

ANNUAL REPORT
2003



The Caring Bank



*In the Name
of Allah Subhanahu,
The Most Gracious,
The Most Merciful*





ANNUAL REPORT
2003



C O R P O R A T E I N F O R M A T I O N

COMPANY SECRETARY

Mr. Hamid Ashraf

CHIEF FINANCIAL OFFICER

Mr. Zahid Ali H. Jamall

AUDITORS

Taseer Hadi Khalid & Co.
Chartered Accountants

HEAD OFFICE

B.A. Building,
I.I. Chundrigar Road,
P.O. Box 6773,
Karachi.

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THE BOARD

H.E. Sheikh Hamdan Bin Mubarak Al Nahayan
(Chairman)



Mr. Abdulla Khalil Al-Mutawa



Mr. Abdulla Nasser Hawaileel Al-Mansoori



Mr. Khalid Mana Saeed Al Otaiba



Mr. Ikram Ul-Majeed Sehgal



Mr. Nadeem Iqbal Sheikh



Mr. Mohammad Saleem Akhtar
(Chief Executive Officer)



BOARD ADVISORY COMMITTEE

Mr. Abdulla Khalil Al-Mutawa

Mr. Khalid Mana Saeed Al Otaiba

Mr. Bashir A. Tahir

Mr. Ganpat A. Singhvi

BOARD AUDIT COMMITTEE

Mr. Abdulla Khalil Al-Mutawa (*Director*)

Mr. Khalid Mana Saeed Al Otaiba (*Director*)

Mr. Bashir A. Tahir (*Member*)

Mr. Ganpat A. Singhvi (*Member*)

Mr. M. Iqbal Saifi (*Secretary*) – *Executive Incharge Audit & Inspection Division*

EXECUTIVE COMMITTEE

Mr. Mohammad Saleem Akhtar (*Chief Executive Officer*)

Mr. Ikram Ul-Majeed Sehgal

Mr. Parvez A. Shahid

Mr. Mohammad Yousuf

Mr. Tanweer A. Khan

Mr. Sirajuddin Aziz

Mr. Mahmood Ashraf



H.E. SHEIKH HAMDAN BIN MUBARAK AL NAHAYAN
(Chairman)

CHAIRMAN'S REVIEW

Since the privatization in 1997, BANK ALFALAH has remained consistent in its mission to excel in providing innovative products and services to its customers. As a result of that, the year 2003 has been most favourable for your Bank inspite of varying market conditions. We recorded significant increase in our business volumes coupled with the broadening of our network and clientele base.

ECONOMIC LANDSCAPE

The democratization process was completed during the year and the country is now in the process of warming its relations with the neighbours. Consequently the political stability has translated into direct economic benefit for Pakistan. G.D.P. growth has exceeded the target of 4.5% to 5.1%. The Foreign Exchange Reserves have been recorded in excess of US Dollar 12 billion and foreign investments have increased by almost 100%. The national export targets were exceeded by 20% and surpassed US Dollar 10 billion mark.

The economic package of US Dollar 3 billion extended by the United States will help alleviating the poverty, which has been hampering the economic revival. The capital market performance has been, once again, very impressive and KSE has performed at par with all other stock markets of the world.

FINANCIAL HIGHLIGHTS

Bank Alfalah has grown 51.84% in its total assets and 101.35% in its equity. The Bank netted record pre tax profit of Rs. 3.506 billion, a 291.85% increase over the corresponding period last year, which includes capital gains on Federal Government securities of Rs. 2.19 billion. The deposits of the Bank rose to Rs. 76.7 billion which is 48.4% higher than corresponding period last year and indicative of increasing customers' confidence in your Bank, because of its superior services and healthy practices. The Loans and Advances figure stood at Rs. 50.37 billion, an increase of approximately 71% over the last financial year. This portfolio has been supplemented keeping the Bank's stringent and prudent policies in view.

BRANCH NETWORK AND CONSUMER BANKING

The Bank is fully aware that the branch network has direct implications on the services that it provides to its customers. In the year 2003, nine (9) commercial banking branches and five (5) Islamic banking branches were added to the Bank Alfalah network extending our coverage to fifty-nine (59) branches in twenty-three (23) cities nationwide. We are confident that a well-integrated branch network, offers greater potential for serving a larger client base through high value products.

Bank Alfalah continually endeavours to develop a wider spectrum of innovative financial products based on consumer needs. The Alfalah Visa Card has been recognized by the Visa International as the first credit card in South Asia to have crossed the 100,000th mark in the shortest timeframe.

Alfalah Car Finance is another market leader offering superior value and convenience to its clients. At the end of 2003, its portfolio crossed Rupee five billion mark.

Consumer Durable financing was launched in August 2003. This product too has also met a considerable success in the market. Similarly, the overwhelming response received to the Home Financing scheme launched by the Bank during the last quarter of 2003 offers great potential of becoming yet another important product of the Bank.

In the latter half of 2003 Phone Banking was launched with a view to establish a more direct contact with our clients. This support centre has greatly facilitated the overall sales efforts of the Bank.

CREDIT PORTFOLIO

A depressive interest rate environment has spurred the competition for scarce banking assets in local financial industry. While Bank Alfalah remains a key player in the market, however, it treads with caution so that the quality of its credit portfolio is not compromised.

The Bank has employed a proactive approach in the form of a well-designed and transparent credit approval process. This process benefits from an inherent system of checks and balances at each level.

FOREIGN TRADE, CORRESPONDENT BANKING AND TREASURY OPERATIONS

Bank Alfalah offers high quality service to its foreign trade clients. Customers are assured of efficiency and timeliness when dealing with their overseas counterparts. Our clients enjoy the benefit of our well-integrated global correspondent banking network giving them greater global reach. This comprises more than 200 financial institutions all over the world signifying the favourable reputation that Bank Alfalah enjoys globally as a stable and responsible banking institution.

During the year, the foreign trade volume of the Bank has recorded an impressive growth and it has reached to the level of 8% of total foreign trade of the country. The imports figure of Rs. 46.81 billion and exports figure of Rs. 44.27 billion represented an increase of 38% and 34% respectively over the last year figures.

The Bank has also been fairly active in the inter-bank market and enjoyed substantial lines of credit. The Treasury Division added significant profitability to the Bank through its intuitively priced transactions and proactive strategies for both investment and realization of capital gains.

CREDIT RATING

Despite the political and economic uncertainties, Bank Alfalah was able to maintain its impressive credit ratings of AA- and A1+ in the long and short term respectively. These ratings are indicative of a very high credit quality and low potential for credit risk. These ratings have been assigned by the PACRA, the leading credit rating agency of Pakistan. These ratings have been awarded on the basis of a steady improvement in organizational performance, augmentation in equity base and increased sponsor backing.

HUMAN RESOURCE DEVELOPMENT

Development of professional skills and knowledge of the employees is essential for the efficient functioning of any organisation. At Bank Alfalah appropriately designed policies and practices have been instituted to achieve this strategic objective.

Our state-of-the-art training centre at Karachi remains indispensable in imparting valuable training to all our team members. This has become especially important considering the pace of change that the banking industry is exposed to. Consequently training ensures that change is successfully navigated to discover potentially beneficial opportunities that can be transformed into direct gains for the Bank and its customers. This also positively impacts the confidence levels of our employees translating into better job performance and satisfaction. During the year 2004-2005 we aim to establish a similar training and development facility in Lahore, Pakistan.

FUTURE OUTLOOK

The future prospects for the local economy and the banking industry in particular looks bright. Key macro economic fundamentals have stabilized and are now on the road to recovery. Consequently the Bank would like to take advantage of these encouraging developments and continue its strategy of network expansion and business volume augmentation.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my warm gratitude to the Ministry of Finance, State Bank of Pakistan, and related regulatory bodies for their continuing support and encouragement.

I would also like to recognize the sincere efforts of all our employees and their unflinching loyalty to their organization.

I also thank all our clients, correspondents and well-wishers for the faith, confidence and support that they have vested in Bank Alfalah.

HAMDAN BIN MUBARAK AL NAHAYAN
Chairman





*Coming together is a beginning,
keeping together is success*

ABOUT THE BANK

OUR STRONG COMMITMENT

Bank Alfalah is committed to building long-lasting relationships through an assertion to service excellence and providing innovative products to meet the changing needs of our valued customers. Although still in its infancy, compared to the exalted banking standards, Bank Alfalah, backed by a strong Abu Dhabi Group and inspired by the vision of its Board and Management, has built up a strong customer base. The Bank provides a full range of banking services to corporate clients, while applying leading technologies. Today the Bank is well-positioned to provide appropriate banking services to customers.



Our focus is building relationships and being known by the way we do business. We recognize that a banking relationship requires compatibility, communication, and cooperation and that each customer deserves nothing less than our full attention and available resources to meet their financial objectives.

PERSONALIZED SERVICE

Our core value and corporate culture is based on the belief that superior personalized service is our most important product. We take the time to get to know our customers by name and understand their business and personal financial needs. This one-on-one, personalized service quality has served as Bank Alfalah's unique signature since inception and continues to separate us from other financial institutions.

HIGHLY TRAINED, SEASONED PROFESSIONALS

The Bank Alfalah team comprises of some of the most highly skilled and professional financial experts in our industry. Our managers, lenders and trust advisors offer the unique perspective of knowing and understanding the local economy. The Management focuses its attention on making informed and feasible economic decisions, bringing better returns and more profitability for our investors and customers.





COMPREHENSIVE AND DIVERSIFIED PRODUCT PORTFOLIO

With the mission to provide all-encompassing banking services to our customers, we have a uniquely defined menu of financial products. Currently we offer one of the most comprehensive portfolios of personalized financial solutions that are custom-tailored to serve the requirements not only of conventional customers but also fulfill the needs of the corporate sector:

- Car Financing
- Rupee Travellers Cheques
- Online Banking
- SME Financing
- MoneyGram Remittance Services
- Credit Cards
- ATMs
- Home Financing
- Corporate and Structured Financing

ALFALAH VISA

FREE forever



Your
Heaven
on earth



**BANK ALFALAH
HOME FINANCE**

ALFALAH *Consumer* FINANCING

BANK ALFALAH CAR FINANCING



CONSUMER BANKING

As financial institutions offer diversified and attractive products and service packages for the consumers, Consumer Banking in Pakistan is becoming a challenging industry. However because of the prudent financial policies and clear understanding of the market scenario, Bank Alfalah has been able to maintain its position among the leaders in Consumer Banking in Pakistan.

Our responsive and alert teams, spread in branches all over the country provide timely and accurate information to the consumers. This unique personalized service has transformed the status of the Bank into a '**Caring Bank**'.

While offering its product, Bank Alfalah makes sure that these are firmly in line with the fast-changing economic scenario and cognizant of the requirements of our consumers.

Branded Saving Schemes have been set up to address a wide range of customer needs. The Royal Profit Account, for example, is targeted at both the individual investor as well as the institutional investor.

Alfalah Car Financing gives the customers a chance to own an automobile of their own choice with the lowest mark-up rate in the market at conditions, which gives Alfalah Car Financing number one positioning in the industry.

Alfalah Visa Credit Card, introduced last year, has been well-received in a fiercely competitive market. The Alfalah card centers in Lahore and Karachi are state-of the-art facilities that are dedicated to providing the highest levels of service to clients. Although the card centers operate as independent units, yet their operations synchronize with the rest of the organizational workflows, which is essential for efficiency.

Home Financing for Pakistani and Non-Resident Pakistanis (NRPs) offered by Bank Alfalah have been responded well by the consumers. The major attraction for the customers are the appealing rates for loans

Online Banking and MoneyGram Remittance Services create an opportunity for the customers to bank at their own convenience when conventional branch banking is not required.



MARCHING TOWARDS THE FUTURE

With competition in the banking sector getting tougher by the day, Bank Alfalah has been successful in forging its way ahead of its competitors. This became possible because of the visionary policies of the Management and the hardwork and dedication of its skilful and experienced staff.

With emphasis on further improving the quality of our products and services and introducing more innovative products – while utilizing the technological advancements – we are confident of delivering unparalleled personalized services to our customers.

While taking cue from the strategic guidelines put in place by the Management, our objective is to take service excellence to newer heights.





*They said it couldn't be done,
but we did it!*

NOTICE OF THE 12TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 12th Annual General Meeting of Bank Alfalah Limited will be held on Saturday, February 21, 2004 at 13:00 hours at Bank Alfalah Building, I.I. Chundrigar Road, Karachi to transact the following business:

1. To confirm the Minutes of the 11th Annual General Meeting held on April 23, 2003, and the Minutes of the Extra-ordinary General Meeting held on May 27, 2003.
2. To receive, consider and adopt the audited Annual Accounts and Consolidated Accounts for the year ended December 31, 2003, together with Directors' and Auditors' Report thereon.
3. To approve and declare cash dividend at the rate of Rs. 2.50 per share i.e. 25%, for the year ended December 31, 2003 as recommended by the Board of Directors.
4. To appoint Auditors for the year 2004 and fix their remuneration.
5. To approve donations made to charitable institutions.
6. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS:

7. To consider and pass the following as Special Resolution to increase the authorized Capital of the Bank from Rs. 2,000,000,000/- (Rupees Two Billion) to Rs. 4,000,000,000/- (Rupees Four Billion):

"RESOLVED that the authorized Capital of the Bank be and is hereby increased from Rs. 2,000,000,000/- (Rupees Two Billion) to Rs. 4,000,000,000/- (Rupees Four Billion).

RESOLVED FURTHER that the Memorandum and Articles of Association of the Bank be and is hereby amended/ altered by substituting the figures and words "Rs. 2,000,000,000/- divided into 200,000,000 shares of Rs. 10/- each" appearing in clause V of the Memorandum of Association and in Article 3 of the Articles of Association with the figures and words "Rs. 4,000,000,000/- divided into 400,000,000 shares of Rs. 10/- each".

Karachi
January 29, 2004

BY ORDER OF THE BOARD
Company Secretary

NOTES:

- 1) The share transfer book of the Bank will remain closed from February 19, 2004 to February 21, 2004 (both days inclusive). Members whose names appear in the Register of Members on February 21, 2004 will be entitled to the cash dividend.
- 2) A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her place. No person shall act as proxy unless he is a member of the Bank, except that a corporation being a member may appoint as its proxy one of its officers though not a member of the Bank. The proxy form should be deposited at the Registered Office of the Bank not later than 48 hours before the time of meeting. Proxy form is enclosed.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984

The present authorized and paid-up Capital of the Bank is Rs. 2,000,000,000/-. The Directors of the Bank are of the view that this leaves no room for induction of additional capital. It is, therefore, proposed that the authorized Capital of the Bank be increased to Rs. 4,000,000,000/- (Rupees Four Billion) so that additional capital induction may be undertaken in future for strengthening the Bank's competitive ability within Pakistan and helping the Bank in establishing its presence outside Pakistan.



