



Annual Report
2006

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Directors' Review

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Zarai Taraqiati Bank Limited (ZTBL), along with the Audited Accounts and Auditors' Report thereon, for the year ended December 31, 2006.

The Economy of Pakistan

The economy of Pakistan exhibited excellent performance for the fiscal year 2005-06 with real GDP growth of 6.6% having an edge over the envisaged long-term national average of 6%. However, the outgoing fiscal year was an extraordinary year for Pakistan's economy but at the very start of the year it faced with the hazard of rising oil prices, placing severe strain on the national budget and country's balance of trade. The most disastrous earthquake of October 8, 2005 also brought Pakistan's budget under great stress. Agriculture is the backbone of Pakistan's economy as it contributes 22% towards Pakistan's GDP, provides employment to 45% of country's labour force. It also contributes substantially towards Pakistan's export earning besides supplying raw materials to industry and serves as a market for industrial products.

Better availability of irrigation water, improved inputs coupled with timely provision of credit as compared to that of the previous year have raised hopes that year under report would witness sustained higher agricultural growth. However, the performance of agriculture during the fiscal year has not been so encouraging because it grew by 2.5% against envisaged growth target of 4.2% and actual achievement of 6.7% in the previous year. It was due to disappointing harvest of Kharif crops i.e. cotton and sugarcane, the adverse impact has offset the positive effect of rice and maize harvest of the preceding year.

Restructuring of the Bank

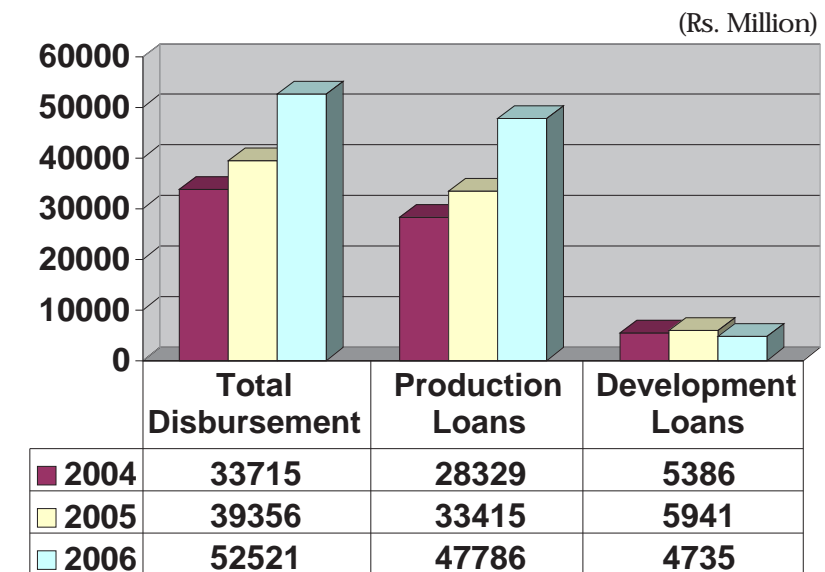
In order to achieve its objectives, restructuring process of the Bank continued in line with the government's policy to revitalize the institutional framework, dedicated to expand its outreach. The objective of restructuring of the Bank is to run it on sound, viable and self sustained basis.

Bank's Operations

The Bank is increasingly meeting the ever growing demand for credit of the farming community. Performance of the Bank during the calendar year 2006 showed an all time record high disbursement of Rs.52.521 billion as compared to Rs.39.356 billion during 2005, registering a growth of 33.5%. During the period under review agricultural loans disbursed for short term category i.e. for production purposes, amounted to Rs.47.786 billion as compared to Rs.33.415 billion during the last year, representing a growth of 43.0%. The production loans/financing include seeds, fertilizers, pesticides etc. representing 91% of total disbursement. A large portion of short term loans was utilized by the farmers for enhancing farm crop productivity. These loans were mainly provided under special campaigns for Rabi and Kharif. These campaigns are organized twice a week at a pivotal point of surrounding villages enabling the farmers of the area to avail loans through "One Window Operation".

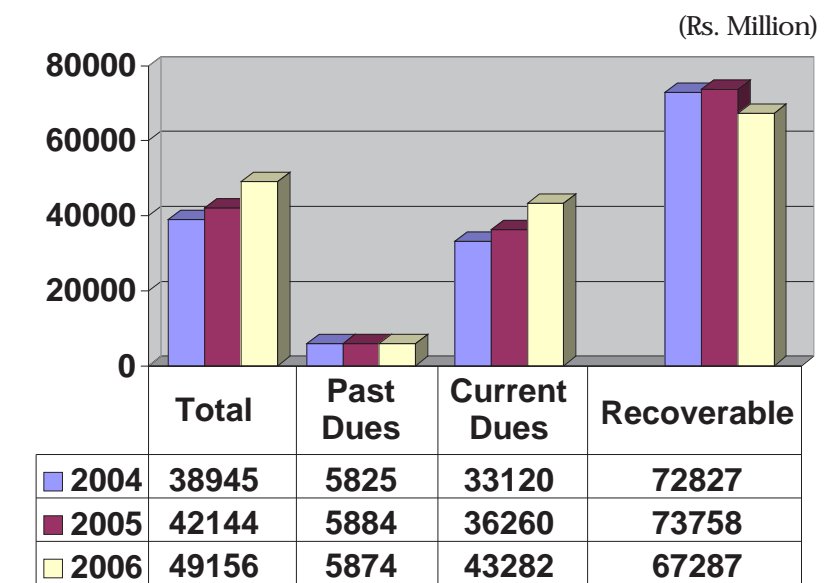
Development loans are provided to the farmers for medium and long term investment categories. During the period under review an amount of Rs.4.735 billion constituting 9% of the bank's total agricultural credit has been disbursed under medium and long terms loans. The development loans were mainly utilized for farm mechanization, tube wells, dairy farming and poultry farming etc. The Bank financed 9052 tractors with a total disbursement of Rs.2512.927 million, besides disbursing an amount of Rs.69.866 million for farm equipments/farm mechanization and Rs.292.898 million for installation of 1918 tube-wells to meet the requirement of water for irrigation purposes.

The Bank has also enhanced its outreach by serving 443,874 borrowers during 2006. The number of new borrowers was 189,060 who got loans or served through One Window Operation, Revolving Finance Scheme and Micro Credit Scheme. Maximum resources and efforts were channelled for development of small farmers as they form the backbone of Pakistan's economy. An amount of Rs.44.330 billion was disbursed to small farmers in the year 2006 as compared to Rs.33.551 billion in 2005, showing a growth of 32.1%. The amount disbursed to small farmers constituted 84.4% share of total agricultural credit disbursed by the Bank during the year under review. The Bank also continued to play its role in financing special schemes tailored in line with the government policy for employment generation and poverty alleviation. An amount of Rs.135.100 million was disbursed in 1771 loan cases under Women Credit Programme during the year 2006. Like wise, disbursement under Micro Credit Scheme amounted to Rs.45.570 million in 1812 loan cases.



DISBURSEMENT OF LOANS

The Bank excelled in raising the volume of recovery by achieving an all time record amount of Rs.49.156 billion as compared to Rs.42.144 billion recovered during the last year, registering a growth of 16.6%. Of this, recovery of current dues accounted for Rs.43.282 billion and past dues amounted to Rs.5.874 billion. The recovery against the recoverable amounts witnessed 16% growth during the year under review.



RECOVERY OF LOANS

Bank's Operations

(Rs. Million)				
Particulars	2004	2005	2006	Growth over 2005
A. DISBURSEMENT				
1. TOTAL DISBURSEMENT	33,715	39,356	52,521	33.5%
a. Production Loans	28,328 (84%)	33,415 (84.9%)	47,786 (91.0%)	43.0%
b. Development Loans	5,386 (16%)	5,941 (15.1%)	4,735 (9.0%)	-20.3%
2. SHARE OF SMALL FARMERS (Under 25 Acres)	28,825 (85.5%)	33,551 (85.3%)	44,330 (84.4%)	32.1%
3. NUMBER OF BORROWERS SERVED	462,785	441,536	443,874	0.5%
B. RECOVERY OPERATIONS				
1. TOTAL AMOUNT RECOVERED	38,945	42,144	49,156	16.6%
a. Past Dues	5,825	5,884	5,874	-0.2%
b. Current Dues	33,120	36,260	43,282	19.4%
c. Recovery Rate	53.5%	57.1%	73.1%	16.0%

State Bank of Pakistan (SBP) Debt Pricing

The issue of restructuring of SBP debt amounting to Rs.51.257 billion (excluding subordinated debt of Rs.3.204 billion) is pending with SBP for consideration of pricing. As a part of the financial restructuring process, ZTBL proposed on 19th September 2003, to cap the pricing @ 2.3558% w.e.f. 01.07.2003 which was not accepted by SBP. As a result the matter has been taken up with the Ministry of Finance, GOP for early resolution as capping of the SBP debt is imperative to ensure financial sustainability in wake of reduction in markup rates on ZTBL lending w.e.f. 01.07.2004 from 14% to 9% (with a further rebate of 1% on timely repayments) and rising weighted average of 12 months T. Bill rates that has escalated to 9% on 31.12.2006 thereby giving rise to negative spread.

Financials

The Capital Adequacy Ratio rose to 24.75% on December 31, 2006 as against required ratio of 8%. The Bank earned a pre tax profit of Rs.647 million and bad debts were adequately provided for during the period under review.

The bank was able to mobilize upto Rs.2,882 million upto the year ended 2006 in terms of deposits. Financial highlights are summarized below:-

(Rs. Million)			
Particulars	2004	2005	2006
1. Total Assets	83,930	82,505	85,451
2. Advances - net	54,335	52,925	61,514
3. Cash & Bank Balance	16,385	9,399	9,076
4. Operating Fixed Assets	977	690	817
5. Share Capital	11,870	11,870	11,870
6. Deposits	3,122	2,645	2,882
7. Total Income	9,060	7,661	11,519
8. Financial & Administrative Expenses	5,582	3,008	7,046
9. Provision for Non-performing Loans and Advances and Assets.	2,311	4,744	3,826
Appropriations			
Profit/(Loss) before Taxation	1,167	(91)	647
Taxation	503	38	218
After Tax Profit/(Loss)	664	(129)	420
Un-appropriated Profit brought forward	330	862	702
Profit available for Appropriation	994	732	1,122
Transferred to Statutory Reserve (20% of after tax profit)	133	-	84
Transferred to Contingencies reserves	-	30	30
Un-appropriated Profit Carried forward	861	702	1008

Share Holding of ZTBL

Authorized Capital of Bank is Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10/- each. Paid-up capital is Rs.11,869,612,010. Pattern of share holding as at 31.12.2006 is annexed with the report.

Earnings per Share

During the year under review basic earnings per share was Rs.0.35. Its computation has been reported in the financial statements.

Credit Rating

JCR-VIS Credit Rating Company, Karachi in its report of July 7, 2006 has re-affirmed entity rating at "AAA/A-1+" (Triple A/A-one plus) with stable outlook. Short term stand-alone rating to "B" (Single-B) from "A-3" (A-Three). While the medium top long term rating at "BB+" (Double-B Plus) with negative look. The previous rating was assigned by the same company in June, 2005.

Risk Management Frame Work

Organizational Structure:

Risk Management in the modern context is a dynamic process in order to ensure a sound credit portfolio as well as to meet the standards laid down by SBP. With this objective the office of Risk Manager has been established in ZTBL. The Bank has gained significant momentum in some of the issues of credit risk management. The policies of Bank have been broadened to align the risk management strategies with portfolio growth, complexities to comply with Basel II standard.

Risk Management Policy and Charter:

The Risk Management Policy of the bank is in the process of implementation with broader Risk Management Framework of the Bank.

At present Credit Risk is reviewed at the Bank level only. Credit portfolio, disbursement, recovery and security value are critically analyzed on a regular basis and Risk Gaps are reported to the Credit Risk Management Committee proposing either to eliminate or to minimize the Risk Gaps. During the last quarter of 2006, Risk Manager has also undertaken review of SAM Portfolio. The process of developing recovery strategy for such loans is in progress. Operational Risk Module comprising Key Risk Indicator (KRI), Control Self Assessment (CSA) and Corporate Governance (CG) has been successfully implemented in seventeen pilot branches of the ZTBL. This module will be rolled out to the remaining branches of the bank during 2007.

Operational Risk at Head Office is reviewed on a regular basis and Risk Gaps are reported to the Operational Risk Committee for corrective measures so that the reported Risk Gaps could be eliminated or minimized.

Annual General Meeting

Third Annual General Meeting of the Bank was held on April 25, 2006 at Islamabad.

Code of Corporate Governance

The Board is fully aware of its responsibilities established by the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The Directors are pleased to give following statement in respect of compliance with the Code of Corporate Governance:-

- a) The financial statements, together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984.
- b) Proper books of accounts have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) Approved International Accounting Standards have been followed in preparation of the financial statements.
- e) Internal Control is sound in design and has been effectively implemented and monitored through out the year.
- f) The Bank has effective budgeting system in place. Annual budget is approved by the Board and comparison of actual results with the budget are periodically prepared and reviewed by the Senior Management.
- g) There are no significant doubts about the Bank's ability to continue as a going concern.
- h) Key operating and financial data is available in the Annual Report.
- i) The values of investment of General Provident Fund, Gratuity and Pension Fund are Rs.1,905.331 million, Rs.1,097.428 million and Rs.3,576.131 million respectively as per the audited financial statements.
- j) Annual income tax returns/cases for the financial year 2000 to financial year 2003 are under appeal with ITAT for their final decision. The liability amounting to Rs.672 million appearing in the financial statement is subject to the decision by the ITAT.
- k) The major pre-requisites of the code of Corporate Governance have been attained through the constitution of following committees:
 - Co-ordination Committee
 - Assets/Liabilities Management Committee (ALCO)
 - Sub committees of the Board were also constituted in the following areas:
 - Human Resource Management Committee
 - Audit Committee
 - Risk Management Committee
 - Standing Committee on Restructuring & Remission
 - Credit Committee

Details regarding constitution of the committees/sub-committees are annexed with the report.

- i) Seven meetings of Board of Directors of ZTBL were held during the year 2006.

S.No	Name of Member	Designation	No. of meetings attended
01	Dr. Waqar Masood Khan	Chairman	06
02	Mr.R.A.Chughtai	President/Director	07
03	Mr.Arif Mansur	Director	06
04	Mr.Mohammad Saleem Khan	Director	05
05	Syed Yawar Ali	Director	05
06	Mr.Aneeq Khawar	Director	02
07	Ms.Rabia Sultan	Director	04
08	Mr.Imdad Ali Nizamani	Director	04
09	Mr.Asmatullah Khan Kundi	Director	03
10	Mr.Muhammad Zakria Kasi	Director	06
11	Mr.Razi-ur-Rahman Khan*	Director	01

* Mr.Razi-ur-Rehman resigned from the position on 24.01.2006

Statement of Internal Control

- The Bank is placing increasingly greater emphasis on induction of an effective and reliable system of internal controls
- i. Funds Placement Policy along with Liquidity Policy has been revised with the approval of ALCO.
 - ii. The Credit Policy is also being reviewed to ensure, amongst other aspects, proper implementation of internal control.
 - iii. An Audit Committee of the Board has been constituted with the objective of having a direct oversight responsibility to ensure independence of the internal audit functions and also the independence of external auditors. The Audit Committee meets at least once every quarter in accordance with code of corporate governance.
 - iv. The Bank's audit division through its network audits each branch of the Bank on periodic basis.
 - v. The management proactively pursues the rectification of the observations and weaknesses pointed out by internal and external auditors.
 - vi. The Bank has also initiated the process of revamping of its IT infrastructure and acquiring proper banking software/applications through Asian Development Bank's RFSDP support.
 - vii. Requisite training of staff is also being planned after Training Needs Analysis (TNA) in order to train them on key regulatory and internal control requirements.

In view of the above, the management has a reasonable assurance that internal controls are in place and the key aspects are working.

Auditors

Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq and Yousuf Adil Saleem & Company.

Acknowledgement

In the end, I would like to acknowledge the role of our employees, whose commitment and dedication, we have enjoyed all over the year. I extend my sincere gratitude to the members on Bank's Board for their consistent support and guidance during the year. I am also thankful to SBP and SECP for their guidance, support as well as cooperation. Our outlook for the year 2007 remains very vibrant despite of growing competition and challenges of restructuring. We are confident in our abilities and hard work to attain ambitious corporate objective.

(Mansur Khan)

General Information

Name	Zarai Taraqiati Bank Limited
Address	1, Faisal Avenue, P.O.Box 1400, Islamabad
President/CEO	Mansur Khan
Company Secretary	Imtiaz A.K.Lodhi
Auditors	1. Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq. 2. M. Yousuf Adil Saleem & Co.
Authorized Capital	Rs.25,000,000,000/- divided into 2,500,000,000 shares of Rs.10/- each.

Highlights of ZTBL Operations

PARTICULARS		Amount (Rs. Million)
A.	DISBURSEMENT	
1.	TOTAL DISBURSEMENT	52,521
	a. Production Loans	47,786
	b. Development Loans	4,735
2.	TRACTORS FINANCED	
	Number	9,052
	Amount	2,513
3.	TUBEWELLS FINANCED	
	Number	1,918
	Amount	293
4.	SHARE OF SUBSISTENCE FARMERS	62.9%
5.	SHARE OF SMALL FARMERS (UNDER 25 ACRES)	84.4%
6.	NUMBER OF BORROWERS SERVED	443,874
B.	RECOVERY OPERATIONS	
1.	TOTAL AMOUNT RECOVERED	49,156
	a. Current Dues Recovered	43,282
	b. Past Dues Recovered	5,874
C.	NETWORK OF OPERATIONS	
	1. NUMBER OF ZONES	25
	2. NUMBER OF BRANCHES	342
	3. NUMBER OF MCOS	1,258

Zarai Taraqiati Bank Limited Members of The Board

1.	DR. WAQAR MASOOD KHAN Islamabad	CHAIRMAN
2.	MR. MANSUR KHAN President, ZTBL Islamabad	PRESIDENT/ DIRECTOR
3.	MR. ARIF MANSUR Islamabad	DIRECTOR
4.	MR. MOHAMMAD SALEEM KHAN Islamabad.	DIRECTOR
5.	SYED YAWAR ALI Lahore	DIRECTOR
6.	MR. ANEEQ KHAWAR Lahore	DIRECTOR
7.	MS. RABIA SULTAN Lahore	DIRECTOR
8.	MR. IMDAD ALI NIZAMANI Hyderabad	DIRECTOR
9.	MR. ASMATULLAH KHAN KUNDI D.I. Khan	DIRECTOR
10.	MR. MUHAMMAD ZAKRIA KASI Quetta	DIRECTOR

Board/Management Committees (As on 31.12.2006)

I. Board Sub-Committees

A. AUDIT COMMITTEE		
1.	Mr. Arif Mansur	Chairman
2.	Mr. Imdad Ali Nizamani	Member
3.	Company Secretary	Secretary
B. HUMAN RESOURCE MANAGEMENT COMMITTEE		
1.	Syed Yawar Ali	Chairman
2.	President, ZTBL	Member
3.	Mr. Aneeq Khawar	Member
4.	Ms. Rabia Sultan	Member
5.	Mr. Asmatullah Khan Kundi	Member
6.	Head Human Resources	Member/Secretary
C. RISK MANAGEMENT COMMITTEE		
1.	President	Convener
2.	Mr. Mohammad Saleem Khan	Member
3.	Mr. Aneeq Khawar	Member
4.	Risk Manager	Member
5.	Company Secretary	Member/Secretary
D. STANDING COMMITTEE ON RESTRUCTURING & REMISSION		
1.	President	Chairman/Convener
2.	Mr. Imdad Ali Nizamani	Member
3.	Mr. Muhammad Zakria Kasi	Member
4.	Head (SAMD)	Member
5.	EVP (Internal Audit)	Member
6.	EVP (Recovery)	Secretary
E. CREDIT COMMITTEE		
1.	President	Chairman/Convener
2.	Mr. Aneeq Khawar	Member
3.	Syed Yawar Ali	Member
4.	Ms. Rabia Sultan	Member
5.	EVP (Credit)	Secretary

II. Management Committees

A. ASSETS LIABILITIES MANAGEMENT COMMITTEE		
1.	President/CEO	Convener
2.	Chief Operating Officer	Member
3.	Chief Financial Officer	Member
4.	Treasurer	Member
5.	Risk Manager	Member/Secretary
B. CO-ORDINATION COMMITTEE		
1.	President/CEO	Convener
2.	All Members of Senior Management Team	Member
3.	All EVPs	Member
4.	Company Secretary	Member/Secretary

Share Holding of ZTBL

Authorized capital of Bank is Rs.25,000,000,000/- divided into 2,500,000,000 ordinary shares of Rs.10/- each. Paid-up capital is Rs.11,869,612,010. Pattern of share holding as at 31.12.2006 is as under:-

S. No.	Share Holder	No. of shares	Amount (Rs.)
01	Federal Government	1,185,961,201	11,859,612,010
02	Government of Punjab	277,100	2,771,000
03	Government of Sindh	119,000	1,190,000
04	Government of NWFP	68,000	680,000
05	Government of Balochistan	35,900	359,000
06	Government of Erstwhile East Pakistan	500,000	5,000,000
Total:		1,186,961,201	11,869,612,010

Zarai Taraqati Bank Limited

Statement of Compliances with the Code of Corporate Governance for the year ended December 31, 2006

This statement is being presented to comply with Code of Corporate Governance (the Code) issued by the Securities & Exchange Commission of Pakistan and made applicable by the State Bank of Pakistan to banks in June, 2002 to the extent of applicability under Prudential Regulation XXIX and BSD No. 15 dated June 13, 2002, for the purpose of establishing a framework of good governance, to manage the Bank in compliance with the best practices of corporate governance.

- The Directors of the Board were nominated by the Government of Pakistan and approved/appointed by the Board. At present all the Directors except Chief Executive Officer/President of the Bank are non-Executive Directors.
- The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including Zarai Taraqati Bank Limited.
- All the Resident Directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
- A casual vacancy occurred due to resignation of one of the Directors. Panel of proposed nominees have been forwarded to concerned authorities to fill the vacancy.
- Bank is preparing "statement of ethics and business practices".
- Vision & Mission Statement already approved was revisited and Board in its 23rd meeting desired that management should suitably amend it by explicitly addressing the need to serve small farmers. Same is being placed in forthcoming meeting. However, overall corporate strategy and significant policies have been approved. The bank has comprehensive framework of written policies and procedures on all major areas of operations such as Credit, Operations, Accounts/Finance, Internal audit and Compliance etc. All of these policies have been approved by the Board and are being constantly reviewed.
- All the powers of the Board have been duly exercised and Board has taken decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the President.
- The meetings of the Board were presided over by the Chairman. In absence of the Chairman a Director elected by the Board for this purpose presided over the relevant meeting. No meeting was held in third quarter. However, in total seven meetings were held during the year. 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 meeting were appropriately recorded and circulated.
- Orientation course for present Board was arranged in 2005. Conference on Corporate Governance organized by SBP in May, 2006 was also attended.
- Position of Chief Financial Officer vacated in 2005 was filled during the year. Appointments against positions of Chief Internal Audit, Chief Operating Officer and Chief Planning Officer who left the Bank is under process.
- The Directors' Report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be disclosed.
- The financial statements of the Bank were fully endorsed by the President and the CFO / EVP (F&A) before approval of the Board.
- The Directors, President and Executives do not have any interest in the shares of the Bank.
- The Bank has complied with all the corporate and financial reporting requirements of the code.

15. Audit Committee of the Board comprises of three non-Executive Directors including Chairman of the Committee.
16. Meetings of Audit Committee were held at least once every quarter prior to approval of interim and final results as required by the Code. Seven meetings of the Committee were held during the year.
17. The Board has set-up an effective internal audit function on 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 Accounts (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 services, other than the approved services 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

(MANSUR KHAN)
President

Islamabad

Review of Operations

ZTBL is proud of being the largest Financial Institution in the rural sector of the country. The Bank continued to operate as the prime financial institution catering to the credit needs of agriculturists for the development and modernization of agriculture as well as promoting cottage industries in rural areas. The Bank is currently passing through the restructuring phase to serve as a catalyst for this sector in a more effective and yielding manner. For this purpose Federal Government has incorporated the Bank into a public limited company in the year 2002. The new corporate structure, in addition to ensuring good governance and autonomy, aims at delivering high quality, viable and timely financial services to a greater number of clientele so as to increase its outreach on viable and self sustainable basis.

The Bank has been playing an instrumental and proactive role in modernization of agriculture, boosting productivity and enabling the growers, particularly the landless poor and small land owners, to increase their farm produce and income. ZTBL alone serves about 0.45 million farm families annually and shares around 34% of the total institutional credit.

At present the Bank has a network of 25 Zonal Offices and 342 branches all over the country engaged in catering to the credit needs and providing technical assistance to farming community and rural poor. Since inception, the Bank has disbursed Rs.425.460 billion up to 31.12.2006 which includes financing of 478,355 tractors and 142,795 tube-wells. While meeting the demand for mechanization, attention was also concentrated toward the provision of more credit for livestock, dairy farming, poultry farming and fish farming.

The Bank continuously endeavours to serve its clients with increasing effectiveness and efficiency. In this pursuit, several financial products and delivery mechanisms such as Supervised Agricultural Credit System, Revolving Finance Scheme, Sada Bahar Scheme, One Window Operation, etc have been introduced over the years.

1. Overall Credit Disbursement

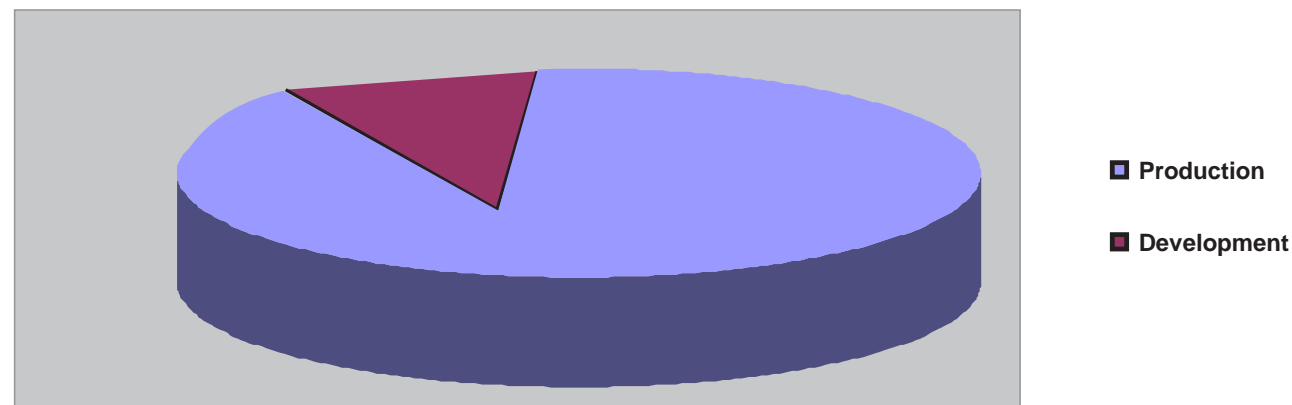
The Bank disbursed an amount of Rs.52.521 billion to 443874 borrowers during the year 2006 as compared to Rs.39.356 billion to 441536 borrowers in the year 2005 representing an increase of 33.5 percent in terms of loan disbursement.

1.1 Purpose-wise Disbursement of Loans

During the year under report, the Bank advanced Rs.47,786 million for production purposes against Rs.33,415 million during last year registering a growth of 43.0%. An amount of Rs.35,542 million (68%) was disbursed under Sada Bahar Scheme to meet the seasonal crops credit requirements of the farming community. Of the remaining item-wise distribution of production loans includes Rs.5,279 million for fertilizers, Rs.3,258 million for improved seeds and Rs.2,614 million for pesticides etc. Bank has also provided loans for working capital for poultry, dairy, livestock and fish rearing which were Rs.204 million, Rs.37 million, Rs.27 million and Rs.29 million respectively during 2006. The share of production loans to total agricultural loans has been worked out as 91% percent during 2006. Details are given in statistical table No.3.6 annexed.

Disbursement for development purposes amounted to Rs.4,735 million during the year 2006 against Rs.5,941 million during the previous year. Out of this Rs.2,513 million were disbursed for purchase of 9052 tractors, Rs.293 million for installation of 1918 tube wells, Rs.70 million for farm equipment, Rs.36 million for godowns/cold storages, Rs.7 million each for land development and orchards respectively. Bank also disbursed loans for the establishment/ replenishment of dairy farms, livestock, poultry farms and fish farms/marine fishing amounting to Rs.1,538 million, Rs.206 million, Rs.15 million, and Rs.3 million respectively. Detail is given in statistical table No.3.6 annexed.

