

Bank Alfalah Limited

Annual Report 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of BANK ALFALAH LIMITED as at December 31, 1999 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof for the year then ended, in which were incorporated the unaudited certified returns from branches except three branches which have been audited by us and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. 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 bank as required by the Companies Ordinance, 1984, and the returns referred to above received from 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 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 change in an accounting policy as explained in note 3.6 with which we concur,

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

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

(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 and cash flow statement, together with the notes forming part thereof give the information required by the Banking Companies Ordinance, 1962 and the Companies Ordinance, 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, 1999 and its 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 bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi
Dated: 7 March, 2000

Chartered Accountants
A.F. FERGUSON & CO

BALANCE SHEET AS AT DECEMBER 31, 1999

		1999	1998
		(Rupees in thousand)	
ASSETS			
Cash	4	1,687,256	721,285
Balances with other banks	5	1,161,434	386,211
Money at call and short notice		100,000	248,000
Investments	6	4,993,035	3,406,514
Advances - net of provision	7	10,327,324	7,757,708
Operating fixed assets	8	1,153,607	263,760
Other assets	9	1,596,952	1,537,629
		-----	-----
		21,019,608	14,321,107
LIABILITIES			
Deposits and other accounts	10	15,820,473	11,878,221
Borrowings from other banks, agents etc.	11	2,972,240	1,348,313
Bills payable		120,868	51,737
Other liabilities	12	372,855	176,630

Deferred liability - staff retirement gratuity		6,892	7,400
		19,293,328	13,462,301
NET ASSETS		1,726,280	858,806
REPRESENTED BY			
Share capital	13	600,000	600,000
Reserve fund and other reserves	14	286,399	255,094
Unappropriated profits		8,931	3,712
Shareholders' equity		895,330	858,806
Surplus on revaluation of fixed assets	15	830,950	--
		1,726,280	858,806
MEMORANDUM ITEMS			
Bills for collection	16	1,986,830	1,759,691
Acceptances, endorsements and other obligations		1,193,386	963,260
Contingent liabilities and commitments	17		

The annexed notes form an integral part of these accounts.

MOHAMMAD SALEEM AKHTAR
Chief Executive

ABDULLAH AL-MUTAWA
Director

ABDULLA NASEER HAWAILEEL
Director

H.H. SHEIKH NAHAYAN MABARAK AL-NAHAYAN
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1999

	Note	1999	1998
		(Rupees in thousand)	
Mark up/interest and discount an(J/or return earned		1,905,808	1,625,352
Less: Cost/return on deposits, borrowings etc.		1,474,343	1,313,564
		431,465	311,788
Fees, commissions and brokerage		58,043	39,438
Profit from investment securities		100	3,345
Profit from dealing securities		13,692	--
Other operating income - income from dealing in foreign currencies		77,925	121,754
		149,760	164,537
		581,225	476,325
Operating expenses:			
Administrative expenses	18	402,559	337,447
Provision against non-performing advances - net	7.2	(136,076)	94,756
Bad debts written off directly		175	--
		266,658	432,203
		314,567	44,122
Other income:	19	39,848	23,614
Profit before taxation		354,415	67,736
Taxation - current	20	(161,337)	(405,141)
- deferred		(36,554)	482,770
		(197,891)	77,629

Profit after taxation	156,524	145,365
Unappropriated profit brought forward	3,712	2,420
Profit available for appropriation	160,236	147,785
Appropriations:		
Transfer to statutory reserve	(31,305)	(29,073)
Transfer to general reserve	--	(115,000)
Proposed dividend at Rs. 2 (1998: nil) per share	(120,000)	--
	(151,305)	(144,073)
Unappropriated profit carried forward	8,931	3,712

The annexed notes form an integral part of these accounts.