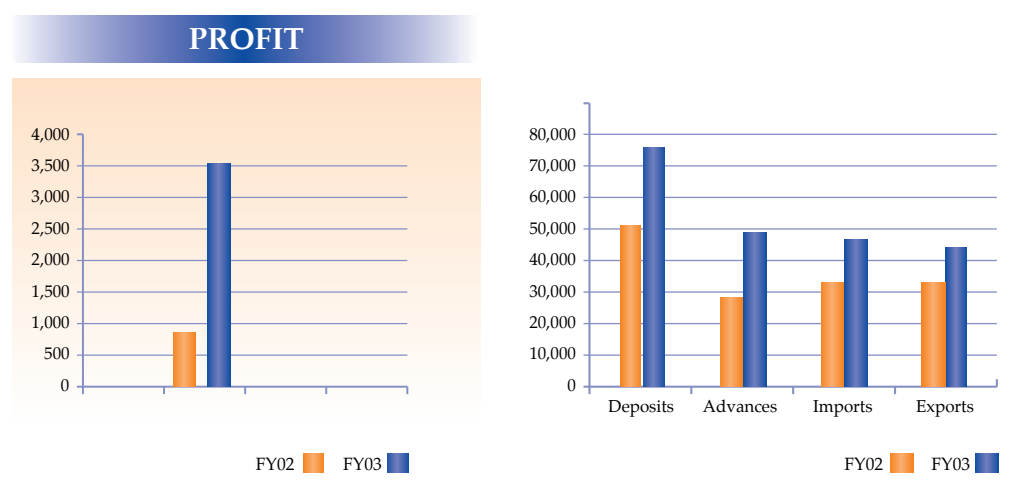
*When you can think of yesterday without regret
and of tomorrow without fear
you are well on the road to success*

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Board of Directors is pleased to present the audited financial statements of the Bank for the year 2003.

	2003	2002
	<i>(Rupees in '000)</i>	
Profit before Tax	3,505,680	894,653 □
Taxation	(1,382,446)	(448,974) □
Profit after Tax	2,123,234	445,679 □
Unappropriated profit brought forward	250,050	249,701 □
Transfer from General Reserve	-	85,000 □
Transfer from Surplus on revaluation of Fixed Assets	14,405	58,806 □
Profit available for appropriations	2,387,689	839,186 □
Appropriations		
- Statutory Reserve	(424,647)	(89,136) □
- Issue of Bonus Shares – Interim 100% (2002: 33.33%)	(1,000,000)	(250,000) □
- Proposed Cash Dividend @ 25% (2002: 25%)	(500,000)	(250,000) □
Unappropriated profit carried forward	463,042	250,050
Earnings per share	Rs. 10.62	Rs. 2.23

OPERATING RESULTS – RS. IN MILLION



ECONOMIC OVERVIEW

As a result of stabilization of policies and a wide ranging Economic Structural Reform Program put in place, Pakistan's economy has largely been protected from the worldwide economic slowdown. The country has remained on the road to economic recovery.

In spite of competition due to reduction in mark-up/interest rate between the peer banks, your Bank has shown an impressive performance. The Bank with its professional outlook and commitments, maintain a progressive growth in resource mobilization and financing of foreign trade.

Pursuant to the Islamic banking initiative for the implementation of Islamic banking in Pakistan your Bank has the honour of being one of the first few banks which has started Islamic banking. A separate banking division has been established and five branches of Islamic banking have commenced their operations.

The Bank has increased its branch network from 45 to 59 during this year including the above 5 Islamic banking branches.

CREDIT RATING

Based on the Bank's operations, it has been able to maintain its credit rating in long term to AA- and short term to A1+.

CORPORATE GOVERNANCE

1. The Bank has implemented the requirements of the Code of Corporate Governance relevant for the year ended December 31, 2003. A prescribed statement by the management together with the Auditors' Review Report thereon are annexed.

2. Statement under clause XIX of the Code:

- a) The financial statements prepared by the management of the Bank, present fairly, the state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Bank 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 judgement.
- d) International Accounting Standards, as applicable to banks in Pakistan, have been followed in preparation of financial statements.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no doubts about the Bank's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations duly adopted by the State Bank of Pakistan vide BSD Circular No. 5 dated June 13, 2002.
- h) Summarized key operating and financial data of last seven years is annexed to the audited accounts.
- i) Book value of investments by Staff Provident Fund and Staff Gratuity Fund as at December 31, 2003 is:

Staff Provident Fund	<input type="checkbox"/>	Rs. 345.630 million	<input type="checkbox"/>
Staff Gratuity Fund	<input type="checkbox"/>	Rs. 19.100 million	<input type="checkbox"/>

j) □ The number of Board meetings held during 2003 were five and attended by all seven directors as under:

1. □ H.E. Hamdan Bin Mubarak Al Nahayan
2. □ Mr. Abdulla Nasser Hawaileel Al Mansoori
3. □ Mr. Abdulla Khalil Al-Mutawa □
4. □ Mr. Khalid Mana Saeed Al Otaiba □
5. □ Mr. Mohammad Saleem Akhtar □
6. □ Mr. Nadeem Iqbal Sheikh
7. □ Mr. Ikram Ul-Majeed Sehgal □

k) □ The pattern of shareholding is attached with this report.

FUTURE PLANS

In 2004, we plan to open 35 more branches all over Pakistan which includes 10 Islamic banking branches.

DIRECTORS

In the year under review Mr. Omar Z. Jaafar al Askari resigned on January 7, 2003 and Mr. Khalid Mana Saeed Al Otaiba has been appointed as a Director in his place in the Board meeting held on March 8, 2003.

The Board records its appreciation for the valuable services rendered by the outgoing Director Mr. Omar Z. Jaafar Al Askari and welcomes Mr. Khalid Mana Saeed Al Otaiba on Board.

All the seven Directors were re-elected in the Extra-ordinary General Meeting held on May 27, 2003 for a term of three years.

ACKNOWLEDGEMENT

The Board would like to acknowledge the support of Ministry of Finance, State Bank of Pakistan for their invaluable support, which greatly facilitated our work. The Board would also like to record its appreciation for devotion, hard work and professionalism of the senior management, officers and staff of the Bank at all levels.

MOHAMMAD SALEEM AKHTAR

Director & Chief Executive Officer

SEVEN YEAR FINANCIAL SUMMARY

	1997	1998	1999	2000	2001	2002	2003	
<i>Rupees in million</i>								
OPERATIONAL RESULTS								
Total Income	1,248	1,814	2,096	2,531	3,700	5,246	7,425	
Operating Expenses	233	337	403	511	744	1,184	1,803	
Profit before Income Tax and Provision	81	162	218	304	510	948	3,593	
Profit before Income Tax	7	68	354	400	524	895	3,506	
Profit after Taxation	-	145	157	215	311	446	2,123	
BALANCE SHEET								
Shareholders' Equity	713	859	895	901	1,362	1,616	3,253	
Total Assets	10,527	14,321	21,019	28,855	40,098	65,167	98,952	
Advances – net of provision	4,850	7,758	10,327	15,242	19,131	28,319	49,216	
Investments – net of provision	3,349	3,407	4,993	4,875	11,397	24,470	28,904	
Deposits and other accounts	9,019	11,878	15,821	20,482	30,207	51,685	76,698	
OTHERS								
Imports	1,491	4,709	5,909	13,858	26,658	33,879	46,807	
Exports	4,313	6,787	10,020	16,756	25,261	33,057	44,273	
RATIOS								
Capital Adequacy	%	16.90	13.08	13.52	8.35	9.56	8.70	11.65*
Profit before Tax ratio (PBT/ Gross mark-up income)	%	0.64	4.17	18.60	17.70	15.45	19.67	86.92
Gross spread ratio (Net mark-up income/ gross mark-up income)	%	11.58	19.19	22.64	23.78	25.85	31.62	49.71
Income/ Expense ratio	Times	5.36	5.38	5.20	4.95	5.07	4.43	4.12
Return on Average Equity (ROE)	%	-	18.45	17.90	23.94	27.49	29.95	87.21
Return on Average Assets (ROA)	%	-	1.17	0.89	0.89	0.90	0.85	2.59
Advances/Deposits Ratio	%	53.78	65.31	65.27	74.42	63.33	54.79	64.17
Cash Dividends	%	-	-	20	35	-	25	25
Stock Dividend	%	-	-	-	-	-	33.33	100.00
Book value per share excluding revaluation of Assets	Rs.	11.89	14.31	14.92	15.01	18.15	16.16	16.27
Book value per share including revaluation of Assets	Rs.	11.89	14.31	30.44	28.64	28.80	36.53	21.29
Basic Earnings per share	Rs.	-	2.42	2.61	3.59	3.65	2.23	10.62
Number of Employees	No.	546	488	564	695	959	1,504	2,133

* as at September 30, 2003

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE TO THE MEMBERS

The Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan to manage a company in compliance with best practices, has been made applicable on banks by the State Bank of Pakistan in June 2002.

The Board of Directors has adopted the Code of Corporate Governance and necessary actions have been initiated for compliance with all applicable and relevant clauses. The Bank applies the principles contained in the Code in the following manner:

- i) Except for the Chief Executive Officer, all the other Directors are non-executive Directors.
- ii) None of the Directors of the Bank are serving as a Director in ten or more listed companies.
- iii) The resident Directors of the Bank are registered as tax payers and to the best of our knowledge, none of the Directors have defaulted in payment of any loan to a Banking Company, a Development Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or being a member of Stock Exchange, has been declared a defaulter by that Stock Exchange.
- iv) None of the Directors or their spouses is engaged in the business of Stock Exchange.
- v) During the year there was one casual vacancy which was timely filled by the Directors.
- vi) The Bank has prepared a "Statement of Ethics and Business Practices" which is in the process of signing by the Directors and Employees of the Bank.
- vii) The Board has already adopted its vision/mission statement, overall corporate strategy and significant policies. Materiality level will be set in due course.
- viii) All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer are approved by the Board.
- ix) The meetings of the Board were presided over by the Chairman. The Board of Directors have met five times in the year and written notices on the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated to all concerned.
- x) Directors are aware of the relevant laws applicable to the Bank, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Bank on behalf of the shareholders. Further, orientation of Directors was conducted to appraise them of their duties and responsibilities.

- xi) There was no new appointment of CFO, Company Secretary or Head of Internal Audit after the implementation of Corporate Governance.
- xii) An effective Internal Audit Department has already been established.
- xiii) The Directors' Report for this year has been prepared keeping in view the requirements of the Code and fully describes the salient matters required to be disclosed.
- xiv) The financial statements of the Bank have been duly endorsed by the Chief Executive Officer and the Chief Financial Officer.
- xv) The Bank has complied with all the applicable corporate and financial reporting requirements.
- xvi) The Directors, CEO and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
- xvii) The Board has formed an Audit Committee. It comprises of four members, two of whom are non-executive Directors of the Bank.
- xviii) Audit Committee met four times during the year 2003.
- xix) The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan and that the firm and all its partners are in compliance with International Federation of Accountants of Pakistan (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- xx) The Statement of Compliance with best practices of corporate governance is being published and circulated along with the annual report of the Bank.

For and on behalf of the Board

MOHAMMAD SALEEM AKHTAR

Director & Chief Executive Officer

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Bank Alfalah Limited (“the Bank”) to comply with the Prudential Regulation No. XXIX, Responsibilities of Board of Directors vide BSD Circular No. 15, dated June 13, 2002 and Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited.

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

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi
January 26, 2004 □

TASEER HADI KHALID & CO.
Chartered Accountants

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2003

Number of Shareholders	Shareholding		Total Shares held
	From	To	
1	1	5,000	1,680
1	5,001	10,000	10,000
42	10,001	100,000	1,251,382
9	100,001	400,000	1,596,506
2	400,001	800,000	1,490,824
2	800,001	1,500,000	2,486,392
1	1,500,001	9,500,000	8,748,628
3	9,500,001	20,000,000	51,721,520
4	20,000,001	50,000,000	132,693,068
65			200,000,000

CATEGORIES OF SHAREHOLDERS

Particulars	Number of Shareholders	Shares Held	%
Directors/Chief Executive	7	48,770,470	24.39%
Foreign Nationals	5	126,766,262	63.38%
Foreign Company	1	19,109,932	9.55%
Executives	36	2,103,468	1.05%
Others	16	3,249,868	1.62%
	65	200,000,000	100

Sharing our Growth



	Dec. 03 Rs. ('000)	Dec. 02 Rs. ('000)	Growth %
Deposits	76,698,322	51,684,984	48.40% □
Advances	50,372,231	29,437,408	71.12% □
Foreign Trade	91,080,172	66,935,563	36.07% □
Profit before Tax	3,505,680	894,653	291.85% □
Profit after Tax	2,123,234	445,679	376.40% □
Total Assets	98,952,499	65,167,031	51.84% □
Shareholders' Equity	3,253,416	1,615,777	101.35%



What we call results are beginnings

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Bank Alfalah Limited as at December 31, 2003 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 fifteen 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.

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

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the bank, we report that:

- (a) in our opinion, proper books of accounts 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 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 the December 31, 2003, 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.

Previous year financial statements were audited by another firm of chartered accountants who have issued an unqualified opinion.

Karachi
January 26, 2004

TASEER HADI KHALID & CO.
Chartered Accountants

BALANCE SHEET

As at December 31, 2003

	Note	2003	2002
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	6	8,423,399	4,540,486
Balances with other banks	7	626,917	232,728
Lendings to financial institutions	8	7,437,733	4,634,398
Investments	9	28,903,596	24,470,314
Advances	10	49,216,120	28,319,401
Other assets	11	1,553,108	1,208,930
Operating fixed assets	12	2,791,626	1,760,774 □
Deferred tax asset	13	-	-
		98,952,499	65,167,031
LIABILITIES			
Bills payable	14	1,208,671	758,961
Borrowings from financial institutions	15	13,127,754	6,037,576
Deposits and other accounts	16	76,698,322	51,684,984
Sub-ordinated loans	17	649,740	650,000 □
Liabilities against assets subject to finance lease		-	-
Other liabilities	18	2,686,754	1,196,342
Deferred tax liabilities	13	323,010	1,186,501
		94,694,251	61,514,364
NET ASSETS			
		4,258,248	3,652,667
REPRESENTED BY			
Share capital	19	2,000,000	1,000,000
Reserves		790,374	365,727
Unappropriated profit		463,042	250,050
		3,253,416	1,615,777
Surplus on revaluation of assets	20	1,004,832	2,036,890
		4,258,248	3,652,667
CONTINGENCIES AND COMMITMENTS			
	21		
The annexed notes 1 to 41 form an integral part of these accounts.			