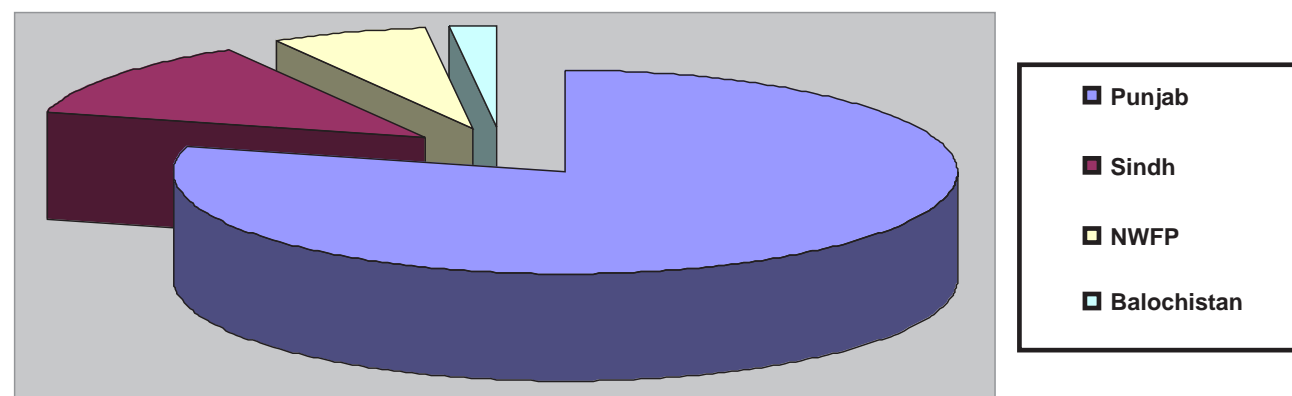
Purpose-wise Disbursement of Loans



1.2 Province-wise disbursement of loans

The pattern of disbursement in different areas is almost proportionate to the agriculture potential of respective provinces/areas. Accordingly, during the year 2006, the Bank disbursed Rs.42,124 million (80.2%) in Punjab, Rs.6,706 million (12.7%) in Sindh, Rs.3,422 million (6.5%) in NWFP, Rs.95 million (0.2%) in Balochistan, Rs.95 million (0.2%) in AJK and Rs.79 million (0.2%) in the Federally Administered Northern Areas.

Province-wise disbursement of loans



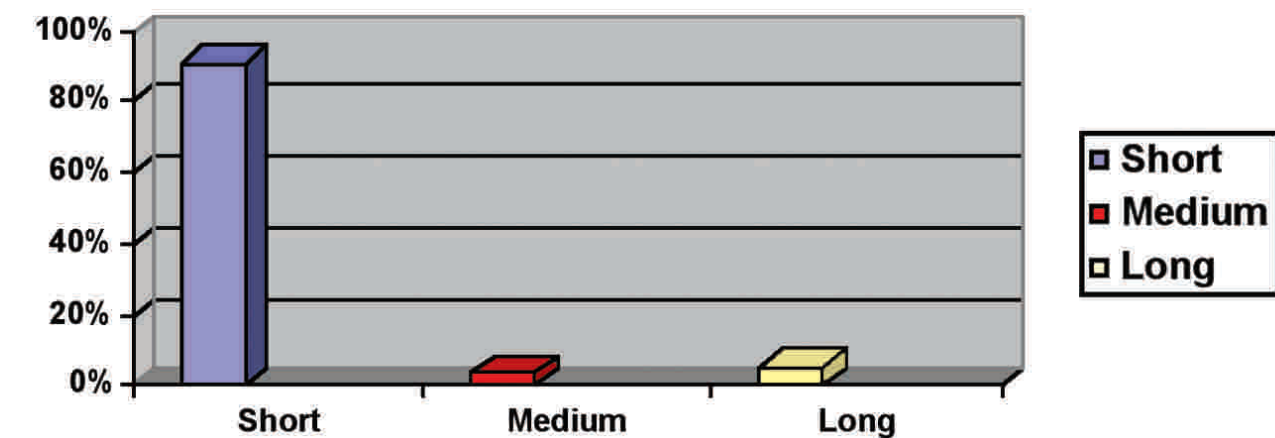
1.3 Term-wise loan disbursement

The Bank provides loans on short, medium and long terms basis. Short term loans are basically production loans having maturity period upto 18 months. Medium and long term loans are advanced for development purposes and their maturity period spreads over 5 to 8 years respectively.

Term-wise loan amounts during the year are given below:

Short term loans	Rs.47,786 Million	(91.0%)
Medium term loans	Rs.1,802 Million	(3.4%)
Long term loans	Rs.2,933 Million	(5.6%)

Term-wise loan disbursement



1.4 Loans to Subsistence and Small Farmers

The Bank's priority for extending increased financial assistance to subsistence and small farmers also continued in current year. All out efforts were made to channel major portion of loan disbursement to small farmers as large number of peasants operate small holdings in Pakistan. Timely provision of adequate credit to this segment of farming community has proved an important instrument for increasing farm productivity and income level.

During the year 2006, the small farmers having land up to 25 acres, had a share of 84.4 percent as an amount of Rs.44,330 million was disbursed to them out of the total disbursement of Rs.52,521 million. Of this, an amount of Rs.33,027 million was channelled to subsistence farmers constituting 63 percent of the total agricultural credit disbursed by the Bank. Year-wise disbursement to small and subsistence farmers is given in statistical table No.2 annexed.

Disbursement to Small Farmers



1.5 Holding-wise Disbursement of Loan

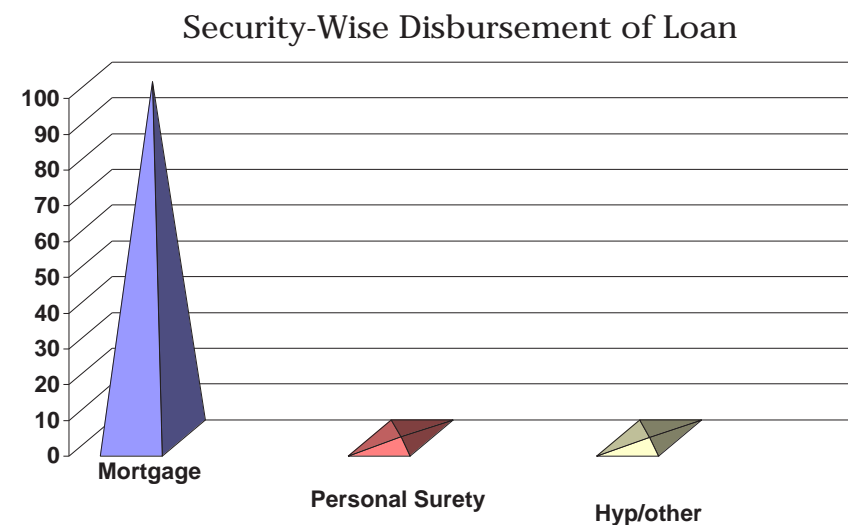
Holding-wise disbursement of loans during 2006 revealed that land-less population received Rs.178 million which was 0.3% of the total disbursement. Loans to land owners/operators under 12.5 acres amounted to Rs.32,193 million representing 61.3% share in overall disbursement. Farmers owning/ operating land between 12.5 and 25 acres received Rs.11,959 million constituting 22.8% share. It was followed by Rs.5,381 million (10.2%) disbursed to farmers with land holding between 25 and under 50 acres. Rest of the credit amounting to Rs.2,810 million (5.4%) was disbursed to land holders operating 50 acres farms and above. Details are given in statistical table No.3.8 annexed.

1.6 Size-wise composition of Loan

Composition of credit disbursement by size of loan during the period under review revealed that loans availed up to Rs.25,000 constituted only 1.5% of the total credit, loans between Rs.25,001 to Rs.50,000 were 8.1%, loans between Rs.50,001 to 200,000 were 43.6%, and between Rs.200,001 to 1,000,000 constituted 46.8% of the total credit. The average loan size was Rs.126,248 during the year 2006. Details are given in statistical table No.3.7 annexed.

1.7 Security-Wise Disbursement of Loan

Security-wise composition of total loans indicates that loans amounting to Rs.52,292 million, constituting 99.6%, are secured against pledge/ mortgage of tangible securities. Loans amounting to Rs.159 million being 0.3% were disbursed against personal surety while loans amounting to Rs.70 million being 0.1% were advanced against hypothecation of crops and against other securities. Details are given in statistical table No.3.4 annexed.



1.8 One Window Operation

The Bank continued to pursue credit delivery mechanism of "One Window Operation" for expeditious and transparent delivery of credit to small farmers. This system has now established its significance by gaining tremendous response in terms of quantum jump in provision of institutional credit to a large population of small and subsistence farmers.

The Bank started this programme to mitigate the problems of small farmers, like supply of Agricultural Pass Books by the Post Office, its completion by the Revenue Authorities, pre-appraisal, entertainment of loan cases, appraisal, sanction, documentation, charge creation etc. The programme is conducted by the bank in coordination with the officials of Provincial Revenue Department and Pakistan Post Office twice a week, on Monday and Tuesday, for Rabi crops during the period from October to January and for Kharif crops from April to September each year. Under "One Window Operation" loans are sanctioned on the spot. During the year under report an amount of Rs.16,863 million was disbursed through this mode of operation.

1.9 Revolving Finance Scheme (RFS)/Sada Bahar Scheme (SBS)

The scheme is also under operation to facilitate genuine and credit worthy borrowers of the bank to meet their credit requirements for seasonal crops without repeating documentation and procedural formalities. The scheme is gaining popularity in farming community. Under the scheme, an amount of Rs.45,353 million was disbursed during the year 2006.

1.10 Crop Maximization Project

Federal Ministry of Food, Agriculture & Livestock (MINFAL) has launched an integrated development programme entitled "Crop Maximization Project (CMP)" in 15 districts of the country in the year 2003. For the financial assistance of the project farmers particularly for provision of inputs for crops, a Revolving Fund has been established. Under an agreement, the MINFAL will provide funds to the tune of Rs.299.893 million to ZTBL for onward lending to the project farmers to meet the input requirements for various crops. ZTBL will revolve these funds to look after the credit needs for inputs of the project farmers up till 30th June, 2014. ZTBL received funds to the tune of Rs.168 million by the close of year 2006 for the purpose, while it has revolved the same to a total disbursement of Rs.351.913 million. Similarly progressive recoverable under the project worked out as Rs.300.389 million against which recoveries of Rs.278.944 million have since been effected, indicating the recovery rate as 93%.

The following table summarizes the progress under the programme till end 2006.

(Rs. Million)

Category	2003	2004	2005	2006	Total upto 2006
Disbursed	31.161	93.301	99.403	128.048	351.913
Recoverable		66.366	91.861	153.803	*300.389
Recovered		62.111	84.475	132.358	278.944
Recovery (%)		94%	92%	86%	93%

* Year-wise recoverable differ with progressive figures due to carryover of balance recoverable from one year to the other.

1.11 Product & process innovation determinants adopted by the bank during the year 2006.

During the year 2006 the bank took major steps not only to improve the loan processing procedure but has also introduced certain loan product determinants to facilitate the farmers and prioritize product development in terms of sanctioning procedure more professionally. Some of the key initiatives undertaken, during the period are as under:-

- In order to make the sanctioning procedure more effective revised sanctioning process line has been adopted where sanctioning powers of the MCO have been shifted to the Branch Manager/Deputy Manager/Assistant Manager as the case may be, thus relieving the MCO to concentrate more on credit mobilization, identification and expansion of outreach. The sanctioning determinants are now more managerial in nature vis-à-vis providing extended role of MCO to enhance and deepen outreach. The revised loaning procedure now provides quick processing and access in sanctioning of loan case within three and five days for production and development loans respectively.
- Bottle-necks and impediments with regard to spot recovery through recovery receipts have been streamlined to establish genuine acknowledgement of recovery.
- The identification process has been made more transparent and effective to introduce genuine clients and borrowers. Loans are advanced not only to farmers but also to non-farmers under cash flow appraisal process. Clientele base has been widened to non-farmers enabling the landless and rural poor to avail credit for various income generation activities to help improve their economic condition/livelihood.
- The loan product such as financing for agriculture machinery has also been introduced, wherein for the convenience of the borrowers, loan for used tractor has also been allowed. The equity is now transformed into compulsory saving to inculcate the habit of savings amongst the clientele as also to enhance the deposit base of the Bank. Moreover loan product for transportation of Agri produce has also been introduced to facilitate Agri. Marketing.
- The borrowers who closed their accounts by availing write off or remission under any relief package have been allowed to avail financial facility in their own name or in the name of their dependant family members, including spouse subject to the condition that the loan proposal is for genuine/productive purposes and loan amount shall not exceed 50% of the appraised value of the security. The loan amount will not be more than 75% of

the previous adjusted loan. The borrower can avail further loan under normal terms and conditions after satisfactory repayment of the loan.

- The due date of loan installments has been changed from 7th January & 7th July to 24th Dec. and 24th June respectively to make it in line with the harvesting/marketing of crops and cash generation to the borrowers enabling them to repay due loan installments.
- Maximum limits fixed for Major/Minor crops namely paddy, cotton, sugarcane, maize, wheat, canola, soybean, sunflower and matured orchard/fruit crop have been increased. Maximum rates fixed for agricultural implements/attachments and equipments, being used with tractor, have also been increased.

1.12 Farm Mechanization

In line with the government's efforts toward increasing the GDP and to attain self reliance in agriculture, Zarai Taraqiati Bank Limited (ZTBL) attaches high priority to modernize and promote Farm Mechanization. The bank has played a leading role in bringing additional land under cultivation through financing of wide range of machines, including tractors, tube wells, farm implements, threshers and combine harvesters etc. which directly helped in increasing yield besides improving the efficiency of other farm activities.

To enhance farmers' awareness and to provide guidelines to bank's field functionaries regarding modern farm technologies the economics/feasibilities were prepared in consultation with Dairy and Livestock experts on the following topics:

Economics of Inland Fish Farming, Feed Lot/Fattening Station(25 Animals), Dairy Farming of 20 Animals, Rearing of 25 Heifers (Female Calves of buffaloes), Animals Breeding Centre, Milk Collection Centre, different sizes of herds of Sheep/Goat Farming.

Prepared/Revised Economics/Feasibilities for the following Agri. Machines:-

Sprinkle Irrigation, Drip Irrigation, Mini Dam, Seed Processing Unit, Sulphurous Acid Generator, Laser Land Leveller, Scraper and Grain Storage/Godown.

Revised economics of 26 different Crops/Vegetables have also been prepared.

Prepared brochures/leaflets, on sheep/goat farming, Preparation of silage (preservation of Green fodder) for guidance and information of the field functionaries and borrowers/ farmers.

The bank is continuously making efforts to enhance the production/income of agriculturists specially the small farmers to support and assist in the poverty alleviation efforts of the Government of Pakistan.

2. Role in Poverty Alleviation

Pakistan like other developing countries faces the challenge of rising poverty. All efforts are being made at the government level to address the issue. In line with the government's poverty reduction policy, the Bank pursues scheme of Micro-Credit for rural poor and provision of small loans under Credit to Women Programme.

2.1 Micro Credit Scheme

Bank has launched Micro Credit scheme since 1st July, 2000 to engage rural poor in income generating activities/cottage industries. The scheme is operative in all the branches of ZTBL through its network of MCOs and FMCs. Both men and women can obtain loan under the scheme as an individual or as member of a group of 5 to 10 for 136 purposes prescribed for income generating activities/cottage industries. Minimum credit limit in a case is Rs.5000/-, while maximum limit is Rs.25,000/- that can be advanced against both security and surety. All loans are recoverable within 18 months of their advancement. Rate of mark-up for Micro Credit is 18% p.a. with 2% rebate on timely repayment. During the period under review loans of Rs.45.570 million have been disbursed under micro credit scheme.

2.2 Credit to Women Programme

Credit to Women Programme was initiated in 1992 in specific areas with the financial assistance of International Lending Agencies. The main objective of this programme is to enable the rural women to have an easy access to the credit. To make this possible the bank has fielded 19 FMCs in 17 branches exclusively for this purpose. Under Credit to Women Programme, women can meet their credit needs through both Micro Credit and General Credit Schemes. During the calendar year 2006 Rs.135.100 million have been disbursed under the programme to women borrowers.

3. Recovery Operations

During the calendar year 2006, ZTBL has attained an all time record recovery of Bank's dues with the untiring efforts, hard work and devoted involvement of Field Staff. It touched the impressive figures of Rs.49,156 million as compared to that of Rs.42,144 million recovered during the last year. There is an absolute increase of Rs.7,012 million showing growth of 16.6%. The prominent features of higher recovery during the year were the effective mobilization of MCOs, daily/weekly monitoring of recovery by the Branch Managers, Zonal Chiefs and also at the Head Office level.

The level of recovery was achieved in spite of the fact that farmers were faced with natural hazards, such as persistent drought in entire Balochistan, Poultry crisis due to Bird Flue attack, low rains and after effects of Earthquake of October 8, 2005 for which different recovery relief packages were announced by the Federal Government. The ZTBL extended different Recovery Relief Packages on the directive of President and Prime Minister of Pakistan in specific calamity hit areas of the country as well as in earthquake hit areas of NWFP and AJ&K.

To clean the infected part of loan portfolio and to implement the SBP Prudential Regulations, all the stuck up loans classified as loss for the last three years have been charged off and declared as SAM loans.

4. Training & Development

During the calendar year 2006, twenty five courses were conducted and 663 officers were trained in two staff colleges of the bank at Islamabad and Karachi. Of this 11 courses (6 on Agricultural Technology, 2 on Rural Finance & Basic Commercial Banking and 3 on Effective Communication for Team building) have been conducted with the assistance of Asian Development Bank. 118 officials were trained in other training institutions of the country namely IBP, NIPA, PIM etc.

Share Capital

The paid-up-capital as on 31.12.2006 was Rs.11,869,612.010 against authorized capital of Rs.25,000,000,000/-.

Borrowing

The total outstanding borrowings from State Bank of Pakistan stood at Rs.51257.213 million and subordinated debt at Rs.3204.323 million as on 31st December, 2006.

5. Kissan Support Services (Pvt) Limited

In order to put the ZTBL on viable and self-sustained basis Organizationally, Financially and Operationally, the Bank has under taken the Restructuring Plan under RFSDP. Besides the other steps, the Human Resource Management Committee of ZTBL Board in its meeting held on November 10, 2005 approved the proposal to outsource non-core services of the Bank in line with the best business practices so that the Bank's regular work force may concentrate on core banking operations. With this in view, the Bank established its own subsidiary on November 16, 2005. The Security and Exchange Commission of Pakistan (SECP) allowed the incorporation of the Bank's Subsidiary titled 'Kissan Support Services (Pvt) Limited' (KSSL) with an authorized share capital of Rs.100 million fully subscribed by ZTBL. The aim of the Bank's Subsidiary is to provide support staff to ZTBL and also to under-take its non-core activities. The Subsidiary Company operates under its Memorandum and Articles Of Association, which include provision of all kinds of Support Staff and Ancillary Services to the Bank.

During its 1st year of operation, the KSSL have recruited and deployed the support staff of following categories in ZTBL Head Office as well as in Bank's Field Offices:

- i) 514 'Darbans' to perform duties as Security-guard in the bank offices/branches.
- ii) 399 'Drivers' for the Bank's Field Operations Vehicles.
- iii) 165 Staff of various categories including Assistants, Cashiers, Typists, Naib Qasids and other staff for technical works.

During the same period, the KSSL have provided the Bank the following Support Services:

- i) Janitorial Services at ZTBL Head Office, Zonal Office, Bank Colony, ZTBL Club, Staff College and Bank Farm located in Islamabad.
- ii) ZTBL's Mail Handling within the Country as well as abroad.
- iii) Photocopying services to ZTBL Head Office, Islamabad.
- iv) The Security services both at ZTBL Head Office and its field offices, all over the country.



Zarai Taraqati Bank Limited Financial Statements

ZTBL

Auditors' Report to the Members

We have audited the annexed balance sheet of Zarai Taraqiati Bank Limited ("the Bank") as at December 31, 2006 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for one hundred and twenty branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose 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 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. The financial statements of the Bank for the year ended December 31, 2005 were audited by Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq; Chartered Accountants and Messers Riaz Ahmad & Company; Chartered Accountants whose report dated March 29, 2006 expressed an unqualified opinion on those financial statements.

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii. the expenditure incurred during the year was for the purpose of the Bank's business; and,
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2006 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance;

Without qualifying our opinion, we draw attention to the following matters that:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions in the aforesaid financial statements. We have, however, noted balance in inter-branches/offices current accounts, reported in note 17 to the financial statements on net basis at Rs.34.105 million-Credit Balance (December 31, 2005: Rs. 792.819 million-Debit Balance).
2. Borrowings in note 14 and Contingencies and Commitments in note 21.5 of the financial statements of the Bank refer to the dispute on the rate of markup chargeable on financing from State Bank of Pakistan (SBP). Tripartite meeting between SBP, the Bank and Ministry of Finance has not yet been convened to resolve the issue regarding rate of markup on the debts. SBP has confirmed accrued markup on the debts amounting to Rs. 15,777.331 million as against Rs. 9,359.844 million in the financial statements resulting in a difference of Rs. 6,417.487 million. Further, the first two installments of the debt payable in July 2006 and January 2007 as required by SBP in its letter no ACD/3104/Loans-15-A/2004 dated December 16, 2004 have not been paid. Outcome of the decision in the above said meeting may require appropriate adjustment in the provision of accrued markup.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Islamabad.

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants
Islamabad.

Zarai Taraqati Bank Limited

Balance Sheet As At December 31, 2006

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
ASSETS			
Cash and balances with treasury banks	6	1,295,464	1,585,421
Balances with other banks	7	7,781,056	7,813,844
Lendings to financial institutions		-	-
Investments	8	5,634,499	12,820,668
Advances	9	61,514,057	52,925,286
Operating fixed assets	10	817,003	690,141
Deferred tax assets	11	-	1,829
Other assets	12	8,409,442	6,667,463
		85,451,521	82,504,652
LIABILITIES			
Bills payable	13	276,333	235,741
Borrowings	14	51,257,213	51,257,213
Deposits and other accounts	15	2,882,384	2,644,647
Sub-ordinated loan	16	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	11	7,629	-
Other liabilities	17	14,223,468	12,100,331
		71,851,350	69,442,255
NET ASSETS		13,600,171	13,062,397
REPRESENTED BY			
Share capital	18	11,869,612	11,869,612
Reserves	19	359,348	245,387
Unappropriated profit		1,008,200	702,355
		13,237,160	12,817,354
Surplus on revaluation of assets	20	363,011	245,043
		13,600,171	13,062,397
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT DIRECTOR DIRECTOR DIRECTOR

Zarai Taraqati Bank Limited

Profit and loss account for the year ended December 31, 2006

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
Mark-up/return/interest earned	22	5,996,030	6,822,719
Mark-up/return/interest expensed	23	2,802,785	391,738
Net mark-up/interest income		3,193,245	6,430,981
Provision against non-performing loans and advances	9.3	1,767,234	4,731,992
Provision/(reversal) for diminution in the value of investments, net	8.2	10,110	(585)
Provision against other assets	12.6	2,048,971	12,936
Bad debts written off directly		-	-
		3,826,315	4,744,343
Net mark-up/interest income after provisions		(633,070)	1,686,638
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		2,544	3,157
Dividend income		6,458	6,458
Income from dealing in foreign currencies		-	-
Gain/(loss) on sale of securities		-	-
Unrealized gain/(loss) on revaluation of investments classified as held for trading		-	-
Other income	24	5,514,077	828,519
Total non-markup/interest income		5,523,079	838,134
		4,890,009	2,524,772
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	25	2,760,452	2,612,337
Government relief package written off		1,482,448	-
Other charges	26	306	3,802
Total non-markup/interest expenses		4,243,206	2,616,139
Extra ordinary/unusual items		-	-
PROFIT/(LOSS) BEFORE TAXATION		646,803	(91,367)
Taxation - Current year	27	217,539	38,434
- Prior years		-	-
- Deferred	27	9,458	(607)
		226,997	37,827
PROFIT/(LOSS) AFTER TAXATION		419,806	(129,194)
Unappropriated profit brought forward		702,355	861,549
Profit available for appropriation		1,122,161	732,355
Basic and diluted earnings per share - after tax	28, 29	0.35	(0.11)

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT DIRECTOR DIRECTOR DIRECTOR

Zarai Taraqati Bank Limited

Cash flow statement for the year ended December 31, 2006

Note	2006 (Rupees in "000")	2005 (Rupees in "000")
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	646,803	(91,367)
Dividend income	(6,458)	(6,458)
	<u>640,345</u>	<u>(97,825)</u>
Adjustments:		
Depreciation	106,050	85,806
Amortization of deferred income	(14,532)	(32,178)
Amortization of preliminary expenses	-	6,570
Provision against non-performing advances	1,767,234	4,731,992
Reversal for employees post retirement benefits	(2,110,467)	(79,692)
Provision for diminution in the value of investments	10,110	-
Provision against other assets	2,048,971	12,936
Government relief package written off	1,482,448	-
Gain on sale of fixed assets	(37,116)	(23,591)
	<u>3,252,699</u>	<u>4,701,843</u>
	<u>3,893,043</u>	<u>4,604,018</u>
(Increase)/decrease in operating assets		
Advances	(10,356,005)	(3,321,839)
Others assets (excluding advance taxation)	(3,162,932)	1,600,661
	<u>(13,518,937)</u>	<u>(1,721,178)</u>
Increase/(decrease) in operating liabilities		
Bills payable	40,592	38,307
Deposits and other accounts	237,737	(477,558)
Other liabilities (excluding current taxation)	2,337,876	594,929
	<u>2,616,205</u>	<u>155,678</u>
Income tax paid	(417,745)	(157,864)
Net cash (used in)/generated from operating activities	<u>(7,427,434)</u>	<u>2,880,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	7,294,027	(9,863,017)
Dividend received	6,458	6,458
Investments in operating fixed assets	(247,809)	(24,945)
Sale proceeds of property and equipment disposed-off	52,012	14,949
Net cash flow from/(used in) investing activities	<u>7,104,688</u>	<u>(9,866,555)</u>
Increase in cash and cash equivalents		
	<u>(322,745)</u>	<u>(6,985,901)</u>
Cash and cash equivalents at beginning of the year	30 9,399,265	16,385,166
Cash and cash equivalents at end of the year	<u>9,076,520</u>	<u>9,399,265</u>

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

Zarai Taraqati Bank Limited

Statement of changes in equity for the year ended December 31, 2006

	Share capital	Advance against equity	Statutory reserve	Contingencies reserve	Unappropriated profit	Total
(Rupees in "000")						
Balance as at December 31, 2004	11,869,611	1	215,387	-	861,549	12,946,548
Loss for the year 2005	-	-	-	-	(129,194)	(129,194)
Transfer to contingencies reserve	-	-	-	30,000	(30,000)	-
Issue of share capital	1	(1)	-	-	-	-
Balance as at December 31, 2005	11,869,612	-	215,387	30,000	702,355	12,817,354
Profit for the year 2006	-	-	-	-	419,806	419,806
Transfer to statutory reserve	-	-	83,961	-	(83,961)	-
Transfer to contingencies reserve	-	-	-	30,000	(30,000)	-
Balance as at December 31, 2006	<u>11,869,612</u>	<u>-</u>	<u>299,348</u>	<u>60,000</u>	<u>1,008,200</u>	<u>13,237,160</u>

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

Zarai Taraqiati Bank Limited

Notes to the financial statements for the year ended December 31, 2006

1 STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

Originally Agricultural Development Bank of Pakistan (ADBP) was established under the Agricultural Development Bank Ordinance, 1961, by merger of former Agricultural Development Finance Corporation and Agricultural Bank of Pakistan, in February, 1961 to provide better credit facilities for the promotion, expansion and development of agriculture and persons engaged therein. The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of ADBP into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

1.2 Status

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, Zarai Taraqiati Bank Limited (the "Bank") was incorporated as public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in the Bank on December 14, 2002. The Bank's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 342 (December 31, 2005: 345) branches in Pakistan as at close of the year.

1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low income houses to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

2 BASIS OF PRESENTATION

During the year, the State Bank of Pakistan (SBP) vide Banking Surveillance Department (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 have been 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 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and measurement" and International Accounting Standard (IAS) 40 "Investment Property" for banking companies through BSD circular no 10 dated August 28, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

4.1 These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments (note 8) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

4.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

4.2.1 Investments

As described in note 8, held to maturity are investments where the management has positive intent and ability to hold to maturity and available for sale securities are investments that do not fall under the held for trading or held to maturity categories. The classification of these securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

4.2.2 Provision against non-performing Advances

The provision is determined on the basis of time-based criteria given in prudential regulations.

4.2.3 Defined benefit plans

The key actuarial assumptions concerning the valuations of defined benefit plans and the sources of estimation are disclosed in note 32 to the financial statements.