MOHAMMAD SALEEM AKHTAR
Chief Executive

ABDULLAH AL-MUTAWA
Director

ABDULLA NASEER HAWAILEEL
Director

H.H. SHEIKH NAHAYAN MABARAK AL-NAHAYAN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1999

	1999	1998
	(Rupees in thousand)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	354,415	67,736
Adjustment for non-cash charges		
Depreciation	26,668	15,274
Provision against non-performing advances - net	--	94,756
Profit on sale of fixed assets	(3,523)	(265)
Provision for gratuity	7,824	15,751
	30,969	125,516
	385,384	193,252
Increase/(Decrease) in operating assets		
Government securities	(1,526,857)	82,888
Advances	(2,569,616)	(3,002,811)
Other assets	(112,829)	(32,510)
	(4,209,302)	(2,952,433)
Increase/(Decrease) in operating liabilities		
Deposits and other accounts	3,942,252	2,859,444
Bills payable	69,131	(12,754)
Other liabilities	79,535	(5,449)
	4,090,918	2,841,241
Cash flow before gratuity and tax	267,000	82,060
Gratuity paid	(11,642)	(3,158)
Income tax paid	(144,385)	(206,824)
Net cash flow from operating activities	110,973	(127,922)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of investments other than government securities	(123,887)	(147,500)

Net proceeds from the redemption of term finance certificates	64,223	6,845
Fixed capital expenditure	(86,355)	(107,057)
Sale proceeds of fixed assets	4,313	3,685
Net cash flow from investing activities	(141,706)	(244,027)
CASH FLOW FROM FINANCING ACTIVITIES		
Borrowings from other banks, agents etc.	1,623,927	795,271
Net cash flow from financing activities	1,623,927	795,271
Increase in cash and cash equivalents during the year	1,593,194	423,322
Cash and cash equivalents at the beginning of the year	1,355,496	932,174
Cash and cash equivalents at the end of the year	2,948,690	1,355,496
Cash and cash equivalents		
Cash	1,687,256	721,285
Balances with other banks	1,161,434	386,211
Money at call and short notice	100,000	248,000
	2,948,690	1,355,496

The annexed notes form an integral part of these accounts.

MOHAMMAD SALEEM AKHTAR
Chief Executive

ABDULLAH AL-MUTAWA
Director

ABDULLA NASEER HAWAILEEL
Director

H.H. SHEIKH NAHAYAN MABARAK AL-NAHAYAN
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1999

1. STATUS AND NATURE OF BUSINESS

Bank Alfalah Limited was incorporated on June 21, 1992 as a public limited company under the Companies Ordinance, 1984 and commenced banking operations from November 1, 1992. It is engaged in commercial banking and related services as defined in the Banking Companies Ordinance, 1962.

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. Permissible forms of trade related modes of financing include purchase of goods by the banks 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 these 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 that certain fixed assets have been included at revalued amounts referred to in note 3.5 below.

3.2 Advances

These are stated net of provision for bad and doubtful debts. The provision for bad and doubtful balances is made in accordance with the prudential regulations of the State Bank of Pakistan.

3.3 Investments

Investments are stated at cost less provisions for any diminution in value. Gains or losses on disposals during the year are taken to profit and loss account. Premium/discount on purchase of investments are amortised over the term of such investments.

3.4 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.

From the current year the bank translated outstanding forward exchange contracts on a market to market basis. Until last year outstanding forward exchange contracts were translated into Pak Rupees at the contracted rates.

The policy has been changed to comply with the requirements of State Bank of Pakistan FE Circular No. 2 dated March 24, 1999. Had the policy for translating outstanding forward exchange contracts remained unchanged, other operating income and profit before tax would have been higher by Rs. 1.26 million.

Commitments for letters of credit and acceptances are translated at the contracted rates.

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

3.5 Operating Fixed Assets and Depreciation

Office premises have been revalued from December 28, 1999 to December 30, 1999 by independent valuers and are shown at revalued amount less accumulated depreciation. All other assets are stated at cost less accumulated depreciation.

Previously all assets were stated at cost less accumulated depreciation.

Depreciation is charged to income applying the straight line method.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised. Gains or losses on disposal of fixed assets are taken to the profit and loss account.

3.6 Taxation

Taxation charge in the accounts is based on the taxable income at the current rates of taxation. The bank accounts for deferred taxation on timing differences using the liability method.