Chief Executive Officer

Director

Director

Chairman

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2003

	Note	2003	2002
		(Rupees in '000)	
Mark-up/return/interest earned	22	4,033,380	4,551,329 □
Mark-up/return/interest expensed □	23	2,028,577	3,112,313 □
Net mark-up/interest income □		2,004,803	1,439,016 □
Provision against non-performing loans and advances - net □	10.4	(87,091)	(53,619) □
Provision for diminution in the value of investments □		-	- □
Bad debts written off directly □		(418)	(1,447) □
		(87,509)	(55,066) □
Net mark-up/interest income after provisions		1,917,294	1,383,950 □
NON-MARK-UP/INTEREST INCOME □			
Fee, commission and brokerage income □		399,383	316,368 □
Dividend income □		112,017	62,077 □
Income from dealing in foreign currencies □		106,848	95,165 □
Other income □	24	2,773,503	220,973 □
Total non-mark-up/interest income		3,391,751	694,583 □
		5,309,045	2,078,533 □
NON-MARK-UP/INTEREST EXPENSES □			
Administrative expenses □	25	1,799,490	1,182,887 □
Other provisions/write offs □		2,000	- □
Other charges □	26	1,875	993 □
Total non-mark-up/interest expenses □		1,803,365	1,183,880 □
		3,505,680	894,653 □
Extraordinary/unusual items		-	- □
		3,505,680	894,653 □
PROFIT BEFORE TAXATION □			
Taxation □			
For the year □ - Current □		1,364,723	407,752 □
- Deferred □		(5,164)	(6,271) □
For prior year □ - Current □		22,887	(15,200) □
- Deferred □		-	62,693 □
	27	1,382,446	448,974 □
		2,123,234	445,679 □
PROFIT AFTER TAXATION □			
Unappropriated profit brought forward □		250,050	249,701 □
Transfer from general reserve □		-	85,000 □
Transfer from surplus on revaluation of Fixed Assets □			
- Prior year □		-	38,098 □
- Current year - net of tax □		14,405	20,708 □
		14,405	58,806 □
Profit available for appropriation		2,387,689	839,186 □
APPROPRIATIONS □			
Transfer to statutory reserve □		(424,647)	(89,136) □
Bonus Shares □		(1,000,000)	(250,000) □
Cash dividend: 25 percent (2002: 25 percent) □		(500,000)	(250,000) □
		(1,924,647)	(589,136) □
Unappropriated profit carried forward		463,042	250,050 □
		(Rupees)	
Basic and diluted earnings per share □	28	10.62	2.23

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

CASH FLOW STATEMENT

For the year ended December 31, 2003

	Note	2003	2002
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,505,680	894,653 □
Dividend income		(112,017)	(62,077) □
		<u>3,393,663</u>	<u>832,576</u> □
Adjustments for non-cash charges □			
Depreciation □		186,574	141,235 □
Amortization - intangible assets □		21,085	1,898 □
Amortization - deferred cost □		-	7,989 □
Provision against non-performing advances □		87,091	53,619 □
Provision against other assets □		2,000	- □
Bad Debts written off directly □		418	1,447 □
Gain on sale of fixed assets □		(6,903)	(2,568) □
Provision for Gratuity		21,096	15,925 □
		<u>311,361</u>	<u>219,545</u> □
		<u>3,705,024</u>	<u>1,052,121</u> □
(Increase)/ decrease in operating assets □			
Lendings to financial institutions □		(2,703,335)	(2,535,429) □
Advances □		(20,934,823)	(9,242,973) □
Others assets		(402,028)	77,083 □
		<u>(24,040,186)</u>	<u>(11,701,319)</u> □
Increase/(decrease) in operating liabilities □			
Bills payable □		449,710	453,403 □
Borrowings from financial institutions □		7,090,178	(671,478) □
Deposits □		25,013,338	21,477,660 □
Other liabilities		438,115	196,464 □
		<u>32,991,341</u>	<u>21,456,049</u> □
		<u>12,656,179</u>	<u>10,806,851</u> □
Gratuity paid		(73,573)	(3,490) □
Income tax paid		(539,529)	(277,366) □
Net cash flow from operating activities		<u>12,043,077</u>	<u>10,525,995</u> □
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(6,138,789)	(13,584,669) □
Net investments in held-to-maturity securities		(687,520)	3,012,810 □
Dividend received		127,389	78,714 □
Investments in operating fixed assets		(749,771)	(481,755) □
Sale proceeds of fixed assets disposed of		32,976	5,299 □
Net cash flow from investing activities		<u>(7,415,715)</u>	<u>(10,969,601)</u> □
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	- □
(Redemption)/ Issuance of Term Finance Certificate		(260)	650,000 □
Dividend paid		(250,000)	- □
Net cash flow from financing activities		<u>(250,260)</u>	<u>650,000</u> □
Increase in cash and cash equivalents		<u>4,377,102</u>	<u>206,394</u> □
Cash and cash equivalents at beginning of the year		<u>5,323,214</u>	<u>5,116,820</u> □
Cash and cash equivalents at end of the year	29	<u>9,700,316</u>	<u>5,323,214</u> □

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2003

	Share capital	Statutory reserve	General reserve	Unappropriated profit	Total
	←..... (Rupees in '000)→				
Balance at January 1, 2002	750,000 □	276,591 □	85,000 □	249,701 □	1,361,292 □
Profit after tax for the year □ ended December 31, 2002	- □	- □	- □	445,679 □	445,679 □
Transfer from general reserve	- □	- □	(85,000) □	85,000 □	- □
Transfer to statutory reserve	- □	89,136 □	- □	(89,136) □	- □
Transfer from surplus on revaluation □ of fixed assets: □					
- □ Prior years □	- □	- □	- □	38,098 □	38,098 □
- □ Current year - net of tax	- □	- □	- □	20,708 □	20,708 □
Issue of bonus shares	250,000 □	- □	- □	(250,000) □	- □
Proposed dividend	- □	- □	- □	(250,000) □	(250,000) □
Balance at December 31, 2002	<u>1,000,000 □</u>	<u>365,727 □</u>	<u>- □</u>	<u>250,050 □</u>	<u>1,615,777 □</u>
Profit after taxation for the year □ ended December 31, 2003	- □	- □	- □	2,123,234 □	2,123,234 □
Transfer to statutory reserve	- □	424,647 □	- □	(424,647) □	- □
Transferred from surplus on □ revaluation of fixed assets □					
- Current year - net of tax	- □	- □	- □	14,405 □	14,405 □
Issue of bonus shares	1,000,000 □	- □	- □	(1,000,000) □	- □
Proposed dividend	- □	- □	- □	(500,000) □	(500,000) □
Balance at December 31, 2003	<u>2,000,000</u>	<u>790,374</u>	<u>-</u>	<u>463,042</u>	<u>3,253,416</u>

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

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. It commenced banking operations from November 1, 1992. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 59 branches (2002: 45 branches) with the registered office at B.A. Building, I. I. Chundrigar Road, Karachi. □

The Bank has been granted licence to establish five Islamic Banking Branches by State Bank of Pakistan (SBP) on December 29, 2003 and the branches have commenced operations on the same day.

2. BASIS OF PRESENTATION □□□□□

In accordance with the Islamic Banking System, trade related mode of financing include purchase of goods by the Bank from its customer and simultaneous re-sale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE □

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International 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 directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with 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 Securities and Exchange Commission of Pakistan (SECP) has approved and notified the adoption of International Accounting Standard 39, Financial Instruments; Recognition and Measurement and International Accounting Standard 40, Investment Property. The requirements of these standards have not been followed in preparation of these financial statements as the State Bank of Pakistan has deferred the implementation of these standards for the banks in Pakistan till further instructions. However, investments have been classified in accordance with the requirements of the format prescribed by State Bank of Pakistan for the financial statements.

4. BASIS OF MEASUREMENT □

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in Market Treasury Bills, Pakistan Investment Bonds, Federal Investment Bonds and listed securities and in conformity with the accepted accounting practices of banking institutions in Pakistan.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Cash and cash equivalents □

Cash and cash equivalents comprises cash and balances with treasury bank and balances with other banks and call lendings.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

5.2 Revenue recognition □

Mark-up income and expense are recognised on a time proportion basis taking into account effective yield on the instrument. Fee, commission and brokerage except income from guarantees are accounted for on receipt basis. Mark-up / return on non-performing advances are suspended, where necessary and recognized on receipt basis. □

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

Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. □

Unrealised lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income on receipt basis.

5.3 Advances □

Loans and advances and net investment in finance lease are stated net of provisions against non-performing advances. Specific provision is made against advances in accordance with the guidance in the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against advances. Advances are written off when there are no realistic prospects of recovery. □

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value.

5.4 Investments □

The investments of the Bank are classified in the following categories:

Securities held for trading □

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin.

Securities held to maturity □

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

Available for sale □

These are investments which do not fall under the held for trading and held to maturity categories. □

Investment in subsidiary is carried at cost less impairment loss, if any. □

In accordance with the requirements of the BSD Circular No. 20 dated August 4, 2000, all those securities for which ready quotes are available on Reuters Page (PKRV) or Stock Exchange are valued at market rates

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

and the resulting surplus / (deficit) is kept in a separate account and is shown below the shareholders equity in the balance sheet. □

Unquoted securities are stated at cost less provision for impairment loss. □

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date which is the date at which the Bank commits to purchase or sell the investment. □

Gains or losses on disposals during the year are taken to profit and loss account.

Sale and repurchase agreements □

The Bank enters into purchase / (sale) of investment under agreements to resale / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognized. The amounts paid are recognized in lendings to financial institutions. □

The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions. The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

5.5 Operating fixed assets

Tangible □

Office premises are shown at cost / revalued amount less accumulated depreciation. All other assets are 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 capitalized. Gains and losses on disposal of fixed assets are taken to profit and loss account. The surplus on revaluation of fixed assets (net of deferred taxation) to the extent of the incremental depreciation charged on the revalued assets is transferred to retained earnings.

Intangible assets □

Intangible assets are stated at cost less accumulated amortization by taking into consideration the estimated useful life.

5.6 Capital work in progress □

Capital work in progress is stated at cost.

5.7 Taxation

Current □

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

Deferred □

Deferred tax is recognised using the balance sheet liability method on all major temporary differences arising 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 that it is probable that future taxable profits 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.

5.8 Staff retirement benefits

Defined Benefit Plan □

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations. □

Actuarial valuation of the scheme was carried out as at December 31, 2003 using the Projected Unit Credit Method.

Defined Contribution Plan □□

The Bank operates a recognised Provident Fund Scheme for all its permanent employees to which equal monthly contributions are made both by the bank and employees at the rate of 8.33 percent of basic salary.

5.9 Foreign currencies □

Assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating those prevailing at the balance sheet date. Foreign currency transactions are converted at the rates prevailing on the transaction date. □

Forward contracts other than contracts with SBP relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract. □

Forward purchase contracts with SBP relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts. □

Exchange gains and losses are included in income currently.

5.10 Provision for guarantee claims and other off-balance sheet obligations □

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists for the bank to settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net-of expected recoveries.

5.11 Acceptances □

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

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

5.12 Off-setting □

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

5.13 Impairment □

The carrying amount of Bank's assets other than the deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount 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.

6. CASH AND BALANCES WITH TREASURY BANKS

	2003	2002 □
	<i>(Rupees in '000)</i>	
In hand □		
Local currency (including in transit Rs. 20.000 million) □	1,580,857	789,816 □
Foreign currency (including in transit Rs. 254.297 million)	637,817	333,203 □
With State Bank of Pakistan in □		
Local currency current account □	6.1 4,459,474	2,262,207 □
Foreign currency current account □	6.2 369,310	266,146 □
Foreign currency deposit account	6.3 1,107,929	798,439 □
With National Bank of Pakistan in □		
Local currency current account	268,012	90,675 □
	<u>8,423,399</u>	<u>4,540,486</u>
6.1 □ This account is maintained with SBP under the requirement of section 22 of the Banking Companies Ordinance, 1962.		
6.2 □ This account is maintained with SBP under the requirement of BSD Circular No. 18 dated March 31, 2001.		
6.3 □ This account is maintained with SBP under the requirement of BSD Circular No. 18 dated March 31, 2001. Profit rates on these deposits are fixed by SBP on monthly basis. Profit ranging between 0.84% to 0.62% was paid during the year.		

7. BALANCES WITH OTHER BANKS

	2003	2002 □
	<i>(Rupees in '000)</i>	
In Pakistan □		
On current account □	72,011	24,324
On deposit account	19,534	- □
Outside Pakistan □		
On current account □	415,982	114,347 □
On deposit account	7.1 119,390	94,057 □
	<u>626,917</u>	<u>232,728</u>
7.1 □ This represents placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 3.31% per annum with maturities up to July 2004.		

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

8. LENDINGS TO FINANCIAL INSTITUTIONS

		2003	2002
		(Rupees in '000)	
Call money lendings	8.1	650,000	550,000
Repurchase agreement lendings (Reverse Repo)	8.2	<u>6,787,733</u>	<u>4,084,398</u>
		<u>7,437,733</u>	<u>4,634,398</u>

8.1 This represents call lendings in interbank market at rates ranging from 2.25% per annum to 5.50% per annum maturing up to March 2004.

8.2 Securities held as collateral against lendings to financial institutions

	2003			2002		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Treasury Bills	4,937,733	-	4,937,733	3,134,398	-	3,134,398
Pakistan Investment Bonds	1,850,000	-	1,850,000	950,000	-	950,000
Federal Investment Bonds	-	-	-	-	-	-
	<u>6,787,733</u>	<u>-</u>	<u>6,787,733</u>	<u>4,084,398</u>	<u>-</u>	<u>4,084,398</u>

This represents repurchase agreement lendings at interest rates ranging from 1.75% per annum to 6.50% per annum maturing in March 2004.