4.2.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimate. Changes in the expected useful life are accounted for by changing the depreciation/amortization period or method, as appropriate, and are treated as changes in accounting estimate.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Pension scheme

The Bank operates defined benefits funded pension scheme approved by income tax authorities, for its eligible employees who opted for the new employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Gratuity scheme

The Bank operates defined benefits funded gratuity scheme approved by income tax authorities, for its eligible employees who did not opt for the new employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. Annual contributions are made on the basis of actuarial recommendations. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the new employees benefits scheme introduced in 1975 and 1977 for clerical/non clerical staff and for executives/officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees benefits scheme, as mentioned above. Under this, non contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

Benevolent scheme

The Bank also has two funded defined benefits benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Contribution to these schemes are made by employees and the Bank. The employee's contribution is matched by an equal contribution by the Bank which is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation. Transitional liability arising on first time adoption of International Accounting Standard - 19 (revised 2000) "Employee Benefits" is recognized as an expense on straight line basis over five years from the date of its adoption.

Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the financial statements for the benefit based on actuarial valuation. Actuarial gains/losses are accounted for in the manner similar to pension scheme.

Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. Provision is made in the financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year.

5.2 Cash and cash equivalents

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

5.3 Revenue recognition

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP

Commission is recognized when earned.

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

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

5.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.5 Investment

In accordance with BSD circular no. 10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by the SBP, the Bank classifies its investment portfolio into 'Held-for-Trading', 'Held-to-Maturity' and 'Available-for-Sale' securities as follows:

Held-for-Trading

These are investments acquired principally for the purpose of generating profits from short term fluctuations in market price.

Held-to-Maturity

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

Available-for-Sale

These are investments other than those in subsidiaries which do not fall under the 'Held-for-Trading' and 'Held-to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortised cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investment in un-quoted securities are carried at cost less impairment loss, if any.

The difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Investments in subsidiary company is carried at cost. Provision is made for impairment in value, if any.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

All purchases and sales of investments that requires delivery within the timeframe established by regulation or market convention are recognized at trade date. Trade date is the date at which the Bank commits to purchase or sell the investment.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.7 Operating fixed assets and depreciation/amortization

Operating fixed assets are stated at cost less accumulated depreciation except free hold land which is stated at cost. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 10. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold land which are depreciated/amortized on straight line method. Depreciation on addition/deletion in fixed assets during the year is charged for the proportionate period for which the asset remained in use.

Maintenance and normal repairs are charged to profit and loss account as and when incurred.

Gains/losses, if any, on disposal of operating fixed assets are charged to profit and loss account during the year.

5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and amount used for the 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 the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.



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5.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect current best estimate.

5.10 Foreign currencies

The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP.

5.11 Related party transactions

All transactions undertaken between the Bank and the related parties are measured at arms' length prices determined in accordance with the methods for determining arms' length prices as prescribed by the SECP.

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")				
6 CASH AND BALANCES WITH TREASURY BANKS							
local currency							
In hand		150,382	395,962				
In current accounts with:							
State Bank of Pakistan	6.1	1,145,080	1,189,047				
National Bank of Pakistan		2	412				
		<u>1,295,464</u>	<u>1,585,421</u>				
6.1 It represents deposits maintained with SBP to comply with the regulations issued from time to time.							
7 BALANCES WITH OTHER BANKS							
In Pakistan in local currency:							
On current accounts		7,192	21,673				
On deposit accounts	7.1	7,773,864	7,792,171				
		<u>7,781,056</u>	<u>7,813,844</u>				
7.1 These carry a markup ranging from 2.00% to 12.75% per annum (2005: 2.00% to 12.75% per annum)							
8 INVESTMENTS	Note	2006	2005				
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Investment by types		(Rupees in "000")					
Available-for-Sale securities							
Listed companies		90,294	-	90,294	90,294	-	90,294
Un-listed companies		10,523	-	10,523	5,000	-	5,000
		100,817	-	100,817	95,294	-	95,294
Held-to-Maturity securities							
Market Treasury Bills	8.3	1,843,309	-	1,843,309	5,940,943	-	5,940,943
Pakistan Investment Bonds	8.3	1,116,967	-	1,116,967	1,148,835	-	1,148,835
Federal Investment Bonds	8.3	763,734	2,684	766,418	815,342	2,866	818,208
Certificates of Investment	8.6	1,354,500	-	1,354,500	4,572,758	-	4,572,758
		5,078,510	2,684	5,081,194	12,477,878	2,866	12,480,744
Investment in subsidiary Kissan Support Services (Pvt.) Limited (KSSL)		100,000	-	100,000	-	-	-
Total investment at cost		<u>5,279,327</u>	<u>2,684</u>	<u>5,282,011</u>	<u>12,573,172</u>	<u>2,866</u>	<u>12,576,038</u>
Provision for diminution in value of investments	8.2	(10,523)	-	(10,523)	(413)	-	(413)
Investments (Net of provisions)		<u>5,268,804</u>	<u>2,684</u>	<u>5,271,488</u>	<u>12,572,759</u>	<u>2,866</u>	<u>12,575,625</u>
Surplus on revaluation of Available-for-Sale securities	20	363,011	-	363,011	245,043	-	245,043
Total investments at market value		<u>5,631,815</u>	<u>2,684</u>	<u>5,634,499</u>	<u>12,817,802</u>	<u>2,866</u>	<u>12,820,668</u>



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	Note	2006 (Rupees in "000")	2005 (Rupees in "000")			
8.1 Investment by segments						
Federal government securities						
Market Treasury Bills	8.3	1,843,309	5,940,943			
Pakistan Investment Bonds	8.3	1,116,967	1,148,835			
Federal Investment Bonds	8.3	766,418	818,208			
		3,726,694	7,907,986			
Fully paid up ordinary shares:						
Listed companies	8.4	90,294	90,294			
Un-listed companies	8.5	10,523	5,000			
		100,817	95,294			
Certificates of investment	8.6	1,354,500	4,572,758			
Investment in KSSL	37	100,000	-			
Total investment at cost		5,282,011	12,576,038			
Provision for diminution in value of investments	8.2	(10,523)	(413)			
Investments (net of provisions)		5,271,488	12,575,625			
Surplus on revaluation of available-for-sale securities	20	363,011	245,043			
Total investments at market value		5,634,499	12,820,668			
8.2 Particulars of provision						
Opening balance		413	998			
Charge for the year, net		10,110	-			
Reversals		-	(585)			
Closing balance		10,523	413			
8.2.1 Particulars of provision in respect of type and segment						
Available-for-sale securities-(un-listed securities)		10,523	-			
Available-for-sale securities-(listed securities)		-	413			
8.3 Principal terms of investments in federal government securities						
	Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
	Market Treasury Bills	March 2007	8.3.1	On maturity	8.6	at maturity
	Pakistan Investment Bonds	August 2011 to December 2011	8.3.1	On maturity	12 to 13	semi-annually
	Federal Investment Bonds	March 2008	8.3.2	On maturity	15	semi-annually
8.3.1	Market treasury bills, Federal Investment Bonds and Pakistan Investment Bonds are held by the Bank which also covers statutory liquid reserve requirements.					
8.3.2	Federal Investment Bonds having amortised cost of Rs. 2.684 millions (December 31, 2005: Rs. 2.866 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.					

8.4 Particulars of investments held in listed companies

No. of ordinary shares	Paid up value/share	Name of companies	2006	2005
2006	2005	Rupees	(Rupees in "000")	
280,090	280,090	10 Nestle Milkpak Limited	89,297	89,297
450,000	450,000	10 Uqab Breeding Farm Limited	585	585
150,000	150,000	10 Mubarik Dairies Limited	412	412
300,000	300,000	10 Dadabhoy Agricultural Leasing Limited	-	-
		8.4.1	-	-
			90,294	90,294

8.4.1 Dadabhoy Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

8.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
("Rupees")					
National Commodity Exchange Limited	19.13%	909,091	(2,123,845)	June 30, 2005	Mr. Assim Jang
Saudi Pak Kala Bagh Livestock Limited	8.5.1	33.33%	1,000,000	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited	8.33%	2,500	-	-	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited	8.5.2	6.36%	141,970	-	Mr. Anwar Majeed

8.5.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.

8.5.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

8.5.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these financial statements.

8.5.4 Market value of listed investment is Rs. 450.804 million and book value of un-listed investments is Rs. 10.523 million. Face value of investment in un-listed securities is Rs. 37.220 million.

8.6 Particulars of Certificates of Investments

Name of investee	Maturity	Principal payment	Rate	Coupon payment
Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Ltd.	January 2007	on maturity	12.25	at maturity

8.7 Quality of Available-for-Sale securities

	Amount	Rating	Amount	Rating
Nestle Milk Pak Limited	89,297	N/A	89,297	N/A
Uqab Breeding Farm Limited	585	N/A	585	N/A
Mubarak Dairies Limited	412	N/A	412	N/A
National Commodity Exchange Limited	10,523	N/A	5,000	N/A
	<u>100,817</u>		<u>95,294</u>	

9 ADVANCES

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
Loans, cash credits, running finances, etc. In Pakistan - gross	9.1	71,290,937	64,744,526
Less:			
Provision for non-performing advances	9.2	(9,772,751)	(11,814,916)
Provision for advances to employees		(4,129)	(4,324)
		<u>(9,776,880)</u>	<u>(11,819,240)</u>
Advances-net of provision		<u>61,514,057</u>	<u>52,925,286</u>

9.1 Particulars of advances (Gross)

9.1.1 In local currency	<u>71,290,937</u>	<u>64,744,526</u>
9.1.2 Short term (upto one year)	46,566,434	38,639,419
Long term (over one year)	<u>24,724,503</u>	<u>26,105,107</u>
	<u>71,290,937</u>	<u>64,744,526</u>

9.2 Advances include Rs. 20,104.490 million (December 31, 2005: Rs. 23,424.374 million) which have been placed under non-performing status as detailed below:

Category of classification	2006 (Rupees in "000")		
	Classified advances	Provision required	Provision held
	Domestic		
Other Assets Especially Mentioned	9,306,835	-	-
Substandard	2,629,125	525,823	525,823
Doubtful	3,843,204	1,921,602	1,921,602
Loss	4,325,326	4,325,326	4,325,326
	<u>20,104,490</u>	<u>6,772,751</u>	<u>6,772,751</u>
Provision under portfolio audit - general	-	-	3,000,000
	<u>20,104,490</u>	<u>6,772,751</u>	<u>9,772,751</u>

9.3 Particulars of provision against non-performing advances

Note	2006			2005		
	Specific	General	Total	Specific	General	Total
	(Rupees in "000")					
Opening balance	8,819,240	3,000,000	11,819,240	22,566,660	3,000,000	25,566,660
Net charge for the year	1,767,234	-	1,767,234	4,731,992	-	4,731,992
Amounts written off	9.5 (3,809,594)	-	(3,809,594)	(18,479,412)	-	(18,479,412)
Closing balance	<u>6,776,880</u>	<u>3,000,000</u>	<u>9,776,880</u>	<u>8,819,240</u>	<u>3,000,000</u>	<u>11,819,240</u>

9.4 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
	(Rupees in "000")					
In local currency	<u>6,776,880</u>	<u>3,000,000</u>	<u>9,776,880</u>	<u>8,819,240</u>	<u>3,000,000</u>	<u>11,819,240</u>

9. Particulars of write offs

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
9.5.1 Against provisions	9.3	<u>3,809,594</u>	<u>18,479,412</u>
9.5.2 Write offs of Rs 500,000 and above	9.6	3,693,506	5,729,521
Write offs of below Rs 500,000		<u>116,088</u>	<u>12,749,891</u>
		<u>3,809,594</u>	<u>18,479,412</u>

9.6 Details of write offs of Rs 500,000 and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2006 in respect of project loans only given at annexure-1. However, this write off does not effect the Bank's right to recover debts from these customers.

9.7 Particulars of loans and advances

To directors, associated companies, etc.

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		34,263	34,263
Repayments/write offs		<u>(34,263)</u>	-
Balance at end of year		<u>-</u>	<u>34,263</u>

10 OPERATING FIXED ASSETS

Property and equipment	10.1	813,408	690,141
Intangible assets	10.2	3,595	-
		<u>817,003</u>	<u>690,141</u>

10.1 Property and equipments

Particulars	Cost			Depreciation			Book value at December 31, 2006	Rate of Depreciation
	At January 1, 2006	Additions	(Deletions)/adjustments	At December 31, 2006	At January 1, 2006	Charge for the year		
Free hold land	170,961	-	-	170,961	-	-	170,961	-
Lease hold land	10,640	-	-	10,640	1,194	398	9,048	-
Building on free hold land	137,886	-	-	137,886	19,927	5,898	112,061	5%
Building on leasehold land	303,732	668	-	304,400	54,777	12,464	237,159	5%
Furniture fixture and equipment	73,818	57,836	(4,895)	126,759	37,060	23,558	66,383	10/33%
Vehicles	242,430	183,912	(51,219)	375,123	136,388	61,934	217,796	20%
2006	939,467	242,416	(56,114)	1,125,769	249,326	104,252	813,408	
2005	1,154,928	24,945	(240,406)	939,467	177,943	85,806	690,141	

10.2 Intangible assets

Particulars	Cost			Depreciation			Book value at December 31, 2006	Rate of Depreciation
	At January 1, 2006	Additions	(Deletions)/adjustments	At December 31, 2006	At January 1, 2006	Charge for the year		
Computer software	-	5,393	-	5,393	-	1,798	3,595	33.33%
2006	-	5,393	-	5,393	-	1,798	3,595	
2005	-	-	-	-	-	-	-	

10.3 The detail of disposal of assets whose original cost or the book value exceed one million and two hundred fifty thousand rupees respectively, whichever is lower is nil.

10.4 List of vehicles disposed off during the year

Sr. No.	Particulars of assets	Registration number	Model	Revalued amount	Accumulated depreciation	Book value	Sale proceeds	Gain on sale	Mode of disposal	Particular of buyers
(*Rupees*)										
1	TLC 5 Door	RIU-1500	1992	700,001	560,001	140,000	876,786	736,786	Auction	M Afzal H 12 MD road F 11/3
2	TLC 5 Door	IDF-1321	1992	700,001	560,001	140,000	877,000	737,000	Auction	Faisal ghaznavi Al Gilani Road Quetta
3	TLC 3 Door	MNQ-4460	1992	600,001	480,001	120,000	777,786	657,786	Auction	Waqas Ahmad Raja H 31 St 60 G 7/2
4	TLC 3 Door	KTA-1030	1993	600,001	480,001	120,000	690,000	570,000	Auction	Village Sari Saleh Teh Distt Hari pur
5	TLC 3 Door	LOP-2097	1992	600,001	480,001	120,000	691,000	571,000	Auction	Muhammad Pervaiz F 5/1 near PTA Building Islamabad
6	Suzuki Jeep	A-0090	1998	300,001	240,001	60,000	275,528	215,528	Auction	Shahid Saleem P 528/c St 9 Niamat Colony Faisalabad
7	Suzuki Jeep	OKB-2378	1992	250,001	200,001	50,000	160,786	110,786	Auction	Rahamat Ali Chak no 91/6 Teh Dist Sahiwal
8	Suzuki Jeep	IDD-3783	1990	230,001	184,001	46,000	175,786	129,786	Auction	M Naser PD 1149 S Town Rawalpindi
9	Suzuki Jeep	A-2362	1992	250,001	200,001	50,000	284,555	234,555	Auction	M Amjad Aria mohalla Rawalpindi
10	Suzuki Jeep	LOQ-4362	1992	250,001	200,001	50,000	292,886	242,886	Auction	M Amjad Aria mohalla Rawalpindi
11	Suzuki Jeep	LOQ-5101	1993	260,001	208,001	52,000	174,786	122,786	Auction	Rahmat Ali Chak no 91/6 Teh Dist Sahiwal
12	Suzuki Jeep	LOC-3603	1990	230,001	184,001	46,000	207,000	161,000	Auction	Sher Afzal Khan Afzal Mkt Hari Pur
13	Suzuki Jeep	A-2340	1992	250,001	200,001	50,000	242,999	192,999	Auction	Saeed Ahmad Paniwali Tanki Hari pur
14	Suzuki Jeep	A-3460	1991	245,001	196,001	49,000	253,999	204,999	Auction	Saeed Ahmad Paniwali Tanki Hari pur
15	Suzuki Jeep	A-1021	1990	230,001	184,001	46,000	250,000	204,000	Auction	Sher Afzal Khan Afzal Mkt Hari Pur
16	Suzuki Jeep	B-1051	1990	230,001	184,001	46,000	229,786	183,786	Auction	Sher Afzal Khan Afzal Mkt Hari Pur
17	Suzuki Jeep	B-2210	1991	245,001	196,001	49,000	162,252	113,252	Auction	Pervaiz Ahmad 80 badar block AIT Lhr
18	Suzuki Jeep	B-1241	1992	250,001	200,001	50,000	167,899	117,899	Auction	Pervaiz Ahmad 80 badar block AIT Lhr
19	Suzuki Jeep	BUB-4707	1991	245,001	196,001	49,000	160,000	111,000	Auction	Sanaullah Khan Tani Khail Aisa Khail
20	Suzuki Jeep	B-2269	1992	250,001	200,001	50,000	261,999	211,999	Auction	Saeed Ahmad Paniwali Tanki Hari pur
21	Suzuki Jeep	B-2008	1992	250,001	200,001	50,000	245,786	195,786	Auction	Sher Afzal Khan Afzal Mkt Hari Pur
22	Suzuki Mehran	IDD-5793	1990	90,001	72,001	18,000	145,786	127,786	Auction	Aajab Khan H # 6 St 20 Korang Town Islamabad
23	Suzuki Mehran	IDF-4719	1993	100,001	80,001	20,000	172,786	152,786	Auction	Sajad Ali Khan Dhok Awan Wah Cantt
24	Suzuki Mehran	IDF-4680	1993	90,001	72,001	18,000	171,126	153,126	Auction	Eitasham raff H 612/29 Dyer Rawalpindi
25	Suzuki Mehran	IDF-327	1993	90,001	72,001	18,000	185,000	167,000	Auction	Javed Wali H 02 kormer Gilgit
26	Suzuki Mehran	IDF-4669	1993	90,001	72,001	18,000	168,000	150,000	Auction	Nahim Rehman H No 59/58 St 72 G 7/2 Isb
27	Suzuki Mehran	IDD-5794	1990	90,001	72,001	18,000	170,000	152,000	Auction	M Riaz H No 723 St 28 Muslim Town Rawalpindi
28	Suzuki Margala	IDD-4050	1995	300,001	240,001	60,000	336,126	276,126	Auction	Syed Javed iqbal 57 C Harley street Rawalpindi
29	Suzuki Margala	IDG-4078	1995	300,001	240,001	60,000	321,126	261,126	Auction	Syed Javed iqbal 57 C Harley street Rawalpindi
30	Suzuki Khyber	RIU-5846	1993	200,001	160,001	40,000	213,250	173,250	Auction	M Zafar H 55 St 68 I 8/3 Islamabad
31	Suzuki Khyber	IDD-6258	1990	200,001	160,001	40,000	211,000	171,000	Auction	M yaousaf Room 3003 PTV Head Quarters Isb
32	Suzuki Van	IDD-7536	1990	100,001	80,001	20,000	200,250	180,250	Auction	Mukhtar Ahmad H.NA 441 S Town Rawalpindi
33	Suzuki Van	IDD-6809	1990	90,001	72,001	18,000	187,999	169,999	Auction	Saeed Ahmad Paniwali Tanki Hari pur
34	Suzuki Van	IDH-4518	1996	110,001	88,001	22,000	240,000	218,000	Auction	Sher Afzal Khan Afzal Mkt Hari Pur
35	T.Hiace	IDB-2351	1986	450,001	360,001	90,000	569,112	479,112	Auction	M Ayoub H 11/7B St 85R Chuburgir Lhr
36	Suzuki Jeep	B-2911	1990	230,001	184,001	46,000	271,000	225,000	Auction	C M Arshad H No 6 F 11/4 Islamabad
37	Suzuki Jeep	B-2837	1992	250,001	200,001	50,000	225,222	175,222	Auction	S Saeed Shah H No 10 St 49 G 10/3 Islamabad
38	Suzuki Jeep	ADB-2901	1991	245,001	196,001	49,000	230,000	181,000	Auction	M Ilyas 29 Suhan 4 Faizabad Rawalpindi
39	Suzuki Jeep	BNB-2210	1990	230,001	184,001	46,000	215,786	169,786	Auction	Amman Ullah khan 1682/16 Ghenji Multan
40	Suzuki Jeep	BNB-3660	1991	245,001	196,001	49,000	160,000	111,000	Auction	Iftikhar Ahmad 4 Ali Town Lahore
41	Suzuki Jeep	BNB-8999	1992	250,001	200,001	50,000	150,500	100,500	Auction	M Amjad Auto Guild Workshop F 11/3 Islamabad
42	Suzuki Jeep	BNB-8987	1992	250,001	200,001	50,000	152,000	102,000	Auction	M Amjad Auto Guild Workshop F 11/3 Islamabad
43	Suzuki Jeep	MNN-2997	1990	230,001	184,001	46,000	202,000	156,000	Auction	Iftikhar Ahmad 4 Ali Town Lahore
44	Suzuki Jeep	BRC-8435	1990	230,001	184,001	46,000	226,000	180,000	Auction	Raja Shabban Hanif 231/ AE Satellite Town Rawalpindi
45	Suzuki Jeep	BRD-901	1991	245,001	196,001	49,000	201,787	152,787	Auction	M Riaz Rasoolabad Multan
46	Suzuki Jeep	IDD-3764	1990	230,001	184,001	46,000	180,000	134,000	Auction	Liaqat masood Khan 656 G 11/1 Islamabad
47	Suzuki Jeep	A-1033	1991	245,001	196,001	49,000	160,361	111,361	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
48	Suzuki Jeep	DGD-8797	1991	245,001	196,001	49,000	142,241	93,241	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
49	Suzuki Jeep	DGC-8788	1989	200,001	160,001	40,000	188,787	148,787	Auction	M Riaz Rasoolabad Multan
50	Suzuki Jeep	KSA-8840	1992	250,001	200,001	50,000	156,786	106,786	Auction	Iftikhar Ahmad 4 Ali Town Lahore
51	Suzuki Jeep	B-1883	1991	245,001	196,001	49,000	178,876	129,876	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
52	Suzuki Jeep	FDO-2403	1991	245,001	196,001	49,000	155,550	106,550	Auction	M Ashraf P 1976 St 13 Farooqabad
53	Suzuki Jeep	FDN-2203	1990	230,001	184,001	46,000	200,786	154,786	Auction	Munawar Hussain P 2108 St 29 Iqbal Nagar Faisalabad
54	Suzuki Jeep	DMR-1031	1990	230,001	184,001	46,000	146,821	100,821	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
55	Suzuki Jeep	GAE-9242	1990	230,001	184,001	46,000	215,786	169,786	Auction	Amman Ullah Khan 1682/16 Chungi # 8 Multan
56	Suzuki Jeep	GTD-2881	1992	250,001	200,001	50,000	153,851	103,851	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
57	Suzuki Jeep	GAF-9362	1991	245,001	196,001	49,000	166,900	117,900	Auction	Umer Hayat St 2 Bajli mohallah Hafiz Abad
58	Suzuki Jeep	GP-2023	1990	230,001	184,001	46,000	180,000	134,000	Auction	Arshad Ahmad Khan st 36 F6/1 Islamabad
59	Suzuki Jeep	E-0706	1990	230,001	184,001	46,000	176,550	130,550	Auction	Meharab Khan Dargai Lorai
60	Suzuki Jeep	JGA-7114	1991	245,001	196,001	49,000	202,000	153,000	Auction	M. Munir Baig Chak 33 GB Jaranawala
61	Suzuki Jeep	JGB-6839	1991	245,001	196,001	49,000	217,933	168,933	Auction	Khalid Mahmood 42 A Iqbal Nagar TT Singh
62	Suzuki Jeep	KWA-115	1991	245,001	196,001	49,000	137,373	88,373	Auction	Pervaiz Ahmad 820 Alama Iqbal Town Lahore
63	Suzuki Jeep	KSA-6859	1989	200,001	160,001	40,000	166,786	126,786	Auction	Iftikhar Ahmad 4 Ali Town Lahore
64	Suzuki Jeep	KSA-7400	1990	230,001	184,001	46,000	171,786	125,786	Auction	Iftikhar Ahmad 4 Ali Town Lahore

	Note	2006	2005
		(Rupees in "000")	
11 DEFERRED TAX ASSETS/(LIABILITIES)			
Deferred tax arising in respect of tax depreciation		<u>(7,629)</u>	<u>1,829</u>
Deferred tax asset/liabilities arise due to temporary difference on account of depreciation charged on operating fixed assets. 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 the tax rates enacted at the balance sheet date. A deferred tax assets is recognized only to the extent it is probable that future taxable profit will be available and the credits can be utilized.			
12 OTHER ASSETS			
Income/mark-up accrued in local currency held in banks		74,107	74,258
Income/mark-up accrued on loans and advances		2,361,814	2,085,487
Income/mark-up accrued on investments		72,517	103,768
Advances, deposits, advance rent and other prepayments		80,391	63,902
Tax recoverable	12.1	308,053	308,053
Non-banking assets acquired in satisfaction of claims	12.2	223,881	209,574
Branch adjustment account		-	792,819
Suspense account		2,001	3,848
Stationery and stamps in hand		13,035	10,970
Relief packages		-	939,468
Receivable from defined benefit plans	12.3	3,779,485	1,936,411
Stock in hand		14,565	14,640
Commutation paid to employees under SR-2005		2,969,446	-
Receivable from Federal Government against golden hand shake scheme		485,787	2,643
Receivable from Pension Trust Fund against golden hand shake scheme	12.4	67,901	117,901
Receivable from Benevolent Trust Fund against golden hand shake scheme	12.4	17,250	17,250
Others	12.5	<u>16,187</u>	<u>15,208</u>
		10,486,420	6,696,200
Provision held against other assets	12.6	<u>(2,076,978)</u>	<u>(28,737)</u>
Other assets (net of provision)		<u>8,409,442</u>	<u>6,667,463</u>
12.1	This includes an amount of Rs 297.149 million receivable on account of minimum income tax levied by the income tax authorities under Section 80-D of Income Tax Ordinance, 1979, for assessment years 1991-92 to 1998-99. The income of the Bank was exempt from tax upto income year ended June 30, 1999. The Bank paid, under protest, the disputed tax demand and also filed writ petition in this respect in Lahore High Court, Rawalpindi Bench, Rawalpindi. Later on, the bank withdrew the petition on directions of the Federal Government and the case was referred to the Law and Justice Division of the Government of Pakistan (GoP) which decided the reference in Bank's favour. The Central Board of Revenue disagreed with the aforesaid decision and has further taken up the matter with Federal Cabinet for its review. Federal cabinet has referred the case to the Attorney General for final decision. The advice/decision of the Attorney General is still awaited. Since the Bank is very confident for a favourable decision from the Attorney General, no provision in this respect has been made by the Bank in its books of account.		
12.2	Market value of non-banking assets acquired in satisfaction of claims is Rs 379.415 million (December 31, 2005: 358.680 million).		
12.3	Receivable from defined benefit plans		
Pension scheme	32.1	2,436,693	778,701
Benevolent scheme-officers/executives	32.2	188,855	156,435
Benevolent scheme-clerical/non-clerical	32.3	(15,753)	(34,760)
Gratuity scheme	32.4	<u>1,169,690</u>	<u>1,036,035</u>
	12.3.1	<u>3,779,485</u>	<u>1,936,411</u>
12.3.1	It represents assets recognized by the Bank as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.		
12.4	It represents the amount receivable from Pension Fund Trust and Benevolent Fund Trusts against Golden Hand Shake Scheme		

	Note	2006	2005
		(Rupees in "000")	
12.5 Others			
Defence saving certificates		5	17
Advance for purchase of machinery/goods in transit		17	17
Legal charges recoverable on suits filed against loan defaulter		<u>16,166</u>	<u>15,174</u>
		<u>16,188</u>	<u>15,208</u>
12.6 Provision against other assets			
Opening balance		28,737	5,615,277
Charge for the year	12.6.1	2,048,971	12,936
Amount written off		(730)	(5,599,476)
Closing balance		<u>2,076,978</u>	<u>28,737</u>
12.6.1	The Bank announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005. The Bank share out of second tranche amounted to US\$ 34 million. About US\$ 9 million had already been utilized against Voluntary Golden Hand Shake Scheme (VGHSS) and the balance of about US\$ 25 million are lying with the MoF. The ADB also agreed to consider the use of the third tranche proceeds (about US\$ 47 million) for the implementation of Bank's SR-2005, on the basis of position of non-performing loans of the Bank after the management audit. Finance Division of GoP vide letter No.F3(18)IF-1/2002 dated May 18, 2006 confirmed to ADB that Finance Division has no objection for the use of the remaining loan proceeds from the 2nd tranche for the proposed Bank's SR-2005.		
	While evaluating the performance of the slow moving ADB category "B" loans in a meeting dated March 17, 2007 chaired by the Advisor to the Prime Minister on Finance and Economic Affairs, it was decided to have negotiations with ADB's forthcoming Mission for waiver of conditionalities for release of third tranche which cannot be complied with. If ADB does not agree to the proposal of waivers, the program loan amounting to US\$ 75 million may be cancelled. Keeping in view the above position, provision has been made in the financial statements amounting to Rs. 2,049 million being the difference of claim amounting to Rs. 3,455 million and the amount already received by the GoP amounting to Rs. 1,407 million out of second tranche proceeds.		
13 BILLS PAYABLE			
In Pakistan		<u>276,333</u>	<u>235,741</u>
14 BORROWINGS			
In Pakistan	14.1	<u>51,257,213</u>	<u>51,257,213</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency	14.2	<u>51,257,213</u>	<u>51,257,213</u>
14.2 Details of borrowings-secured			
Borrowings from SBP			
Agricultural loans	14.3	50,174,089	50,174,089
Agri-Project loans	14.4	<u>1,083,124</u>	<u>1,083,124</u>
		<u>51,257,213</u>	<u>51,257,213</u>
14.3	As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 49.680 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of GoP. The Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.		

