to exercise its judgement in the the bank's accounting policies. The areas involving a higher degree of judgement or complexi assumptions and estimates are significant to the financial statements, are disclosed in Note 42.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash and balances and balances with other banks in current and deposit accounts.

5.2 Lendings to / borrowings from financial and other institutions

The bank enters into re-purchase agreements (repo) and reverse re-purchase agreements (reverse rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase obligation

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements the counter party liability is included in borrowings. The differential in sale and re-purchase value period of the contract and recorded as an expense.

(b) Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are not recognised in the finan investments and the amount extended to the counter party is included in lendings to financial an The difference between the contracted sales price and resale price is recognised as mark-u proportion basis over the period of the contract.

(c) Other borrowings

These are recorded at the proceeds received. Mark-up on such borrowings is charged to the prof over the period of borrowings.

5.3 Investments

The bank classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuatio
interest rate movements, dealers margin or are securities included in a portfolio in which a pattern
making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the bank has the
ability to hold to maturity.

(c) Available for sale

These are investments, other than those in subsidiaries and associates, if any, that do not fall
trading or held to maturity categories.

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

All purchases and sales of investments that require delivery within the time frame established by re
convention are recognised at the trade date. Trade date is the date on which the bank commits to p
investment.

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those c
maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation c
classified as 'available for sale', is taken to a separate account shown in the balance sheet belo
(deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is tak
loss account.

In accordance with the BSD circular No.14 dated September 24, 2004 issued by SBP, investments
to maturity' are carried at amortised cost.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of
calculated with reference to the net assets of the investee company as per the latest availab
statements.

Provision for diminution in the values of securities (except term finance certificates) is made
permanent impairment, if any, in their value. Provisions for diminution in the value of term finance
as per the Prudential Regulations issued by the State Bank of Pakistan.

Profit / (loss) on sale of investments is credited / charged to the profit and loss account currently.

5.4 Advances

Advances are stated at cost less specific and general provisions. Specific provision for non perfo
determined on the basis of Prudential Regulations and the other directives issued by the State Ba
charged to the profit and loss account. The bank also maintains general provision in respect of pote
in the portfolio which are not specifically identified. General provision against consumer fin
maintained as per the requirements of the Prudential Regulations issued by the State Bank of Paki
written off when there is no realistic prospect of recovery.

5.5 Fixed assets and depreciation

Owned

Property and equipment, other than capital work-in-progress are stated at cost or revalued amoun
depreciation and accumulated impairment loss (if any). Capital work-in-progress is stated at co

Depreciation on all operating fixed assets is charged using the straight line method in accorda
specified in note 11.2 to the financial statements after taking into account residual value, if any. T
and useful lives are reviewed and adjusted, if appropriate at each balance sheet date.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account
subsequent revaluation of fixed assets is adjusted against the balance in the above mentioned s
allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of
extent of incremental depreciation charged on the related assets is transferred to unappropriated pro

Depreciation on additions is charged from the month the assets are available for use while in t
disposed off, it is charged up to the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and
capitalised.

Gains and losses on sale of fixed assets are charged / credited to the profit and loss account curren
related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unap

Leased

Assets held under finance lease, if any, are stated at lower of fair value or present value of minimu
at inception less accumulated depreciation. The outstanding obligations under the lease agreemen
liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant pe
on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for
which are owned by the bank.

5.6 Operating leases

Lease payments, if any, under operating leases are charged to income on a straight line basis over t

5.7 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever ev
circumstances indicate that the carrying amounts of the assets may not be recoverable. If such in
where the carrying value exceeds the estimated recoverable amount, assets are written down t
amount. The resulting impairment loss is taken to the profit and loss account except for impairme
assets, which is adjusted against the related revaluation surplus to the extent that the impairment lo
the surplus on revaluation of that asset.

5.8 Taxation

Current

Provision for current taxation is based on the taxable income at the current rates of taxation after
available tax credit and rebates, if any. The charge for current tax also includes adjustments,
necessary relating to prior years, which arises from assessments / developments made during the y

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences be
amounts of assets and liabilities used for financial reporting purposes and amounts used for
Deferred tax is calculated at the rates that are expected to apply to the period when the differences
tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profi
against which the asset can be utilised. Deferred tax asset is reduced to the extent that it is no longe
related tax benefits will be realised.