3.7 Staff Retirement Benefits

The bank operates an unapproved unfunded gratuity scheme for its clerical staff who have completed the qualifying period of service under scheme.

The bank also operates an approved funded gratuity scheme for officers and executives. Contributions are made on the basis of actuarial valuation. The actuarial valuation of the scheme has been carded out as at January 1, 1999 in accordance with IAS-19. (revised) using the projected unit credit method which disclosed the fair value of fund's assets and liabilities of Rs. 15.00 million and Rs. 28.88 million respectively.

The transitional obligation Of Rs. 13,88 million is to be recognised by the bank over a period of five years commencing 1999 on a straight line basis, The following significant assumptions are used for valuation of the scheme:

Expected rate of increase in salary level 10 percent per annum compound.

Expected rate of interest on investment 12 percent per annum.

3.8 Deferred Costs

These are amortised over a maximum period of five years commencing from the year in which these are incurred.

3.9 Revenue Recognition

Mark-up/return on advances and investments are recognised on accrual basis. Fee, commission and brokerage except income from guarantees are accounted for on receipt basis.

	1999	1998
	(Rupees in thousand)	
4. CASH		
In hand		
- local currency	165,748	89,281
- foreign currencies	82,503	89,239
	-----	-----
	248,251	178,520
In transit - foreign currency	--	65,734
With State Bank of Pakistan		
- Current account	800,642	477,031
- Foreign currency placements	638,363	--
	-----	-----

	1,687,256	721,285
	=====	=====

5. BALANCES WITH OTHER BANKS

In Pakistan		
- on current accounts	500	8,248
Outside Pakistan		
- on current accounts	232,107	107,668
- on deposit accounts	928,827	270,295
	-----	-----
	1,161,434	386,211
	=====	=====

6. INVESTMENTS**Investment securities****Federal and Provincial Government Securities**

Central Government Loans	308,800	320,000
Provincial Government Loans	--	18,350
Federal Investment Bonds	2,241,362	1,375,000
Treasury Bills	2,115,203	1,425,158
Government Bonds	85,341	85,341
Prize Bonds	9,207	195
	-----	-----
	4,759,913	3,224,044

Others

Term Finance Certificates- Unquoted	200,610	147,500
Term Finance Certificates - Quoted	32,512	34,970
	-----	-----
	4,993,035	3,406,514
	=====	=====

Market value of quoted investments Rs. 33.332 million (1998: Rs. 35.739 million)

Book value of unquoted investments Rs. 4.961 billion (1998: Rs. 3.372 billion)

7. ADVANCES

Loans, cash credits, overdrafts etc.

In Pakistan	10,352,512	8,264,486
Bills discounted and purchased		
Payable in Pakistan	306,228	403,742
Payable outside Pakistan	909,947	505,898
	-----	-----
	1,216,175	909,640

	11,568,687	9,174,126
Specific provision for non-performing advances - note 7.2	(1,241,363)	(1,416,418)
	-----	-----
	10,327,324	7,757,708
	=====	=====

Advances include Rs. 1.716 billion which have been placed on non-performing status. However, the provision has been made thereagainst in accordance with requirements of prudential regulations issued by the State Bank of Pakistan.

7.1 Particulars of advances

- In local currency	10,327,324	7,757,708
	=====	=====
Debts considered good in respect of which the bank is fully secured	10,321,191	7,752,369
Debts considered good for which the bank holds no other security than the debtors' personal security	6,133	5,339

Debts considered good secured by the personal liabilities of one or more parties in addition to the personal security of the

debtors	--	--
Debts considered bad or doubtful not provided for	--	--
	-----	-----
	10,327,324	7,757,708
	=====	=====

Balance outstanding at December 31, 1999 **Maximum total amount of advances including temporary advances granted during the year**
(Rupees in thousand)

Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons	1,248	1,354
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	--	--
	1999	1998
	(Rupees in thousand)	