9. INVESTMENTS

9.1 Investments by type

	2003			2002		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
Available for sale securities						
Treasury Bills	11,014,906	3,862,995	14,877,901	9,638,008	2,293,541	11,931,549
Pakistan Investment Bonds	8,331,101	2,458,230	10,789,331	7,858,921	376,100	8,235,021
Federal Investment Bonds	301,093	-	301,093	413,932	-	413,932
Fully paid up ordinary shares	1,023,669	-	1,023,669	547,516	-	547,516
Term Finance Certificates	302,557	-	302,557	319,253	-	319,253
Certificate of Investments	400,000	-	400,000	150,000	-	150,000
Pakistan Income Fund Units	19,984	-	19,984	29,324	-	29,324
Pakistan Stock Market Fund Units	6,081	-	6,081	19,866	-	19,866
Prize Bonds	23,952	-	23,952	26,949	-	26,949
Swift Shares	631	-	631	-	-	-
Alfalsh Securities (Pvt.) Ltd.	42,000	-	42,000	-	-	-
Atlas Income Fund	25,000	-	25,000	-	-	-
Shares of Pakistan Export Finance Guarantee Agency Ltd.	5,725	-	5,725	5,725	-	5,725
	<u>21,496,699</u>	<u>6,321,225</u>	<u>27,817,924</u>	<u>19,009,494</u>	<u>2,669,641</u>	<u>21,679,135</u>
Held to maturity securities						
Government Bonds	85,341	-	85,341	85,341	-	85,341
Term Finance Certificates	699,995	-	699,995	12,475	-	12,475
	<u>785,336</u>	<u>-</u>	<u>785,336</u>	<u>97,816</u>	<u>-</u>	<u>97,816</u>
	<u>22,282,035</u>	<u>6,321,225</u>	<u>28,603,260</u>	<u>19,107,310</u>	<u>2,669,641</u>	<u>21,776,951</u>
Surplus on revaluation of securities (net)	289,871	10,465	300,336	2,647,878	45,485	2,693,363
	<u>22,571,906</u>	<u>6,331,690</u>	<u>28,903,596</u>	<u>21,755,188</u>	<u>2,715,126</u>	<u>24,470,314</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2 Investments by segment

		2003	2002
		(Rupees in '000)	
Federal Government Securities			
- Treasury Bills	9.2.1	14,877,901	11,931,549
- Pakistan Investment Bonds	9.2.2	10,789,331	8,235,021
- Federal Investment Bonds	9.2.3	301,093	413,932
- Government Bonds	9.2.4	85,341	85,341
- Prize Bonds		23,952	26,949
		26,077,618	20,692,792
Fully Paid up Ordinary Shares			
- Listed Companies	9.2.5	1,074,734	596,706
- Unlisted Companies	9.2.6	6,356	5,725
		1,081,090	602,431
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
- Term Finance Certificates – quoted	9.2.7	302,557	319,253
- Term Finance Certificates – unquoted	9.2.8	699,995	12,475
		1,002,552	331,728
Investment in subsidiary company	9.2.9	42,000	-
Other Investments			
Certificate of Investments	9.2.10	400,000	150,000
		28,603,260	21,776,951
Surplus on revaluation of securities	20.2	300,336	2,693,363
		28,903,596	24,470,314

9.2.1 Treasury bills are for the periods of six months and one year. The rates of profit on treasury bills range between 1.3% to 2.75% per annum with maturities up to December 2004.

9.2.2 Pakistan Investment Bonds are for the periods of three, five and ten years. The rates of profit range from 6.00% to 12.5% per annum with maturities from February 2004 to October 2013.

9.2.3 Federal Investment Bonds are for the periods of ten years. The rate of profit is 15% per annum with maturities ranging from September 2004 to October 2005.

9.2.4 This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex at the rate of 12.775 % per annum redeemable on maturity in March 2009.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.5 Investments in listed companies/funds include the following:

The par value of these shares/certificates/units is Rs. 10 except where stated.

2003	2002		2003	2002
No. of shares/ certificates/units			(Rupees in '000)	
MUTUAL FUNDS				
400,000	586,916	Pakistan Income Fund Units*	19,984	19,866
100,000	326,726	Pakistan Stock Market Fund Units*	6,081	29,324
50,000	-	Atlas Income Fund**	25,000	-
*The par value of these units is Rs. 50				
**The par value of these units is Rs. 500				
INVESTMENT COMPANIES & BANKS				
3,833,000	5,000,000	Askari Commercial Bank Limited	160,932	113,211
475,000	-	National Bank of Pakistan	25,641	-
998,500	-	Prime Commercial Bank Limited	13,570	-
MODARABAS				
1,814,000	-	First National Bank Modaraba	18,140	-
CEMENT				
950,000	-	Maple Leaf Cement Company	31,466	-
2,208,000	-	Fauji Cement Limited	28,461	-
7,004,000	-	D.G. Khan Cement Limited (Preference Shares)	77,185	-
FUEL & ENERGY				
6,475,500	9,221,000	Hub Power Company Limited	263,718	309,290
300,640	-	Oil & Gas Development Corporation Limited	9,623	-
173,800	-	Pakistan Oilfields Limited	40,584	-
1,258,000	1,900,000	Southern Electric Power Co. Limited	21,410	26,111
258,100	-	Attock Refinery Limited	27,496	-
5,902,500	2,450,000	Kohinoor Energy Limited	164,269	52,412
TRANSPORT & COMMUNICATION				
400,000	2,000,000	Pakistan Telecommunication Company Limited	14,512	46,492
CHEMICALS & PHARMACEUTICALS				
1,312,700	-	Fauji Fertilizer Company Limited	126,662	-
			1,074,734	596,706

9.2.6 Investment in unlisted companies

2003	2002		2003	2002
No. of shares/ certificates/units			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive : Mr. S.M. Zaem	5,725	5,725
5	-	Shares of SWIFT	631	-
			6,356	5,725

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.7 Term Finance Certificates – Quoted, Secured

	2003	2002
	<i>(Rupees in '000)</i>	
Saudi Pak Leasing Company Limited NIL (2002: 15) certificates of Rs. 5,000 each NIL (2002:148) certificates of Rs. 100,000 each Mark-up: 18.25% per annum Redemption: Eight equal semi-annual installments commencing July 1998 Maturity: January 2003	-	1,859
Dewan Salman Fibres Limited 11,800 (2002: 11,800) certificates of Rs. 5,000 each Mark-up: 16% per annum Redemption: Eight equal quarterly installments commencing September 2003 Maturity: June 2005	44,179	58,929
ICI Pakistan Limited 12,000 (2002: 12,000) certificates of Rs. 5,000 each Mark-up: 3% above the last cut off yield of 5 year Pakistan Investment Bonds Redemption: Six equal semi-annual installments commencing February 2004; the issuer has a call option exercisable any time at par value plus a premium Maturity: August 2006	59,952	59,976
Engro Asahi Polymer & Chemical Limited 10,000 (2002: 10,000) certificates of Rs. 5,000 each Mark-up: 1.5% above the weighted average of the last three cut off yield of 5 year Pakistan Investment Bonds with a floor of 13% per annum and a ceiling of 17% per annum Redemption: Four equal semi-annual installments commencing December 2004; the issuer has a call option exercisable at par after June 2004 Maturity: June 2006	49,950	49,970
Gulistan Textile Mills Limited 6,000 (2002: 6,000) certificates of Rs. 5,000 each Mark-up: 2% above SBP discount rate with a floor of 14% per annum and a ceiling of 17.5% per annum Redemption: Six equal semi-annual installments commencing March 2004 Maturity: September 2006	29,976	29,989
Pak-Arab Refinery Company Limited 15,000 (2002: 15,000) certificates of Rs. 5,000 each Mark-up: 1.45% above the last cut off yield of 3 year Pakistan Investment Bonds with a floor of 13% per annum and a ceiling of 15% per annum Redemption: Two equal semi-annual installments commencing June 2004 Maturity: December 2004	74,940	74,970
Quetta Textile Mills Limited 8,712 (2002: NIL) certificates of Rs. 5,000 each Mark-up: 2.5% above SBP discount rate with a floor of 13% per annum and a ceiling of 18% per annum Redemption: Six semi-annual installments commencing March 2005 Maturity: September 2007	43,560	43,560
	<u>302,557</u>	<u>319,253</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.8	Term Finance Certificates – Unquoted, Secured	2003	2002
		<i>(Rupees in '000)</i>	
	First International Investment Bank Limited		
	250 certificates of Rs. 100,000 each		
	Mark-up: 17.50% per annum		
	Redemption: Four equal annual installments commencing December 2000		
	Maturity: December 2003		
	Chief Executive Officer: Mr. A. Saeed Siddiqui	-	12,475
	Al-Abbas Sugar Mills (Pvt.) Limited		
	10,000 certificates of Rs. 5,000 each		
	Mark-up: Cut-off yield of the last successful SBP auction of the 3 month Treasury Bills + 3.25% per annum with a floor of 6% per annum and a cap of 13% per annum.		
	Redemption: Nineteen equal quarterly installments commencing January 2004; the issuer has a call option exercisable any time after 2 years to repay in whole or in part on a coupon date at a three months notice and with a premium.		
	Maturity: July 2008	50,000	-
	Pakistan International Airlines Corporation		
	100,000 certificates of Rs. 5,000 each		
	Mark-up: SBP discount rate + 0.5% per annum with a floor of 8% per annum and a cap of 12.50% per annum.		
	Redemption: first four equal semi-annual installments commencing August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual installments commencing August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual installments commencing August 2008 amounting to Rs. 70,830,500 each; the issuer has a call option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium.		
	Maturity: February 2011	499,995	-
	Pakistan Mobile Communications (Pvt.) Limited		
	30,000 certificates of Rs. 5,000 each		
	Mark-up: Simple average of last three 6-month Treasury Bills cut-off rate + 2.25% per annum with a floor of 6.00% per annum and a cap of 12% per annum.		
	Redemption: Five equal semi-annual installments commencing September 2006; the issuer has a call option exercisable any time from the first principal repayment date (i.e. starting from the 36th month) onwards on a coupon date subject to 30 days notice period to repay in whole or in part.		
	Maturity: September 2008	150,000	-
		699,995	12,475

9.2.9 This represents investment in 4.2 million ordinary shares of Rs. 10 each of Alfalah Securities (Private) Limited – Chief Executive Mr. Mohammad Shoaib Memon.

9.2.10 Particulars of Certificates of Investment are as follows:

	Tenor	Profit Rate (% per annum)	(Rupees in '000)
Pak Libya Holding Co. (Pvt.) Limited	3 years	5.25	300,000
Dawood Leasing Limited	6 months	5.50	50,000
Dawood Leasing Limited	1 year	5.00	50,000
			400,000

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

The investment includes PIBs having book value of Rs. 48,061,545 pledged with the National Bank of Pakistan as security to facilitate T.T. discounting facility. Further interest accrued on PIBs and FIBs have been reclassified to other assets from investment in the comparative year.

10. ADVANCES

		2003	2002
(Rupees in '000)			
Loans, cash credits, running finances, etc. in Pakistan		45,709,334	26,800,108
Net Investment in Finance Lease	10.2	1,517,397	88,327
Bills discounted and purchased			923,867
(excluding treasury bills)		1,064,076	1,625,106
Payable in Pakistan		2,081,424	2,548,973
Payable outside Pakistan		3,145,500	29,437,408
		<u>50,372,231</u>	<u>29,437,408</u>
Provision for non-performing advances	10.4	(1,156,111)	(1,118,007)
		<u>49,216,120</u>	<u>28,319,401</u>
10.1 Particulars of advances			
10.1.1 In local currency			
In foreign currencies		45,656,382	23,527,856
		3,559,738	4,791,545
		<u>49,216,120</u>	<u>28,319,401</u>
10.1.2 Short term (for up to one year)			
Long term (for over one year)		38,068,584	24,055,778
		11,147,536	4,263,623
		<u>49,216,120</u>	<u>28,319,401</u>

10.2 Net Investment in Finance Lease

	2003				2002
	Not later than one year	Later than one year & less than five years	Over five years	Total	Total
(Rupees in '000)					
Lease rental receivable	238,287	1,172,014	113,853	1,524,154	92,107
Add: Residual value	-	200,082	5,000	205,082	14,423
Minimum lease payments	238,287	1,372,096	118,853	1,729,236	106,530
Financial charges for future period	(50,239)	(142,747)	(18,853)	(211,839)	(18,203)
Present value of minimum lease payments	<u>188,048</u>	<u>1,229,349</u>	<u>100,000</u>	<u>1,517,397</u>	<u>88,327</u>

10.3 Advances include Rs. 2.845 billion (2002: Rs. 1.537 billion) which have been placed under non-performing status as detailed below:

	Domestic	Overseas	Total	Provision required	Provision held
(Rupees in '000)					
Category of classification					
Other assets especially mentioned	827,611	-	827,611	-	237
Substandard	595,256	-	595,256	4,912	4,916
Doubtful	78,733	-	78,733	27,678	27,934
Loss	1,343,750	-	1,343,750	969,836	973,128
	<u>2,845,350</u>	<u>-</u>	<u>2,845,350</u>	<u>1,002,426</u>	<u>1,006,215</u>

Classified advances include an amount of Rs. 1.355 billion fully covered through available liquid securities classified due to non-renewal of facilities.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

10.4 Particulars of provision against non-performing advances:

	2003			2002		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	1,055,135	62,872	1,118,007	1,076,903	11,192	1,088,095
Charge for the year	82,390	87,075	169,465	58,320	51,680	110,000
Reversals	(82,323)	(51)	(82,374)	(56,381)	-	(56,381)
	67	87,024	87,091	1,939	51,680	53,619
Amounts written-off	(48,987)	-	(48,987)	(23,707)	-	(23,707)
Closing balance	<u>1,006,215</u>	<u>149,896</u>	<u>1,156,111</u>	<u>1,055,135</u>	<u>62,872</u>	<u>1,118,007</u>

10.5 Particulars of write-offs

		2003	2002
		(Rupees in '000)	
10.5.1	Against provisions	48,987	23,707
	Directly charged to profit and loss account	418	1,447
		<u>49,405</u>	<u>25,154</u>
10.5.2	Write-offs of Rs. 500,000 and above	46,973	24,189
	Write-offs of below Rs. 500,000	2,432	965
		<u>49,405</u>	<u>25,154</u>

10.6 Details of loan write-off 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 persons during the year ended December 31, 2003 is given in Annexure-I.

