

Credit Agricole Indosuez
The Global French Bank
Annual Report 2000

AUDITORS' REPORT TO THE DIRECTOR

We have audited the annexed balance sheet of the Pakistan branches of Credit Agricole Indceuez The Global French Bank - Pakistan branches as at December 31, 2000 and the related profit and loss account and the cash flow statement, together with the notes forming pert thereof for the year then ended, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, found them satisfactory and, we report that:

(a) in our opinion, proper books of account have been kept by the branches as required by the Companies Ordinance, 1984;

(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 and the Companies Ordinance 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the matters referred to in note 3.5 with which we concur,

(ii) the expenditure incurred during the year was for the purpose of the branches' business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the branches and the transactions of the branches which have come to our notice have been within the powers of the branches;

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, the profit and loss account and the cash flow statement, together with the notes forming pert thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 in the manner so required and except for the matter referred to in note 17, give a true and fair view of the state of the branches' affairs as at December 31, 2000 and their true balance of the profit and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the branches and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

KARACHI

DATED: MARCH 20,
2001

A.F.
FERGUSON
& CO.
Chartered
Accountants

BALANCE SHEET AS AT DECEMBER 31, 2000

	Notes	2000	1999
		(Rupees in thousand)	
ASSETS			
Cash	4	551,278	1,389,942
Balances with other banks	5	113,811	15,733
Money at call and short notice		--	550,000
Investments	6	2,225,074	791,527
Advances - net of provision	7	4,493,627	3,683,448
Operating fixed assets	8	49,261	57,201
Capital work in progress		2,235--	
Other assets	9	707,994	591,110
		-----	-----
		8,143,280	7,078,961
LIABILITIES			
Deposits and other accounts	10	3,983,632	3,549,305
Borrowings from other banks, agents etc.	11	3,339,069	2,723,332
Bills payable		23,158	28,547
Other liabilities	12	695,734	589,344
		-----	-----
		8,041,593	6,890,528
		-----	-----
NET ASSETS		101,687	188,433
REPRESENTED BY			
Capital	13	--	--
Unremitted profits		100,642	1,068,433
Surplus on revaluation of investments		1,045	--
		-----	-----
		101,687	168,433
MEMORANDUM ITEMS			
Bills for collection	14	481,779	303,072
Acceptances, endorsements and other obligations		973,123	1,068,723
Contingent liabilities and commitments	15		

The annexed notes form an integral part of these accounts.

J.P. Fontaine
Chief
Operating
Officer

J.P. Raynaud
Senior
Country
Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2000

	Notes	2000 (Rupees in thousand)	1999
Mark up / interest and discount and / or return earned		779,341	844,321
Less: Cost / return on deposits, borrowings etc.		694,545	736,533
		-----	-----
		84,796	107,788
Fees, commissions and brokerage		34,437	38,657
Other operating income - income from dealing in foreign currencies		87,533	108,809
		-----	-----
		121,970	147,466
		-----	-----
		206,766	255,254
Operating expenses:			
Administrative expenses	16	147,568	142,272
Net reversal against non-performing advances	7.2	(2,937)	(31,700)
		-----	-----
		144,631	110,572
		62,135	144,682
Profit on disposal of fixed assets		390	75
		-----	-----
Profit before taxation		62,525	144,757
Taxation:			
- Current		10,600	25,400
- Prior		(25,000)	--
- Deferred		15,040	15,177
		-----	-----
		640	40,577
		-----	-----
Profit after taxation		61,885	104,180
Unremitted profit brought forward		188,433	111,450
		-----	-----
Profit available for remittance		250,318	215,630
Remittance to Head Office		(149,676)	(27,197)
		-----	-----
		100,642	188,433

The annexed notes form an integral part of these accounts.

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CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2000

	2000	1999
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	62,525	144,757
Adjustment for non-cash charges		
Depreciation	12,749	11,968
(Gain) / loss on disposal of fixed assets	(390)	(75)
(Net reversal) / provision against non-performing advances	(2,937)	(31,700)
	9,422	(19,807)
	71,947	124,950
Decrease / (increase) in operating assets		
Government securities	(1,432,502)	238,136
Advances	(807,242)	(131,069)
Other assets (excluding taxation and deferred tax)	(64,597)	(179,394)
	(2,394,341)	(72,327)
(Decrease) / Increase in operating liabilities		
Deposits and other	434,327	(610,526)
Bills payable	(5,389)	(11,424)
Other liabilities	106,390	(33,150)
	535,328	(655,100)
Cash flow before tax	(1,697,066)	(602,477)
Income tax paid	(52,927)	(94,045)
Net cash flow from operating activities	(1,749,993)	(696,522)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(5,639)	(6,984)
Capital work in progress	(2,235)	--
Sale proceeds of fixed assets	1,220	264