7.2 Particulars of provision against non-performing advances

Specific

Opening balance	1,416,418	1,334,532
Charge for the year	--	200,000
Amounts recovered being written back	(136,076)	(105,244)
	-----	-----
	(136,076)	94,756
Amounts written off - note 7.3	(38,979)	(12,870)
	-----	-----
Closing balance	1,241,383	1,416,418
	=====	=====
Provision against		
- advances to banks	--	--
- advances to others	1,241,363	1,416,418
	-----	-----
	1,241,363	1,416,418
	=====	=====

7.3 Statement showing written off advances or any other financial reliefs of five hundred thousand rupees or above provided during the year ended December 31, 1999.

S. No	Name and address of the person* Name of individual Partners/Directors NIC # *	Outstanding liabilities on the opening day of the year	Amount written off	Other financial reliefs provided	Total
1.	Farm Services Sy R.B. Avari B. Avari Sasi Arcade, Roo NIC # 510-13-062172 4th Floor, Blook-7 Kehkashan, Scheme No, 5, Main Clifton Road, Karachi.	6,988	5,488	--	5,488

2.	Agriculture Enter Fretan Square, M Road, Daryabad, Karachi	B.R. Avari NIC # 510-43-062	R.B. Avari	7,000	5,000	--	5,000
3.	Faramech Internati 17, Luxmi Building M.A. Jinnah Road, Karachi,	Atiq Qureshi	Not available	578	320	258	578
4.	United Wood Wo Allied Industries 235, Sobrub Katra Sakina Bibi Saddar, Karachi.	Kalimullah Khan Mariam Khan	Not available Not available Not available	1,021	475	546	1,021
5.	MFMY Industries 4th Floor, Imperial Dr. Ziauddin Ahm Karachi.	Mohammad Usma Haji NIC # 516-18-0450 M. Usman Yahya NIC # 516-92-045095 Jamil Usman NIC # 516-39-045089 Aziz Usman NIC # 516-45-045096 Obaid Sattar NIC # 516-57-176100 Amina Begum NIC # 516-44-045094 Hajra Bi NIC # 516-20-045092	Mohammad M. Usman Yahya	84,239	24,212	--	24,212
6.	Shakoo (Pvt.) Ltd. 401, Uni Tower, I.I. Chundrigar Ro Karachi.	Mohammad Bashi Jan NIC # 517-40-044994 Abdul Rashid Jan NIC # 517-59-280982 Zohra Bashir NIC # 517-40-124355 Abdul Sattar Shakila Shakira NIC # 517-93-418520	Jan Mohammad Jan Mohammad W/o M. Bashir H. Suleman M. Basheer M. Basheer	30,465	1,456	1,383	2,839
7.	Anglo Universal Shop-1 Kulsoom Terrace Kharadar, Karachi	M. Saleem Khan	Not available	672	672	--	672

* As available in the records of the bank.

8. OPERATING FIXED ASSETS

Description	Cost at January 1, 1999	Additions/ (disposals)/ adjustment*	Revaluation	Cost/Revalua- tion at December 31, 1999	Accumulated depreciation at January 1, 1999	Depreciation change for the year/(Accumulated depreciation on disposals)/ Adjustments*	Accumulated depreciation at December 31, 1999	Net book value at December 31, 1999	Rate of depreciation % per annum
(Rupees in thousand)									
Office premises	280,981	28,772	830,950	1,140,703	62,366	8,742	71,108	1,089,595	2.5
Furniture fixtures and office equipment	175,245 (4,541)	42,983	--	213,687	141,513 (4,059)	12,601	150,055	63,632	10-25
Vehicles	31,601	14,600 (5,148)	--	42,587	20,188	5,325 (4,840)	22,207	20,380	25

	1,534 *			1,534 *				
1999	487,827	86,355 (9,689) 1,534*	830,950	1,396,977	224,067	26,668 (8,899) 1,534*	243,370	1,153,607
1998	403,403	107,057 (12,693) (9,940)*	--	487,827	228,006	15,274 (9,273) (9,940)*	224,067	263,760

8.1 Office premises have been revalued from December 28, 1999 to December 30, 1999 on the basis of market value by Razzaque Umerani & Co., engineers, surveyors, inspectors, valuers, loss assessors.