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

	Balance as at December 31, 2003	Maximum total amount of advances including temporary advances granted during the year
	(Rupees in '000)	
Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons	350,304	477,162
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	-	-
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties	-	-
	<u>350,304</u>	<u>477,162</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

11. OTHER ASSETS

		2003	2002
		(Rupees in '000)	
Income/mark-up accrued in local currency		857,194	786,445 □
Income/mark-up accrued in foreign currency		52,565	44,398 □
Advances, deposits, advance rent and other prepayments		481,538	361,225 □
Dividend Receivable		2,503	17,875 □
Unrealized gain on forward foreign exchange contracts		21,317	5,053 □
Prepaid exchange risk fee		7,778	13,195 □
Stationery and stamps on hands		21,783	16,363 □
Short term receivables		569	496 □
Asset acquired in satisfaction of claim		-	28,500 □
Receivable from brokers	11.1	268,135	37,176 □
Others	11.2	14,000	30,000 □
		<u>1,727,382</u>	<u>1,340,726 □</u>
Less: □ Provision held against other assets □	11.3	(9,619)	(7,619) □
Mark-up held in suspense account		(164,655)	(124,177) □
		<u>1,553,108</u>	<u>1,208,930</u>

11.1 This represents amount receivable from brokers against sale of shares.

11.2 This includes Rs. 14 million being payment for Pre IPO Participation in Southern Networks Limited for 1.4 million ordinary shares at a price of Rs. 10 each.

		2003	2002
		(Rupees in '000)	
11.3 Provisions against other assets □			
Opening balance □		7,619	7,619
Charge for the year □		2,000	-
Closing balance		<u>9,619</u>	<u>7,619</u>

12. OPERATING FIXED ASSETS □

Capital work-in-progress □	12.1	293,498	188,679
Property and equipment □	12.2	2,461,097	1,539,743
Intangible assets	12.3	37,031	32,352
		<u>2,791,626</u>	<u>1,760,774</u>
12.1 Capital work-in-progress □			
Advances to suppliers and contractors		<u>293,498</u>	<u>188,679</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

12.2 Property and equipment

Description	Cost and revaluation at January 1, 2003	Additions / (disposals)/ *adjustments	Revaluation surplus	Cost as at December 31, 2003	Accumulated depreciation at January 1, 2003	Depreciation for the year/ (on disposal)/ *adjustments	Depreciation release on revaluation	Accumulated depreciation at December 31, 2003	Net book value at December 31, 2003	Rate of depreciation per annum
(Rupees in '000)										
Office premises	376,086	315,316 (27,444) *21,874		685,832	98,439	10,745 (2,884)	(106,300)	-	685,832	1 - 5.5
Revaluation	830,950	243	307,606	1,138,799	77,167	25,729	(102,896)	-	1,138,799	1 - 5.5
Lease hold improvement	1,207,036 175,278	309,989 59,748 (257) *(23,578)	307,606 - -	1,824,631 211,191	175,606 24,409	33,590 34,059 -	(209,196) -	- 56,549	1,824,631 154,642	20
Furniture and fixtures	132,735	36,948 (2,492) *1,620	-	168,811	45,250	13,461 (1,983) *273	-	57,001	111,810	10 - 25
Office equipment	415,581	163,277 (18,706) *(1,916)	-	558,236	200,509	76,400 (17,562) *(148)	-	259,199	299,037	20
Vehicles	114,381	43,940 (8,346)	-	149,975	59,494	26,180 (6,676)	-	78,998	70,977	25
2003	2,045,011	619,472 (57,245) *(2,000)	307,606	2,912,844	505,268	186,574 (29,105) *(1,794)	(209,196)	451,747	2,461,097	
2002	1,691,769	362,692 (9,450)	-	2,045,011	370,752	141,235 (6,719)	-	505,268	1,539,743	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 161.230 million.

12.2.2 The fair value of property and equipment as per management estimate is not materially different from the carrying amount.

12.2.3 Office premises have been revalued on 31 December 2003 on the basis of market value by Harvester Services (Private) Limited, engineers, surveyors, inspectors, valuers, loss assessors. Had there been no revaluation, the figures would have been as follows:

	Cost as at December 31, 2003	Accumulated depreciation as at December 31, 2003	Book value as at December 31, 2003
Office premises	685,832	106,300	579,532

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

12.2.4 The above balance of owned operating assets represents the value of assets subsequent to revaluation on December 30, 1999 and December 31, 2003 which had resulted in surplus of Rs. 830.950 million and Rs. 516.802 million respectively and additions thereafter at cost.

12.2.5 As at December 31, 2003, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 1,138.799 million (2002: Rs. 753.783 million).

12.3 Intangible assets

Description	Cost			Depreciation			Net book value as at December 31, 2003	Rate of amortization % per annum
	As at January 1, 2003	Additions/ (deletions)	As at December 31, 2003	As at January 1, 2003	Amortization for the year	As at December 31, 2003		
Computer software	19,611	25,764	45,375	1,817	6,527	8,344	37,031	20%
Goodwill	15,440	-	15,440	882	14,558	15,440	-	
Total	35,051	25,764	60,815	2,699	21,085	23,784	37,031	
2002	10,279	24,772	35,051	801	1,898	2,699	32,352	

12.4 Details of disposal of fixed assets having cost more than Rs. 1,000,000 or net book value of Rs. 250,000 or above.

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
(Rupees in '000)						
Vehicle	924	616	308	725	Insurance claim	Adamjee Insurance Co. Ltd.
Vehicle	681	367	314	600	Insurance claim	Adamjee Insurance Co. Ltd.
Vehicle	765	374	391	284	Insurance claim	Adamjee Insurance Co. Ltd.

The disposal also includes premises having cost of Rs. 27.444 million and written down value of Rs. 24.56 million the Bank have purchased these premises with the condition that if the vendor was not able to transfer and assign the valid and subsisting title in respect of the said premises up to March 15, 2003, the Bank would have the right to terminate the transaction by forfeiting the cash collateral placed with the Bank equivalent to purchase price paid. Since the valid title was not transferred by the due date the Bank terminated the transaction and has forfeited the collateral.

13. DEFERRED TAX (LIABILITIES) / ASSETS

	2003	2002
(Rupees in '000)		
Deferred debits arising in respect of:		
Provision for doubtful debts	587,880	544,146
Provision for gratuity	-	17,931
Excess of Tax WDV over Accounting WDV of Fixed Assets	6,800	-
License fee charged off	14,630	-
	609,310	562,077
Deferred credits arising in respect of:		
Write-offs/ reversals of provision for bad debts	(374,990)	(337,924)
Leasing operations	(16,720)	(253)
Excess of accounting net book value over tax written down value of fixed assets	-	(146)
Surplus on revaluation of fixed assets	(439,320)	(267,806)
Surplus on revaluation of securities	(101,290)	(1,142,449)
	(932,320)	(1,748,578)
	(323,010)	(1,186,501)

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

The income tax assessments of the Bank have been finalised up to and including tax year 2003. Matters of disagreement exist between the Bank and tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sind.

The issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses.

The Bank filed return of Income tax for the tax year 2003 where the same is deemed to be an assessment order. However, the Inspecting Appellate Commissioner of Income Tax has issued notice of demand under section 122(5A) of the Income Tax Ordinance, 2001, proposing modifications which if finalised will enhance the tax liability for the year by Rs. 126 million. However, adequate provision has been made in accounts in this respect.

In respect of assessment year 2002-03, the Bank filed an appeal with the Commissioner of Income Tax (Appeals) on the issue of additional tax levied under Section 183 of the Income Tax Ordinance, 1979 (repealed) for not paying full demand of tax resulting from the order under Section 62 of the Income Tax Ordinance, 1979 (repealed). The hearing of appeals filed against penalty order, as the order under Section 62, has been completed and appellate order is awaited.

14. BILLS PAYABLE

	2003	2002
	<i>(Rupees in '000)</i>	
In Pakistan	1,208,671	758,961
Outside Pakistan	-	-
	<u>1,208,671</u>	<u>758,961</u>

15. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	12,798,678	5,542,370
Outside Pakistan	329,076	495,206
	<u>13,127,754</u>	<u>6,037,576</u>

15.1 Particulars of borrowings from financial institutions

In local currency	12,798,678	5,542,370
In foreign currencies	329,076	495,206
	<u>13,127,754</u>	<u>6,037,576</u>

15.2 Details of borrowings from financial institutions

Secured			
Borrowings from financial institutions		-	-
Borrowings from subsidiary companies, managed modarabas and associated undertakings		-	-
Borrowings from directors (including Chief Executive) of the Bank		-	-
Borrowings from State Bank of Pakistan			
under export refinance scheme	15.2.1	5,244,207	2,773,829
Repurchase agreement borrowings	15.2.2	6,304,471	2,593,541
		<u>11,548,678</u>	<u>5,367,370</u>
Unsecured			
Call borrowings	15.2.3	1,250,000	175,000
Overdrawn nostro accounts		329,076	495,206
		<u>1,579,076</u>	<u>670,206</u>
		<u>13,127,754</u>	<u>6,037,576</u>

15.2.1 This represents borrowing from SBP under export refinance scheme at rates ranging from 4.50% to 1.50% per annum maturing within six months up to June 2004. As per terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained with SBP.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

15.2.2 □ This represents repurchase agreement borrowings from other banks at rates ranging from 1.40% to 2.40% per annum maturing up to March 2004.

15.2.3 □ This represents call borrowing in interbank market at rates ranging from 1.70% to 2.50% per annum maturing in May 2004.

16. DEPOSITS AND OTHER ACCOUNTS

	2003	2002
	(Rupees in '000)	
Customers		
Fixed deposits	11,103,147	11,083,927 □
Savings deposits	44,625,779	30,154,251 □
Current accounts – Remunerative	-	- □
Current accounts – Non-remunerative	18,636,930	8,539,944 □
Margin, call and sundry deposits	879,749	702,402 □
	75,245,605	50,480,524 □
Financial Institutions		
Remunerative deposits	1,444,483	1,204,460 □
Non-remunerative deposits	8,234	- □
	1,452,717	1,204,460 □
	<u>76,698,322</u>	<u>51,684,984</u>

16.1 These include deposits of Rs. 113.712 million (2002: Nil) of Islamic Banking Division.

16.2 Particulars of deposits

	2003	2002
	(Rupees in '000)	
In Local currency	69,159,499	45,464,501 □
In Foreign currencies	7,538,823	6,220,483 □
	<u>76,698,322</u>	<u>51,684,984</u>

17. SUB-ORDINATED LOANS

Term Finance Certificates – Quoted, Unsecured **649,740** **650,000**

Mark-up □ 1.35% above 5 year PIB yield; □
floor : 10% per annum; cap: 15% per annum

Subordination □ The TFCs are subordinated to all other indebtedness □
of the Bank including deposits

Rating □ A +

Tenor □ Six years

Redemption □ 2 equal semi-annual installments commencing June 2008

Maturity □ December 2008

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

18. OTHER LIABILITIES

	2003	2002
	(Rupees in '000)	
Mark-up/return/interest payable in local currency	528,461	539,277 □
Mark-up/return/interest payable in foreign currencies	23,720	24,048 □
Unearned commission and income on bills discounted	55,978	12,154 □
Accrued expenses	150,427	37,779 □
Proposed Dividend	500,000	250,000 □
Branch adjustment account	196,229	45,500 □
Taxation	869,048	20,967 □
Lease security deposit	205,082	14,423 □
Payable to defined benefit plan	-	45,784 □
Exchange difference payable to SBP	4,997	- □
Payable to brokers	18.1 53,857	120,700 □
Others	98,955	85,710 □
	<u>2,686,754</u>	<u>1,196,342</u>

18.1 This represents amounts payable to brokers against purchase of shares.

19. SHARE CAPITAL

19.1 Authorized Capital

2003	2002		2003	2002
			(Rupees in '000)	
<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

19.2 Issued, subscribed and paid up

75,000,000	75,000,000 □	Ordinary shares of Rs. 10 each fully paid in cash	750,000	750,000 □
25,000,000	25,000,000 □	Bonus Shares	250,000	250,000 □
<u>100,000,000</u>	- □	Bonus Shares issued during the year	<u>1,000,000</u>	- □
<u>200,000,000</u>	<u>100,000,000</u>		<u>2,000,000</u>	<u>1,000,000</u>

20. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

- fixed assets □	20.1	805,785	485,976 □
- securities	20.2	<u>199,047</u>	<u>1,550,914</u> □
		<u>1,004,832</u>	<u>2,036,890</u>

20.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets	1,347,752	830,950 □
Deficit reversed due to disposal	243	- □
Less: related deferred tax liability	(468,999)	(286,168) □
Transferred to retained earnings relating to incremental depreciation (net of tax)	<u>(73,211)</u>	<u>(58,806)</u> □
	<u>805,785</u>	<u>485,976</u>

20.2 Surplus on revaluation of securities

i) □ Government securities	222,359	2,583,246 □
ii) □ Quoted shares □	70,133	96,889 □
iii) □ Term Finance Certificates – quoted	<u>7,844</u>	<u>13,228</u> □
	300,336	2,693,363 □
Less: related deferred tax liability	<u>(101,289)</u>	<u>(1,142,449)</u> □
	<u>199,047</u>	<u>1,550,914</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct Credit Substitutes

2003 2002
(Rupees in '000)

Contingent liability in respect of guarantees given favouring:

i) <input type="checkbox"/> Government	2,099,911	253,297 <input type="checkbox"/>
ii) <input type="checkbox"/> Banking companies and other financial institutions	99,836	32,457 <input type="checkbox"/>
iii) <input type="checkbox"/> Others	527,697	208,154 <input type="checkbox"/>
	<u>2,727,444</u>	<u>493,908</u>

21.2 Transaction-related Contingent Liabilities

Contingent liability in respect of performance bonds, bid bonds,
shipping guarantees, standby letters of credit, etc. favouring:

i) <input type="checkbox"/> Government	4,411,462	4,324,541 <input type="checkbox"/>
ii) <input type="checkbox"/> Banking companies and other financial institutions	79,876	177,198 <input type="checkbox"/>
iii) <input type="checkbox"/> Others	2,274,302	595,114 <input type="checkbox"/>
	<u>6,765,640</u>	<u>5,096,853</u>

21.3 Trade-related Contingent Liabilities

Letters of credit	9,592,550	5,675,622 <input type="checkbox"/>
Acceptances	2,456,680	2,281,419

21.4 Other Contingencies

Claims against the Bank not acknowledged as debts	660,373	1,022,923
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21.5 Commitments in respect of forward lending

Commitments to extend credit	475,000	<input type="checkbox"/>
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21.6 Commitments in respect of forward exchange contracts

Purchase	5,960,635	3,467,863 <input type="checkbox"/>
Sale	4,027,393	5,102,912

21.7 Commitments for the acquisition of operating fixed assets and intangibles

	258,490	98,027
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21.8 Commitments in respect of repo transactions