Net cash used in investing activities	(6,654)	(6,720)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from other banks, agents etc.	615,737	1,982,068
Remittances to Head Office	(149,676)	(27,197)
	-----	-----
Net cash flow from financing activities	466,061	1,954,871
	-----	-----
increase / (Decrease) in cash and cash equivalents for the year	(1,290,586)	1,251,629
Cash and cash equivalents at the beginning of the year	1,955,675	794,046
	-----	-----
Cash and cash equivalents at end of the year	665,089	1,955,675
	=====	=====
Cash and cash equivalents		
Cash	551,278	1,389,942
Balances with other banks	113,811	15,733
Money at call and short notice	--	550,000
	-----	-----
	665,089	1,955,675
	=====	=====

The annexed notes form an integral part of these accounts.

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Officer

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000

1. STATUS AND NATURE OF BUSINESS

Credit Agricole Indosuez The Global French Bank is incorporated in France with limited liability. It is operating in Pakistan as a Commercial Bank under Banking Companies Ordinance, 1962 through two branches located at Karachi and Lahore.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. One permissible form of trade-related mode of financing comprises of purchase of goods by the bank from their customers and immediate resale to them at appropriate mark-up in price on

deferred payment basis. The purchase and sale arising under these arrangements are not reflected in the accounts as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

These accounts have been prepared under the historical cost convention except for certain investments which are stated on the mark to market basis as disclosed in note 3.5.

3.2 Staff retirement benefits

The branches operate an approved funded gratuity scheme for all its employees who have completed 5 years' service or more. Contributions allowable under Income Tax rules have been made to the fund.

3.3 Taxation

Taxation charge in the accounts is based on taxable income. The branches account for deferred taxation on timing differences using the liability method.

3.4 Advances

Advances are stated at cost less provision for bad and doubtful balances. The provision for bad and doubtful advances is made in accordance with the Prudential Regulations of the State Bank of Pakistan.

3.5 Investments

During the year, the bank has decided to value Treasury bills on mark to market basis. The difference between the carrying value and the revalued amount is taken to a surplus / deficit on revaluation account and shown separately in the balance sheet below capital. The policy has been changed to comply with the requirements of State Bank of Pakistan's BSD Circular No. 20 of August 4, 2000.

Previously these investments were carried at cost. Had the policy remained unchanged the value of investments would have been lower by Rs. 1.045 million. However there is no effect on profit and loss account due to the change in policy.

All other investments are stated at cost and adjusted for amortization of premium / discount.

3.6 Operating fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged to income applying the straight line method. A full month's depreciation is charged in the month of addition while no depreciation is charged for the month in which the disposal is made.

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

3.7 Revenue recognition

Profit / return on advances and investments are recognised on an accrual basis.

Fees, commissions and brokerage income is recognised when earned.

3.8 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak rupees at the rates of exchange approximating those prevailing at the balance sheet date, except those foreign currency deposits against which forward cover has been obtained from the State Bank of Pakistan, which are stated at contracted rates.

Outstanding forward exchange contracts are translated on a mark to market basis.

Exchange gains or losses are included in the profit and loss account.

	2000	1999
	(Rupees in thousand)	
4. CASH		
In hand		
- local currency	21,680	55,281
- foreign currencies	16,765	9,991
	-----	-----
	38,445	65,272
With State Bank of Pakistan in Special deposit account	453,629	424,789
- head office capital account	--	674,560
- deposit account	59,204	225,321
Current account	-----	-----
	551,278	1,389,942
	=====	=====

5. BALANCES WITH OTHER

BANKS

Current Accounts

- In Pakistan	--	500
- Outside Pakistan	113,811	15,233
	-----	-----
	113,811	15,733
	=====	=====

6. INVESTMENTS (at cost less provisions)

Investment securities

Federal Government Securities

- Federal investment

Bonds

- Long Term Bonds

- Treasury

Bills

Others

Term Finance Certificates

- listed

--	70,000
173,460	289,100
2,051,614	432,360
--	67
-----	-----
2,225,074	791,527
=====	=====

Book value of unquoted investments Rs. 2.23 billion (1999: Rs 721.46 million).

Treasury bills having face value of Rs. 68 million (book value Rs. 68.04 million) have been deposited with the State Bank of Pakistan pursuant to section 13 (2) of the Banking Companies Ordinance, 1962.

2000 1999
(Rupees in thousand)

7.