The details of office premises revalued are as follows:

	(Rupees in thousand)
Original cost	293,057
Book value	22,293.50
Revalued amount	1,053,885
	830,950

8.2 Details of disposal of fixed assets having cost more than Rs. 1,000,000 or net book value of 100,000 or above.

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in thousands)						
Vehicles	449	440	--	45	Bank policy	Mr. S.T.H. Haqqie (Ex-employee)
Vehicles	308	--	308	282	Negotiation	Cantt. State Motors, Sialkot.
Furniture & fixtur	250	131	119	119	Bank policy	Mr. S.T.H. Haqqie (Ex-employee)

1999 **1998**
(Rupees in thousand)

9. OTHER ASSETS

Stationery and stamps on hand	4,561	4,122
Income/mark-up accrued on advances and investments	265,498	165,232
Other income receivable	17,608	36,481
Prepaid exchange risk fee	89,102	130,256
Other advances, deposits, advance rent and other prepayments - note 9.1	271,553	251,115
Taxation - payments less provision	288,480	305,432
Deferred taxation	446,216	482,770
Deferred cost - note 9.2	23,968	31,958
Branch adjustment account	7,376	118,714
Exchange difference on revaluation of liabilities under forward exchange contracts	182,590	11,549
	1,596,952	1,537,629

9.1 This includes the decretal amount of Rs. 168 million deposited with the Honourable Lahore High Court as per order of the Honourable Supreme Court of Pakistan in respect of a suit filed by a borrower against the stay order obtained by the bank from Lahore High Court. The stay order obtained by the bank was against the Civil Court's decision to refund the amount adjusted by the bank against the foreign currency account of the borrower, which was under lien with the bank.

The bank has filed appeals with the Honourable Lahore High Court against the decision of the Civil Court. The management of the bank and legal advisor are of the opinion that the bank should eventually be able to recover the above mentioned amount.

9.2 This represents unamortised portion of Voluntary Severance Scheme payments which will be amortised over a period of five years from the year in which these were paid.

	1999	1998
	(Rupees in thousand)	
10. DEPOSITS AND OTHER ACCOUNTS		
Fixed deposits	4,038,133	4,109,625
Savings deposits	8,734,265	5,715,281
Current accounts	1,499,657	1,316,022
Margin, call and sundry deposits	158,708	497,370
Deposits of Federal Government	1,389,710	239,923
	-----	-----
	15,820,473	11,878,221
	=====	=====
10.1 Particulars of deposits and other accounts		
- In local currency	8,829,008	3,994,462
- In foreign currencies	6,991,465	7,883,759
	-----	-----
	15,820,473	11,878,221
	=====	=====
11. BORROWINGS FROM OTHER BANKS, AGENTS ETC.		
In Pakistan	2,921,606	1,314,210
Outside Pakistan	50,634	34,103
	-----	-----
	2,972,240	1,348,313
	=====	=====
11.1 Particulars of borrowings from other banks, agents etc.		
- In local currency	2,921,606	1,314,210
- In foreign currencies	50,634	34,103
	-----	-----
	2,972,240	1,348,313
	=====	=====
11.2 Secured		
In Pakistan		
Export refinance from State Bank of Pakistan		
- rate of mark-up 6%	2,901,603	1,314,206
Unsecured		
In Pakistan	20,003	4
Outside Pakistan		
Overdrawn nostro accounts	50,634	34,103
	-----	-----
	2,972,240	1,348,313
	=====	=====
12. OTHER LIABILITIES		
Mark-up/interest on loans/borrowings	20,395	15,133
Profit payable on PLS deposits and other accounts	137,590	43,316
Interest on foreign currency deposits	23,963	35,773
Unearned commission	3,149	834
Accrued expenses	20,301	14,875
Payable to Employees Gratuity Fund	11,690	15,000
Proposed dividend	120,000	--
Others	35,767	51,699
	-----	-----
	372,855	176.63
	=====	=====