The bank also recognises deferred tax assets on surplus / (liability) on deficit on revaluation o
securities which is adjusted against the related deficit / (surplus) in accordance with the requireme
Accounting Standard 12, 'Income Taxes'.

5.9 Provisions

Provisions are recognised when the bank has a legal or constructive obligation as a result of past e
that an outflow of resources will be required to settle the obligation and a reliable estimate of the am
Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estir

5.10 Staff retirement benefits

Defined benefit plan

The bank operates an approved funded gratuity scheme for all its permanent employees. Annua
made to the scheme in accordance with the actuarial recommendation. The actuarial valuation is ca
projected unit credit method. The cumulative unrecognised actuarial gain and losses at each
amortised over the average remaining working lives of the employees in excess of the following o
end of the last reporting year:

(i) 10% of the present value of the defined benefit obligation; and
(ii) 10% of the fair value of the plan assets

Gratuity is payable to staff on completion of the prescribed qualifying period of service under the sch

Defined contribution plan

The bank operates an approved provident fund scheme for all its permanent employees. Equal m
are made, both by the bank and its employees, to the fund at the rate of 8.33 percent of ba
employees. The minimum qualifying period of service for the purpose of bank's contribution is five ye

5.11 Employees' compensated absences

Employees' entitlement to annual leave is recognised when they accrue to employees. A pro
estimated liability in respect of unavailed leaves earned upto the date of balance sheet.

5.12 Revenue recognition

- Mark-up income / interest on advances and return on investments are recognised on a tim
using the effective yield on the instrument.

- Mark-up / return on classified advances and investments is recognised on receipt basis. Inte
up on rescheduled / restructured advances and investments is recognised as permitted
Regulations issued by the State Bank of Pakistan, except where in the opinion of the manag
be prudent to do so.

- Fee, commission and brokerage income is recognised when earned on time proportion basis.

- Dividend income from investments is recognised when the bank's right to receive the dividend

- Premium or discount on acquisition of investments is capitalised and amortised through
account over the remaining period till maturity.

5.13 Foreign currencies

(a) **Foreign currency transactions**

Foreign currency transactions are translated into rupees at the exchange rates prevailing o transaction. Monetary assets and liabilities in the foreign currencies are translated into rupees at prevailing at the balance sheet date. The fair value of forward cover taken from the State Bank of foreign currency deposits is added / deducted from value of foreign currency deposits. Outstand exchange contracts and foreign bills purchased excluding swap contracts are valued at the rate respective maturities. Exchange gains and losses are included in the current income.

(b) **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary econo which the bank operates. The financial statements are presented in Pakistani Rupees, which is th and presentation currency.

(c) **Translation gains and losses**

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

(d) **Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in the finan contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarant foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of the tr

5.14 Provision for guarantee claims and other off balance sheet obligations

Provision for guarantee claims and other off balance sheet obligations is recognised when intima certainty exists for the bank to settle the obligation. Charge to profit and loss account is state recoveries.

5.15 Acceptances

Acceptances comprise undertakings by the bank to pay bills of exchange drawn on customers. The acceptances to be simultaneously settled with the reimbursement from the customers. Acceptances as off-balance sheet transactions and are disclosed as contingent liabilities and commitments.

5.16 Financial instruments

5.16.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and balances with treasury banks, banks, lending to financial and other institutions, investments, advances, certain receivables, bills p from financial institutions, deposit accounts and other payables. The particular recognition me significant financial assets and financial liabilities are disclosed in the individual policy statemen them.

5.16.2 Derivative financial instruments

Derivative financial instruments, if any, are initially recognised at fair value on the date on which a d entered into and are subsequently remeasured at fair value. All derivative financial instruments ar when fair value is positive and liability when fair value is negative. Any change in the fair value of instruments is taken to the profit and loss account.

5.16.3 Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the financia there exists a legally enforceable right to set-off and the bank intends either to settle on a net ba

5.17 Segment Reporting

A segment is a distinguishable component of the bank that is engaged either in providing product or segment), or in providing products or services within a particular economic environment (geographic is subject to risks and rewards that are different from those of other segments. The operation currently based in Pakistan, therefore, geographical segment is not relevant.