ADVANCES

Loans, cash credits, overdrafts etc.

In Pakistan

Bills discounted and purchased

Payable in Pakistan

Payable outside Pakistan

3,651,752	3,142,843
574,874	393,771
385,869	268,639
-----	-----
960,743	662,410
-----	-----
4,612,495	3,805,253

General and specific provision for non-performing advances - note 7.2

(118,868)	(121,805)
-----	-----
4,493,627	3,683,448
=====	=====

Advances before p. provision for doubtful debts include Rs. 118.87 million which have been placed on

non-performing status.

7.1 Particulars of advances

- in local currency	4,493,627	3,683,448
- in foreign currencies	--	--
	-----	-----
	4,493,627	3,683,448
	=====	=====

Debts considered good in respect of which the bank is

fully secured 4,492,253 3,682,065

Debts considered good for which the bank holds no other

security than the debtors' personal security 1,374 1,383

Debts considered good secured by the personal liabilities

of one or more parties in addition to the personal security

of the debtors -- --

Debts considered doubtful or bad not provided for -- --

4,493,627 3,683,448

=====

Balance outstanding a	December 31, 2000	Maximum total amount of financing including temporary financing granted during the year 2000
-----------------------	-------------------	--

(Rupees in thousand)

Debts due by directors or executives of the bank or any of

them either severally or jointly with any other persons 29,965 40,988

Debts due by companies or firms in which the directors of

the bank are interested as directors, partners or in case of

private companies, as members -- --

Debts due by the subsidiary companies, controlled firms,

managed modarabas and other associated undertakings 14,876 31,691

2000 1999
(Rupees in thousand)

7.2 Particulars of provision against non-performing advances

Specific

Opening balance 121,805 153,744

Provision for the year 17,104 10,000

Reversals	(20,041)	(41,700)
	-----	-----
	(2,937)	(31,700)
Amounts written off	--	(239)
	-----	-----
	118,868	121,805
	=====	=====

7.3 During the year ended December 31, 2000, there were no write offs or financial relief provided which were Rs. 500,000 or more.

8. OPERATING FIXED ASSETS - TANGIBLE

Description	Cost as at January 1, 2000	Additions/ (Disposal)	Cost as at December 31, 2000	Accumulated depreciation as at January 1, 2000	Depreciation Charge for the year/ (Accumulated Depreciation on disposals)	Accumulated Depreciation as December 31, 2000	Net book value at December 31, 2000	Rate of depreciation % per annum
----- (Rupees in thousand) -----								
Furniture and fixtures	39,740	318	40,058	7,484	4,012	11,496	28,562	10
Office equipments	45,032	5,321	49,155	20,087	8,737	28,456	20,699	20
		(1,198)			(368)			
	84,772	5,639	89,213	27,571	12,749	39,952	49,261	
		(1,198)			(368)			
1999	78,101	6,984	84,772	15,727	11,968	27,571	57,201	
		(313)			(124)			

8.1 Details of disposal of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposals	Particulars of purchaser
----- (Rupees in thousand) -----						
Office equipments	121	61	60	173	Negotiation	Mr. Aziz Zaveri (Ex-Employee)
	397	59	338	350	Negotiation	Mr. Taha Mahmood (Ex-Employee)
	216	180	36	--	Negotiation	Mr. Zakir Mahmood (Ex-Employee)
	295	--	295	361	Negotiation	Mr. Sohaib O malt (Employee)
	169	68	101	336	Negotiation	Various employees
	1,198	368	830	1,220		
				2000	1999	
				(Rupees in thousand)		

9. OTHER ASSETS

Stationery and stamps on hand	53	97
-------------------------------	----	----

Income / mark-up accrued on advances and investments	147,231	101,659
Accrued profit on forward exchange contracts	6,251	10,272
Prepaid exchange risk fee	28,308	8,760
Other advances, deposits, advance rent and other prepayment	28,996	7,762
Net amount due from Head Office and other branches outside Pakistan - note 9.1	204,991	221,008
Taxation (payments less provision)	198,537	131,210
Deferred taxation	83,700	98,740
Others	9,927	11,602
	-----	-----
	707,994	591,110
	=====	=====

9.1 The above includes Rs. 185.45 million (equivalent to US \$3.20 million), which has been placed with the Head Office (1999: Rs. 142.71 million).