13. SHARE CAPITAL

Authorised 100,000,000 ordinary shares of Rs. 10 each	1,000,000	1,000,000
	=====	=====
Issued, subscribed and paid-up 60,000,000 ordinary shares of Rs. 10 each issued for cash	600,000	600,000
	=====	=====

14. RESERVE FUND AND OTHER RESERVES

	Statutory	General	Total	
			1999	1998
	Rupees in thousand			
Balance at the beginning of the year	140,094	115,000	255,094	111,021
Transfer from profit and loss account	31,305	--	31,305	144,073
	-----		-----	-----
Balance at the end of the year	171,399	115,000	286,399	255,094
	=====	=====	=====	=====

15. SURPLUS ON REVALUATION OF FIXED ASSETS

This represents surplus over book value resulting from the revaluation of office premises carried out from December 28, 1999 to December 30, 1999 by Razzaque Umerani & Co. as referred to in note 8.1

1999	1998
(Rupees in thousand)	

16. BILLS FOR COLLECTION

Payable in Pakistan	22,092	40,455
Payable outside Pakistan	1,964,738	1,719,236
	-----	-----
	1,986,830	1,759,691
	=====	=====

17. 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	1,023,319	941,071
ii) Banking companies and other financial institutions	673,892	521,343
iii) Others	359,333	176,173
c. Claims against the bank not acknowledged as debts	655,034	603,565

Commitments

Commitments in respect of forward exchange contracts		
. Sale	901,024	975,844
- Purchase	696,915	490,713
Commitments in respect of repo transactions		
- Repurchase	473,566	1,157,146
- Resale	100,998	1,142,090
Capital expenditure contracted but not provided for	26,979	4,588

18. ADMINISTRATIVE EXPENSES

Salaries, allowance etc	163,708	148,438
Staff retirement benefits	14,388	40,869
Brokerage and commission	5,711	6,009
Rent, taxes, insurance and electricity	62,025	37,552
Legal and professional charges	22,438	8,757
Communication	19,696	12,969
Repairs and maintenance	9,683	6,873
Stationery and printing	8,148	5,639
Advertisement and publicity	28,038	22,186
Auditors' remuneration- note 18.1	1,063	440
Depreciation on operating fixed assets	26,668	15,274
Amortization of deferred cost	7,989	7,989
Donation - note 18.2	1,330	--
Entertainment, vehicle running expenses, travelling and subscription	21,451	17,703
Others	10,223	6,749
	-----	-----
	402,559	337,447
	=====	=====

18.1 Auditors' remuneration

Audit fee	875	400
Special certifications / examinations	95	40
Out of pocket expenses	93	--
	-----	-----
	1,063	440
	=====	=====

18.2 This includes a donation of dialysis machines of Rs. 1.30 million to Sheikh Zayed Hospital, Lahore.

19. OTHER INCOME

Profit on disposal of fixed assets	3,523	265
Postage, telex, service charges, rent on lockers and other income	36,325	23,349
	-----	-----
	39,848	23,614
	=====	=====

20. TAXATION

- current	220,000	181,755
- prior years	(58,663)	223,386
	-----	-----
	161,337	405,141
	=====	=====

21. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives	
	1999	1998	1999	1998
(Rupees in thousand)				
Managerial remuneration	4,289	3,745	10,761	7,105
Retirement benefits	250	250	581	394
Rent and house maintenance	--	--	5,308	4,526
Utilities	103	50	721	706
Medical	95	110	124	68
Others	106	--	2,527	1,986
Total	4,843	4,155	20,022	14,785
	-----	-----	-----	-----
No. of persons	1	1	12	10
	=====	=====	=====	=====

21.1 In addition to the above, the Chief Executive and Executives were provided with free use of bank maintained cars and household equipment in accordance with their terms of employment.