- Repurchase	6,388,064	2,709,281 <input type="checkbox"/>
- Resale	6,807,219	4,092,740

21.9 Commitments in respect of equity investments

- Sale	274,157	<input type="checkbox"/> <input type="checkbox"/>
- Purchase	274,283	-

21.10 Other commitments

- For purchase of 25% equity in Shamil Bank of Bangladesh	77,851	77,851
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22. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to: <input type="checkbox"/> i) <input type="checkbox"/> customers	2,600,923	2,627,302 <input type="checkbox"/>
<input type="checkbox"/> ii) <input type="checkbox"/> financial institutions	24,657	45,195 <input type="checkbox"/>
b) On investments in: <input type="checkbox"/> i) <input type="checkbox"/> available for sale securities	1,270,754	1,599,326 <input type="checkbox"/>
<input type="checkbox"/> ii) <input type="checkbox"/> held to maturity securities	38,751	116,925 <input type="checkbox"/>
c) On deposits with financial institutions	46,198	95,505 <input type="checkbox"/>
d) On securities purchased under resale agreements	52,097	67,076 <input type="checkbox"/>
	<u>4,033,380</u>	<u>4,551,329</u>

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

23. MARK-UP/RETURN/INTEREST EXPENSED

	2003	2002
	(Rupees in '000)	
Deposits (including exchange risk fee)	1,694,997	2,522,700 □
Securities sold under repurchase agreements	168,958	356,056 □
Other short term borrowings	99,631	230,337 □
Term Finance Certificates	64,991	3,220 □
	<u>2,028,577</u>	<u>3,112,313</u>

24. OTHER INCOME

Postage, telex, service charges, etc.	213,348	139,240 □
Net profit on sale of property and equipment	6,903	2,568 □
Gain on sale of shares/ certificates/ units – net	362,550	79,165 □
Gain on sale of PIBs	2,190,702	- □
	<u>2,773,503</u>	<u>220,973</u>

25. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.	705,504	449,408 □
Charge for defined benefit plan – Gratuity	21,096	15,925 □
Contribution to defined contribution plan - Provident Fund	22,053	13,203 □
Brokerage and commissions	82,090	35,927 □
Rent, taxes, insurance, electricity, etc.	210,686	172,695 □
License fee	38,500	- □
Legal and professional charges	25,475	16,969 □
Communication	115,972	69,576 □
Repairs and maintenance	58,465	32,667 □
Stationery and printing	56,035	43,324 □
Advertisement and publicity	96,732	74,090 □
Donations □	25.1	3,600
Auditors' remuneration □	25.2	2,065
Depreciation □	12.2	186,574
Amortization of intangible assets □	12.3	21,085
Amortization of deferred cost	-	1,898 □
Entertainment, vehicle running expenses, □ travelling and subscription	93,848	56,082 □
Others	59,710	47,481 □
	<u>1,799,490</u>	<u>1,182,887</u>

25.1 Donations

Sheikh Zayed Hospital – Rahim Yar Khan	-	1,450 □
Rising Sun Institute – Lahore	2,000	1,000 □
Miss Ammara Jawed – Islamabad	-	218 □
Nishtar Hospital – Multan	100	- □
Pakistan Human Development Fund (PHDF)	1,500	- □
	<u>3,600</u>	<u>2,668</u>

None of the directors or their spouses had any interest in the donees.

25.2 Auditors' remuneration

Audit fee	1,000	1,000 □
Fee for half yearly review	350	- □
Special certifications and sundry advisory services	365	430 □
Out-of-pocket expenses	350	320 □
	<u>2,065</u>	<u>1,750</u>

26. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	<u>1,875</u>	<u>993</u>
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NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

27. TAXATION

	2003	2002
	(Rupees in '000)	
For the year		
Current	1,364,723	407,752 □
Deferred	(5,164)	(6,271) □
	<u>1,359,559</u>	<u>401,481</u> □
For prior year		
Current	22,887	(15,200) □
Deferred	-	62,693 □
	<u>22,887</u>	<u>47,493</u> □
	<u>1,382,446</u>	<u>448,974</u> □

27.1 Relationship between tax expense and accounting profit

Profit before tax	<u>3,505,680</u>	<u>894,653</u> □
Tax at the applicable rate of 44% (2002: 47%)	1,542,499	420,486 □
Effect of:		
- change in tax rate	8,507	62,693 □
- income chargeable to tax at reduced rates	(39,314)	(23,924) □
- income exempt from tax	(159,577)	(37,212) □
- other differences	7,444	42,131 □
- prior year provision	22,887	(15,200) □
Tax expense for the year	<u>1,382,446</u>	<u>448,974</u> □

28. BASIC EARNINGS PER SHARE

Profit for the year	<u>2,123,234</u>	<u>445,679</u> □
	Number of shares in thousand	
	2003	2002
Weighted average number of ordinary shares	<u>200,000</u>	<u>200,000</u>
Basic and diluted earnings per share	<u>Rs. 10.62</u>	<u>Rs. 2.23</u>

29. CASH AND CASH EQUIVALENTS

	2003	2002
	(Rupees in '000)	
Cash and balances with treasury banks	8,423,399	4,540,486 □
Balances with other banks	626,917	232,728 □
Call lendings	650,000	550,000 □
	<u>9,700,316</u>	<u>5,323,214</u> □

30. STAFF STRENGTH

	Number of employees	
Total number of employees at the end of the year	<u>2,133</u>	<u>1,504</u>

31. DEFINED BENEFIT PLAN

31.1 Principal actuarial assumptions □

Discount factor used (% per annum compounded) □	7	8
Expected yield on investments (% per annum) □	9.15	8 – 10
Salary increase (% per annum) □	7	8
Normal retirement age	60 years	60 years

31.2 Reconciliation of payable to defined benefit plan □

	(Rupees in '000)	
Present value of defined benefit obligations □	135,457	93,901 □
Fair value of plan assets □	(86,303)	(15,300) □
Net actuarial losses not recognized □	(49,154)	(30,343) □
Unrecognized transitional obligation	-	(2,474) □
	<u>-</u>	<u>45,784</u> □

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

31.3 Movement in payable to defined benefit plan

	2003	2002
	(Rupees in '000)	
Opening balance	45,784	33,350 □
Liability for clerical staff	6,693	- □
Charge for the year	21,096	15,925 □
Contribution to fund made during the year	(73,573)	(3,491) □
Closing balance	-	45,784

31.4 Charge for defined benefit plan

Current service cost	10,429	6,496 □
Interest cost	7,512	8,017 □
Expected return on plan assets	(1,224)	(2,035) □
Actuarial losses	1,905	971 □
Past service cost	-	- □
Amortization of transitional obligation	2,474	2,476 □
	<u>21,096</u>	<u>15,925</u>

31.5 Actual return on plan assets

	<u>2,500</u>	<u>2,020</u>
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32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2003	2002	2003	2002
	(Rupees in '000)			
Managerial remuneration	5,200	4,800	113,731	65,288
Gratuity	350	300	4,294	2,484
Provident fund	-	-	4,303	2,523
Rent and house maintenance	-	-	29,209	18,445
Utilities	-	-	-	1,285
Medical	147	68	-	-
Others	-	-	-	1,885
	<u>5,697</u>	<u>5,168</u>	<u>151,537</u>	<u>91,910</u>
Number of person	<u>1</u>	<u>1</u>	<u>65</u>	<u>40</u>

The Chief Executive and certain executives have been provided with the free use of cars and household equipment.

33. MATURITIES OF ASSETS AND LIABILITIES

	2003				
	Total	Up to three months	Over 3 months to one year	Over one year to five years	Over five years
	(Rupees in '000)				
Assets					
Cash and balances with treasury banks	8,423,399	8,423,399	-	-	- □
Balances with other banks	626,917	507,526	90,196	29,195	- □
Lending to financial institutions	7,437,733	7,337,733	100,000	-	- □
Investments	28,903,596	6,292,134	11,270,760	7,970,233	3,370,469 □
Advances	49,216,120	15,783,506	22,285,078	10,017,012	1,130,524 □
Other assets	1,553,108	1,109,048	192,487	177,851	73,722 □
Operating fixed assets	2,791,626	-	-	966,995	1,824,631 □
	<u>98,952,499</u>	<u>39,453,346</u>	<u>33,938,521</u>	<u>19,161,286</u>	<u>6,399,346 □</u>
Liabilities					
Bills payable	1,208,671	1,208,671	-	-	- □
Borrowings from financial institutions	13,127,754	7,633,547	5,494,207	-	- □
Deposits and other accounts*	76,698,322	21,190,385	3,886,101	2,775,787	48,846,049 □
Subordinated loans	649,740	-	260	1,040	648,440 □
Other liabilities	2,686,754	1,370,266	962,665	284,029	69,794 □
Deferred tax liabilities	323,010	-	102,049	-	220,961 □
	<u>94,694,251</u>	<u>31,402,869</u>	<u>10,445,282</u>	<u>3,060,856</u>	<u>49,785,244</u>
Net assets	<u>4,258,248</u>	<u>8,050,477</u>	<u>23,493,239</u>	<u>16,100,430</u>	<u>(43,385,898)</u>
Share capital	2,000,000				
Reserves	790,374				
Unappropriated profit	463,042				
Surplus on revaluation of assets	1,004,832				
	<u>4,258,248</u>				

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

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

33.1 Liquidity risk is the risk that the bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Management Committee manages the liquidity position on a continuous basis. The Committee monitors the maintenance of balance sheet liquidity ratios, depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits, (current accounts and saving accounts) form a considerable part of the Bank's overall funding therefore significant importance is attached to the stability and growth of these deposits.

34. YIELD / INTEREST RATE RISK

Effective yield/ interest rate %	Total	2003				Not exposed to yield/ interest
		Exposed to yield / interest risk				
		Up to three months	Over 3 months to one year	Over one year to five years	Over five years	
(Rupees in '000)						
On-balance sheet financial instruments						
Assets						
Cash and balances with treasury banks	0.720	8,423,399	1,107,929	-	-	7,315,470
Balances with other banks	2.581	626,917	19,534	90,196	29,195	487,992
Lending to financial institutions	3.742	7,437,733	7,337,733	100,000	-	-
Investments	3.651	28,903,596	5,187,092	11,270,760	7,970,233	3,328,469
Advances	6.874	49,216,120	15,783,506	22,285,078	10,017,012	1,130,524
Other assets		1,180,969	-	-	-	1,180,969
		95,788,734	29,435,794	33,746,034	18,016,440	4,458,993
Liabilities						
Bills payable		1,208,671	-	-	-	1,208,671
Borrowings from financial institutions	1.783	13,127,754	7,633,547	5,494,207	-	-
Deposits and other accounts	3.074	76,698,322	1,665,471	49,956,363	2,498,208	3,053,366
Subordinated loans	10.000	649,740	-	260	1,040	648,440
Liabilities against assets subject to finance lease		-	-	-	-	-
Other liabilities		1,461,580	-	-	-	1,461,580
		93,146,067	9,299,018	55,450,830	2,499,248	3,701,806
On-balance sheet gap		<u>2,642,667</u>	<u>20,136,776</u>	<u>(21,704,796)</u>	<u>15,517,192</u>	<u>757,187</u>
Cumulative yield/interest risk sensitivity gap			<u>20,136,776</u>	<u>(1,568,020)</u>	<u>13,949,172</u>	<u>14,706,359</u>

34.1 The interest rate risk arises from the fluctuation in the value of financial instrument consequent to the changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee monitors the re-pricing of the assets and liabilities on a regular basis.

The Bank's interest rate risk is limited since the majority of customers' deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles. Hence Bank's exposure in three months to one-year time as mentioned above has no impact on bank's results.

35. CURRENCY RISK

	2003			
	Assets	Liabilities	Off-balance sheet items*	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	89,525,258	85,254,448	(1,581,336)	2,689,474
United States Dollar	5,716,365	6,703,856	957,817	(29,674)
Great Britain Pound	161,798	725,264	547,320	(16,146)
Japanese Yen	34,772	-	(34,474)	298
Euro	336,440	461,407	115,757	(9,210)
Other currencies	14,101	1,092	(5,084)	7,925
	<u>95,788,734</u>	<u>93,146,067</u>	<u>-</u>	<u>2,642,667</u>

* The off-balance sheet items have been valued at year end rates.

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

- 35.1 Currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments. □

Off-balance sheet financial instruments are contracts, the characteristics of which are derived from those of underlying assets. These include forwards and swaps in foreign exchange market. The Bank's exposure in these instruments represents forward foreign exchange contracts on behalf of customers in import and export transactions and forward sales and purchases on behalf of customers in the inter-bank market. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter-party, dealers' intra-day and overnight limits. □

The exposure of the Bank to currency risk is also restricted by the statutory limit on aggregate exposure enforced by the State Bank of Pakistan.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
(Rupees in '000)				
On-balance sheet financial Instruments				
Assets				
Cash balances with treasury banks	8,423,399	8,423,399	4,540,486	4,540,486
Balances with other banks	626,917	626,917	232,728	232,728
Lendings to financial institutions	7,437,733	7,437,733	4,634,398	4,637,046
Investments	28,903,596	28,903,596	24,694,397	24,730,272
Advances	49,216,120	49,216,120	28,319,401	28,453,812
Other assets	1,180,969	1,180,969	686,811	686,811
	<u>95,788,734</u>	<u>95,788,734</u>	<u>63,108,221</u>	<u>63,281,155</u>
Liabilities				
Bills payable	1,208,671	1,208,671	758,961	758,961
Borrowings from financial institutions	13,127,754	13,127,754	6,037,576	6,044,743
Deposits and other accounts	76,698,322	76,698,322	51,684,984	51,684,984
Subordinated loan	649,740	649,740	650,000	650,000
Other liabilities	1,461,580	1,461,580	934,025	934,025
	<u>93,146,067</u>	<u>93,146,067</u>	<u>60,065,546</u>	<u>60,072,713</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	5,960,635	5,996,455	3,467,863	3,467,863
Forward sale of foreign exchange	4,027,393	4,041,896	5,102,912	5,102,912

37. CONCENTRATION OF CREDIT RISK □

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The Bank has built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid by the management in respect of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing. □

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

NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

37.1 Segment by class of business

	2003					
	Deposits		Advances		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical	875,015	1.14	499,533	1.01	882,038	4.09
Agribusiness	2,739,143	3.57	2,150,078	4.37	120,975	0.56
Textile Spinning	336,989	0.44	7,271,547	14.77	1,950,748	9.06
Textile Weaving	711,778	0.93	3,309,207	6.72	936,453	4.35
Textile Composite	2,152,950	2.81	3,524,397	7.16	454,602	2.11
Cement	171,518	0.22	169,602	0.34	111,873	0.52
Sugar	440,384	0.58	1,574,941	3.20	128,470	0.60
Shoes & Leather Garments	476,023	0.62	535,099	1.09	44,403	0.21
Automobile & Transportation Equipment	1,488,217	1.94	655,121	1.33	980,361	4.55
Financial	2,571,824	3.35	1,012,191	2.07	2,527,752	11.73
Insurance	639,250	0.83	7,592	0.02	1,261	0.01
Electronic & Electrical Appliances	510,743	0.67	534,254	1.09	1,314,346	6.10
Production & Transmission of Energy	13,187,512	17.19	473,574	0.96	3,449,800	16.01
Individuals	32,137,881	41.90	12,481,662	25.36	720,262	3.34
Others	18,259,095	23.81	15,017,322	30.51	7,918,970	36.76
	<u>76,698,322</u>	<u>100.00</u>	<u>49,216,120</u>	<u>100.00</u>	<u>21,542,314</u>	<u>100.00</u>

37.2 Segment by sector

Public / Government	10,169,113	13.26	1,075,920	2.20	3,137,891	14.57
Private	66,529,209	86.74	48,140,200	97.80	18,404,423	85.43
	<u>76,698,322</u>	<u>100.00</u>	<u>49,216,120</u>	<u>100.00</u>	<u>21,542,314</u>	<u>100.00</u>

38. GEOGRAPHICAL SEGMENT ANALYSIS □

These financial statements represent operations of the Bank in Pakistan only.