10. DEPOSITS AND OTHER ACCOUNTS

Fixed deposits	1,120,330	372,030
Savings deposits	721,641	927,112
Current accounts	476,301	370,159
Margin accounts	26,530	69,148
Deposits and other accounts of banks	1,638,830	1,810,856
	-----	-----
	3,983,632	3,649,305
	=====	=====

10.1 Particulars of deposits and other accounts

- in local currency	1,871,666	1,614,307
- in foreign currencies	2,111,966	1,934,998
	-----	-----
	3,983,632	3,549,305
	=====	=====

11. BORROWINGS FROM OTHER BANKS, AGENTS ETC.

In Pakistan	3,336,401	2,723,332
Outside Pakistan	2,668	--
	-----	-----
	3,339,069	2,723,332
	=====	=====

11.1 Particulars of borrowings from other banks, agents etc.

- in local currency	2,930,736	2,723,332
- in foreign currencies	408,333	--

 3,339,069 2,723,332
 =====

11.2 Secured

In Pakistan

Export refinance from State Bank of Pakistan

- rate of mark-up 6% per annum

470,736 1,048,332

Unsecured

In Pakistan

Loans from banks in local currency - rate of mark-up ranges

from 9.1% to 40% per annum

2,460,000 1,675,000

Loans from banks in foreign currency - rate of mark-up

ranges from 5% to 7.25% per annum

405,665 --

Outside Pakistan

Overdrawn nostro accounts

2,668 --

 3,339,069 2,723,332
 =====

12. OTHER LIABILITIES

Capital in term of section 13(3) of Banking Companies

Ordinance, 1982

521,667 492,821

Mark up /interest on loan t borrowings

92,173 29,369

Profit payable on PLS deposits and other accounts

21,716 24,503

Interest on foreign currency deposits

19,375 10,331

Branch adjustment account

-- 233

Accrued expenses

11,600 9,425

Provision for gratuity

5,327 5,327

Others

23,876 17,335

 695,734 589,344
 =====

13. CAPITAL (shown under 'other liabilities')

Amount deposited with State Bank of Pakistan under Section

13(3) of the Banking Companies Ordinance 1962

FRF 54,442,545 equivalent to Rs. 453,629,340 and Rs.

68,038,021

aggregating to Rs. 521,667,361 (1999: FRF 53,442,545 equivalent to

Rs.424783,394

and Rs. 68,038,021 aggregating to Rs. 492,821,415)

-- --

 2000 1999
 (Rupees in thousand)

14. BILLS FOR COLLECTION

Payable in Pakistan	996	2,260
Payable outside Pakistan	480,783	300,812
	-----	-----
	481,779	303,072
	=====	=====

15. CONTINGENT LIABILITIES AND COMMITMENTS

Contingencies

Money for which the bank is contingently liable

a. Contingent liability in respect of guarantees given on behalf of directors or officers or any of them (severally or jointly)

with any other person, subsidiaries and associated undertakings.

-- --

b. Contingent liability in respect of guarantees given favouring:

i

Government

276,604 245,734

ii Banking companies and other financial institutions

22,828 27,662

iii Others

9,436 3,066

c. Liability on bills of exchange rediscounted

-- --

Claims against the bank not acknowledged as debts

-- --

Commitments

Commitments in respect of forward exchange contracts

- Sale

4,882,803 1,064,241

- Purchase

5,378,473 465,992

Commitments in respect of operating leases

8,872 11,606

Capital expenditure contracted for but not provided for

4,665 --

Commitments in respect of Repo transactions

- Repurchase

450,433 856,846

- Resale

1,311,692 923,006

16. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.

58,968 55,848

Staff retirement benefits

4,205 3,847

Brokerage and commission

3,318 4,830

Rent, taxes, insurance and electricity

18,858 16,659

Legal and professional charges

7,733 5,245

Communication

8,189 8,244

Repairs and maintenance

4,271 4,363

Rentals of operating leases

8,032 8,910

Stationery and printing

1,424 1,355

Advertisement and publicity	2,118	1,994
Auditors' remuneration - note 16.1	1,291	1,953
Depreciation on operating fixed assets	12,749	11,968
Data processing	11,007	8,406
Others	5,405	8,650
	-----	-----
	147,568	142,272
	=====	=====

16.1 Auditors' remuneration

Audit fee	450	450
Fee for audit of gratuity fund	20	20
Special certifications / examinations	285	360
Tax services	414	1,029
Out of pocket expenses	122	94
	-----	-----
	1,291	1,953
	=====	=====

17. In arriving at the balance of profit for the year, consistent with the practice followed in the preceding years, head office administrative expenses have not been considered.