22. 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	*1,687,256	937,290	108,503	121,831	519,632
Balances with other banks	1,161,434	388,119	773,315	--	--
Money at call and short notice	100,000	100,000	--	--	--
Investments	4,993,035	9,206	2,336,580	2,561,908	85,341
Advances - net of provision	10,327,324	777,532	7,727,057	670,036	1,152,699
Operating fixed assets	1,153,607	--	--	--	1,153,607
Other assets	1,596,952	2,559	626,358	168,285	779,750
	21,091,608	2,214,706	11,571,813	3,542,060	3,691,029
Liabilities					
Deposits and other accounts	**15,820,473	821,151	2,170,071	2,436,621	10,392,630
Borrowings from other banks, agents etc.	2,972,240	82,638	2,889,602	--	--
Bills payable	120,868	120,868	--	--	--
Other liabilities	372,855	--	352,797	14,213	5,845
Deferred liabilities	6892	--	--	3,446	3,446
Surplus on revaluation on fixed assets	830,950	--	--	--	830,950
	20,124,278	1,024,657	5,412,470	2,454,280	11,232,871
Net balance	695,330	1,190,049	6,159,343	1,087,780	(7,541,842)
Shareholders' equity	895,330				

* Included in the cash balance is the current account with the State Bank of Pakistan. This account is classified in categories based on the maturity of deposits.

** The entire balance in savings accounts is classified under the category of over over years since the savings accounts do not have any contractual maturity, further it is assumed that on an aggregate they will remain at this level on a going concern basis.

23. SEGMENT ANALYSIS

23.1 Geographic segment

	Profit before taxation	Total assets employed	Net assets employed	Bills for collection	Acceptances, Endorsements and other obligations
	(Rupees in thousand)				
Pakistan	354,415	21,019,608	1,726,280	1,986,830	1,193,386

23.2 Segment by class of business

	DEPOSITS		ADVANCES	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Automobile and transportation equipment	233,875	1.48	640,077	6.20
Cement	335,867	2.12	554,688	5.37
Chemical and pharmaceuticals	18,970	0.12	135,483	1.31
Individuals	8,751,157	55.31	618,724	5.99
Food & Allied	73,021	0.46	229,340	2.22
Real estate and construction	312,765	1.98	152,522	1.48
Ready made garments	329,986	2.09	287,835	2.79
Fuel & Energy	2,057,695	13.00	1,846,476	17.88
Shoes and leather products	119,446	0.76	520,078	5.04
Textiles - export and manufacture	648,330	4.10	3,430,019	33.21
Others	2,939,361	18.58	1,912,082	18.51
	15,820,473	100.00	10,327,324	100.00

23.3 Segment by sector

	DEPOSITS		ADVANCES	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Public/Government	2,101,172	13.28	747,089	7.23
Private	13,719,301	86.72	9,580,235	92.77
	15,820,473	100.00	10,327,324	100.00

24. CURRENCY BREAKDOWN OF ASSETS AND LIABILITIES

	ASSETS		LIABILITIES	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Pak rupees	19,121,138	90.96	13,971,414	66.47
US dollar	1,788,250	8.51	6,473,241	30.80
Pound sterling	89,404	0.43	557,693	2.65
Deutsche mark	3,548	0.02	15,312	0.07
Japanese yen	885	0.00	234	0.00
Other European currencies	16,383	0.08	1,714	0.01
	21,019,608	100.00	21,019,608	100.00

24.1 The currency risk in respect of foreign currency deposits is covered under forward exchange contracts entered into with the State Bank of Pakistan to the extent uncovered by corresponding foreign currency assets.

25. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

	1999	1998
	(Rupees in thousand)	
i) Deposits at December 31	338,397	92,724
ii) Borrowings at December 31	55,149	34,103
iii) Mark-up/interest expensed	11,666	39,385
iv) Mark-up/interest earned	37,199	16,419

26. CORRESPONDING FIGURES

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

MOHAMMAD SALEEM AKHTAR
Chief Executive

ABDULLAH AL-MUTAWA
Director

ABDULLA NASEER HAWAILEEL

H.H. SHEIKH NAHAYAN MABARAK AL-NAHAYAN

Director

Director