39. RELATED PARTY TRANSACTIONS □

Transactions with related parties are occurred in an arm's length transaction which is the fair value of the considerations exchanged.

39.1 Current Account/Borrowings

	2003	2002
	(Rupees in '000)	
Balance at beginning of the year	8,567	92,506 □
Net movement	(5,119)	(83,939) □
Balance at the end of the year	<u>3,448</u>	<u>8,567</u>

These accounts are of current nature which are subject to variations.

39.2 Deposits/Placements

Balance at beginning of the year	-	986,992 □
Placements during the year	-	18,568,187 □
Withdrawal during the year	-	(19,555,179) □
Balance at the end of the year	<u>-</u>	<u>-</u>

39.3 Mark-up/Interest earned

- 23,327 □

39.4 Mark-up/Interest expensed

- 55,877 □

39.5 Expenses paid and recovered from Subsidiary company during the period.

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39.6 There are no loans and advances to directors and related parties.

40. DATE OF AUTHORISATION FOR ISSUE □

These financial statements were authorised for issue on January 26, 2004 by the Board of Directors of the Bank.

41. Figures have been rounded off to the nearest thousand rupees except stated otherwise.

Chief Executive Officer

Director

Director

Chairman

STATEMENT SHOWING WRITTEN-OFF FINANCINGS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2003

S. No.	Name and address of the borrower	Name of individuals/ partners/directors with NIC No.	Father's/ Husband's Name*	Outstanding liabilities at January 1, 2003				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	I. Z. Enterprises 30 Dhedi Centre, 3rd Floor, New Neham Road, Cloth Market, Karachi.	Mr. Mohammad Zubair*	S/o Mr. Abdul Sattar	5,838	-	-	5,838	1,037	-	-	1,037
2	Pakistan Engineering Consultants A/15-A/1, Sunset Boulevard, DHA, Karachi.	Mr. Hideruddin Ahmed* Mr. Adil Ahmed* Ms. Ruqayya Ahmed* Mrs. Rukhsana Fikree* Ms. Farzana Ahmed*	S/o Late Kafiluddin Ahmed S/o Late Kafiluddin Ahmed W/o Late Kafiluddin Ahmed D/o Late Kafiluddin Ahmed	5,431	7,173	-	12,604	4,081	6,523	-	10,604
3	General Product Industries 239, Staff Lines, Fatima Jinnah Road, Karachi	Mr. M. Shabbir Ahmed* Mr. Rahula Amin* Mr. Khalique Ahmed Shamsi*	S/o Mr. H. Rashid Ahmed S/o Mr. H. Rashid Ahmed S/o Mr. H. Rashid Ahmed	562	46	-	608	562	46	-	608
4	Fine Food Industries Ltd. 5 B, East Avenue, Phase-1, DHA, Karachi	Mr. Saleem Ahmed Khan* Mrs. Cyra Sikander Khan* Mr. Yousof M. Khan* Mr. Mazhar Malik* Mr. K.M. Afzal*	S/o Mr. Karim Ahmed Khan W/o Mr. Sikander Mustafa Khan S/o Mr. Khan Bahadur A. Rauf Khan S/o Mr. Malik Fazle Haq S/o Mr. Nizamuddin	880	1,938	-	2,818	743	1,198	-	1,941
5	Nazneen Abid Ali 56-B, Shaabane Iqbal, F-8/2, Islamabad.	Mrs. Nazneen Abid Ali*	W/o Mr. S. Abid Ali	723	-	-	723	723	-	-	723
6	Paramount Marketing Services (Pvt) Ltd. 7-B/II, South Circular Avenue, DHA, Karachi.	Mr. Irshad Ali Siddiki* Mr. Imtiaz Ali Siddiki* Mr. Gul Mohammad Subhani*	S/o Mr. Mushtaq Ali S/o Mr. Mushtaq Ali S/o Heji Mohammed Siddique	1,664	-	-	1,664	1,464	-	-	1,464
7	Alam Shuttle Indus P.O Box 200, G.T Road, Gujranwala.	Mian Maqsood Ahmed* Mian Maqbool Ahmed*	S/o Mr. Mohammad Alam S/o Mr. Mohammad Alam	852	379	-	1,231	852	379	-	1,231
8	Gardee Wolfen Al-Faisal Town, Lahore Cantt-13, Lahore.	Mr. Rashid Ahmed Gardee* Mrs. Hajera Rasheed Gardee* Miss Rubina Rashid Khan* Mst. Aisar Sultana* Mr. Mohammad Khawajwa* Mr. Ebrahim Rashid* Mr. Zaitar Iqbal*		1,415	10,194	-	11,609	1,415	9,293	-	10,708
9	SPRL Rehman 2/7-Gulberg Complex, Main Road Gulberg, Lahore.	Mr. Khalid Memon* Mrs. Saimaz Khalid* Mr. Tubasam Rashid*		1,721	-	-	1,721	1,573	-	-	1,573
10	Sheikh Mohammad Hussain	Mr. Sh. Mohammad Shafique* Mr. Sh. Saeed Ahmed* Mr. Sh. Abdul Rehman* Mrs. Parveen Akhtar Mrs. Muddassar Amin* Mr. S. M. Mehbub* Mr. Fazle Rahim Sabbar*	Mr. Sh. Mohammad Hussain Mr. Sh. Mohammad Hussain Mr. Sh. Taj Din Mr. Sh. Mohammad Shafique Mr. Sh. Saeed Ahmed Nominee By S.L.I.C Nominee By I.C.P	1,975	-	-	1,975	1,975	-	-	1,975
11	Skintrend Infr/ 112/A-1, Industrial Area, Kot Lakhpat, Township, Lahore.	Mr. Ishtaiq Ahmed* Mr. Mohammad Iqbal* Mr. Rustam Ali*		32,948	234	-	33,182	32,548	234	-	32,782
				54,009	19,964	-	73,973	46,973	17,673	-	64,646

* Not available in the records of the Bank.



Consolidated Annual Accounts
of
Bank Alfalah Limited
and
Alfalah Securities (Pvt) Limited
(Subsidiary Company)

AUDITORS' REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of Bank Alfalah Limited as at 31 December 2003 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, (here-in-after referred to as the 'financial statements') for the year then ended. We have also expressed separate opinion on the financial statements of Bank Alfalah Limited and the financial statements of subsidiary company Alfalah Securities (Private) Limited.

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

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

In our opinion the consolidated financial statements examined by us present fairly the financial position of Bank Alfalah Limited as at 31 December 2003 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Karachi
January 26, 2004 □

TASEER HADI KHALID & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

As at December 31, 2003

	Note	2003	2002 (Restated)
		Rupees '000	
ASSETS			
Cash and balances with treasury banks	6	8,423,399	4,540,486
Balances with other banks	7	626,917	232,728
Lendings to financial institutions	8	7,437,733	4,634,398
Investments	9	28,861,596	24,470,314
Advances	10	49,216,120	28,319,401
Other assets	11	1,586,890	1,208,930
Operating fixed assets	12	2,792,710	1,760,774 □
Deferred tax asset	13	-	-
		98,945,365	65,167,031
LIABILITIES			
Bills payable	14	1,208,671	758,961
Borrowings from financial institutions	15	13,127,754	6,037,576
Deposits and other accounts	16	76,673,157	51,684,984
Sub-ordinated loans	17	649,740	650,000
Other liabilities	18	2,686,785	1,196,342
Deferred tax liabilities	13	323,010	1,186,501
		94,669,117	61,514,364
NET ASSETS		4,276,248	3,652,667
REPRESENTED BY			
Share capital	19	2,000,000	1,000,000
Reserves		790,374	365,727
Unappropriated profit		463,042	250,050
		3,253,416	1,615,777
Surplus on revaluation of assets	20	1,004,832	2,036,890 □
Minority interest		18,000	-
		4,276,248	3,652,667
CONTINGENCIES AND COMMITMENTS	21		
The annexed notes 1 to 41 form an integral part of these accounts.			

Chief Executive Officer

Director

Director

Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2003

	Note	2003	2002
		(Rupees in '000)	
Mark-up/return/interest earned	22	4,033,380	4,551,329 □
Mark-up/return/interest expensed □	23	2,028,577	3,112,313 □
Net mark-up/interest income □		2,004,803	1,439,016 □
Provision against non-performing loans and advances - net □	10.4	(87,091)	(53,619) □
Provision for diminution in the value of investments □		-	- □
Bad debts written-off directly □		(418)	(1,447) □
		(87,509)	(55,066) □
Net mark-up/interest income after provisions		1,917,294	1,383,950 □
NON-MARK-UP/INTEREST INCOME □			
Fee, commission and brokerage income □		399,383	316,368 □
Dividend income □		112,017	62,077 □
Income from dealing in foreign currencies □		106,848	95,165 □
Other income □	24	2,773,503	220,973 □
Total non-mark-up/interest income		3,391,751	694,583 □
		5,309,045	2,078,533 □
NON-MARK-UP/INTEREST EXPENSES □			
Administrative expenses □	25	1,799,490	1,182,887 □
Other provisions/write offs □		2,000	- □
Other charges □	26	1,875	993 □
Total non-mark-up/interest expenses □		1,803,365	1,183,880 □
		3,505,680	894,653 □
Extraordinary/unusual items		-	- □
		3,505,680	894,653 □
PROFIT BEFORE TAXATION □			
Taxation □			
For the year □ - Current □		1,364,723	407,752 □
- Deferred □		(5,164)	(6,271) □
For prior year □ - Current □		22,887	(15,200) □
- Deferred □		-	62,693 □
	27	1,382,446	448,974 □
PROFIT AFTER TAXATION □			
Unappropriated profit brought forward □		2,123,234	445,679 □
Transfer from general reserve □		250,050	249,701 □
Transfer from surplus on revaluation of Fixed Assets □		-	85,000 □
- Prior year □		-	38,098 □
- Current year - net of tax □		14,405	20,708 □
		14,405	58,806 □
Profit available for appropriation		2,387,689	839,186 □
APPROPRIATIONS □			
Transfer to statutory reserve □		(424,647)	(89,136) □
Bonus Shares □		(1,000,000)	(250,000) □
Cash dividend: 25 percent (2002: 25 percent) □		(500,000)	(250,000) □
		(1,924,647)	(589,136) □
Unappropriated profit carried forward		463,042	250,050 □
		Rupees	
Basic and diluted earnings per share □	28	10.62	2.23

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

CONSOLIDATED CASH FLOW STATEMENT

For the year ended December 31, 2003

	Note	2003	2002
		(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		3,505,680	894,653 □
Dividend income		(112,017)	(62,077) □
		3,393,663	832,576 □
Adjustments for non-cash charges □			
Depreciation □		186,622	141,235 □
Amortization - intangible assets □		21,085	1,898 □
Amortization - deferred cost □		-	7,989 □
Provision against non-performing advances □		87,091	53,619 □
Provision against other assets □		2,000	- □
Bad Debts written-off directly □		418	1,447 □
Gain on sale of fixed assets □		(6,903)	(2,568) □
Provision for Gratuity		21,096	15,925 □
		311,409	219,545 □
		3,705,072	1,052,121 □
(Increase)/ decrease in operating assets □			
Lendings to financial institutions □		(2,703,335)	(2,535,429) □
Advances □		(20,934,823)	(9,242,973) □
Others assets		(435,810)	77,083 □
		(24,073,968)	(11,701,319) □
Increase/(decrease) in operating liabilities □			
Bills payable □		449,710	453,403 □
Borrowings from financial institutions □		7,090,178	(671,478) □
Deposits □		24,988,173	21,477,660 □
Other liabilities		438,146	196,464 □
		32,966,207	21,456,049 □
		12,597,311	10,806,851 □
Gratuity paid		(73,573)	(3,490) □
Income tax paid		(539,529)	(277,366) □
Net cash flow from operating activities		11,984,209	10,525,995 □
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(6,096,789)	(13,584,669) □
Net investments in held-to-maturity securities		(687,520)	3,012,810 □
Proceeds from the issue of share capital		18,000	- □
Dividend received		127,389	78,714 □
Investments in operating fixed assets		(750,903)	(481,755) □
Sale proceeds of fixed assets disposed of		32,976	5,299 □
Net cash flow from investing activities		(7,356,847)	(10,969,601) □
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		-	- □
(Redemption)/Issuance of Term Finance Certificate		(260)	650,000 □
Dividend paid		(250,000)	- □
Net cash flow from financing activities		(250,260)	650,000 □
Increase in cash and cash equivalents		4,377,102	206,394 □
Cash and cash equivalents at beginning of the year		5,323,214	5,116,820 □
Cash and cash equivalents at end of the year	29	9,700,316	5,323,214

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2003

	Share capital	Statutory reserve	General reserve	Unappropriated profit	Total
	←..... (Rupees in '000)→				
Balance at January 1, 2002	750,000 □	276,591 □	85,000 □	249,701 □	1,361,292 □
Profit after tax for the year □ ended December 31, 2002	- □	- □	- □	445,679 □	445,679 □
Transfer from general reserve	- □	- □	(85,000) □	85,000 □	- □
Transfer to statutory reserve	- □	89,136 □	- □	(89,136) □	- □
Transfer from surplus on revaluation □ of fixed assets: □					
- Prior years □	- □	- □	- □	38,098 □	38,098 □
- Current year - net of tax	- □	- □	- □	20,708 □	20,708 □
Issue of bonus shares	250,000 □	- □	- □	(250,000) □	- □
Proposed dividend	- □	- □	- □	(250,000) □	(250,000) □
Balance at December 31, 2002	<u>1,000,000 □</u>	<u>365,727 □</u>	<u>- □</u>	<u>250,050 □</u>	<u>1,615,777 □</u>
Profit after taxation for the year □ ended December 31, 2003	- □	- □	- □	2,123,234 □	2,123,234 □
Transfer to statutory reserve	- □	424,647 □	- □	(424,647) □	- □
Transferred from surplus on □ revaluation of fixed assets	- □	- □	- □	- □	- □
- Current year - net of tax	- □	- □	- □	14,405 □	14,405 □
Issue of bonus shares	1,000,000 □	- □	- □	(1,000,000) □	- □
Proposed dividend	- □	- □	- □	(500,000) □	(500,000) □
Balance at December 31, 2003	<u><u>2,000,000</u></u>	<u><u>790,374</u></u>	<u><u>-</u></u>	<u><u>463,042</u></u>	<u><u>3,253,416</u></u>

The annexed notes 1 to 41 form an integral part of these accounts.