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts will start from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment. In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank the matter has been referred to Ministry of Finance for a considered Government decision. Tripartite meeting of SBP, Ministry of Finance and the Bank to finalize the debt moratorium package is yet to be convened. Keeping in view the above stated facts mark-up has been charged on these loans as per existing contractual rates in respective credit lines.

14.4 These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP. The Bank has submitted a proposal to SBP for restructuring of the debt as stated in note 14.3.

	Note	2006 (Rupees in "000")	2005
15 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		63,092	64,742
Saving deposits		202,684	111,724
Current accounts - remunerative		188,240	297,174
Current accounts - non-remunerative		2,399,173	2,136,334
Others - unclaimed deposits		29,195	34,673
	15.1	<u>2,882,384</u>	<u>2,644,647</u>
15.1 Particulars of deposits			
In local currency		<u>2,882,384</u>	<u>2,644,647</u>

16 SUB-ORDINATED LOAN

As per restructuring plan of the Bank approved by the ECC of the cabinet, SBP's Equity holding of Rs. 3.204 billion was converted into subordinated loan on terms to be agreed with SBP. Accordingly, the Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts will start from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment.

Since the capping of mark-up charges at 2.3558% has not been agreed by SBP which is of critical importance for the future financial viability and sustainability of the Bank, the matter has been referred to Ministry of Finance for considered government decision. However the mark-up on subordinated debt at the rate of 2.3558% (from December 14, 2002 to June 30, 2004), 2.1867% (from July 1, 2004 to June 30, 2005), at the rate of 8.4009% (from July 1, 2005 to June 30, 2006) and at the rate of 8.7907% (from July 1, 2006 to December 31, 2006) has been charged which is subject to adjustment on finalization of debt restructuring/repriicing agreement with SBP.

	Note	2006 (Rupees in "000")	2005
17 OTHER LIABILITIES			
Mark-up/return/interest payable in local currency		9,359,844	6,624,360
Accrued expenses		32,785	37,512
Current taxation (provision less payments)		471,825	672,032
Branch adjustment		34,105	-
Contributory provident fund-SR 2005	17.1	10,000	-
Gratuity fund-SR 2005	17.1	22,197	-
Benevolent fund (officer)-SR 2005	17.1	273	-
Security deposits		114,309	209,153
Payable to Ministry of Food Agriculture and Livestock	17.2	177,715	352,715
Profit payable on deposits and other accounts		19,077	19,282
Liabilities relating to Bangladesh	17.3	189	189
Provision for employees' post retirement medical benefits	32.5	3,271,961	3,649,671
Provision for employees' compensated absences	32.6	437,659	355,011
Payable to employees' against golden handshake scheme		35,777	33,133
Kissan Support Services (Private) Ltd.		3,538	-
Sundry deposits		219,721	140,919
Deferred income		7,399	2,048
Others		5,094	4,306
		<u>14,223,468</u>	<u>12,100,331</u>
17.1 This represent temporary arrangement due to delay in establishment of trusts for the funds under SR-2005. These amounts will be transferred to respective Trust Funds as soon as the establishment of these have been finalized.			
17.2 This represents the amount of Rs. 9.715 million (December 31, 2005: Rs.9.715 million),Rs.168.000 million (December 31, 2005: Rs.168.000 million) and Rs. Nil (December 31, 2005: Rs.175.000 million) payable to Ministry of Food Agriculture and Livestock under Japanese KR-II grant-1996, Crop Maximization Project-productivity enhancement on sustainable basis and incentive for Balochistan respectively.			
17.3 Liabilities relating to Bangladesh			
Liabilities		1,372,794	1,343,424
Assets		(1,372,605)	(1,343,235)
	17.3.1	<u>189</u>	<u>189</u>
17.3.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F.5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Bank is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.			
18 SHARE CAPITAL			
Authorized capital			
2,500,000,000 ordinary shares of Rs. 10 each			
(December 31, 2005: 2,500,000,000 ordinary shares of Rs.10 each)		<u>25,000,000</u>	<u>25,000,000</u>
Issued, subscribed and paid up			
1,186,961,201 ordinary shares of Rs. 10 each fully paid			
(December 31, 2005: 1,186,961,201 ordinary shares of Rs.10 each fully paid)	18.1	<u>11,869,612</u>	<u>11,869,612</u>

18.1	Shareholder	No of ordinary shares	Paid-up value per share	2006	2005
(Rupees in "000")					
	Government of Pakistan	1,185,961,201	10	11,859,612	11,859,612
	Government of Punjab	277,100	10	2,771	2,771
	Government of Sindh	119,000	10	1,190	1,190
	Government of NWFP	68,000	10	680	680
	Government of Balochistan	35,900	10	359	359
	Erstwhile East Pakistan	500,000	10	5,000	5,000
		<u>1,186,961,201</u>		<u>11,869,612</u>	<u>11,869,612</u>

19	RESERVES	Statutory reserves	Reserves for contingencies	Total
(Rupees in "000")				
	Balance as at January 1, 2006	215,387	30,000	245,387
	Transfer from unappropriated profit	83,961	30,000	113,961
	Balance as at December 31, 2006	<u>299,348</u>	<u>60,000</u>	<u>359,348</u>

19.1 Statutory reserve represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

19.2 The Bank has set aside contingency reserve for insurance of cash, building and vehicles.

20	SURPLUS ON REVALUATION OF ASSETS	Note	2006	2005
(Rupees in "000")				
	Surplus on revaluation of securities			
	i) Quoted shares		360,511	242,543
	ii) Other securities		2,500	2,500
		20.1	<u>363,011</u>	<u>245,043</u>

20.1 All the above-mentioned securities are Available-for-Sale securities.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingent liability in respect of 17 cases (December 31, 2005: 15 cases) filed against the Bank by various parties is estimated at Rs. 8.229 million (December 31, 2005: Rs. 11.307 million).

21.2 Contingent liability in respect of 43 cases (December 31, 2005: 5 cases) filed against the Bank in various courts of law by the employees is estimated at Rs. 5.578 million (December 31, 2005: Rs. 0.572 million).

21.3 Income tax of Rs. 929.632 million was levied by the income tax department for assessment year 2001-2002, against provision of Rs. 326.281 million in the books of accounts of the Bank for that assessment year. The Bank has paid Rs. 785.103 million and also filed appeal before the Commissioner of Income Tax (Appeals) against the aforesaid order. The Commissioner has set-aside the aforesaid order. However, the tax department preferred an appeal against the order of CIT(A) before the ITAT which is pending for hearing.

21.4 Income tax of Rs. 1,928.362 million was levied by the income tax department for assessment year 2002-2003, against provision of Rs. 1,919.929 million in the books of account of the Bank for that assessment year. The Bank has paid Rs. 577.092 million against the said demand and also filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner has set-aside the aforesaid order and now tax department preferred an appeal against the order of CIT(A) before the ITAT.

21.5 The SBP debt of Rs. 54.461 billion is in the process of repricing/restructuring. As per Bank restructuring plan the SBP debt was required to link with one year T-Bill rate capped at 2.3558 % plus profit and loss (PLS) sharing, the decision is still pending. The SBP debt has been charged at existing rate i.e contractual rate, as the SBP has not yet accepted the capping and PLS arrangements. The financial impact of this event works out to be approximately Rs.1,020.036 million. However, while issuing balance confirmation certificate to the auditors, SBP reported Rs. 15,777.331 million as outstanding mark up as against Rs. 9,957.444 million worked out by the Bank. The reported SBP figure has been worked out without application of PLS sharing arrangement, whereas the Bank has been applying mark up as per existing contractual arrangements which includes PLS sharing as well.

21.6 The GoP has reduced the mark-up rates on the Bank advances from 14.00% to 9.00% vide Presidential Relief Package 2004 i.e. July 1, 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of mark-up. The total claim in this respect has provisionally been worked out at Rs. 6,738.000 million for the period from July 1, 2004 to December 31, 2006. However, this amount has not been accounted for in the financial statements as the formal approval from Ministry of Finance has not been received by the Bank.

	Note	2006	2005
(Rupees in "000")			
22	MARK UP/RETURN/INTEREST EARNED		
	On loans and advances to customers	4,576,510	5,479,450
	On investments in Held-to-Maturity securities	465,419	290,496
	On deposits with financial institutions	954,101	1,052,773
		<u>5,996,030</u>	<u>6,822,719</u>
23	MARK UP/RETURN/INTEREST EXPENSED		
	Deposits	2,961	5,115
	Long term borrowings-SBP	2,798,557	385,502
	Bank commission and other charges	1,267	1,121
		<u>2,802,785</u>	<u>391,738</u>
24	OTHER INCOME		
	Rent on property	6,577	7,326
	Gain on sale of fixed assets	37,116	23,591
	Loan application fee	345,512	309,875
	Deferred income	14,532	32,179
	Reversal of provision relating to defined benefit plans	24.1 2,110,467	270,279
	Others	24.2 2,999,873	185,269
		<u>5,514,077</u>	<u>828,519</u>
24.1	Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuarial valuer.		
24.2	Others		
	Recovery of loans transferred to proforma ledger	2,858,182	15,250
	Sale proceeds of forms	4,227	3,771
	Postal charges received from loanees	49,500	44,226
	Miscellaneous income	87,964	122,022
		<u>2,999,873</u>	<u>185,269</u>

	2006	2005
	(Rupees in "000")	
32.1.3 Reconciliation of payable/(receivable) to/(from) pension fund		
Present value of defined benefit obligation	1,604,684	2,794,466
Fair value of plan assets	(4,254,458)	(4,057,773)
Net actuarial gains not recognized	213,081	484,606
	<u>(2,436,693)</u>	<u>(778,701)</u>
32.1.4 Movement in net liability/(asset) recognized		
Opening net asset	(778,701)	(552,942)
Charge for the period	32.1.5 1,389,641	(138,553)
Contribution to fund/benefits paid during the year	(3,047,632)	(87,206)
Closing net asset	<u>(2,436,692)</u>	<u>(778,701)</u>
32.1.5 Charge/(prepaid) for pension fund		
Current service cost	58,452	52,126
Interest cost	251,502	176,730
Expected return on plan assets	(365,200)	(310,861)
Actuarial gains recognized	(59,827)	(56,548)
Curtailment and settlement loss	1,504,714	-
	<u>1,389,641</u>	<u>(138,553)</u>
32.2 Benevolent scheme - officers/executives		
32.2.1 General description		
For all officers/executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund. However contributions are not made to the fund for those employees governed by the SR-2005 who have less than ten years of their remaining service.		
32.2.2 Principal actuarial assumption		
The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:		
Expected rate of increase in salary	9 % per annum	
Expected rate of return on investments	10 % per annum	
	Note	2006 2005
		(Rupees in "000")
32.2.3 Reconciliation of payable/(receivable) to/(from) benevolent fund		
Present value of defined benefit obligation	163,623	187,332
Fair value of plan assets	(400,372)	(386,738)
Net actuarial gains not recognized	47,125	42,971
Negative past service cost-not recognized	769	-
	<u>(188,855)</u>	<u>(156,435)</u>

32.2.4 Movement in net liability/(asset) recognized		
Opening net asset	(156,435)	(140,418)
Charge for the period	32.2.5 (24,818)	(11,346)
Contribution to fund/benefits paid during the year	(7,603)	(4,671)
Closing net asset	<u>(188,856)</u>	<u>(156,435)</u>
32.2.5 Charge/(prepaid) for benevolent fund		
Current service cost	8,006	9,015
Interest cost	16,860	15,504
Expected return on plan assets	(34,806)	(30,505)
Actuarial gains recognized	(358)	(689)
Contribution-employee	(7,603)	(4,671)
Negative past service cost-recognized	(6,917)	-
	<u>(24,818)</u>	<u>(11,346)</u>
32.3 Benevolent scheme - clerical/non-clerical		
32.3.1 General description		
For all clerical/non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund.		
32.3.2 Principal actuarial assumption		
The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:		
Expected rate of increase in salary	9 % per annum	
Expected rate of return on investments	10 % per annum	
	Note	2006 2005
		(Rupees in "000")
32.3.3 Reconciliation of payable/(receivable) to/(from) benevolent fund		
Present value of defined benefit obligation	42,099	49,297
Fair value of plan assets	(184,021)	(171,473)
Unrecognized part of transitional liability	-	(7,606)
Net actuarial gains/(losses) not recognized	157,675	164,542
	<u>15,753</u>	<u>34,760</u>
32.3.4 Movement in net liability/(asset) recognized		
Opening net liability	34,760	43,643
Charge for the period	32.3.5 (15,184)	(6,247)
Contribution to fund/benefits paid during the year	(3,823)	(2,636)
Closing net liability	<u>15,753</u>	<u>34,760</u>
32.3.5 Charge/(prepaid) for benevolent fund		
Current service cost	3,364	3,544
Interest cost	4,437	4,384
Expected return on plan assets	(15,433)	(13,842)
Actuarial (gains)/losses recognized	(11,338)	(12,874)
Contribution-employee	(3,823)	(2,637)
Transitional liability recognized	7,606	15,178
Past service cost-recognized	3	-
	<u>(15,184)</u>	<u>(6,247)</u>

32.4 Gratuity scheme

32.4.1 General description

For employees who opted for the scheme introduced in 1975 for clerical/non-clerical staff and in 1977 for officers/executives, the Bank operates an approved funded gratuity scheme on which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

The Bank has also introduced SR-2005 w.e.f. July 2006 wherein a separate gratuity fund scheme has been introduced for those employees who either opted the aforesaid regulations or new appointments under SR-2005. Contribution to the gratuity fund, w.e.f. August 2006, are made by the Bank at the rate of 8.33% of monetized salary per month.

32.4.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Expected rate of increase in salary	9 % per annum
Expected rate of return on investments	10 % per annum

32.4.3 Reconciliation of payable/(receivable) to/(from) gratuity fund

Present value of defined benefit obligation	74,588	275
Fair value of plan assets	(1,336,398)	(1,296,996)
Net actuarial gains/(losses) not recognized	166,663	260,686
Past service cost not recognized	(74,543)	-
	<u>(1,169,690)</u>	<u>(1,036,035)</u>

32.4.4 Movement in net liability/(asset) recognized

Opening net asset	(1,036,035)	(914,550)
Charge for the period	32.4.5 (127,586)	(114,133)
Contribution to fund/benefits paid during the year	(6,069)	(7,352)
Closing net asset	<u>(1,169,690)</u>	<u>(1,036,035)</u>

Note	2006	2005
	(Rupees in "000")	

32.4.5 Charge/(prepaid) for gratuity fund

Current service cost	34	79
Interest cost	25	51
Expected return on plan assets	(116,730)	(98,994)
Actuarial gains recognized	(10,915)	(15,269)
	<u>(127,586)</u>	<u>(114,133)</u>

32.5 Post retirement medical benefits

32.5.1 General description

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

32.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	10% per annum
Expected rate of increase in salary	9% per annum
Expected rate of return on plan assets	10% per annum
Pension indexation rate	3% per annum
Medical inflation rate	8% per annum
Exposure inflation rate	10% per annum

32.5.3 Reconciliation of payable/(receivable) to/(from) medical benefits

Present value of defined benefit obligation	1,813,938	1,369,460
Net actuarial gains not recognized	1,417,187	2,280,211
Past service cost not recognized	40,836	-
	<u>3,271,961</u>	<u>3,649,671</u>

32.5.4 Movement in net liability/(asset) recognized

Opening net liability	3,649,671	3,586,925
Charge for the period	32.5.5 (361,011)	79,692
Contribution to fund/benefits paid during the year	(16,699)	(16,946)
Closing net liability	<u>3,271,961</u>	<u>3,649,671</u>

32.5.5 Charge/(prepaid) for medical benefits

Current service cost	61,870	86,023
Interest cost	123,251	131,014
Actuarial gains recognized	(178,605)	(137,345)
Negative past service cost recognized	(367,527)	-
	<u>(361,011)</u>	<u>79,692</u>

32.6 Employee compensated absences

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2006 amounted to Rs. 437.659 million (December 31, 2005: Rs. 355.011 million) which has been fully provided by the Bank. The provision has been increased by Rs. 82.648 million for the year ended December 31, 2006.

32.7 Defined contribution plan

For all the employees of the Bank who have opted for retirement benefits scheme announced in year 1975 and year 1977 for clerical/non-clerical staff and for executives/officers respectively, the Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8.00% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Bank operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Bank and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme has also been introduced by the Bank under Staff Regulations 2005 (SR-2005) w.e.f. July 2006 for those employees who either opted the said regulations or new appointments are made under the same. Contributions to the CPF are made by the employees at the rate of 2.00% of monetized salary per month and matching contribution by the Bank, if their remaining service is more than ten years from the date of option/appointment.

33 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in "000")				(Rupees in "000")	
Fee	-	-	1,900	610	-	-
Managerial remuneration	3,600	3,600	-	-	263,149	2,340
Charge for defined benefit plan	740	-	-	-	21,668	-
Rent and house maintenance	840	840	-	-	29,371	960
Utilities	-	-	-	-	7,254	255
Medical	-	-	-	-	3,630	25
Conveyance	344	271	-	-	25,135	361
Furnishing allowance	-	-	-	-	1,774	-
Leave fare assistance	370	-	-	-	-	-
Others	-	300	-	-	519	195
	<u>5,894</u>	<u>5,011</u>	<u>1,900</u>	<u>610</u>	<u>352,500</u>	<u>4,136</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>496</u>	<u>2</u>

33.1 Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP). The increase in number of executives in year 2006 is due to calculation based on monetized salary whereas in year 2005 it was based on basic salary.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments	2006		2005	
	Book value	Fair value	Book value	Fair value
	(Rupees in "000")			
Assets				
Cash and balances with treasury banks	1,295,464	1,295,464	1,585,421	1,585,421
Balances with other banks	7,781,056	7,781,056	7,813,844	7,813,844
Investments	5,634,499	5,634,499	12,820,668	12,820,668
Advances	61,514,057	61,514,057	52,925,286	52,925,286
Other assets	7,991,397	7,991,397	5,473,231	5,473,231
	<u>84,216,473</u>	<u>84,216,473</u>	<u>80,618,450</u>	<u>80,618,450</u>
Liabilities				
Bills payable	276,333	276,333	235,741	235,741
Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
Deposits and other accounts	2,882,384	2,882,384	2,644,647	2,644,647
Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
Other liabilities	14,178,426	14,178,426	12,098,283	12,098,283
	<u>71,798,679</u>	<u>71,798,679</u>	<u>69,440,207</u>	<u>69,440,207</u>

35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Rupees in "000")								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Agency services	Assets management	Retail brokerage	Others-agri financing
2006									
Total income	-	-	-	-	-	-	-	-	11,519,109
Total expenses	-	-	-	-	-	-	-	-	10,872,306
Net income	-	-	-	-	-	-	-	-	646,803
Segment assets (gross)	-	-	-	-	-	-	-	-	85,451,521
Segment non performing loans	-	-	-	-	-	-	-	-	20,104,490
Segment provision required	-	-	-	-	-	-	-	-	6,772,751
Segment liabilities	-	-	-	-	-	-	-	-	71,851,350
Segment return on net assets(%)	-	-	-	-	-	-	-	-	3%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	5%
2005									
Total income	-	-	-	-	-	-	-	-	7,660,853
Total expenses	-	-	-	-	-	-	-	-	7,752,220
Net loss	-	-	-	-	-	-	-	-	(91,367)
Segment assets (gross)	-	-	-	-	-	-	-	-	82,504,652
Segment non performing loans	-	-	-	-	-	-	-	-	23,424,374
Segment provision required	-	-	-	-	-	-	-	-	8,814,916
Segment liabilities	-	-	-	-	-	-	-	-	69,442,255
Segment return on net assets(%)	-	-	-	-	-	-	-	-	-1%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	1%

36 TRUST ACTIVITIES

Banks commonly act as trustees and in their fiduciary capacities that results in the holding or placing of assets on behalf of individual, trust, retirement benefit plan and other institution. Provided the trustees or similar relationship is legally supported, these assets are not asset of the bank and therefore, are not included in its balance sheet.

37 RELATED PARTY TRANSACTIONS

KSSL is wholly owned subsidiary of the Bank and it has started its functions independently effective from January 1, 2006. KSSL provides multiple services to the Bank including security and janitorial services. Following is break up of financial stake in KSSL:

	2006	2005
	(Rupees in "000")	
Investment in KSSL	100,000	-
Services received from KSSL	35,350	-
Receivable from KSSL	36,175	-
Gratuity	3,760	-

38 CAPITAL ADEQUACY

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

	2006	2005
Regulatory capital base		
Tier I capital		
Shareholders capital	11,869,612	11,869,612
Reserves	359,348	245,387
Unappropriated profits	1,008,200	702,355
Less: adjustments	-	-
Total tier I capital	13,237,160	12,817,354
Tier II capital		
Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provisions subject to 1.25% of total risk weighted assets	884,283	852,714
Revaluation reserve (upto 50%)	181,506	122,521
Total tier II capital	4,270,112	4,179,558
Eligible tier III capital	-	-
Total regulatory capital	(a) 17,507,271	16,996,912

Risk weighted exposures

	2006		2005	
	Book value	Risk adjusted value	Book value	Risk adjusted value
(Rupees in "000")				
Credit risk				
Balance sheet items:				
Cash and other liquid Assets	150,382	-	395,962	1,562,851
Money at call	8,926,138	1,556,212	9,003,303	4,572,758
Investments	5,634,499	1,907,805	12,820,668	51,083,952
Loans and advances	61,514,057	58,596,508	52,925,286	691,141
Fixed assets	817,003	817,003	690,141	7,907,404
Other assets	8,409,442	7,865,100	8,012,527	-
	85,451,521	70,742,629	83,847,887	65,818,106
Off balance sheet items:				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
	-	-	-	-
Credit risk-weighted exposures	85,451,521	70,742,629	83,847,887	65,818,106

	2006	2005
	(Rupees in "000")	
Market Risk		
General market risk	-	-
Specific market Risk	-	-
Market risk-weighted exposures	-	-
Total risk-weighted exposures	(b) 70,742,629	65,818,106

Capital adequacy ratio [(a) / (b) x 100]

24.75 25.82

39 RISK MANAGEMENT

The primary objective of risk management is to support senior management in correctly identifying, adequately measuring, effectively limiting and properly monitoring and controlling risk taking throughout the Bank. The Bank ensures systematic and integrated risk management. This is based on the following structured process risk identification, risk measurement, risk management and control, risk monitoring and risk reporting.

39.1 Credit Risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform on an obligation or its capability to execute such obligation is impaired resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the bank. The Bank pay particular concentration to the management of NPLs. An independent Special Asset Management (SAM) department is operational at the head office.

39.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

39.1.1a Segments by class of business	2006					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in "000"	Percent	Rupees in "000"	Percent	Rupees in "000"	Percent
Agriculture, forestry, hunting and fishing	68,369,259	95.90%	-	-	-	-
Individuals	-	-	2,866,902	99.00%	13,807	0.17%
Others	2,921,678	4.10%	*15,482	1.00%	8,335,722	99.83%
	<u>71,290,937</u>	<u>100%</u>	<u>2,882,384</u>	<u>100%</u>	<u>8,349,529</u>	<u>100%</u>

39.1.1b Segment by sector	2006					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in "000"	Percent	Rupees in "000"	Percent	Rupees in "000"	Percent
Public/ government	-	0.00%	*15,482	1.00%	8,335,722	99.83%
Private	71,290,937	100.00%	2,866,902	99.00%	13,807	0.17%
	<u>71,290,937</u>	<u>100.00%</u>	<u>2,882,384</u>	<u>100.00%</u>	<u>8,349,529</u>	<u>100.00%</u>

* This amount represents deposits belonging to autonomous/semi-autonomous bodies.

39.1.1c Details of non-performing advances and specific provisions by class of business segment

	2006		2005	
	Rupees in "000"			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	<u>20,104,490</u>	<u>6,772,751</u>	<u>23,424,374</u>	<u>8,814,916</u>

39.1.1d Details of non-performing advances and specific provisions by sector

Private	<u>20,104,490</u>	<u>6,772,751</u>	<u>23,424,374</u>	<u>8,814,916</u>
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39.1.1e GEOGRAPHICAL SEGMENT ANALYSIS

	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in "000"			
Pakistan	<u>646,803</u>	<u>85,451,521</u>	<u>13,600,171</u>	<u>8,349,529</u>

39.2 Market Risk

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

39.3 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

39.4 Equity position Risk

The Bank is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

39.5 Mismatch of interest rate sensitive assets and liabilities

Effective Yield/ interest rate	2006										Non-Interest bearing financial instruments	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		Rupees in '000'										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1,295,464	7,083,341	710,523	-	-	-	-	-	-	-	-	1,295,464
Balances with other banks	7,781,056	1,843,309	1,843,309	-	-	-	-	-	-	-	-	7,192
Investments	5,634,499	1,354,500	17,497,940	28,455,941	2,177,655	2,053,085	3,794,635	6,866,954	727,847	-	-	553,305
Advances	61,514,057	-	-	-	-	-	-	-	-	-	-	-
Other assets	7,991,397	-	-	-	-	-	-	-	-	-	-	7,991,397
	84,216,473	8,417,841	20,051,772	28,455,941	2,177,655	2,819,503	3,794,635	7,983,921	727,847	-	-	9,847,358
Liabilities												
Bills payable	276,333	-	276,333	-	-	-	-	-	-	-	-	-
Borrowings	51,257,213	3,630,770	-	-	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	13,134,128	-	-
Deposits and other accounts	2,882,384	259,989	-	94	1,560	-	30	4,103	-	-	-	2,616,608
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	3,204,323	-	-
Other liabilities*	14,178,426	-	-	-	-	-	-	-	-	-	-	14,178,426
*Includes deferred income												
	71,798,679	3,890,759	276,333	94	1,816,945	3,630,770	3,630,800	7,265,643	18,153,850	16,338,451	-	16,795,034
On-balance sheet gap	12,417,795	4,527,082	19,775,439	28,455,847	360,710	(811,267)	103,835	718,278	(17,426,003)	(16,338,451)	-	(6,947,675)
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap	12,417,795	4,527,082	19,775,439	28,455,847	360,710	(811,267)	103,835	718,278	(17,426,003)	(16,338,451)	-	(6,947,675)
Cumulative yield/ interest risk sensitivity gap	12,417,795	4,527,082	19,775,439	28,455,847	360,710	(811,267)	103,835	718,278	(17,426,003)	(16,338,451)	-	(6,947,675)

Reconciliation of assets and liabilities exposed to yield/ interest rate risk with total assets and liabilities

(Rupees in '000')	
Total financial assets as per note 39.5	84,216,473
Add non financial assets	-
Operating fixed assets	817,003
Other assets	418,045
	<u>85,451,521</u>
Total financial liabilities as per note 39.5	71,798,679
Add non financial liabilities	7,629
Deferred tax liabilities	45,042
Other liabilities	71,851,350

39.6 Liquidity risk

Risk management in the Bank is playing a very effective role in cash management through Assets and Liabilities Committee (ALCO). Accordingly the yields on fund's placement have been constantly increasing.