Business segments

Corporate finance

Corporate banking includes syndicated financing and services provided in connection with merge underwriting, privatisation, securitisation, research, debts (government, high yield), equity, syn secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position sec repos, brokerage debt and prime brokerage.

Retail Banking

It includes retail lending and deposits, banking services, trust and estates, private lending and service, trust and estates investment advice, merchant / commercial / corporate cards and private la

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factorin guarantees, bills of exchange and deposits.

5.18 Earnings per share

The bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is ca the profit or loss attributable to ordinary shareholders of the bank by the weighted average number outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attr shareholders and the weighted average number of ordinary shares outstanding for the effects of ordinary shares, if any.

5.19 Dividends, appropriations and transfer between reserves

During the year the bank has changed its accounting policy pertaining to recognition of dividends, transfers between reserves (except transfers required by law) made subsequent to the balance she new policy dividends declared and transfers between reserves made subsequent to the balan considered as non-adjusting events and are not recorded in the financial statements. Previous declarations and transfers between reserves were being treated as adjusting events in the financia bank and were recorded as an appropriation into the financial statements. The new policy is in a requirements of IAS-10: Events after the Balance Sheet date and complies with the requireme Circular No.4 dated February 17, 2006 issued by the State Bank of Pakistan. The change in acc been applied retrospectively and comparative information has been restated in accordance with the in IAS-8: Accounting Policies, Changes in Accounting Estimates and Errors.

Had there been no change in accounting policy, the unappropriated profit as at December 31, 2004 2005 would have been lower by Rs. 506.576 million and Rs. 746.398 million respectively. In additio of bonus shares, general reserves and proposed dividend liability would have been higher by Rs.125.000 million and Rs. Nil at December 31, 2004 and higher by Rs. 496.049 million, Rs.85.0 165.349 million at December 31, 2005 respectively.

The effect of the change in accounting policy has been reflected in the statement of changes in eq accounting policy has not resulted in any change in the profit for the current or prior year.

		Note	2006
			(Rup
6.	**CASH AND BALANCES WITH TREASURY BANKS**		
	In hand		
	Local currency	6.1	988,046
	Foreign currency		234,429
	In transit		
	Local currency		-
	Foreign currency		4,915
	With State Bank of Pakistan in		
	Local currency current account	6.2	3,499,831
	Foreign currency current account	6.3	166,039
	Foreign currency deposit account against foreign currency deposits mobilised	6.4	509,376
	With National Bank of Pakistan in		
	Local currency current account		148,666
			5,551,302

6.1 This includes National Prize Bonds of Rs.3.801 million (2005: Rs.2.116 million).

6.2 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per t Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies currency cash reserve in current account opened with the SBP at a sum not less than such percen demand liabilities as may be prescribed by SBP.

6.3 This represents current account maintained with the SBP as per their requirements.

6.4 This represents foreign currency cash reserve maintained with SBP at an amount equivalent to a bank's foreign currency deposits mobilised under FE-25 scheme. The foreign currency cash reser amount equivalent to atleast 5% of the bank's foreign currency deposits mobilised under FE-25 sc in a non-remunerative account. The balance reserve equivalent to at least 15% of the bank's foreig mobilised under FE-25 scheme is maintained in a remunerative account on which the bank is entit which is declared by SBP on a monthly basis. During the current year, this deposit account was re ranging from 3.39% per annum to 4.35% per annum (2005: 1.40% per annum to 3.29% per annum).

		Note	2006
7.	**BALANCES WITH OTHER BANKS**		(Rup
	In Pakistan		
	On current account		1,242,424
	On deposit account	7.1	4,100,000
	Outside Pakistan		
	On current account	7.2	1,260,579
			6,603,003

7.1 These deposits carry mark-up at rates ranging from 11.25 % to 12.75 % per annum (2005:11.50 annum) and have a maturity period of upto four months.

7.2 This includes Rs.762.428 million (2005:Rs.239.049 million) held in Automated Investment Plan current by nature and on increase in the balance above a specified amount, the bank is entitled to the correspondent banks at agreed upon rates.