18. REMUNERATION OF SENIOR COUNTRY OFFICER AND EXECUTIVES

	Senior Country Officer		Executives	
	2000	1999	2000	1999
	------(Rupees in thousand)-----			
	-----	-----	-----	-----
Managerial remuneration	813	4,653	10,831	11,609
Retirement benefits				
- Provident Fund	--	285	874	859
- Gratuity	--	--	728	738
Rent and house maintenance	931	1,143	2,994	3,924
Utilities	39	170	1,280	1,208
Others	1,855	1,662	7,443	7,198
	-----	-----	-----	-----
Total	3,638	7,913	24,150	25,536
	=====	=====	=====	=====
No. of person(s)	1	1	11	12

18.1 In addition to the above, the senior country officer and executives are provided with free use of the bank's maintained cars and household items.

19. MATURITIES OF ASSETS AND LIABILITIES

	TOTAL	Upto one Month	Over one month to one year	Over one year to five years	Over five years
	----- (Rupees in thousand) -----				

Assets					
Cash	551,278	97,649	--	--	453,629
Balances with other banks	113,811	113,811	--	--	--
Money at call and short notice	--	--	--	--	--
Investments	2,225,074	1,598,864	481,660	144,550	
Advances	4,493,627	409,681	3,740,438	282,133	61,375
Operating fixed assets	49,261	--	--	--	49,261
Capital work in progress	2,235	--	2,235	--	--
Other assets	707,994	328,630	360,376	18,988	--
	8,143,280	2,548,635	4,584,709	445,671	564,265
=====					
Liabilities					
Deposits and other accounts	3,983,632	1,078,451	2,901,994	3,187	--
Borrowings from other banks, agents etc.	3,339,069	1,868,369	1,470,700	--	--
Bills payable	23,158	20,427	2,731	--	--
Other liabilities	695,734	96,125	72,615	--	526,994
	8,041,593	3,063,372	4,448,040	3,187	526,994
=====					
Net balance	101,687	(514,737)	136,669	442,484	37,271
=====					

20. SEGMENT ANALYSIS

20.1 Geographic segment

	Profit before Taxation	Total assets employed	Net assets employed	Bills for collection	Endorsements and other obligations
	----- (Rupees in thousand) -----				

Pakistan	62,525	8,143,280	101,687	481,779	973,123
=====					

20.2 Segment by class of business

	Deposits		Advances	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Automobile and transportation equipment	32,973	0.83%	137,697	3.06%
Cement	369	0.01%	35,247	0.78%
Chemical and pharmaceuticals	530,032	13.31%	274,772	6.12%

Commodity trading	19,345	0.49%	240,786	5.35%
Electronics and electric appliances	460	0.01%	120,930	2.69%
Financial	1,670,275	41.93%	781,032	17.35%
Food & Allied	109,606	2.75%	275,646	6.13%
Paper Products	2,502	0.06%	24,351	0.54%
Engineering	51,401	1.29%	181,487	4.04%
Fuel & Energy	188,847	4.74%	469,935	10.48%
Shoes and leather garments	1,296	0.03%	37,539	0.84%
Sports	85,909	2.16%	--	--
Textiles	41,679	1.05%	1,620,205	36.06%
Transportation	125,758	3.16%	85,028	1.89%
Others	1,123,180	28.18%	200,941	4.65%
	3,983,632	100.00%	4,493,627	100.00%

20.3 Segment by sector

	Deposits		Advances	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Public / Government	6,223	0.16%	312,503	6.95%
Private	3,977,409	99.84%	4,181,124	93.05%
	3,983,632	103.00%	4,493,627	100.00%

21. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	Assets		Liabilities	
	Rupees in thousand	Percentage	Rupees in thousand	Percentage
Pak rupees	7,466,374	91.70%	5,062,944	62.97%
US dollar	648,199	7.96%	2,094,192	26.04%
Pound sterling	5,247	0.06%	8,190	0.10%
Deutsche mark	1,110	0.01%	2,784	0.03%
Japanese yen	2,492	0.03%	--	--
Other European currencies	19,732	0.24%	873,476	10.86%
Other currencies	126	--	7	--
	8,148,280	103.00%	8,041,593	103.00%

2000 1999
(Rupees in thousand)

22. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

i) Advances given during the year	--	--
-----------------------------------	----	----

ii) Advances repaid during the year	--	--
iii) Deposits as at December 31	8	1,007
iv) Mark up / interest expensed	104	294
v) Mark up / interest earned	2,692	2,887

The running finance facility given to an associated undertaking amounts to Rs. 100 million. The balance of running finance outstanding as at December 31,2000 was Rs. 14.876 million (1999: Nil).

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary for the purpose of comparison.

J.P.Fontaine
Chief
Operating
Officer

J.P.
Raynaud

Senior