39.6.1 Maturities of assets and liabilities

	2006								
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000')								
Assets									
Cash and balances with treasury banks	1,295,464	-	-	-	-	-	-	-	-
Balances with other banks	7,781,056	710,523	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-
Investments	5,634,499	1,843,309	-	-	766,418	-	1,116,967	-	553,305
Advances	61,514,057	17,497,940	28,455,941	2,177,655	2,053,085	3,734,635	6,866,954	727,847	-
Other assets	8,409,442	2,001	-	85,151	1,378,255	-	-	531,934	3,779,485
Operating fixed assets	817,003	-	-	-	-	-	35,920	251,855	529,228
	85,451,521	9,722,498	20,051,772	28,541,092	4,810,271	4,197,758	3,734,635	8,019,841	1,511,636
Liabilities									
Bills payable	276,333	-	276,333	-	-	-	-	-	-
Borrowings	51,257,213	3,630,770	-	-	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850
Deposits and other accounts	2,882,384	2,876,597	-	94	1,560	-	30	4,103	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-
Other liabilities	14,223,468	66,890	-	22,615	10,416,756	7,399	-	-	3,204,323
Deferred tax liabilities	7,629	-	-	-	-	-	-	-	7,629
	71,851,350	6,574,257	276,333	22,709	12,233,701	3,638,169	3,630,800	7,265,643	18,161,479
Net assets	13,600,171	3,148,241	19,775,439	28,518,383	(7,423,431)	559,589	103,835	754,198	(15,186,240)
Share capital	11,869,612	-	-	-	-	-	-	-	-
Reserves	359,348	-	-	-	-	-	-	-	-
Unappropriated profit	1,008,200	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	363,011	-	-	-	-	-	-	-	-
	<u>13,600,171</u>	-	-	-	-	-	-	-	-

39.7 Operational risk

- Operational risk module comprising of key risk indicator, control self assessment and corporate governance has been successfully implemented in the seventeen pilot branches of the Bank.
- This module will be rolled out to the remaining branches of Bank during 2007.
- Operational risk at head office are reviewed on a regular basis and risk gaps are reported to the operational risk committee for corrective measures so that the reported risk gaps can be eliminated or minimized.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18th May, 2007 by the Board of Directors of the Bank.

41 GENERAL

- 41.1 The figures in the financial statements are rounded off to the nearest thousand.
- 41.2 These financial statements have been prepared in accordance with the revised format of financial statements for banks issued by SBP vide BSD Circular no. 04 dated February 17, 2006.
- 41.3 Captions as prescribed by BSD Circular no. 4 of 2006 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these financial statements except, for balance sheet and profit and loss account.

41.4 Figures of prior year are rearranged/regrouped, wherever necessary, for the purpose of comparison as under:

From	To	Rupees in '000"
Deferred income	Other liabilities	2,048
Amortization of deferred income	Other income	32,178
Income/markup accrued on investments	Administrative expenses	32,178
Other income (others)	Income/mark-up accrued in local currency held in banks	74,258
Recovery charges	Other income (others)	41,026
Recovery of private vehicles	Miscellaneous	753
Assets relating to Bangladesh	Liabilities relating to Bangladesh	1,343,235

Zarai Taraqiat Bank Limited Statement showing written off loan or any other financial relief of rupees five hundred thousand or above provided during the period ended December 31, 2006

Sr. #.	Name and address of the borrower	Name of individual/partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount written off				
					Principal	Interest	Others	Principal	Interest	Others		
1	AGRO POUL PVT. LTD. 60-B, MODEL TOWN, LAHORE.	DR. GHAS SHARIF MASOOD ASIAM QURESHI MUHAMMAD AHTER DURRANI MUHAMMAD ARAF ZAHIER MALAH	270-52-051294 315-50-218803 501-48-466064 502-46-187784 270-85-482933	RIAZ UR REHMAN SHARIF M. ALAM QURESHI KARIM BUX DURRANI MUMTAZ UD DIN HAJI AMEER MALAH	15,603	3,215	0,000	18,818	15,603	0,055	0,000	15,658
2	AL HANIF COTTON WAHIBAKAR, SHUJABAD.	IFTRIKAR AHMED WAQAR AHMED ZULFIQAR AHMED KHURSHID JEHAN ARA BEGUM MRS. SAMINA	322-58-061085 322-58-061083 322-54-081082 322-54-754046	MALIK MUHAMMAD HANIF MUHAMMAD HANIF MUHAMMAD HANIF MUHAMMAD HANIF NISAR AHMED	4,194	8,087	0,087	12,368	4,194	4,854	0,000	9,048
3	BALUCHISTAN POULTRY ALPINE HOTEL, MANSHERA ROAD, ABBOTTABAD.	MUHAMMAD AZAL KHAN		SAMAD AZAL KHAN	13,748	63,880	0,278	77,906	13,748	51,308	0,000	65,056
4	BATAREX PVT. LTD. VILL HANDLE, NEAR KOT RADHA KISHAN, DISTT. KASUR.	DR. SHER DIL BAIWA RAB NAWAZ BATRA MRS. SAMINA BAIWA MRS. MOHINI BAIWA MRS. MADHO WALI MUHAMMAD MESS BAIWA BATRA CH. AZIZ WAI MUHAMMAD	234-86-030253 270-07-058958 234-52-024929 270-12-374699 514-86-055300 270-32-095286 514-38-064615	RAB NAWAZ BATRA RAI BAHADUR DIN BATRA DR. SHER DIN BATRA RAB NAWAZ BATRA CH. AZIZ WALI MUHAMMAD RAB NAWAZ BATRA CH. WAI MUHAMMAD	15,137	29,401	0,000	44,538	15,137	19,955	0,000	35,092
5	CAPITAL AGRO SERVICES CHAK NO. 44/15-L, TEH. MIAN CHANNU, KHANEWAL.	AJAJAD AITAF BUKHARI ASJAD AITAF BUKHARI SYED GHAZANFAR ABBAS	33302-0107253-5 61101-7958791-7 254-63-096516	SYED AITAF HUSSAIN SHAH SYED AITAF HUSSAIN SHAH	0,000	7,078	0,025	7,103	0,000	3,956	0,000	3,956
6	FIBER BOARD INDUSTRIAL ESTATE, BHIMBER, AJK.	CH. ZAKAULLAH CH. NASIR ELAHI CH. SAJJAD AKRAM MUHAMMAD IYAS KHAN CH. ZAHOOR ELAHI CH. ZAFAR IQBAL MRS. SHABANA KAUSAR	34201-8653830 34021-8609606-5	CH. SANAULLAH BASHARAT HUSSAIN CH. MUHAMMAD ABRAM CH. REHMAT KHAN BASHARAT HUSSAIN CH. REHMAT KHAN CH. ZAHOOR ELAHI	29,800	24,980	0,029	54,769	29,800	9,805	0,000	39,605
7	GANU-E-SIKAR FLOUR MILL CHAK NO. 44/15-L, FO IQBAL NAGAR, MIAN CHANNU ROAD, KHANEWAL.	MUHAMMAD NAWAZ ASIF NAWAZ SAJID NAWAZ MST. NUSBAT DAZ	333-23111597 333-54-025651 333-57-127762 333-40-110051	SHUKARUD DIN MUHAMMAD NAWAZ MUHAMMAD NAWAZ MUHAMMAD NAWAZ	3,382	3,280	0,000	6,642	2,767	0,000	0,000	2,767
8	HARVEST KAMALIA, PAKSALABAD.	MUHAMMAD AJI HUSSAIN BADRUDDIN MST. ALIAH JIWAI MUHAMMAD AJI ABBAS	254-88-033595 271-38-062451 NA 271-53-118197	GHULAM MUHAMMAD KHAN TAMIZUDDIN W/O SYED MUHAMMAD GHIOUS SHAH GHULAM MUHAMMAD KHAN	0,000	2,678	0,030	2,708	0	2,549	0,000	2,549

Sr #.	Name and address of the borrower	Name of individual/partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount written off				
					Principal	Interest	Others	Principal	Interest	Others		
					Total	Total	Total	Total	Total	Total		
9	KE PAC (PVT) LTD. MANGA MANDI, LAHORE.	MANSOOR ARIEEN HABOON ARIEEN MST RUKHSANA MANSOOR MRS. QURSHIA SULTANA MRS. SHEILA ARIEEN MANSOOR ZAUGHAM WAQAR AHMED KHAN	213-55-156900 213-60-095359 272-63-443366 213-33-095360 274-61-030028 274-56-199362 270-56-266991	SHAMSUL ARIEEN SHAMSUL ARIEEN WO MANSOOR ZAUGHAM WO SHAMSUL ARIEEN WO MANSOOR ARIEEN GHASUDDIN MEHMOOD AZIZ UD DIN AHMED KHAN	6.579	12.157	0.019	18.755	6.579	6.937	0.019	13.535
10	KADAR HARVESTER 79 GB TEH & DISTT. SARGODHA	MST SHAIKAT BEGUM MST NAUREEN IFTIKHAR	232-40-035384 38403-0789080-2	ZULFIQAR ALI KALWAR IFTIKHAR HUSSAIN KALWAR	5.000	1.798	0.000	6.798	1.014	1.798	0.000	2.812
11	LUCY COLD STORAGE BONGA HAYAT, DEBALPUR ROD, PAKPATAN.	NAEEM HASHIM MST NUSRAT HASHIM	337-48-120247 337-57-120248	MUHAMMAD QASIR HASHIM NAEEM HASHIM	4.018	0.981	0.000	4.999	0.000	1.691	0.000	1.691
12	MAIK VENTURE SHAHED GANJ BAZAR NEAR RAILWAY STATION LAHORE.	ARMED SHUJA MALIK MALIK MUHAMMAD IQBAL MALIK NASIR MEHMOOD	315-47-105021 267-37-100124 252-50-019024	MAIK M. QASIM MALIK EJAZ NABI MALIK M. ASHRAF	4.362	3.098	0.000	7.460	4.362	0.660	0.000	5.022
13	MARSHAL AGRO SERVICES NAROWAL.	CH. HABBULLAH KHAN MUHAMMAD ANWAR KHAN MRS. NARGIS ANWAR MRS. NAWEED HABB	35202-058730-3 272-86-465130 NA 35202-0984730-8	INNAYATULLAH KHAN MUHAMMAD AYUB KHAN MUHAMMAD ANWAR CH. HABBULLAH KHAN	0.000	4.198	0.031	4.229	0.000	3.355	0.000	3.355
14	MECH AGRO SERVICES FEROZWALA, LAHORE.	ZIA UL HAQ AMINUL HAQ MST. AMATUL BARI	210-53-249550 210-55-054343 210-17-054342	MANZOOR UL HAQ MANZOORUL HAQ MANZOOR UL HAQ	0.000	4.056	0.038	4.094	0.000	2.917	0.000	2.917
15	PROGRESSIVE PACKAGE BASALROAD, RAWAT, RAWALPINDI	SARDAR FAROOQ TABASSUM M.ASHIQ KHAN SHEIKH ABDUL HAMEED		MUHAMMAD ARBER KHAN SARDAR MADOO KHAN SHEIKH M. AMIN	3.891	6.489	0.179	10.559	3.891	0.000	2.545	6.436
16	RAI AGRO SERVICES CHAH PAGGA, LAHORE.	MUHAMMAD SAMHI BHATTI RAI MUHAMMAD AKRAM BHATTI MURTIKAR AHMED (LATE)	35202-5923859-3 35402-2010719-7 296-34-048710	AMEER KHAN BHATTI RAI AMEER KHAN RAI AMEER KHAN	1.412	5.512	0.050	6.974	0.000	4.804	0.050	4.854
17	SHAN FEED MILL NOORABAD, IND. DADU.	JAM NAFEES ALI JAM SHEER ALI KHAN JAM NIAZ ALI JAM NOOR ALI FAROOQ SHEKH ABDANI MRS. YASEEN SHEKH ABDANI MUHAMMAD SHAFI	N.A. N.A. N.A. N.A. N.A. N.A. N.A.	JAM SHER ALI NAWAB JAM RUMBO JAM SHER ALI JAM SHER ALI ZARRIA ABDUL GHANI FAROOQ SAMAD ZARRIA ABDUL GHANI	62.427	378.945	0.320	441.692	62.427	372.111	0.000	434.538
18	SYED FARM VILL. BAKSHWALA, TEH. CHINIOT, JHANG.	SYED AMIR HUSSAIN MST MEHMOODA KHATOON	261-33-561478	MIAN BAKHSH SHAH AFTAB HUSSAIN	2.450	4.866	0.000	7.316	0.000	1.968	0.000	1.968
					171.983	564.679	1.086	737.748	159.522	488.723		2.614.650.859

Zarai Taraqati Bank Limited Consolidated Financial Statements





M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Zarai Taraqati Bank Limited ("the Bank") and its subsidiary company as at December 31, 2006 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity, together with the notes forming part thereof, for the year then ended. These financial statements include un-audited certified returns from the branches except for one hundred and twenty branches, which have been audited by us. We have also expressed separate opinion on the financial statements of the Bank. The financial statements of subsidiary company Kissan Support Services (Private) Limited were audited by BDO Ebrahim & Co Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the amounts included for such company, is based solely on their report. 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.

The financial statements of the Bank for the year ended December 31, 2005 were stand alone and were audited by Messers Khalid Majid Rahman Sarfaraz Rahim Iqbal Rafiq; Chartered Accountants and Riaz Ahmad & Company; Chartered Accountants whose report dated March 29, 2006 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence 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 one hundred and twenty 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 the Zarai Taraqati Bank Limited and its subsidiary company as at December 31, 2006 and result of their operations, cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw attention to the following matters that:

1. Prudential Regulation "O-3" for Corporate/Commercial Banking requires clearance of all outstanding entries in inter-branches/offices current accounts within, a period of 30 days from the date of recording of transactions in the aforesaid financial statements. We have, however, noted balance in inter-branches/offices current accounts, reported in note 17 to the financial statements on net basis at Rs. 34.105 million-Credit Balance (December 31, 2005: Rs. 792.819 million-Debit Balance).
2. Borrowings in note 14 and Contingencies and Commitments in note 21.5 of the financial statement of the Bank refer to the dispute on the rate of markup chargeable on financing from State Bank of Pakistan (SBP). Tripartite meeting between SBP, the Bank and Ministry of Finance has not yet been conducted to resolve the issue regarding rate of markup on the debts. SBP has confirmed accrued markup on the debts amounting to Rs. 15,777.331 million as against Rs.9,359.844 million in the financial statements resulting in a difference of Rs. 6,417.487 million. Further, the first two installments of the debt payable in July 2006 and January 2007 as required by SBP in its letter no ACD/3104/Loans-15-A/2004 dated December 16, 2004 have not been paid. Outcome of the decision in the above said meeting may require appropriate adjustment in the provision of accrued markup.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
Islamabad

Dated: 09 June 2007

KHALID MAJID RAHMAN SARFARAZ
RAHIM IQBAL RAFIQ
Chartered Accountants
Islamabad

Zarai Taraqati Bank Limited Consolidated balance sheet as at December 31, 2006

	Note	2006	2005
(Rupees in "000")			
ASSETS			
Cash and balances with treasury banks	6	1,295,464	1,585,421
Balances with other banks	7	7,783,566	7,813,844
Lendings to financial institutions		-	-
Investments	8	5,637,170	12,820,668
Advances	9	61,514,057	52,925,286
Operating fixed assets	10	818,866	690,141
Deferred tax assets	11	-	1,829
Other assets	12	8,409,442	6,667,463
		85,458,565	82,504,652
LIABILITIES			
Bills payable	13	276,333	235,741
Borrowings	14	51,257,213	51,257,213
Deposits and other accounts	15	2,882,384	2,644,647
Sub-ordinated loan	16	3,204,323	3,204,323
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	11	7,629	-
Other liabilities	17	14,226,968	12,100,331
		71,854,850	69,442,255
NET ASSETS		13,603,715	13,062,397
REPRESENTED BY			
Share capital	18	11,869,612	11,869,612
Reserves	19	359,348	245,387
Unappropriated profit		1,011,744	702,355
		13,240,704	12,817,354
Surplus on revaluation of assets	20	363,011	245,043
		13,603,715	13,062,397
CONTINGENCIES AND COMMITMENTS			
	21		

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR





Zarai Taraqati Bank Limited
Consolidated profit and loss account for the year ended
December 31, 2006

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
Mark-up/return/interest earned	22	6,001,704	6,822,719
Mark-up/return/interest expensed	23	2,802,785	391,738
Net mark-up/interest income		3,198,919	6,430,981
Provision against non-performing loans and advances	9.3	1,767,234	4,731,992
Provision/(reversal) for diminution in the value of investments, net	8.2	10,110	(585)
Provision against other assets	12.6	2,048,971	12,936
Bad debts written off directly		-	-
		3,826,315	4,744,343
Net mark-up/interest income after provisions		(627,396)	1,686,638
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		2,544	3,157
Dividend income		6,458	6,458
Income from dealing in foreign currencies		-	-
Gain/(loss) on sale of securities		-	-
Unrealized gain/(loss) on revaluation of investments classified as held for trading		-	-
Other income	24	5,514,079	828,519
Total non-markup/interest income		5,523,081	838,134
		4,895,685	2,524,772
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	25	2,760,450	2,612,337
Government relief package written off		1,482,448	-
Other charges	26	306	3,802
Total non-markup/interest expenses		4,243,204	2,616,139
Extra ordinary/unusual Items		-	-
PROFIT/(LOSS) BEFORE TAXATION		652,481	(91,367)
Taxation - Current year	27	219,673	38,434
- Prior years		-	-
- Deferred	27	9,458	(607)
		229,131	37,827
PROFIT/(LOSS) AFTER TAXATION		423,350	(129,194)
Unappropriated profit brought forward		702,355	861,549
Profit available for appropriation		1,125,705	732,355
Basic and diluted earnings per share - after tax	28, 29	0.36	(0.11)

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT DIRECTOR DIRECTOR DIRECTOR

Zarai Taraqati Bank Limited
Consolidated cash flow statement for the year ended
December 31, 2006

	Note	2006 (Rupees in "000")	2005 (Rupees in "000")
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation		652,481	(91,367)
Dividend income		(6,458)	(6,458)
		646,023	(97,825)
Adjustments:			
Depreciation		106,519	85,806
Amortization of deferred income		(14,532)	(32,178)
Amortization of preliminary expenses		-	6,570
Provision against non-performing advances		1,767,234	4,731,992
Reversal for employees post retirement benefits		(2,110,467)	(79,692)
Provision for diminution in the value of investments		10,110	-
Provision against other assets		2,048,971	12,936
Government relief package written off		1,482,448	-
Gain on sale of fixed assets		(37,116)	(23,591)
		3,253,167	4,701,843
		3,899,190	4,604,018
(Increase)/decrease in operating assets			
Advances		(10,356,005)	(3,321,839)
Others assets (excluding advance taxation)		(3,162,931)	1,600,661
		(13,518,936)	(1,721,178)
Increase/(decrease) in operating liabilities			
Bills payable		40,592	38,307
Deposits and other accounts		237,737	(477,558)
Other liabilities (excluding current taxation)		2,339,807	594,929
		2,618,136	155,678
Income tax paid		(418,310)	(157,864)
Net cash (used in)/generated from operating activities		(7,419,920)	2,880,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in held to maturity securities		7,291,356	(9,863,017)
Dividend received		6,458	6,458
Investments in operating fixed assets		(250,141)	(24,945)
Sale proceeds of property and equipment disposed-off		52,012	14,949
Net cash flow from/(used in) investing activities		7,099,685	(9,866,555)
Decrease in cash and cash equivalents		(320,235)	(6,985,901)
Cash and cash equivalents at beginning of the year	30	9,399,265	16,385,166
Cash and cash equivalents at end of the year		9,079,030	9,399,265

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT DIRECTOR DIRECTOR DIRECTOR



Zarai Taraqiati Bank Limited

Consolidated statement of changes in equity for the year ended December 31, 2006

	Share capital	Advance against equity	Statutory reserve	Contingencies reserve	Unappropriated profit	Total
	(Rupees in "000")					
Balance as at December 31, 2004	11,869,611	1	215,387	-	861,549	12,946,548
Loss for the year 2005	-	-	-	-	(129,194)	(129,194)
Transfer to contingencies reserve	-	-	-	30,000	(30,000)	-
Issue of share capital	1	(1)	-	-	-	-
Balance as at December 31, 2005	11,869,612	-	215,387	30,000	702,355	12,817,354
Profit for the year 2006	-	-	-	-	423,350	423,350
Transfer to statutory reserve	-	-	83,961	-	(83,961)	-
Transfer to contingencies reserve	-	-	-	30,000	(30,000)	-
Balance as at December 31, 2006	11,869,612	-	299,348	60,000	1,011,744	13,240,704

The annexed notes 1 to 41 and annexure-1 form an integral part of these financial statements.

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

Consolidated notes to the financial statements for the year ended December 31, 2006

1 STATUS AND NATURE OF BUSINESS

1.1 Reorganization and conversion

Originally Agricultural Development Bank of Pakistan (ADBP) was established under the Agricultural Development Bank Ordinance, 1961, by merger of former Agricultural Development Finance Corporation and Agricultural Bank of Pakistan, in February, 1961 to provide better credit facilities for the promotion, expansion and development of agriculture and persons engaged therein. The Federal Government in its cabinet meeting held on August 28, 2002 decided for the reorganization and conversion of ADBP into a public limited company for the purposes of ensuring good governance, autonomy, delivering high quality and viable financial services to a greater number of rural clientele and adequate returns to stake holders. Accordingly the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002 was promulgated for taking over the entire undertaking of ADBP and for matters connected therewith or incidental thereto.

1.2 Status

The group consists of Zarai Taraqiati Bank Limited (the "Bank"), the holding Company and Kissan Support Services (Private) Limited (KSSL), a wholly owned subsidiary company.

As required under section 3 of the Agricultural Development Bank of Pakistan (Reorganization and Conversion) Ordinance, 2002, the Bank was incorporated as public limited company under the Companies Ordinance, 1984 on October 23, 2002. Consequently, under SRO 823 (1)/2002 dated 18 November 2002, all the assets, contracts, liabilities, proceedings and undertakings of ADBP were transferred to, and vested in the Bank on December 14, 2002. The Bank's principal office is situated at 1-Faisal Avenue (Zero Point), Islamabad. The Bank operates 342 (December 31, 2005: 345) branches in Pakistan as at close of the year.

KSSL was incorporated in Pakistan as a private limited company on September 19, 2005 under the Companies Ordinance, 1984. It is a subsidiary of the Bank which holds 100% of its shares. The registered office of the company is situated at Zarai Taraqiati Bank Limited, 1-Faisal Avenue (Zero Point), Islamabad.

1.3 Nature of business

The main purpose of the Bank is to provide sustainable rural finance and services particularly to small farmers and low income houses to strengthen the rural and agricultural sector, mitigate poverty, capital market and investment activities and other banking business.

The principal business of KSSL is the provision of consultancy, advisory, agency and other support services on contractual basis or otherwise to the Bank.

2 BASIS OF PRESENTATION

2.1 During the year, the State Bank of Pakistan (SBP) vide Banking Surveillance Department (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.

2.2 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. The financial statements of the subsidiary company has been consolidated based on its audited financial statements for the period from September 19, 2005 to December 31, 2006.

2.3 Material intra group balances and transactions have been eliminated.



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3 STATEMENT OF COMPLIANCE

These consolidated financial statements have been 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 and directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The SBP has deferred the applicability of International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and measurement" and International Accounting Standard (IAS) 40 "Investment Property" for banking companies through BSD circular no 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

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

4.1 These consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of certain investments (note 8) and in conformity with the accepted accounting practices of the banking institutions in Pakistan.

4.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting judgments. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations on future events that are believed to be reasonable under these circumstances. The areas where various assumptions and estimates are significant to the Bank's consolidated financial statements or where judgment was exercised in application of accounting policies described in notes are as follows:

4.2.1 Investments

As described in note 8, held to maturity are investments where the management has positive intent and ability to hold to maturity and available for sale securities are investments that do not fall under the held for trading or held to maturity categories. The classification of these securities involves management judgment at the time of purchase whether the financial assets are held for trading, held to maturity or available for sale investments.

4.2.2 Provision against non-performing Advances

The provision is determined on the basis of time-based criteria given in prudential regulations.

4.2.3 Defined benefit plans

The key actuarial assumptions concerning the valuations of defined benefit plans and the sources of estimation are disclosed in note 32 to the consolidated financial statements.

4.2.4 Operating fixed assets

Estimates of useful life of the property and equipment are based on the management's best estimate. Changes in the expected useful life are accounted for by changing the depreciation/amortization period or method, as appropriate, and are treated as changes in accounting estimate.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Staff retirement benefits

Pension scheme

The Bank operates defined benefits funded pension scheme approved by income tax authorities, for its eligible employees who opted for the new employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. The Bank's costs are determined on the basis of actuarial valuation carried out by independent actuaries by using 'Projected Unit Credit Method'. Any surplus/deficit arising on actuarial valuation in excess of the higher of 10% of present value of defined benefits obligations or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Gratuity scheme

The Bank operates defined benefits funded gratuity scheme approved by income tax authorities, for its eligible employees who did not opt for the new employees benefits scheme, introduced in 1975 and 1977 for clerical/non-clerical staff and for executives/officers, respectively. Annual contributions are made on the basis of actuarial recommendations. Any surplus/deficit arising on actuarial valuation by independent actuaries in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets is recognized as income or expense over the estimated working lives of the employees.

Provident fund scheme

The Bank operates a defined contribution funded provident fund scheme for its employees who did not opt for the new employees benefits scheme introduced in 1975 and 1977 for clerical/non clerical staff and for executives/officers respectively. Under this scheme, equal contributions at defined rates are made by the member employees and the Bank. The Bank also operates non-contributory provident fund for its employees who opted for the new employees benefits scheme, as mentioned above. Under this, non contributory provident fund, contributions at defined rates are made by its member employees only. Both of these provident funds are approved by the income tax authorities.

Benevolent scheme

The Bank also has two funded defined benefits benevolent fund schemes for its employees, separately for officers and for clerical and non-clerical staff. Contribution to these schemes are made by employees and the Bank. The employee's contribution is matched by an equal contribution by the Bank which is also liable to meet any shortfall in the fund, determined on the basis of actuarial valuation. Transitional liability arising on first time adoption of International Accounting Standard - 19 (revised 2000) "Employee Benefits" is recognized as an expense on straight line basis over five years from the date of its adoption.

Post retirement medical benefits

The Bank operates an unfunded defined benefit post retirement medical benefit scheme for all of its employees. Provision is made in the consolidated financial statements for the benefit based on actuarial valuation. Actuarial gains/losses are accounted for in the manner similar to pension scheme.

Employees compensated absences

The Bank accounts for all accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. Provision is made in the consolidated consolidated financial statements for the benefit based on entitled un-availed leave balances carried forwarded to the next year.

5.2 Cash and cash equivalents

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

5.3 Revenue recognition

Markup/interest on advances and returns on investments are recognized on an accrual basis except markup/interest on classified advances which is recognized on a receipt basis, in accordance with the prudential regulations issued by the SBP.



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Commission is recognized when earned.
 Profit/(loss) on sale of investments is credited/charged to profit and loss account currently.
 Dividend income is recognized when the Bank's right to receive has been established.

5.4 Advances

Advances are stated at net of provision for non-performing advances. Provision for non-performing advances is determined on the basis of Prudential Regulations issued by the SBP and charged to profit and loss account. Advances are written off when there is no realistic prospect of recovery.

5.5 Investment

In accordance with BSD circular no. 10 and 14 dated July 13, 2004 and September 24, 2004 respectively, issued by the SBP, the Bank classifies its investment portfolio into 'Held-for-Trading', 'Held-to-Maturity' and 'Available-for-Sale' securities as follows:

Held-for-Trading

These are investments acquired principally for the purpose of generating profits from short term fluctuations in market price.

Held-to-Maturity

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

Available-for-Sale

These are investments other than those in subsidiaries which do not fall under the 'Held-for-Trading' and 'Held to-Maturity' categories.

Quoted securities where ready quotes are available on Reuters Page (PKRV) or Stock Exchange, other than investments classified as held to maturity, are valued at fair value. Investments classified as held to maturity are carried at amortised cost. The surplus/deficit arising as a result of revaluation at fair value on trading portfolio is taken to income and that relating to the available for sale portfolio is kept in a separate account and shown below equity.

Investment in un-quoted securities are carried at cost less impairment loss, if any.

The difference between the face value and purchase price is amortised over the remaining life of the investment using effective yield method, in order to determine amortised cost.

Gains or losses on disposals of investments are dealt with through profit and loss account in the year in which they arise.

All purchases and sales of investments that requires delivery within the timeframe established by regulation or market convention are recognized at trade date. Trade date is the date at which the Bank commits to purchase or sell the investment.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account.

5.7 Operating fixed assets and depreciation/amortization

Operating fixed assets are stated at cost less accumulated depreciation except free hold land which is stated at cost. Depreciation is computed over the estimated useful lives of the related assets at the rates set out in note 10. Depreciation is charged on reducing balance method except for vehicles, computer equipment and lease hold land which are depreciated/amortized on straight line method. Depreciation on addition/deletion in fixed assets during the year is charged for the proportionate period for which the asset remained in use. Maintenance and normal repairs are charged to profit and loss account as and when incurred. Gains/losses, if any, on disposal of operating fixed assets are charged to profit and loss account during the year.

5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rate after taking into account tax credits, exemptions and rebates as laid down in the applicable income tax law.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and amount used for the 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 the tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent it is probable that future taxable profit will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.9 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect current best estimate.

5.10 Foreign currencies

The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP.

5.11 Related party transactions

All transactions undertaken between the Bank and the related parties are measured at arms' length prices determined in accordance with the methods for determining arms' length prices as prescribed by the SECP.

	Note	2006 (Rupees in "000")	2005
6 CASH AND BALANCES WITH TREASURY BANKS			
local currency			
In hand		150,382	395,962
In current accounts with:			
State Bank of Pakistan	6.1	1,145,080	1,189,047
National Bank of Pakistan		2	412
		<u>1,295,464</u>	<u>1,585,421</u>

6.1 It represents deposits maintained with SBP to comply with the regulations issued from time to time.

7 BALANCES WITH OTHER BANKS

In Pakistan in local currency:
On current accounts
On deposit accounts

	Note	2006	2005
		9,702	21,673
	7.1	<u>7,773,864</u>	<u>7,792,171</u>
		<u>7,783,566</u>	<u>7,813,844</u>

7.1 These carry a markup ranging from 2.00% to 12.75% per annum (2005: 2.00% to 12.75% per annum)

8 INVESTMENTS	Note	2006			2005		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Investment by types		(Rupees in "000")					
Available-for-Sale securities							
Listed companies		90,294	-	90,294	90,294	-	90,294
Un-listed companies		10,523	-	10,523	5,000	-	5,000
		<u>100,817</u>	<u>-</u>	<u>100,817</u>	<u>95,294</u>	<u>-</u>	<u>95,294</u>
Held-to-Maturity securities							
Market Treasury Bills	8.3	1,843,309	-	1,843,309	5,940,943	-	5,940,943
Pakistan Investment Bonds	8.3	1,116,967	-	1,116,967	1,148,835	-	1,148,835
Federal Investment Bonds	8.3	763,734	2,684	766,418	815,342	2,866	818,208
Certificates of Investment	8.6	1,354,500	-	1,354,500	4,572,758	-	4,572,758
		<u>5,078,510</u>	<u>2,684</u>	<u>5,081,194</u>	<u>12,477,878</u>	<u>2,866</u>	<u>12,480,744</u>
Short term investment	8.8	102,671	-	102,671	-	-	-
Total investment at cost		<u>5,281,998</u>	<u>2,684</u>	<u>5,284,682</u>	<u>12,573,172</u>	<u>2,866</u>	<u>12,576,038</u>
Provision for diminution in value of investments	8.2	(10,523)	-	(10,523)	(413)	-	(413)
Investments (Net of provisions)		<u>5,271,475</u>	<u>2,684</u>	<u>5,274,159</u>	<u>12,572,759</u>	<u>2,866</u>	<u>12,575,625</u>
Surplus on revaluation of Available-for-Sale securities	20	363,011	-	363,011	245,043	-	245,043
Total investments at market value		<u>5,634,486</u>	<u>2,684</u>	<u>5,637,170</u>	<u>12,817,802</u>	<u>2,866</u>	<u>12,820,668</u>

	Note	2006 (Rupees in "000")	2005
8.1 Investment by segments			
Federal government securities			
Market Treasury Bills	8.3	1,843,309	5,940,943
Pakistan Investment Bonds	8.3	1,116,967	1,148,835
Federal Investment Bonds	8.3	766,418	818,208
		<u>3,726,694</u>	<u>7,907,986</u>
Fully paid up ordinary shares:			
Listed companies	8.4	90,294	90,294
Un-listed companies	8.5	10,523	5,000
		<u>100,817</u>	<u>95,294</u>
Certificates of investment	8.6	1,354,500	4,572,758
Total investment at cost		<u>5,182,011</u>	<u>12,576,038</u>
Provision for diminution in value of investments	8.2	(10,523)	(413)
Investments (net of provisions)		<u>5,171,488</u>	<u>12,575,625</u>
Surplus on revaluation of available-for-sale securities	20	363,011	245,043
Total investments at market value		<u>5,534,499</u>	<u>12,820,668</u>

8.2 Particulars of provision

Opening balance	413	998
Charge for the year, net	10,110	-
Reversals	-	(585)
Closing balance	<u>10,523</u>	<u>413</u>

8.2.1 Particulars of provision in respect of type and segment

Available-for-sale securities-(un-listed securities)	10,523	-
Available-for-sale securities-(listed securities)	-	413

8.3 Principal terms of investments in federal government securities

Name of investment	Maturity	Note	Principal payment	Rate %	Coupon payment
Market Treasury Bills	March 2007	8.3.1	On maturity	8.6	at maturity
Pakistan Investment Bonds	August 2011 to December 2011	8.3.1	On maturity	12 to 13	semi-annually
Federal Investment Bonds	March 2008	8.3.2	On maturity	15	semi-annually

8.3.1 Market treasury bills, Federal Investment Bonds and Pakistan Investment Bonds are held by the Bank which also covers statutory liquid reserve requirements.

8.3.2 Federal Investment Bonds having amortised cost of Rs. 2.684 millions (December 31, 2005: Rs. 2.866 million) are pledged/lodged with SBP as security for Telegraphic Transfer/Demand Draft discounting facility obtained for branches.

8.4 Particulars of investments held in listed companies

No. of ordinary shares	Paid up value/share	Name of companies	2006	2005
			(Rupees in "000")	
280,090	280,090	10 Nestle Milkpak Limited	89,297	89,297
450,000	450,000	10 Uqab Breeding Farm Limited	585	585
150,000	150,000	10 Mubarak Dairies Limited	412	412
300,000	300,000	10 Dadabhoy Agricultural Leasing Limited	-	-
		8.4.1	<u>90,294</u>	<u>90,294</u>

8.4.1 Dadabhoj Agricultural Leasing Limited is under suspension since November 2001. At the date of suspension, its market value per share was Rs. 2.50 against its face value of Rs. 10 per share.

8.5 Particulars of investments held in un-listed companies

Name of Investee	Percentage of holding	Number of shares held	Break up value	Based on audited financial statements as at	Name of chief executive/ managing director
("Rupees")					
National Commodity Exchange Limited	19.13%	909,091	(2,123,845)	June 30, 2005	Mr. Assim Jang
Saudi Pak Kala Bagh Livestock Limited	8.5.1	1,000,000	-	-	Mr. M. Asad Khan
Pakistan Agricultural Storage and Services Corporation Limited	8.33%	2,500	-	-	Maj.Gen.(R) F.A.Khan
Larkana Sugar Mills Limited	8.5.2	141,970	-	-	Mr. Anwar Majeed

8.5.1 Saudi Pak Kala Bagh Livestock Limited has defaulted in the repayment of loan and the case has been referred to National Accountability Bureau.

8.5.2 Larkana Sugar Mills Limited is in the process of liquidation since February 2000 and there is no probability of any recovery of amount invested on final settlement.

8.5.3 Investment in Saudi Pak Kalabagh Livestock Limited and Larkana Sugar Mills Limited are stated at book value due to non-availability of required information for the calculation of breakup value. Moreover, these investments are fully provided for in these financial statements.

8.5.4 Market value of listed investment is Rs. 450.804 million and book value of un-listed investments is Rs. 10.523 million. Face value of investment in un-listed securities is Rs. 37.220 million.

8.6 Particulars of Certificates of Investments

Name of investee	Maturity	Principal payment	Rate	Coupon payment
%				
Saudi Pak Industrial and Agricultural Investment Company (Pvt.) Ltd.	January 2007	on maturity	12.25	at maturity

8.7 Quality of Available-for-Sale securities

	Amount	Rating	Amount	Rating
Nestle Milk Pak Limited	89,297	N/A	89,297	N/A
Uqab Breeding Farm Limited	585	N/A	585	N/A
Mubarak Dairies Limited	412	N/A	412	N/A
National Commodity Exchange Limited	10,523	N/A	5,000	N/A
	<u>100,817</u>		<u>95,294</u>	

8.8 These represent short term investment made by KSSL in term deposit receipts of three months maturity of Soneri Bank Limited. It carries an interest of 12.75% per annum. These will mature on March 30, 2007.

9 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan - gross

Less:

Provision for non-performing advances

Provision for advances to employees

Advances-net of provision

9.1 Particulars of advances (Gross)

9.1.1 In local currency

9.1.2 Short term (upto one year)

Long term (over one year)

9.2 Advances include Rs. 20,104.490 million (December 31, 2005: Rs. 23,424.374 million) which have been placed under non-performing status as detailed below:

Category of classification	2006 (Rupees in "000")		
	Classified advances	Provision required	Provision held
	Domestic		
Other Assets Especially Mentioned	9,306,835	-	-
Substandard	2,629,125	525,823	525,823
Doubtful	3,843,204	1,921,602	1,921,602
Loss	4,325,326	4,325,326	4,325,326
	<u>20,104,490</u>	<u>6,772,751</u>	<u>6,772,751</u>
Provision under portfolio audit - general	-	-	3,000,000
	<u>20,104,490</u>	<u>6,772,751</u>	<u>9,772,751</u>

9.3 Particulars of provision against non-performing advances

Note	2006			2005		
	Specific	General	Total	Specific	General	Total
(Rupees in "000")						
Opening balance	8,819,240	3,000,000	11,819,240	22,566,660	3,000,000	25,566,660
Net charge for the year	1,767,234	-	1,767,234	4,731,992	-	4,731,992
Amounts written off	(3,809,594)	-	(3,809,594)	(18,479,412)	-	(18,479,412)
Closing balance	<u>6,776,880</u>	<u>3,000,000</u>	<u>9,776,880</u>	<u>8,819,240</u>	<u>3,000,000</u>	<u>11,819,240</u>

9.4 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
(Rupees in "000")						
In local currency	<u>6,776,880</u>	<u>3,000,000</u>	<u>9,776,880</u>	<u>8,819,240</u>	<u>3,000,000</u>	<u>11,819,240</u>

		2006	2005
		(Rupees in "000")	
9.5	Particulars of write offs		
9.5.1	Against provisions	3,809,594	18,479,412
9.5.2	Write offs of Rs 500,000 and above	3,693,506	5,729,521
	Write offs of below Rs 500,000	116,088	12,749,891
		<u>3,809,594</u>	<u>18,479,412</u>
	Note	2006	2005
		(Rupees in "000")	
9.6	Details of write offs of Rs 500,000 and above		
	In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person(s) during the year ended December 31, 2006 in respect of project loans only given at annexure-1. However, this write off does not effect the Bank's right to recover debts from these customers.		
9.7	Particulars of loans and advances		
	To directors, associated companies, etc.		
	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	34,263	34,263
	Repayments/write offs	(34,263)	-
	Balance at end of year	<u>-</u>	<u>34,263</u>
10	OPERATING FIXED ASSETS		
	Property and equipment	10.1	815,271
	Intangible assets	10.2	3,595
		<u>818,866</u>	<u>690,141</u>

Particulars	Cost			Depreciation			Book value at December 31, 2006	Rate of Depreciation
	At January 1, 2006	Additions	(Deletions)/adjustments	At January 1, 2006	Charge for the year	(Deletions)/adjustments		
(Rupees in "000")								
10.1	Property and equipments							
	Free hold land	170,961	-	-	-	-	170,961	-
	Lease hold land	10,640	-	-	1,194	398	9,048	-
	Building on free hold land	137,886	-	-	19,927	5,898	112,061	5%
	Building on leasehold hold land	303,732	668	-	54,777	12,464	237,159	5%
	Furniture fixture and equipment	73,818	58,219	(4,895)	37,060	23,637	66,687	10/33%
	Vehicles	242,430	185,861	(51,219)	136,368	62,324	157,717	20%
	2006	939,467	244,748	(56,114)	249,326	104,721	312,830	
	2005	1,154,928	24,945	(240,406)	177,943	85,806	249,326	
10.2	Intangible assets							
	Computer software	-	5,393	-	-	1,798	3,595	33.33%
	2006	-	5,393	-	-	1,798	3,595	
	2005	-	-	-	-	-	-	

10.3 The detail of disposal of assets whose original cost or the book value exceed one million and two hundred fifty thousand rupees respectively, whichever is lower is nil.

12.3.1	It represents assets recognized by the Bank as required by International Accounting Standard-19 "Employee Benefits" against its defined benefit schemes on the recommendation of independent actuaries.		
12.4	It represents the amount receivable from Pension Fund Trust and Benevolent Fund Trusts against Golden Hand Shake Scheme		
12.5	Others	Note	2006 2005 (Rupees in "000")
	Defence saving certificates		5 17
	Advance for purchase of machinery/goods in transit		17 17
	Legal charges recoverable on suits filed against loan defaulter		16,166 15,174
			<u>16,188</u> <u>15,208</u>
12.6	Provision against other assets		
	Opening balance		28,737 5,615,277
	Charge for the year	12.6.1	2,048,971 12,936
	Amount written off		(730) (5,599,476)
	Closing balance		<u>2,076,978</u> <u>28,737</u>
12.6.1	The Bank announced Staff Regulation-2005 under which 100% commutation were paid to those who opted for SR-2005. ADB vide its Aide-Memoire 13-March 29, 2006 supported the introduction of SR-2005 and use of the remaining loan proceeds from the second tranche for this purpose on the GoP confirmation with regard to the use of remaining second tranche programme loan proceeds for the implementation of the SR-2005. The Bank share out of second tranche amounted to US\$ 34 million. About US\$ 9 million had already been utilized against Voluntary Golden Hand Shake Scheme (VGSS) and the balance of about US\$ 25 million are lying with the MoF. The ADB also agreed to consider the use of the third tranche proceeds (about US\$ 47 million) for the implementation of Bank's SR-2005, on the basis of position of non-performing loans of the Bank after the management audit. Finance Division of GoP vide letter No.F.3(18)IF-1/2002 dated May 18, 2006 confirmed to ADB that Finance Division has no objection for the use of the remaining loan proceeds from the 2nd tranche for the proposed Bank's SR-2005.		
	While evaluating the performance of the slow moving ADB category "B" loans in a meeting dated March 17, 2007 chaired by the Advisor to the Prime Minister on Finance and Economic Affairs, it was decided to have negotiations with ADB's forthcoming Mission for waiver of conditionalities for release of third tranche which cannot be complied with. If ADB does not agree to the proposal of waivers, the program loan amounting to US\$ 75 million may be cancelled. Keeping in view the above position, provision has been made in the financial statements amounting to Rs. 2,049 million being the difference of claim amounting to Rs. 3,455 million and the amount already received by the GoP amounting to Rs. 1,407 million out of second tranche proceeds.		
13	BILLS PAYABLE		
	In Pakistan		<u>276,333</u> <u>235,741</u>
14	BORROWINGS		
	In Pakistan	14.1	<u>51,257,213</u> <u>51,257,213</u>
14.1	Particulars of borrowings with respect to currencies		
	In local currency	14.2	<u>51,257,213</u> <u>51,257,213</u>
14.2	Details of borrowings-secured		
	Borrowings from SBP		
	Agricultural loans	14.3	50,174,089 50,174,089
	Agri-Project loans	14.4	1,083,124 1,083,124
			<u>51,257,213</u> <u>51,257,213</u>

14.3 As per agreement with the SBP, these loans were obtained for providing finance to customers for agriculture purposes. Three credit lines amounting to Rs. 1.577 billion carry interest rate of 4.00% per annum while remaining thirty two credit lines amounting to Rs. 49.680 billion are based on profit and loss sharing subject to maximum share of profit to SBP ranging from 4.00% to 10.00% per annum. These loans are secured by way of guarantee of GoP. The Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per treasury bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts will start from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment. In view of the critical importance of debt pricing for the future financial viability and sustainability of the Bank the matter has been referred to Ministry of Finance for a considered Government decision. Tripartite meeting of SBP, Ministry of Finance and the Bank to finalize the debt moratorium package is yet to be convened. Keeping in view the above stated facts mark-up has been charged on these loans as per existing contractual rates in respective credit lines.

14.4 These loans were given by the SBP for the purpose of providing finance to agro based industry. These are subject to profit and loss sharing with a maximum share of profit to SBP ranging from 4.00% to 6.00% per annum. These are secured by guarantee given by the GoP. The Bank has submitted a proposal to SBP for restructuring of the debt as stated in note 14.3.

	Note	2006	2005
		(Rupees in "000")	
15	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	63,092	64,742
	Saving deposits	202,684	111,724
	Current accounts - remunerative	188,240	297,174
	Current accounts - non-remunerative	2,399,173	2,136,334
	Others - unclaimed deposits	29,195	34,673
	15.1	<u>2,882,384</u>	<u>2,644,647</u>
15.1	Particulars of deposits		
	In local currency	<u>2,882,384</u>	<u>2,644,647</u>

16 **SUB-ORDINATED LOAN**
As per restructuring plan of the Bank approved by the ECC of the cabinet, SBP's Equity holding of Rs. 3.204 billion was converted into subordinated loan on terms to be agreed with SBP. Accordingly, the Bank has submitted a proposal to SBP for restructuring the debt according to which the SBP's debt of Rs. 51.257 billion and SBP's subordinated debt of Rs. 3.204 billion is repayable in 15 equal annual installments commencing from 2006 onward with the provision to make repayment of the subordinated debt in the last installment and rate of mark up to be pegged at weighted average yield of 12 months Treasury Bill rate of 2.3558% per annum as per Treasury Bill auction dated June 12, 2003 and capped at the aforesaid markup rate for an initial period of five years.

SBP vide its letters No. ACD/3104/Loans-15-A/2004 dated December 16, 2004 and ACD/14/Loans-15-A/2004 dated January 4, 2005 has agreed with proposed terms except the proposed capping of markup rate which has been fixed on last auction's weighted yield of Government Treasury Bill of 12 months maturity on floating basis every year and repayment of the SBP debts in 15 years in 30 bi-annual installments with a grace period of 3 years starting from July 2003, i.e. the period of 15 years for repayment of SBP debts will start from July 2006. The subordinated debt of Rs. 3.204 billion shall be repaid in the last installment.

Since the capping of mark-up charges at 2.3558% has not been agreed by SBP which is of critical importance for the future financial viability and sustainability of the Bank, the matter has been referred to Ministry of Finance for considered government decision. However the mark-up on subordinated debt at the rate of 2.3558% (from December 14, 2002 to June 30, 2004), 2.1867% (from July 1, 2004 to June 30, 2005), at the rate of 8.4009% (from July 1, 2005 to June 30, 2006) and at the rate of 8.7907% (from July 1, 2006 to December 31, 2006) has been charged which is subject to adjustment on finalization of debt restructuring/repricing agreement with SBP.

	Note	2006 (Rupees in "000")	2005
17 OTHER LIABILITIES			
Mark-up/return/interest payable in local currency		9,359,844	6,624,360
Accrued expenses		34,123	37,512
Current taxation (provision less payments)		473,394	672,032
Branch adjustment		34,105	-
Contributory provident fund-SR 2005	17.1	10,000	-
Gratuity fund-SR 2005	17.1	25,995	-
Benevolent fund (officer)-SR 2005	17.1	273	-
Security deposits		114,309	209,153
Payable to Ministry of Food Agriculture and Livestock	17.2	177,715	352,715
Profit payable on deposits and other accounts		19,077	19,282
Liabilities relating to Bangladesh	17.3	189	189
Provision for employees' post retirement medical benefits	32.5	3,271,961	3,649,671
Provision for employees' compensated absences	32.6	437,659	355,011
Payable to employees' against golden handshake scheme		35,739	33,133
Sundry deposits		219,721	140,919
Deferred income		7,399	2,048
Others		5,464	4,306
		<u>14,226,968</u>	<u>12,100,331</u>

17.1 This represent temporary arrangement due to delay in establishment of trusts for the funds under SR-2005. These amounts will be transferred to respective Trust Funds as soon as the establishment of these have been finalized.

17.2 This represents the amount of Rs. 9.715 million (December 31, 2005: Rs.9,715 million), Rs.168,000 million (December 31, 2005: Rs.168,000 million) and Rs. Nil (December 31, 2005: Rs. 175,000 million) payable to Ministry of Food Livestock under Japanese KR-II grant-1996, Crop Maximization Project-productivity enhancement on sustainable basis and incentive for Balochistan respectively.

Agriculture and

17.3 Liabilities relating to Bangladesh

Liabilities		1,372,794	1,343,424
Assets		(1,372,605)	(1,343,235)
	17.3.1	<u>189</u>	<u>189</u>

17.3.1 This represents the amount relating to the activities of the Bank in Bangladesh (former East Pakistan) before its separation. In accordance with the Finance Division letter No.F5(12)PEC(op-FR)/78-236 dated May 6, 1979 the Bank has to calculate interest on the loans made in Bangladesh as it does in the case of corresponding borrowings made from the SBP and instead of carrying the interest to profit and loss account, will show it in the balance sheet only. The Bank is accruing interest at the rate of 8% on its loans and advances made in Bangladesh with contra increase in its liabilities relating to its activities in Bangladesh.

18 SHARE CAPITAL

Authorized capital
2,500,000,000 ordinary shares of Rs. 10 each
(December 31, 2005: 2,500,000,000 ordinary shares of Rs.10 each) 25,000,000 25,000,000

Issued, subscribed and paid up
1,186,961,201 ordinary shares of Rs. 10 each fully paid
(December 31, 2005: 1,186,961,201 ordinary shares of Rs.10 each fully paid) 18.1 11,869,612 11,869,612

18.1 Shareholder	No of ordinary shares	Paid-up value per share	2006	2005
			(Rupees in "000")	
Government of Pakistan	1,185,961,201	10	11,859,612	11,859,612
Government of Punjab	277,100	10	2,771	2,771
Government of Sindh	119,000	10	1,190	1,190
Government of NWFP	68,000	10	680	680
Government of Balochistan	35,000	10	359	359
Erstwhile East Pakistan	500,000	10	5,000	5,000
	<u>1,186,961,201</u>		<u>11,869,612</u>	<u>11,869,612</u>

19 RESERVES

Statutory reserves	Reserves for contingencies	Total
(Rupees in "000")		
Balance as at January 1, 2006	215,387	30,000
Transfer from unappropriated profit	83,961	30,000
Balance as at December 31, 2006	<u>299,348</u>	<u>60,000</u>
		<u>359,348</u>

Balance as at January 1, 2006
Transfer from unappropriated profit
Balance as at December 31, 2006

19.1 Statutory reserve represent reserve maintained as per requirement of Section 21 of the Banking Companies Ordinance, 1962.

19.2 The Bank has set aside contingency reserve for insurance of cash, building and vehicles.

20 SURPLUS ON REVALUATION OF ASSETS

Note	2006 (Rupees in "000")	2005
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Surplus on revaluation of securities
i) Quoted shares 360,511 242,543
ii) Other securities 2,500 2,500
20.1 363,011 245,043

20.1 All the above-mentioned securities are Available-for-Sale securities.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingent liability in respect of 17 cases (December 31, 2005: 15 cases) filed against the Bank by various parties is estimated at Rs. 8.229 million (December 31, 2005: Rs. 11.307 million).

21.2 Contingent liability in respect of 43 cases (December 31, 2005: 5 cases) filed against the Bank in various courts of law by the employees is estimated at Rs. 5.578 million (December 31, 2005: Rs. 0.572 million).

- 21.3 Income tax of Rs. 929.632 million was levied by the income tax department for assessment year 2001-2002, against provision of Rs. 326.281 million in the books of accounts of the Bank for that assessment year. The Bank has paid Rs. 785.103 million and also filed appeal before the Commissioner of Income Tax (Appeals) against the aforesaid order. The Commissioner has set-aside the aforesaid order. However, the tax department preferred an appeal against the order of CIT(A) before the ITAT which is pending for hearing.
- 21.4 Income tax of Rs. 1,928.362 million was levied by the income tax department for assessment year 2002-2003, against provision of Rs. 1,919.929 million in the books of account of the Bank for that assessment year. The Bank has paid Rs. 577.092 million against the said demand and also filed an appeal before the Commissioner of Income Tax (Appeals). The Commissioner has set-aside the aforesaid order and now tax department preferred an appeal against the order of CIT(A) before the ITAT.
- 21.5 The SBP debt of Rs. 54.461 billion is in the process of repricing/restructuring. As per Bank restructuring plan the SBP debt was required to link with one year T-Bill rate capped at 2.3558 % plus profit and loss (PLS) sharing, the decision is still pending. The SBP debt has been charged at existing rate i.e contractual rate, as the SBP has not yet accepted the capping and PLS arrangements. The financial impact of this event works out to be approximately Rs.1,020.036 million. However, while issuing balance confirmation certificate to the auditors, SBP reported Rs. 15,777.331 million as outstanding mark up as against Rs. 9,957.444 million worked out by the Bank. The reported SBP figure has been worked out without application of PLS sharing arrangement, whereas the Bank has been applying mark up as per existing contractual arrangements which includes PLS sharing as well.
- 21.6 The GoP has reduced the mark-up rates on the Bank advances from 14.00% to 9.00% vide Presidential Relief Package 2004 i.e. July 1, 2004. As per the directive of the Bank's Board of Directors, the Bank has requested the Ministry of Finance to compensate the loss of revenue due to this reduction in rate of mark-up. The total claim in this respect has provisionally been worked out at Rs. 6,738.000 million for the period from July 1, 2004 to December 31, 2006. However, this amount has not been accounted for in the financial statements as the formal approval from Ministry of Finance has not been received by the Bank.

	Note	2006	2005
		(Rupees in "000")	
22 MARK UP/RETURN/INTEREST EARNED			
On loans and advances to customers		4,576,510	5,479,450
On investments in Held-to-Maturity securities		471,093	290,496
On deposits with financial institutions		954,101	1,052,773
		<u>6,001,704</u>	<u>6,822,719</u>
23 MARK UP/RETURN/INTEREST EXPENSED			
Deposits		2,961	5,115
Long term borrowings-SBP		2,798,557	385,502
Bank commission and other charges		1,267	1,121
		<u>2,802,785</u>	<u>391,738</u>
24 OTHER INCOME			
Rent on property		6,577	7,326
Gain on sale of fixed assets		37,116	23,591
Loan application fee		345,512	309,875
Deferred income		14,532	32,179
Reversal of provision relating to defined benefit plans	24.1	2,110,467	270,279
Others	24.2	2,999,875	185,269
		<u>5,514,079</u>	<u>828,519</u>

- 24.1 Excess provision in respect of defined benefit plans has been written back on the basis of actuarial valuation carried out by an independent actuarial valuer.

24.2 Others

Recovery of loans transferred to proforma ledger	2,858,182	15,250
Sale proceeds of forms	4,227	3,771
Postal charges received from loanees	49,500	44,226
Miscellaneous income	87,966	122,022
	<u>2,999,875</u>	<u>185,269</u>

25 ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	2,170,523	2,062,107
Charged for defined contribution plan - Provident Fund	238	240
Non-executive directors' fees, allowances and other	1,901	649
Rent, taxes, insurance, electricity, etc.	76,890	75,231
Legal and professional charges	21,180	3,800
Communications	33,855	35,275
Repairs and maintenance	13,039	10,534
Motor vehicles	169,396	162,920
Stationery and printing	27,501	21,968
Advertisement and publicity	11,757	14,142
Auditors' remuneration	25.1 2,984	3,386
Depreciation	106,519	85,806
Amortization of preliminary expenses	267	6,570
Amortization of deferred income	14,532	32,178
Travelling	76,888	72,579
Others	32,980	24,952
	<u>2,760,450</u>	<u>2,612,337</u>

25.1 Auditors' remuneration

	Note	2006	2005
		(Rupees in "000")	
Audit fee		1,240	1,200
Special certifications and sundry advisory services		380	400
Tax services		274	227
Out of pocket expenses		226	226
TA/DA for auditors		864	1,333
		<u>2,984</u>	<u>3,386</u>

26 OTHER CHARGES

Penalties imposed by SBP	<u>306</u>	<u>3,802</u>
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27 TAXATION

For the year		
Current	219,673	38,434
Deferred	9,458	(607)
	<u>229,131</u>	<u>37,827</u>

27.1 Relationship between tax expense and accounting profit

Accounting profit/(loss) for the year	652,481	(91,367)
Add: accounting depreciation	106,519	85,806
provision for diminution in the value of investment	10,110	-
Preliminary expenses	267	
Provision for gratuity	264	
Less: tax depreciation	(98,323)	(23,129)
dividend income for separate consideration	(6,458)	-
assessed loss for tax year 2006	(38,091)	-
Amortization of preliminary expenses	(53)	
	<u>626,716</u>	<u>(28,690)</u>
Tax-excluding dividend income	219,350	38,111
Tax on dividend income	323	323
Tax for the current period	<u>219,673</u>	<u>38,434</u>
Applicable tax rate	35%	0.5%

28 BASIC EARNINGS PER SHARE

Profit/(loss) for the year	423,350	(129,194)
Weighted average number of ordinary shares (number in thousand)	<u>1,186,961</u>	<u>1,186,961</u>
Basic earnings per share (rupees)	<u>0.36</u>	<u>(0.11)</u>

Note 2006 2005
(Rupees in "000")

29 There is no dilutive effect on the basic earning per share of the Bank which is calculated above.

30 CASH AND CASH EQUIVALENTS

Cash and balance with treasury banks	6	1,295,464	1,585,421
Balance with other banks	7	<u>7,783,566</u>	<u>7,813,844</u>
		<u>9,079,030</u>	<u>9,399,265</u>

31 STAFF STRENGTH

		2006	2005
		Number	
Permanent		5,326	5,727
Others (on deputation)		<u>1</u>	<u>-</u>
Total staff strength		<u>5,327</u>	<u>5,727</u>

32 DEFINED BENEFIT PLANS

32.1 Pension scheme

32.1.1 General description

For employees who opted for the scheme introduced in year 1975 for clerical/non-clerical staff and in the year 1977 for officers/executives, the Bank operates an approved funded pension scheme on which monthly contributions are made on the basis of actuarial recommendation. However, most of the officers/executives have been excluded from this scheme after opting new Staff Regulations introduced in 2005 (SR-2005) effective from July 1, 2006.

32.1.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. The actuarial valuations were made using the Projected Unit Credit (PUC) method based on the following significant assumptions:

Valuation discount rate	10% per annum
Expected rate of increase in salary	9% per annum
Expected rate of return on investments	10% per annum

2006 2005
(Rupees in "000")

32.1.3 Reconciliation of payable/(receivable) to/(from) pension fund

Present value of defined benefit obligation	1,604,684	2,794,466
Fair value of plan assets	(4,254,458)	(4,057,773)
Net actuarial gains not recognized	<u>213,081</u>	<u>484,606</u>
	<u>(2,436,693)</u>	<u>(778,701)</u>

32.1.4 Movement in net liability/(asset) recognized

Opening net asset	(778,701)	(552,942)
Charge for the period	32.1.5 1,389,641	(138,553)
Contribution to fund/benefits paid during the year	<u>(3,047,632)</u>	<u>(87,206)</u>
Closing net asset	<u>(2,436,692)</u>	<u>(778,701)</u>

32.1.5 Charge/(prepaid) for pension fund

Current service cost	58,452	52,126
Interest cost	251,502	176,730
Expected return on plan assets	(365,200)	(310,861)
Actuarial gains recognized	(59,827)	(56,548)
Curtailement and settlement loss	<u>1,504,714</u>	<u>-</u>
	<u>1,389,641</u>	<u>(138,553)</u>

32.2 Benevolent scheme - officers/executives

32.2.1 General description

For all officers/executives, the Bank operates an approved funded benevolent scheme to which contributions are made at the rate of 2% of basic pay to a maximum of Rs. 100, by each officer/executive. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund. However contributions are not made to the fund for those employees governed by the SR-2005 who have less than ten years of their remaining service.

32.2.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Expected rate of increase in salary	9% per annum
Expected rate of return on investments	10% per annum

Note 2006 2005
(Rupees in "000")

32.2.3 Reconciliation of payable/(receivable) to/(from) benevolent fund

Present value of defined benefit obligation	163,623	187,332
Fair value of plan assets	(400,372)	(386,738)
Net actuarial gains not recognized	47,125	42,971
Negative past service cost-not recognized	<u>769</u>	<u>-</u>
	<u>(188,855)</u>	<u>(156,435)</u>

32.2.4 Movement in net liability/(asset) recognized

Opening net asset		(156,435)	(140,418)
Charge for the period	32.2.5	(24,818)	(11,346)
Contribution to fund/benefits paid during the year		(7,603)	(4,671)
Closing net asset		<u>(188,856)</u>	<u>(156,435)</u>

32.2.5 Charge/(prepaid) for benevolent fund

Current service cost		8,006	9,015
Interest cost		16,860	15,504
Expected return on plan assets		(34,806)	(30,505)
Actuarial gains recognized		(358)	(689)
Contribution-employee		(7,603)	(4,671)
Negative past service cost-recognized		(6,917)	-
		<u>(24,818)</u>	<u>(11,346)</u>

32.3 Benevolent scheme - clerical/non-clerical

32.3.1 General description

For all clerical/non-clerical staff, the Bank operates an approved funded benevolent scheme to which contributions are made at different rates but not exceeding Rs. 100 by each employee. Employee contributions are matched by an equal amount of contributions by the Bank which is also liable to meet any shortfall in the fund.

32.3.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Expected rate of increase in salary	9 % per annum
Expected rate of return on investments	10 % per annum

32.3.3 Reconciliation of payable/(receivable) to/(from) benevolent fund

Present value of defined benefit obligation		42,099	49,297
Fair value of plan assets		(184,021)	(171,473)
Unrecognized part of transitional liability		-	(7,606)
Net actuarial gains/(losses) not recognized		157,675	164,542
		<u>15,753</u>	<u>34,760</u>

32.3.4 Movement in net liability/(asset) recognized

Opening net liability		34,760	43,643
Charge for the period	32.3.5	(15,184)	(6,247)
Contribution to fund/benefits paid during the year		(3,823)	(2,636)
Closing net liability		<u>15,753</u>	<u>34,760</u>

32.3.5 Charge/(prepaid) for benevolent fund

Current service cost		3,364	3,544
Interest cost		4,437	4,384
Expected return on plan assets		(15,433)	(13,842)
Actuarial (gains)/losses recognized		(11,338)	(12,874)
Contribution-employee		(3,823)	(2,637)
Transitional liability recognized		7,606	15,178
Past service cost-recognized		3	-
		<u>(15,184)</u>	<u>(6,247)</u>

32.4 Gratuity scheme

32.4.1 General description

For employees who opted for the scheme introduced in 1975 for clerical/non-clerical staff and in 1977 for officers/executives, the Bank operates an approved funded gratuity scheme on which monthly contributions, if the employee has less than ten years of service, are made by the Bank on the basis of actuarial recommendation.

The Bank has also introduced SR-2005 w.e.f. July 2006 wherein a separate gratuity fund scheme has been introduced for those employees who either opted the aforesaid regulations or new appointments under SR-2005. Contribution to the gratuity fund, w.e.f. August 2006, are made by the Bank at the rate of 8.33% of monetized salary per month.

32.4.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Expected rate of increase in salary	9 % per annum
Expected rate of return on investments	10 % per annum

32.4.3 Reconciliation of payable/(receivable) to/(from) gratuity fund

Present value of defined benefit obligation		74,588	275
Fair value of plan assets		(1,336,398)	(1,296,996)
Net actuarial gains/(losses) not recognized		166,663	260,686
Past service cost not recognized		(74,543)	-
		<u>(1,169,690)</u>	<u>(1,036,035)</u>

32.4.4 Movement in net liability/(asset) recognized

Opening net asset		(1,036,035)	(914,550)
Charge for the period	32.4.5	(127,586)	(114,133)
Contribution to fund/benefits paid during the year		(6,069)	(7,352)
Closing net asset		<u>(1,169,690)</u>	<u>(1,036,035)</u>

Note	2006	2005
	(Rupees in "000")	

32.4.5 Charge/(prepaid) for gratuity fund

Current service cost		34	79
Interest cost		25	51
Expected return on plan assets		(116,730)	(98,994)
Actuarial gains recognized		(10,915)	(15,269)
		<u>(127,586)</u>	<u>(114,133)</u>

32.5 Post retirement medical benefits

32.5.1 General description

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefits on the basis of actuarial valuation carried out by independent actuary by using Projected Unit Credit (PUC) method.

32.5.2 Principal actuarial assumption

The latest actuarial valuation is carried out as at December 31, 2006. Actuarial valuation was made using the following significant assumptions:

Valuation discount rate	10% per annum
Expected rate of increase in salary	9% per annum
Expected rate of return on plan assets	10% per annum
Pension indexation rate	3% per annum
Medical inflation rate	8% per annum
Exposure inflation rate	10% per annum

32.5.3 Reconciliation of payable/(receivable) to/(from) medical benefits

Present value of defined benefit obligation	1,813,938	1,369,460
Net actuarial gains not recognized	1,417,187	2,280,211
Past service cost not recognized	40,836	-
	<u>3,271,961</u>	<u>3,649,671</u>

32.5.4 Movement in net liability/(asset) recognized

Opening net liability	3,649,671	3,586,925
Charge for the period	32.5.5 (361,011)	79,692
Contribution to fund/benefits paid during the year	(16,699)	(16,946)
Closing net liability	<u>3,271,961</u>	<u>3,649,671</u>

32.5.5 Charge/(prepaid) for medical benefits

Current service cost	61,870	86,023
Interest cost	123,251	131,014
Actuarial gains recognized	(178,605)	(137,345)
Negative past service cost recognized	(367,527)	-
	<u>(361,011)</u>	<u>79,692</u>

32.6 Employee compensated absences

The liability of the Bank in respect of long-term employees compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit (PUC) method. The liability of the Bank as per the latest actuarial valuation carried out as at December 31, 2006 amounted to Rs. 437.659 million (December 31, 2005: Rs. 355.011 million) which has been fully provided by the Bank. The provision has been increased by Rs. 82.648 million for the year ended December 31, 2006.

32.7 Defined contribution plan

For all the employees of the Bank who have opted for retirement benefits scheme announced in year 1975 and year 1977 for clerical/non-clerical staff and for executives/officers respectively, the Bank operates an approved non-contributory provident fund (General Provident Fund) through an independent trust. Contributions to the fund are made by the employees only at the rate of 8.00% of mean of pay scale per month. For employees who have not opted for aforesaid retirement benefit scheme, the Bank operates an approved contributory provident fund (Employees Provident Fund) where contributions are made by the Bank and employees at the rate of 8.33% of basic salary per month.

Contributory Provident Fund (CPF) scheme has also been introduced by the Bank under Staff Regulations 2005 (SR-2005) w.e.f. July 2006 for those employees who either opted the said regulations or new appointments are made under the same. Contributions to the CPF are made by the employees at the rate of 2.00% of monetized salary per month and matching contribution by the Bank, if their remaining service is more than ten years from the date of option/appointment.

33 COMPENSATION OF DIRECTORS AND EXECUTIVES

	President		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	(Rupees in "000")					
Fee	-	-	1,900	610	-	-
Managerial remuneration	3,600	3,600	-	-	263,149	2,340
Charge for defined benefit plan	740	-	-	-	21,668	-
Rent and house maintenance	840	840	-	-	29,371	960
Utilities	-	-	-	-	7,254	255
Medical	-	-	-	-	3,630	25
Conveyance	344	271	-	-	25,135	361
Furnishing allowance	-	-	-	-	1,774	-
Leave fare assistance	370	-	-	-	-	-
Others	-	300	-	-	519	195
	<u>5,894</u>	<u>5,011</u>	<u>1,900</u>	<u>610</u>	<u>352,500</u>	<u>4,136</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>496</u>	<u>2</u>

33.1 Executives mean employees, other than the chief executive and directors, whose basic/monetized salary exceeds Rs. 500,000 in a financial year. The chief executive, senior vice president and above other than under SR-2005 have been provided Bank maintained cars. Vice president and above governed by SR-2005 have also been provided cars under Cars Loan Depreciation Policy (CLDP). The increase in number of executives in year 2006 is due to calculation based on monetized salary whereas in year 2005 it was based on basic salary.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

	2006		2005	
	Book value	Fair value	Book value	Fair value
	(Rupees in "000")			
Assets				
Cash and balances with treasury banks	1,295,464	1,295,464	1,585,421	1,585,421
Balances with other banks	7,783,566	7,783,566	7,813,844	7,813,844
Investments	5,637,170	5,637,170	12,820,668	12,820,668
Advances	61,514,057	61,514,057	52,925,286	52,925,286
Other assets	7,991,397	7,991,397	5,473,231	5,473,231
	<u>84,221,654</u>	<u>84,221,654</u>	<u>80,618,450</u>	<u>80,618,450</u>
Liabilities				
Bills payable	276,333	276,333	235,741	235,741
Borrowings	51,257,213	51,257,213	51,257,213	51,257,213
Deposits and other accounts	2,882,384	2,882,384	2,644,647	2,644,647
Sub-ordinated loan	3,204,323	3,204,323	3,204,323	3,204,323
Other liabilities	14,185,002	14,185,002	12,098,283	12,098,283
	<u>71,805,255</u>	<u>71,805,255</u>	<u>69,440,207</u>	<u>69,440,207</u>

35 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	(Rupees in "000")								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement services	Agency services	Assets management	Retail brokerage	Others -agri financing
2006	-	-	-	-	-	-	-	-	11,524,784
Total income	-	-	-	-	-	-	-	-	10,872,304
Total expenses	-	-	-	-	-	-	-	-	652,481
Net income	-	-	-	-	-	-	-	-	85,458,565
Segment assets (gross)	-	-	-	-	-	-	-	-	20,104,490
Segment non performing loans	-	-	-	-	-	-	-	-	6,772,751
Segment provision required	-	-	-	-	-	-	-	-	71,854,850
Segment liabilities	-	-	-	-	-	-	-	-	3%
Segment return on net assets(%)	-	-	-	-	-	-	-	-	5%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	
2005	-	-	-	-	-	-	-	-	7,660,853
Total income	-	-	-	-	-	-	-	-	7,752,220
Total expenses	-	-	-	-	-	-	-	-	(91,367)
Net loss	-	-	-	-	-	-	-	-	82,504,652
Segment assets (gross)	-	-	-	-	-	-	-	-	23,424,374
Segment non performing loans	-	-	-	-	-	-	-	-	8,814,916
Segment provision required	-	-	-	-	-	-	-	-	69,442,255
Segment liabilities	-	-	-	-	-	-	-	-	-1%
Segment return on net assets(%)	-	-	-	-	-	-	-	-	1%
Segment cost of funds (%)	-	-	-	-	-	-	-	-	

36 TRUST ACTIVITIES

Banks commonly act as trustees and in their fiduciary capacities that results in the holding or placing of assets on behalf of individual, trust, retirement benefit plan and other institution. Provided the trustees or similar relationship is legally supported, these assets are not asset of the bank and therefore, are not included in its balance sheet.

37 RELATED PARTY TRANSACTIONS

KSSL is wholly owned subsidiary of the Bank and it has started its functions independently effective from January 1, 2006. KSSL provides multiple services to the Bank including security and janitorial services. Following is break up of financial stake in KSSL:

	2006	2005
	(Rupees in "000")	
Investment in KSSL	100,000	-
Services received from KSSL	35,350	-
Receivable from KSSL	36,175	-
Gratuity	3,760	-

38 CAPITAL ADEQUACY

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

Regulatory capital base

	2006	2005
Tier I capital		
Shareholders capital	11,869,612	11,869,612
Reserves	359,348	245,387
Unappropriated profits	1,011,744	702,355
Less: adjustments	-	-
Total tier I capital	13,240,704	12,817,354
Tier II capital		
Subordinated debt (upto 50% of total tier I capital)	3,204,323	3,204,323
General provisions subject to 1.25% of total risk weighted assets	884,326	852,714
Revaluation reserve (upto 50%)	181,505	122,521
Total tier II capital	4,270,155	4,179,558
Eligible tier III capital	-	-
Total regulatory capital	(a) 17,510,859	16,996,912

Risk weighted exposures

	2006		2005	
	Book value	Risk adjusted value	Book value	Risk adjusted value
	(Rupees in "000")			
Credit risk				
Balance sheet items:				
Cash and other liquid Assets	150,382	-	395,962	1,562,851
Money at call	8,928,648	1,556,714	9,003,303	4,572,758
Investments	5,637,170	1,910,476	12,820,668	51,083,952
Loans and advances	61,514,057	58,596,508	52,925,286	691,141
Fixed assets	818,866	818,866	690,141	7,907,404
Other assets	8,409,442	7,863,531	8,012,527	-
	85,458,565	70,746,095	83,847,887	65,818,106
Off balance sheet items:				
Loan repayment guarantees	-	-	-	-
Purchase and resale agreements	-	-	-	-
Performance bonds etc	-	-	-	-
Revolving underwriting commitments	-	-	-	-
Stand by letters of credit	-	-	-	-
Outstanding foreign exchange contracts	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
Credit risk-weighted exposures	85,458,565	70,746,095	83,847,887	65,818,106

	2006	2005
	(Rupees in "000")	
Market Risk		
General market risk	-	-
Specific market Risk	-	-
Market risk-weighted exposures	-	-
Total risk-weighted exposures (b)	<u>70,746,095</u>	<u>65,818,106</u>
Capital adequacy ratio [(a) / (b) x 100]	<u>24.75</u>	<u>25.82</u>

39 RISK MANAGEMENT

The primary objective of risk management is to support senior management in correctly identifying, adequately measuring, effectively limiting and properly monitoring and controlling risk taking throughout the Bank. The Bank ensures systematic and integrated risk management. This is based on the following structured process risk identification, risk measurement, risk management and control, risk monitoring and risk reporting.

39.1 Credit Risk

Credit risk is the risk that arises from the potential that an obligor is either unwilling to perform on an obligation or its capability to execute such obligation is impaired resulting in economic loss to the Bank. Principally, exposures are only approved when reasonably assured for repayment capacity of counter party. Standardized procedures are adopted and under no circumstances it exceeds approved credit lines. The Bank credit appraisal structure comprises of well-defined credit appraisal, approval and review methods for the purpose of prudence in its lending operations and ensuring credit across the bank. The Bank pay particular concentration to the management of NPLs. An independent Special Asset Management (SAM) department is operational at the head office.

39.1.1 Segmental information

Segmental information is presented in respect of the class of business and geographical distribution of advances, deposits, contingencies and commitments.

39.1.1a Segments by class of business	2006					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in "000"	Percent	Rupees in "000"	Percent	Rupees in "000"	Percent
Agriculture, forestry, hunting and fishing	68,369,259	95.90%	-	-	-	-
Individuals	-	-	2,866,902	99.00%	13,807	0.17%
Others	2,921,678	4.10%	*15,482	1.00%	8,335,722	99.83%
	<u>71,290,937</u>	<u>100%</u>	<u>2,882,384</u>	<u>100%</u>	<u>8,349,529</u>	<u>100%</u>

39.1.1b Segment by sector

	2006					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in "000"	Percent	Rupees in "000"	Percent	Rupees in "000"	Percent
Public/ government	-	0.00%	*15,482	1.00%	8,335,722	99.83%
Private	71,290,937	100.00%	2,866,902	99.00%	13,807	0.17%
	<u>71,290,937</u>	<u>100.00%</u>	<u>2,882,384</u>	<u>100.00%</u>	<u>8,349,529</u>	<u>100.00%</u>

* This amount represents deposits belonging to autonomous/semi-autonomous bodies.

39.1.1c Details of non-performing advances and specific provisions by class of business segment

	2006		2005	
	Rupees in "000"			
	Classified advances	Specific provision held	Classified advances	Specific provision held
Agriculture, forestry, hunting and fishing	<u>20,104,490</u>	<u>6,772,751</u>	<u>23,424,374</u>	<u>8,814,916</u>

39.1.1d Details of non-performing advances and specific provisions by sector

	2006	2005
	Rupees in "000"	
	Classified advances	Specific provision held
Private	<u>20,104,490</u>	<u>6,772,751</u>
	<u>23,424,374</u>	<u>8,814,916</u>

39.1.1e GEOGRAPHICAL SEGMENT ANALYSIS

	2006			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in "000"			
Pakistan	<u>652,481</u>	<u>85,458,565</u>	<u>13,603,715</u>	<u>8,349,529</u>

39.2 Market Risk

The Bank is not involved in commercial activities like underwriting, trading and discounting operations. The Bank operates foreign currency transactions through SBP in local currency by paying exchange fluctuation risk fee to the SBP. The Bank is not exposed to interest rate risk as it has a fixed lending rate portfolio of advances and investments/placements are being placed in held to maturity securities/investments. Correspondingly the borrowing from SBP is in the process of restructuring. Liquidity position of the Bank is closely monitored by the Asset Liabilities Management Committee (ALCO) on periodic basis.

39.3 Foreign Exchange Risk

The Bank is not directly exposed to foreign exchange risk as the Bank is not engaged in foreign operations. Foreign transactions, if any, are undertaken through SBP.

39.4 Equity position Risk

The Bank is not exposed to equity position risk as all the shares are held by Federal and Provincial Governments. Its securities are not publicly traded.

Effective Yield/ Interest rate	2006										Non-interest bearing financial instruments	
	Total	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
		Rupees in '000'										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1,295,464	7,983,341	710,523	-	-	-	-	-	-	-	-	1,295,464
Balances with other banks	783,366	1,394,300	1,843,333	-	-	-	-	-	-	-	-	3,702
Loans	5,702	-	-	-	-	-	-	-	-	-	-	53,305
Advances	61,514,057	17,497,940	1,945,981	28,455,941	2,177,655	766,418	1,116,967	6,866,954	727,847	-	-	7,991,397
Other assets	7,991,397	-	-	-	-	2,053,085	3,734,635	-	-	-	-	-
	84,221,654	8,417,841	20,051,772	28,455,941	2,177,655	2,819,503	7,963,321	727,847	-	-	-	9,849,868
Liabilities												
Bills payable	276,333	-	276,333	-	-	-	-	-	-	-	-	-
Borrowings	51,257,213	3,630,770	-	-	1,815,385	3,630,770	7,261,540	18,153,850	13,134,128	-	-	2,016,608
Deposits and other accounts	2,882,384	259,989	-	94	1,560	30	4,103	-	3,294,323	-	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	14,226,968	68,228	-	-	-	-	-	-	-	-	-	14,185,002
*includes deferred income	-	-	-	-	-	-	-	-	-	-	-	-
	71,805,255	3,890,759	276,333	94	1,816,945	3,630,770	7,265,643	18,153,850	16,338,451	-	-	16,801,610
On-balance sheet gap	12,416,399	4,527,082	19,775,439	28,455,847	380,710	(811,267)	718,278	(17,426,003)	(16,338,451)	(6,951,741)	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total yield/ interest risk sensitivity gap	12,416,399	4,527,082	19,775,439	28,455,847	380,710	(811,267)	718,278	(17,426,003)	(16,338,451)	(6,951,741)	-	-
Cumulative yield/ interest risk sensitivity gap	12,416,399	4,527,082	19,775,439	28,455,847	380,710	(811,267)	718,278	(17,426,003)	(16,338,451)	(6,951,741)	-	-

Reconciliation of assets and liabilities exposed to yield/ interest rate risk with total assets and liabilities

	(Rupees in '000')
Total financial assets as per note 39.5	84,221,654
Add non financial assets	818,866
Operating fixed assets	418,005
Other assets	85,435,865
Total financial liabilities as per note 39.5	71,805,255
Add non financial liabilities	7,629
Deferred tax liabilities	41,966
Other liabilities	71,854,850

39.6 Liquidity risk

Risk management in the Bank is playing a very effective role in cash management through Assets and Liabilities Committee (ALCO). Accordingly the yields on fund's placement have been constantly increasing.

39.6.1 Maturities of assets and liabilities

	2006									
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
	(Rupees in '000')									
Assets										
Cash and balances with treasury banks	1,295,464	-	-	-	-	-	-	-	-	-
Balances with other banks	7,783,566	710,523	-	-	-	-	-	-	-	-
Lending to financial institutions	-	-	-	-	-	-	-	-	-	-
Investments	5,637,170	1,945,981	-	-	766,418	1,116,967	6,866,954	727,847	553,305	-
Advances	61,514,057	17,497,940	28,455,941	2,177,655	2,053,085	3,734,635	-	531,934	3,779,485	-
Other assets	8,409,442	2,001	85,151	2,632,616	1,378,254	-	35,920	251,855	529,228	-
Operating fixed assets	818,866	-	-	-	-	-	-	-	-	-
	85,458,565	9,722,498	20,154,444	4,810,271	4,197,757	3,734,635	8,019,841	1,511,636	4,862,018	-
Liabilities										
Bills payable	276,333	276,333	-	-	-	-	-	-	-	-
Borrowings	51,257,213	3,630,770	-	1,815,385	3,630,770	3,630,770	7,261,540	18,153,850	13,134,128	-
Deposits and other accounts	2,882,384	2,876,597	94	1,560	-	30	4,103	-	-	-
Sub-ordinated loans	3,204,323	-	-	-	-	-	-	-	3,204,323	-
Other liabilities	14,226,968	68,228	-	19,077	10,422,455	7,399	-	-	3,709,807	-
Deferred tax liabilities	7,629	-	-	-	-	-	-	-	-	-
	71,854,850	6,575,595	276,333	19,171	12,239,400	3,638,169	3,630,800	7,265,643	18,161,479	20,048,258
Net assets	13,603,715	3,146,904	19,878,111	28,521,921	(7,429,129)	559,588	103,835	754,198	(16,649,843)	(15,186,240)
Share capital	11,869,612	-	-	-	-	-	-	-	-	-
Reserves	359,348	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,011,744	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	363,011	-	-	-	-	-	-	-	-	-
	13,603,715	-	-	-	-	-	-	-	-	-

39.7 Operational risk

- Operational risk module comprising of key risk indicator, control self assessment and corporate governance has been successfully implemented in the seventeen pilot branches of the Bank.
- This module will be rolled out to the remaining branches of Bank during 2007.
- Operational risk at head office are reviewed on a regular basis and risk gaps are reported to the operational risk committee for corrective measures so that the reported risk gaps can be eliminated or minimized.

40 DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on 18th May, 2007 by the Board of Directors of the Bank.

41 GENERAL

41.1 The figures in the financial statements are rounded off to the nearest thousand.

41.2 Captions as prescribed by BSD Circular no. 4 dated February 17, 2006 issued by the SBP in respect of which there are no amounts have been reproduced in these consolidated financial statements except, for balance sheet and profit and loss account.

41.3 Figures of prior year are rearranged/regrouped, wherever necessary, for the purpose of comparison as under:

	From	To	Rupees in "000"
Deferred income	Other liabilities	Other liabilities	2,048
Deferred income	Other income	Other income	32,178
Amortization of deferred income	Administrative expenses	Administrative expenses	32,178
Income/markup accrued on investments	Income/mark-up accrued in local currency held in banks	Income/mark-up accrued in local currency held in banks	74,258
Other income (others)	Other income (others)	Other income (others)	41,026
Recovery charges	Miscellaneous	Miscellaneous	753
Recovery of private of vehicles	Miscellaneous	Miscellaneous	1,343,235
Assets relating to Bangladesh	Liabilities relating to Bangladesh	Liabilities relating to Bangladesh	

PRESIDENT

DIRECTOR

DIRECTOR

DIRECTOR

ZARAI TARAQIATI BANK LIMITED

Statement showing written off loan or any other financial relief of rupees five hundred thousand or above provided during the period ended december 31, 2006

Sr #.	Name and address of the borrower	Name of individual/partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount written off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
1	AGRO POUlt PVT. LTD. 60 B, MODEL TOWN, LAHORE.	DR. GHAS SHARIF	270-52-051294	RIAZ UR REHMAN SHARIF	15,603	3,215	0,000	18,818	15,603	0,055	0,000	15,658
		MASOOD ASLAM QURESHI	315-50-218803	M. ALAM QURESHI								
		MUHAMMAD AMTEER DURRANI	501-48-166064	KARIM BUX DURRANI								
		MUHAMMAD ARIF	502-46-187784	MUMTAZ UD DIN								
		ZAHBER MALAH	270-85-462933	HAJI AMEER MALAH								
2	AL HANIF COTTON WAHIBAKAR, SHEJABAD.	IFTIKHAR AHMED	322-58-061085	MALIK MUHAMMAD HANIF	4,194	8,087	0,087	12,368	4,194	4,854	0,000	9,048
		WAQAR AHMED	322-58-061083	MUHAMMAD HANIF								
		ZULHQAR AHMED	322-54-061082	MUHAMMAD HANIF								
		KHURSHID JEHAN ARA BEGUM	322-54-754046	MUHAMMAD HANIF								
3	BALUCHISTAN POULTRY ALPINE HOTEL, MANSEHRA ROAD, ABBOTTABAD.	MES. SAMINA		NSAR AHMED	13,748	63,880	0,278	77,906	13,748	51,308	0,000	65,056
		MUHAMMAD AZEAL KHAN		SAMAD AZEAL KHAN								
4	BATAREX PVT. LTD. VILL HANDE, NEAR KOT BADHA KISHAN, DISTT KASUR.	DR. SHER DIL BATRA	234-86-030253	RAB NAWAZ BATRA	15,137	29,401	0,000	44,538	15,137	19,955	0,000	35,092
		RAB NAWAZ BATRA	270-07-038958	RAI BAHADUR DIN BATRA								
		MES. SAMINA BATRA	234-52-024929	DR. SHER DIN BATRA								
		MES. MGRNI BATRA	270-12-574669	RAB NAWAZ BATRA								
		MES. MADHO WALI MUHAMMAD	514-86-055300	CH. AZZ WALI MUHAMMAD								
5	CAPITAL AGRO SERVICES GHAK NO. 45/15-L, TEH. MIAN CHANNU, KHANEWAL.	MES. RITAN BATRA	270-32-095286	RAB NAWAZ BATRA	0,000	7,078	0,025	7,103	0,000	3,956	0,000	3,956
		CH. AZZ WAI MUHAMMAD	514-38-084615	CH. WAI MUHAMMAD								
		AMJAD AITAF BUKHARI	33302-0107253-5	SYED AITAF HUSSAIN SHAH								
		ASJAD AITAF BUKHARI	61101-7958791-7	SYED AITAF HUSSAIN SHAH								
		SYED GHAZANFAR ABBAS	254-03-096516									
6	FIBER BOARD INDUSTRIAL ESTATE, BHIMBER, AIR.	CH. ZAKAULLAH	34201-8653830	CH. SANAULLAH	29,800	24,980	0,029	54,789	29,800	9,805	0,000	39,605
		CH. NASR ELAHI	34021-8609606-5	BASHARAT HUSSAN								
		CH. SAJJAD ABRAM		CH. MUHAMMAD ABRAM								
		MUHAMMAD DEAS KHAN		CH. REHMAT KHAN								
7	GANJ-E-SHKAR FLOUR MILL GHAK NO. 44/15-L, P.O. IQBAL NAGAR, MIAN CHANNU ROAD, KHANEWAL.	CH. ZAFAR IQBAL	333-57-127762	BASHARAT HUSSAN	3,382	3,280	0,000	6,662	2,767	0,000	0,000	2,767
		MES. SHABRANA KAUSAR		CH. ZAHOOR ELAHI								
		MUHAMMAD NAWAZ	333-23111597	SHAIKARID DIN								
		ASIF NAWAZ	333-54-025851	MUHAMMAD NAWAZ								
		SAJID NAWAZ	333-57-127762	MUHAMMAD NAWAZ								
8	HARVEST KAMALIA, FASLALABAD.	MST. NUSRAT JAZ	333-40-110051	MUHAMMAD NAWAZ	0,000	2,678	0,030	2,708	0	2,549	0,000	2,549
		MUHAMMAD AJI HUSSAIN	254-88-033595	GHILAM MUHAMMAD KHAN								
		BADRUDDIN	271-38-082451	TAMIZUDDIN								
		MST. ALIAH JIVAI	NA	W/O SYED MUHAMMAD GHIOUS SHAH								
		MUHAMMAD AJI ABBAS	271-53-118197	GHILAM MUHAMMAD KHAN								

Sr #.	Name and address of the borrower	Name of individual/partners/directors	NIC number	Father's/husband's name	Outstanding Liabilities at beginning of the year			Amount written off				
					Principal	Interest	Others	Principal	Interest	Others	Total	
9	ICE PAC (PVT) LTD. MANGA MANDI, LAHORE.	MANSOOR ARIFEEN HAROON ARIFEEN MST. RUIHSANA MANSOOR MRS. QUESHA SULTANA MRS. SHEILA ARIFEEN MANSOOR ZAIGHAM WAQAR AHMED KHAN	213-55-156900 213-60-095359 272-63-443366 213-33-095360 274-61-030028 274-56-199362 270-56-266991	SHAMSUL ARIFEEN SHAMSUL ARIFEEN W/O MANSOOR ZAIGHAM W/O SHAMSUL ARIFEEN W/O MANSOOR ARIFEEN GHASUDDIN MEHMOOD AZIZ UD DIN AHMED KHAN	6.579	12.157	0.019	18.755	6.579	6.937	0.019	13.535
10	KANAR HARVESTER 79 GB TEH & DIST. SARGODHA	MST. SHAIKAT BEGUM MST. NAUREEN IFTIKHAR	232-40-033384 38403-0789080-2	ZULFIQAR ALI KANAR IFTIKHAR HUSSAIN KANAR	5.000	1.798	0.000	6.798	1.014	1.798	0.000	2.812
11	LUCRY COLD STORAGE BONGA HAYAT, DEPALPUR ROAD, PAKPATTAN.	NAEEM HASHIM MST. NUSRAT HASHIM	337-48-120247 337-57-120248	MUHAMMAD QAISER HASHIM NAEEM HASHIM	4.018	0.981	0.000	4.999	0.000	1.691	0.000	1.691
12	MAIK VENTURE SHAHED GANJ BAZAR NEAR RAILWAY STATION LAHORE.	AHMED SHUIA MAIK MAIK MUHAMMAD IQBAL MAIK NASR MEHMOOD	315-47-105021 267-37-100124 252-50-019024	MAIK M. QASIM MAIK EJAZ NABI MAIK M. ASHRAF	4.362	3.098	0.000	7.460	4.362	0.660	0.000	5.022
13	MARSHAL AGRO SERVICES NAROWAL	CH. HABBULLAH KHAN MUHAMMAD ANWAR KHAN MRS. NARGIS ANWAR MRS. NAWEED HARB	35202-058730-3 272-86-465130 NA 35202-0984730-8	INNAYAT ULLAH KHAN MUHAMMAD ATUB KHAN MUHAMMAD ANWAR CH. HABBULLAH KHAN	0.000	4.198	0.031	4.229	0.000	3.355	0.000	3.355
14	MECH AGRO SERVICES FEROZWALA, LAHORE.	ZAI UL HAQ AMINUL HAQ MST. AMATUL BARI	210-53-249550 210-55-054343 210-17-054342	MANZOOR UL HAQ MANZOORUL HAQ MANZOOR UL HAQ	0.000	4.056	0.038	4.094	0.000	2.917	0.000	2.917
15	PROGRESSIVE PACKAGE BASALI ROAD, RAWAT, RAWALPINDI	SARDAR FAROOQ TABASSUM M.ASHIQ KHAN SHEKH ABDUL HAMEED		MUHAMMAD AREEB KHAN SARDAR MADOO KHAN SHEKH M. AMIN	3.891	6.489	0.179	10.559	3.891	0.000	2.545	6.436
16	RAI AGRO SERVICES CHAH PACCA, LAHORE.	MUHAMMAD SAMHI BHATTI RAI MUHAMMAD ABRAM BHATTI MEKHTAR AHMED (LATE)	35202-5923859-3 35402-2010719-7 296-34-048710	AMEER KHAN BHATTI RAI AMEER KHAN RAI AMEER KHAN	1.412	5.512	0.050	6.974	0.000	4.804	0.050	4.854
17	SHAN FEED MILL NOORABAD, IND. DADU.	JAM NAFIES ALI JAM SHER ALI KHAN JAM NIAZ ALI JAM NOOR ALI FAROOQ SHEKH ABDANI MRS. YASEEN SHEKH ABDANI MUHAMMAD SHAFI	N.A. N.A. N.A. N.A. N.A. N.A. N.A.	JAM SHER ALI NAWAB JAM KUMBO JAM SHER ALI JAM SHER ALI ZAKRIA ABDUL GHANI FAROOQ SAMAD ZAKRIA ABDUL GHANI	62.427	378.945	0.320	441.692	62.427	372.111	0.000	434.538
18	SYED FARM VILL. BAKSHWALA, TEH. CHINIOT, JIHANG.	SYED AMIR HUSSAIN MST. MEHMOODA KHATOON	291-33-561478	MIAN BAKHSH SHAH AFTAB HUSSAIN	2.450	4.866	0.000	7.316	0.000	1.968	0.000	1.968
					171.983	564.679	1.086	737.748	156.522	488.723	2.614	650.852

Zarai Taraqati Bank Limited

Statistical Annex

DURING 01-01-2006 TO 31-12-2006



**PARTICULARS OF SHAREHOLDING
AS ON 31-12-2006**

(RUPEES MILLION)

1. FEDERAL GOVERNMENT	11859.612
2. GOVERNMENT OF PUNJAB	2.771
3. GOVERNMENT OF SINDH	1.190
4. GOVERNMENT OF N.W.F.P.	0.680
5. GOVERNMENT OF BALOCHISTAN	0.359
6. GOVERNMENT OF ERSTWHILE EAST PAKISTAN	5.000
TOTAL	11869.612

SELECTED FINANCIAL AND STATISTICAL INDICATORS

(RUPEES MILLION)

S.NO.	DESCRIPTION	FY2001	FY2002	14-12-2002 TO 31-12-2003	2004	2005	2006
<u>DURING THE YEAR</u>							
1	TOTAL CREDIT DISBURSED	27610	29108	32287	33715	39356	52521
2	LOANS TO SUBSISTENCE FARMERS	16694	18905	20374	22061	25612	33027
3	2 AS %AGE OF 1	60%	65%	63%	65%	65%	63%
4	LOANS TO SMALL FARMERS (UPTO 25.0 ACRES)	22717	25038	27086	28825	33551	44330
5	4 AS %AGE OF 1	82%	86%	84%	85%	85%	84%
6	FINANCING OF TRACTORS						
	- NUMBERS	18909	12744	10679	7848	10807	9052
	- AMOUNT	5119	3501	2800	1953	2894	2513
7	6 AS %AGE OF 1	19%	12%	9%	6%	7%	5%
8	DIVERSIFICATION INDEX	81%	88%	91%	94%	93%	95%
	NON TRACTOR LOANS (%)						
9	TOTAL RECOVERY	32103	33546	40996	38945	42144	49156
10	CUMMULATIVE RECOVERY (%)	89%	90%	90%	91%	92%	96%
11	TOTAL INCOME	10656	11112	10724	9053	7629	11519
12	TOTAL EXPENDITURE	10457	19594	9942	7887	7720	10872
13	PROFIT BEFORE TAXATION	199	(8482)	782	1167	(91)	647
<u>AT THE END OF THE YEAR</u>							
1	TOTAL ASSETS	78143	75306	78740	83930	82504	85451
2	LOAN PORTFOLIO (NET)	63970	61503	54172	54335	52925	61514
3	UNRECOVERED BALANCE						
	TO TOTAL LOANS OUTSTANDING (%)	29%	28%	31%	32%	33%	24%
4	NUMBER OF REGIONAL/ZONAL OFFICES	49	49	49	49	49	25
5	NUMBER OF BRANCHES	343	343	343	343	343	342
6	NUMBER OF MCOS	1465	1496	1363	1328	1311	1258
7	NUMBER OF STAFF	7740	7665	5738	5591	5533	5326

3.1
**LOANS DISBURSED SINCE INCEPTION: AREA-WISE
UPTO 31.12.2006**

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	NUMBER OF LOAN CASES	AMOUNT DISBURSED	SHARE (%)
1	PUNJAB	4728938	313964.716	73.8
2	SINDH	1204871	74797.961	17.6
3	N.W.EP	469902	24252.702	5.7
4	BALUCHISTAN	99833	8754.877	2.0
5	AZAD KASHMIR	83049	1940.076	0.5
6	FEDERALLY ADMINISTERED NORTHERN AREAS	44456	1749.680	0.4
TOTAL		6631049	425460.012	100.0

3.2
**LOANS DISBURSED : AREA-WISE
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

SR. NO.	PROVINCE/ AREA	NUMBER OF LOAN CASES	NUMBER OF BORROWERS	AMOUNT DISBURSED	Share (%)
1	PUNJAB	345366	369082	42124.034	80.2
2	SINDH	38757	41301	6705.452	12.7
3	N.W.EP	27252	28787	3422.105	6.5
4	BALUCHISTAN	937	953	95.131	0.2
5	AZAD KASHMIR	2450	2496	94.722	0.2
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1251	1255	79.061	0.2
TOTAL		416013	443874	52520.505	100.0

3.3
**TERM-WISE COMPOSITION OF LOANS DISBURSED
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

SR. NO.	PROVINCE / AREA	SHORT TERM		MEDIUM TERM		LONG TERM		TOTAL	
		NO. OF LOAN CASES	AMOUNT	NO. OF LOAN CASES	AMOUNT	NO. OF LOAN CASES	AMOUNT	NO. OF LOAN CASES	AMOUNT
1	PUNJAB	314583	38088.296	19937	1331.328	10846	2704.410	345366	42124.034
2	SINDH	37293	6555.726	1149	68.409	315	81.317	38757	6705.452
3	N.W.EP	21058	2957.926	5700	336.986	494	127.193	27252	3422.105
4	BALUCHISTAN	835	76.876	51	3.885	51	14.370	937	95.131
5	AZAD KASHMIR	2283	83.079	152	8.628	15	3.015	2450	94.722
6	FEDERALLY ADMINISTERED NORTHERN AREAS	226	24.065	1013	52.353	12	2.643	1251	79.061
TOTAL		376278	47785.968	28002	1801.589	11733	2932.948	416013	52520.505

3.4

 LOANS DISBURSED: SECURITY-WISE
DURING 01-01-2006 TO 31-12-2006

(RUPEES MILLION)

Sr. No.	PARTICULARS	NUMBER OF LOAN CASES	AMOUNT DISBURSED	SHARE (%)
1	SECURED LOANS	410863	52292.232	99.6
2	HYPOTHECATION LOANS	76	10.731	0.0
3	PERSONAL SURETY LOANS	4938	158.557	0.3
4	OTHER SECURITY	136	58.985	0.1
	TOTAL	416013	52520.505	100.0

3.5

 ANNUAL CREDIT DISBURSEMENT, TRACTORS & TUBEWELLS FINANCED
SINCE INCEPTION UPTO 31-12-2006

(RUPEES MILLION)

YEAR	ANNUAL CREDIT DISBURSEMENT	TRACTORS FINANCED		TUBEWELLS	
		NUMBER	AMOUNT	NUMBER	AMOUNT
Since inception					
upto 30-06-1971	780.798	15043	295.372	18757	213.849
1971-1972	80.000	1906	37.410	1790	18.412
1972-1973	169.100	1679	43.654	2389	26.415
1973-1974	415.570	1997	74.500	2922	45.000
1974-1975	396.310	3122	131.600	3566	74.500
1975-1976	532.850	6043	348.200	2357	47.600
1976-1977	638.770	5888	319.200	1364	25.700
1977-1978	430.530	5768	324.050	580	10.793
1978-1979	416.937	6003	310.200	543	10.100
1979-1980	711.550	8661	468.900	425	9.300
1980-1981	1066.619	10111	636.560	562	13.646
1981-1982	1557.386	12359	880.198	745	20.576
1982-1983	2310.435	17497	1459.256	1246	38.109
1983-1984	3131.676	22766	2028.706	1623	57.938
1984-1985	4167.908	25500	2305.668	2548	67.424
1985-1986	5307.867	20603	1955.257	4260	196.697
1986-1987	6031.152	23648	2621.911	4621	220.835
1987-1988	7716.078	20288	2650.555	6743	392.196
1988-1989	8667.523	19725	2898.750	6632	476.667
1989-1990	9389.861	20290	3465.396	5898	487.010
1990-1991	8323.947	12468	2650.302	5388	564.277
1991-1992	6996.426	8823	1742.676	3281	304.834
1992-1993	8643.408	16574	3548.008	2528	252.005
1993-1994	8989.252	17127	4071.548	2403	294.128
1994-1995	14575.735	22002	5029.803	4920	693.707
1995-1996	10339.274	15968	3261.605	1680	173.336
1996-1997	11687.112	10701	3195.652	2300	385.586
1997-1998	22362.983	13630	4286.009	3869	857.677
1998-1999	30175.960	16951	4509.982	6998	1436.177
1999-2000	24423.889	21515	5743.598	4735	830.894
2000-2001	27610.229	18909	5119.122	8991	1648.100
2001-2002	29108.015	12744	3501.149	7894	1335.733
01-07-2002 to 13-12-2002	10426.734	3660	1011.927	2955	384.419
14-12-2002 to 31-12-2003	32286.990	10679	2799.972	5100	1016.363
2004	33714.580	7848	1952.655	4369	845.424
2005	39356.053	10807	2893.575	3895	703.891
2006	52520.505	9052	2512.927	1918	292.898
TOTAL:-	425460.012	478355	81085.853	142795	14472.216

3.6
**AGRICULTURAL CREDIT DISBURSED BY MAJOR PURPOSES
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)			
PURPOSES	NO. OF LOAN CASES	AMOUNT DISBURSED	SHARE (%)
I. DEVELOPMENT LOANS	39735	4734.537	9.0
1 TRACTORS	9007	2512.927	4.8
2 DAIRY FARMING	23683	1537.724	2.9
3 FARM EQUIPMENT	486	69.866	0.1
4 TUBEWELLS	1918	292.898	0.6
5 LIVESTOCK	3714	205.547	0.4
6 POULTRY FARMING	64	15.208	0.0
7 ORCHARDS	115	6.897	0.0
8 LAND DEVELOPMENT	91	6.797	0.0
9 FISHERIES	15	2.811	0.0
10 FARM TRANSPORTATION	2	0.245	0.0
11 GODOWN/ COLD STORAGE	166	35.720	0.1
12 OTHERS	474	47.897	0.1
II. PRODUCTION LOANS	376278	47785.968	91.0
1 FERTILIZER	59520	5279.247	10.0
2 PESTICIDES	25323	2614.354	5.0
3 SEEDS	47343	3258.229	6.2
4 LABOUR HIRE/ OTHER CHARGES	47	7.516	0.0
5 WORKING CAPITAL FOR POULTRY	874	203.732	0.4
6 WORKING CAPITAL FOR DAIRY	1471	37.302	0.1
7 WORKING CAPITAL FOR LIVESTOCK	802	27.357	0.1
8 WORKING CAPITAL FOR FISHERIES	92	29.022	0.1
9 SADA BAHAR *	238240	35541.679	67.7
10 OTHERS	2566	787.530	1.5
TOTAL:-	416013	52520.505	100.0

* Farm production loans for inputs

3.7
**AGRICULTURAL CREDIT DISBURSED BY SIZE OF LOAN
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)				
SIZE OF LOANS	NO. OF LOAN CASES	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
UPTO RS. 25000/-	40324	9.7	804.003	1.5
RS.25001 TO 50000/-	102635	24.7	4266.655	8.1
RS.50001 TO 100000/-	122832	29.5	9730.855	18.5
RS.100001 TO 200000/-	85399	20.5	13170.931	25.1
RS.200001 TO 500000/-	58014	14.0	18506.498	35.3
RS.500001 TO 1000000/-	6809	1.6	6041.563	11.5
TOTAL:-	416013	100.0	52520.505	100.0

3.8
**AGRICULTURAL CREDIT DISBURSED BY SIZE OF HOLDING
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)				
SIZE OF HOLDING	NO. OF LOAN CASES	SHARE (%)	AMOUNT DISBURSED	SHARE (%)
A. LANDLESS	3470	0.8	178.016	0.3
B. OWNERS				
UNDER 5.1 HECTARES (UNDER 12.5 ACRES)	328207	78.9	32193.029	61.3
5.1 TO UNDER 6.5 HECTARES (12.5 TO UNDER 16 ACRES)	25578	6.1	4862.229	9.3
6.5 TO UNDER 10.1 HECTARES (16 TO UNDER 25 ACRES)	28578	6.9	7096.675	13.5
10.1 TO UNDER 13 HECTARES (25 TO UNDER 32 ACRES)	8215	2.0	2276.817	4.3
13 TO UNDER 20.2 HECTARES (32 TO UNDER 50 ACRES)	10375	2.5	3104.367	5.9
20.2 TO UNDER 26 HECTARES (50 TO UNDER 64 ACRES)	3540	0.9	995.874	1.9
26 HECTARES & ABOVE (64 ACRES & ABOVE)	8050	1.9	1813.498	3.5
TOTAL:-	416013	100.0	52520.505	100.0

4.1
**TOTAL RECOVERY POSITION
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. NO.	PROVINCE/ AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2006	RECOVERY RATE (%)
1	PUNJAB	51565.274	39271.466	12293.808	76.2
2	SINDH	10538.576	6574.823	3963.753	62.4
3	N.W.F.P	4224.501	3019.237	1205.264	71.5
4	BALUCHISTAN	582.771	106.666	476.105	18.3
5	AZAD KASHMIR	152.300	97.768	54.532	64.2
6	FEDERALLY ADMINISTERED NORTHERN AREAS	223.406	86.134	137.272	38.6
	TOTAL	67286.828	49156.094	18130.734	73.1

4.2
**TOTAL CREDIT RECOVERY POSITION OF CURRENT DUES
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. No.	PROVINCE/AREA	CURRENT DUES	LESS N.P.L INTEREST	LESS CHARGE OFF	LESS RESCHE-DULEMENT	LESS AMOUNT WRITTEN OFF/ REMISSION	NET CURRENT DUES	RECOVERY	UNRECOVERED CURRENT YEARS DUES AS ON 31-12-2006	RECOVERY RATE (%)
1	PUNJAB	51765.707	1039.807	5680.346	381.255	64.981	44599.318	34449.870	10149.448	77.2
2	SINDH	10980.636	273.542	1821.050	25.880	274.226	8585.938	5841.729	2744.209	68.0
3	N.W.F.P	4628.306	88.290	488.502	40.775	197.249	3813.490	2750.416	1063.074	72.1
4	BALUCHISTAN	4127.359	665.616	2838.197	0.000	151.651	471.895	87.130	384.765	18.5
5	AZAD KASHMIR	313.785	3.623	17.578	38.669	103.997	149.918	96.128	53.790	64.1
6	FEDERALLY ADMINISTERED NORTHERN AREAS	258.442	13.405	83.357	0.000	0.000	161.680	56.627	105.053	35.0
	TOTAL	72074.235	2084.283	10929.030	486.579	792.104	57782.239	43281.900	14500.339	74.9

4.3
**TOTAL CREDIT RECOVERY POSITION OF PAST DUES
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	PAST DUES AS ON 31-12-2005	ADJUSTMENT/ REVERSAL OF RETURN ON PAST DUES (+, -)	NPL INTEREST	CHARGE OFF	LESS AMOUNT WRITTEN OFF/ REMISSION 01-01-2005 TO 31-12-2006	LESS RESCHE-DULEMENT	NET PAST DUES	RECOVERY	BALANCE OF PAST DUES	RECOVERY RATE (%)
1	PUNJAB	19292.410	1343.196	1622.672	9094.980	101.654	163.952	6965.956	4821.596	2144.360	69.2
2	SINDH	9342.791	0.746	944.888	6258.342	184.119	2.058	1952.638	733.094	1219.544	37.5
3	N.W.F.P	1095.974	-30.020	124.593	558.317	4.697	27.376	411.011	268.821	142.190	65.4
4	BALUCHISTAN	1521.152	0.176	66.612	1249.962	93.526	0.000	110.876	19.536	91.340	17.6
5	AZAD KASHMIR	2.280	-10.071	0.646	2.141	0.000	7.182	2.382	1.640	0.742	68.8
6	FEDERALLY ADMINISTERED NORTHERN AREAS	359.302	0.003	72.059	225.514	0.000	0.000	61.726	29.507	32.219	47.8
	TOTAL	31613.909	1304.030	2831.470	17389.256	383.996	200.568	9504.589	5874.194	3630.395	61.8

4.4
**CUMMULATIVE RECOVERY SINCE INCEPTION
UPTO 31.12.2006**

(RUPEES MILLION)

Sr. NO.	PROVINCE / AREA	TOTAL RECOVERABLE	TOTAL RECOVERY	PAST DUES AS ON 31-12-2006	RECOVERY RATE (%)
1	PUNJAB	335190.557	322896.749	12293.808	96.3
2	SINDH	76817.035	72853.282	3963.753	94.8
3	N.W.F.P	25368.663	24163.399	1205.264	95.2
4	BALUCHISTAN	6956.707	6480.602	476.105	93.2
5	AZAD KASHMIR	1847.805	1793.273	54.532	97.0
6	FEDERALLY ADMINISTERED NORTHERN AREAS	1852.518	1715.246	137.272	92.6
	TOTAL	448033.285	429902.551	18130.734	96.0

4.5
**AGRICULTURAL CREDIT RECOVERY POSITION
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	RECOVERABLE	RECOVERY	PAST DUES AS ON 31-12-2006	RECOVERY RATE (%)
1	PUNJAB	51494.697	39200.889	12293.808	76.1
2	SINDH	10524.668	6560.915	3963.753	62.3
3	N.W.FP	4223.012	3017.748	1205.264	71.5
4	BALUCHISTAN	579.879	103.774	476.105	17.9
5	AZAD KASHMIR	152.300	97.768	54.532	64.2
6	FEDERALLY ADMINISTERED NORTHERN AREAS	223.406	86.134	137.272	38.6
TOTAL		67197.962	49067.228	18130.734	73.0

4.6
**AGRICULTURAL CREDIT RECOVERY POSITION OF CURRENT DUES
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. No.	PROVINCE/AREA	CURRENT DUES	LESS N.P.L INTEREST	LESS CHARGE OFF	LESS RESCHE-DULEMENT	LESS AMOUNT WRITTEN OFF/ REMISSION	NET CURRENT DUES	RECOVERY	UNRECOVERED CURRENT YEARS DUES AS ON 31-12-2006	RECOVERY RATE (%)
1	PUNJAB	50163.959	1039.807	4180.894	381.255	17.857	44544.146	34394.698	10149.448	77.2
2	SINDH	10399.775	273.542	1502.986	25.880	19.233	8578.134	5833.925	2744.209	68.0
3	N.W.FP	4627.799	88.290	487.995	40.775	197.249	3813.490	2750.416	1063.074	72.1
4	BALUCHISTAN	4067.074	665.616	2780.803	0.000	151.651	469.004	84.239	384.765	18.0
5	AZAD KASHMIR	313.785	3.623	17.578	38.669	103.997	149.918	96.128	53.790	64.1
6	FEDERALLY ADMINISTERED NORTHERN AREAS	258.442	13.405	83.357	0.000	0.000	161.680	56.627	105.053	35.0
TOTAL		69830.834	2084.283	9053.613	486.579	489.987	57716.372	43216.033	14500.339	74.9

4.7
**AGRICULTURAL CREDIT RECOVERY POSITION OF PAST DUES
DURING 01-01-2006 TO 31-12-2006**

(RUPEES MILLION)

Sr. No.	PROVINCE/ AREA	PAST DUES AS ON 31-12-2005	ADJUSTMENT/ REVERSAL OF RETURN ON PAST DUES (+, -)	NPL INTEREST	CHARGE OFF	LESS AMOUNT WRITTEN OFF/ REMISSION DURING 01-01-2006 TO 31-12-2006	LESS RESCHE-DULEMENT	NET PAST DUES	RECOVERY	BALANCE OF PAST DUES	REC. RATE (%)
1	PUNJAB	17373.823	8.616	1622.672	8556.777	71.453	163.754	6950.551	4806.191	2144.360	69.1
2	SINDH	8433.870	0.747	944.888	5535.068	4.575	2.058	1946.534	726.990	1219.544	37.3
3	N.W.FP	1085.511	-28.904	124.593	548.227	4.697	27.376	409.522	267.332	142.190	65.3
4	BALUCHISTAN	1521.152	0.177	66.612	1249.962	93.526	0.000	110.875	19.535	91.340	17.6
5	AZAD KASHMIR	2.280	-10.071	0.646	2.141	0.000	7.182	2.382	1.640	0.742	68.8
6	FEDERALLY ADMINISTERED NORTHERN AREAS	359.302	0.003	72.059	225.514	0.000	0.000	61.726	29.507	32.219	47.8
TOTAL		28775.938	-29.432	2831.470	16117.689	174.251	200.370	9481.590	5851.195	3630.395	61.7

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STAFF POSITION

(NUMBERS)

YEAR	OFFICERS	STAFF	TOTAL	M.C.O.'s
FY' 1990	4614	4035	8649	1487
FY' 1991	4781	3963	8744	1434
FY' 1992	4842	3816	8658	1454
FY' 1993	5046	3621	8667	1521
FY' 1994	5035	3369	8404	1432
FY' 1995	5035	3576	8611	1376
FY' 1996	5443	3383	8826	1441
FY' 1997	5347	3830	9177	1441
FY' 1998	4535	3368	7903	1449
FY' 1999	4608	3183	7791	1463
FY' 2000	4586	3196	7782	1459
FY' 2001	4563	3177	7740	1465
FY' 2002	4515	3150	7665	1496
2003	3711	2027	5738	1363
2004	3657	1934	5591	1328
2005	3609	1934	5543	1311
2006	3485	1841	5326	1258

6

NETWORK OF FIELD OFFICES
AS ON 31.12.2006

(NUMBERS)

SR.NO.	PROVINCES	ZONAL OFFICES	BRANCHES
1	PUNJAB	12	160
2	SINDH	6	88
3	N.W.EP	4	62
4	BALUCHISTAN	3	32
	TOTAL	25	342

Zarai Taraqati Bank Ltd.

I-Faisal Avenue Head Office Islamabad. Pakistan
www.ztbl.com.pk