Chief Executive Officer

Director

Director

Chairman

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. It commenced banking operations from November 1, 1992. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962 and is operating through 59 branches (2002: 45 branches) with the registered office at B.A. Building, I.I. Chundrigar Road, Karachi. □

Bank Alfalah Limited on September 23, 2003 invested in 70 percent shares of Alfalah Securities (Private) Limited, which will undertake the business of a brokerage house. Alfalah Securities (Private) Limited was incorporated on September 23, 2003 with registered office in Karachi, Pakistan. □

The Bank has been granted licence to establish five Islamic Banking Branches by State Bank of Pakistan (SBP) on December 29, 2003 and the branches have commenced operations on the same day.

2. BASIS OF PRESENTATION □□□□

In accordance with the Islamic Banking System, trade related mode of financing include purchase of goods by the Bank from its customer and simultaneous re-sale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these accounts as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE □□□□

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International 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 directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with 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 Securities and Exchange Commission of Pakistan (SECP) has approved and notified the adoption of International Accounting Standard 39, Financial Instruments; Recognition and Measurement and International Accounting Standard 40, Investment Property. The requirements of these standards have not been followed in preparation of these financial statements as the State Bank of Pakistan has deferred the implementation of these standards for the banks in Pakistan till further instructions. However, investments have been classified in accordance with the requirements of the format prescribed by State Bank of Pakistan for the financial statements.

4. BASIS OF MEASUREMENT □

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in Market Treasury Bills, Pakistan Investment Bonds, Federal Investment Bonds and listed securities and in conformity with the accepted accounting practices of banking institutions in Pakistan.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation □

Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has the power to elect and appoint more than 50 percent of its directors. □

The financial statements of the subsidiary are included in the consolidated financial statements from the date the control commences until the date that control ceases. In preparing consolidated financial statements, the financial statements of the Bank and its subsidiary are combined on a line by line basis by adding

together like items of assets, liabilities, equity, income and expenses. Significant inter company transactions are eliminated. □

No profit and loss account of the subsidiary was prepared as the Subsidiary has not commenced commercial operations.

5.2 Cash and cash equivalents □

Cash and cash equivalents comprises cash and balances with treasury bank and balances with other banks and call lendings.

5.3 Revenue recognition □

Mark-up income and expense are recognised on a time proportion basis taking into account effective yield on the instrument. Fee, commission and brokerage except for Letters of Guarantees are recognised on receipt basis. Mark-up / return on non-performing advances are suspended, where necessary and recognized on receipt basis. □

Dividend income is recognized at the time when the bank's right to receive has been established. □

Financing method is used in accounting for income from lease financing. Under this method, the unrealised lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease. □

Unrealised lease income is suspended, where necessary, in accordance with the requirements of the Prudential Regulations of the State Bank of Pakistan and recognised on receipt basis. Gains / losses on termination of leased contracts, documentation charges, front end fee and other lease income are recognized as income on receipt basis.

5.4 Advances □

Loans and advances and net investment in finance lease are stated net of provisions against non-performing advances. Specific provision is made against advances in accordance with the guidance in the Prudential Regulations issued by the State Bank of Pakistan from time to time. The net provision made / reversed during the year is charged to profit and loss account and accumulated provision is netted off against advances. Advances are written off when there are no realistic prospects of recovery. □

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value.

5.5 Investments □

The investments of the Bank are classified in the following categories:

Securities held for trading □

These are investments acquired principally for the purpose of generating profits from short-term fluctuations in price or dealer's margin.

Securities held to maturity □

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

Available for sale □

These are investments which do not fall under the held for trading and held to maturity categories.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

Investment in subsidiary is carried at cost less impairment loss, if any. □

In accordance with the requirements of the BSD Circular No. 20 dated August 4, 2000, all those securities for which ready quotes are available on Reuters Page (PKRV) or Stock Exchange are valued at market rates and the resulting surplus / (deficit) is kept in a separate account and is shown below the shareholders equity in the balance sheet. □

Unquoted securities are stated at cost less provision for impairment loss. □

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention are recognised at trade date which is the date at which the Bank commits to purchase or sell the investment. □

Gains or losses on disposals during the year are taken to profit and loss account.

Sale and repurchase agreements □

The Bank enters into purchase / (sale) of investment under agreements to resale / (repurchase) investments at a certain date in the future at a fixed price. Investments purchased subject to commitment to resale them at the future dates are not recognized. The amounts paid are recognized in lendings to financial institutions. □

The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognized in the balance sheet and are measured in accordance with the accounting policy for investments. The proceeds from the sale of the investments are reported in borrowings from financial institutions. The difference between the purchase / (sale) and resale / (repurchase) consideration is recognized on a time proportion basis over the period of the transaction and is included in mark-up / return / interest earned or expensed.

5.6 Fixed assets

Tangible □

Office premises are shown at cost / revalued amount less accumulated depreciation. All other assets are 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 capitalized. Gains and losses on disposal of fixed assets are taken to profit and loss account. The surplus on revaluation of fixed assets (net of deferred taxation) to the extent of the incremental depreciation charged on the revalued assets is transferred to retained earnings.

Intangible assets □

Intangible assets are stated at cost less accumulated amortization by taking into consideration the estimated useful life.

5.7 Capital work in progress □

Capital work in progress is stated at cost.

5.8 Taxation

Current □

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all major temporary differences arising 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 that it is probable that future taxable profits 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 Staff retirement benefits

Defined Benefit Plan

The Bank operates an approved funded gratuity scheme for all its permanent employees. Contributions to the fund are made on the basis of actuarial recommendations.

Actuarial valuation of the scheme was carried out as at December 31, 2003 using the Projected Unit Credit Method.

Defined Contribution Plan

The Bank operates a recognised Provident Fund Scheme for all its permanent employees to which equal monthly contributions are made both by the Bank and employees at the rate of 8.33 percent of basic salary.

5.10 Foreign currencies

Assets and liabilities in foreign currencies are translated into Pak Rupee at the rates of exchange approximating those prevailing at the balance sheet date. Foreign currency transactions are converted at the rates prevailing on the transaction date.

Forward contracts other than contracts with SBP relating to foreign currency deposits are valued at forward rates applicable to the respective maturities of the relevant foreign exchange contract.

- Forward purchase contracts with SBP relating to foreign currency deposits are valued at the spot rate prevailing on the balance sheet date. The forward cover fee payable on such contracts is amortized over the term of the contracts.

Exchange gains and losses are included in income currently.

5.11 Provision for guarantee claims and other off-balance sheet obligations

Provision for guarantee claims and other off-balance sheet obligations is recognized when intimated and reasonable certainty exists for the bank to settle the obligation. Expected recoveries are recognized by debiting customer's account. Charge to profit and loss account is stated net-of expected recoveries.

5.12 Acceptances

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

5.13 Off-setting

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

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

5.14 Pre-operating and other expenses □

Pre-operating and other expenses of the subsidiary will be charged off to the profit and loss account on commencement of commercial operations.

5.15 Impairment □

The carrying amount of Bank's assets other than the deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the assets recoverable amount 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.

6. CASH AND BALANCES WITH TREASURY BANKS

	2003	2002 □
	(Rupees in '000)	
In hand □		
Local currency (including in transit Rs. 20.000 million) □	1,580,857	789,816 □
Foreign currency (including in transit Rs. 254.297 million)	637,817	333,203 □
With State Bank of Pakistan in □		
Local currency current account □	6.1 4,459,474	2,262,207 □
Foreign currency current account □	6.2 369,310	266,146 □
Foreign currency deposit account	6.3 1,107,929	798,439 □
With National Bank of Pakistan in □		
Local currency current account	268,012	90,675 □
	<u>8,423,399</u>	<u>4,540,486</u>

6.1 This account is maintained with SBP under the requirement of Section 22 of the Banking Companies Ordinance, 1962.

6.2 This account is maintained with SBP under the requirement of BSD Circular No. 18 dated March 31, 2001.

6.3 This account is maintained with SBP under the requirement of BSD Circular No. 18 dated March 31, 2001. Profit rates on these deposits are fixed by SBP on monthly basis. Profit ranging between 0.84% to 0.62% was paid during the year.

7. BALANCES WITH OTHER BANKS

	2003	2002 □
	(Rupees in '000)	
In Pakistan □		
On current account □	72,011	24,324
On deposit account	19,534	- □
Outside Pakistan □		
On current account □	415,982	114,347 □
On deposit account	7.1 <u>119,390</u>	<u>94,057 □</u>
	<u>626,917</u>	<u>232,728</u>

7.1 This represents placements of funds generated through foreign currency deposits scheme (FE-25), at interest rates ranging from 1.00% to 3.31% per annum with maturities up to July 2004.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

8. LENDINGS TO FINANCIAL INSTITUTIONS

		2003	2002
		(Rupees in '000)	
Call money lendings	8.1	650,000	550,000
Repurchase agreement lendings (Reverse Repo)	8.2	6,787,733	4,084,398
		<u>7,437,733</u>	<u>4,634,398</u>

8.1 This represents call lendings in interbank market at rates ranging from 2.25% per annum to 5.50% per annum maturing up to March 2004.

8.2 Securities held as collateral against lendings to financial institutions

	2003			2002		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Treasury Bills	4,937,733	-	4,937,733	3,134,398	-	3,134,398
Pakistan Investment Bonds	1,850,000	-	1,850,000	950,000	-	950,000
Federal Investment Bonds	-	-	-	-	-	-
	<u>6,787,733</u>	<u>-</u>	<u>6,787,733</u>	<u>4,084,398</u>	<u>-</u>	<u>4,084,398</u>

This represents repurchase agreement lendings at interest rates ranging from 1.75% per annum to 6.50% per annum maturing in March 2004.

9. INVESTMENTS

9.1 Investments by type

	2003			2002		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
Available for sale securities						
Treasury Bills	11,014,906	3,862,995	14,877,901	9,638,008	2,293,541	11,931,549
Pakistan Investment Bonds	8,331,101	2,458,230	10,789,331	7,858,921	376,100	8,235,021
Federal Investment Bonds	301,093	-	301,093	413,932	-	413,932
Fully paid up ordinary shares	1,023,668	-	1,023,668	547,516	-	547,516
Term Finance Certificates	302,557	-	302,557	319,253	-	319,253
Certificate of Investments	400,000	-	400,000	150,000	-	150,000
Pakistan Income Fund Units	19,985	-	19,985	29,324	-	29,324
Pakistan Stock Market Fund Units	6,081	-	6,081	19,866	-	19,866
Prize Bonds	23,952	-	23,952	26,949	-	26,949
Swift Shares	631	-	631	-	-	-
Atlas Income Fund	25,000	-	25,000	-	-	-
Shares of Pakistan Export Finance Guarantee Agency Ltd.	5,725	-	5,725	5,725	-	5,725
	<u>21,454,699</u>	<u>6,321,225</u>	<u>27,775,924</u>	<u>19,009,494</u>	<u>2,669,641</u>	<u>21,679,135</u>
Held to maturity securities						
Government Bonds	85,341	-	85,341	85,341	-	85,341
Term Finance Certificates	699,995	-	699,995	12,475	-	12,475
	<u>785,336</u>	<u>-</u>	<u>785,336</u>	<u>97,816</u>	<u>-</u>	<u>97,816</u>
	<u>22,240,035</u>	<u>6,321,225</u>	<u>28,561,260</u>	<u>19,107,310</u>	<u>2,669,641</u>	<u>21,776,951</u>
Surplus on revaluation						
of securities (net)	289,871	10,465	300,336	2,647,878	45,485	2,693,363
20.2	<u>22,529,906</u>	<u>6,331,690</u>	<u>28,861,596</u>	<u>21,755,188</u>	<u>2,715,126</u>	<u>24,470,314</u>

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2 Investments by segment

		2003	2002
		(Rupees in '000)	
Federal Government Securities			
- Treasury Bills	9.2.1	14,877,901	11,931,549
- Pakistan Investment Bonds	9.2.2	10,789,331	8,235,021
- Federal Investment Bonds	9.2.3	301,093	413,932
- Government Bonds	9.2.4	85,341	85,341
- Prize Bonds		23,952	26,949
		26,077,618	20,692,792
Fully Paid up Ordinary Shares			
- Listed Companies	9.2.5	1,074,734	596,706
- Unlisted Companies	9.2.6	6,356	5,725
		1,081,090	602,431
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
- Term Finance Certificates – quoted	9.2.7	302,557	319,253
- Term Finance Certificates – unquoted	9.2.8	699,995	12,475
		1,002,552	331,728
Other Investments			
Certificate of Investments	9.2.9	400,000	150,000
		28,561,260	21,776,951
Surplus on revaluation of securities	20.2	300,336	2,693,363
		28,861,596	24,470,314

9.2.1 Treasury bills are for the periods of six months and one year. The rates of profit on treasury bills range between 1.3% to 2.75% per annum with maturities up to December 2004.

9.2.2 Pakistan Investment Bonds are for the periods of three, five and ten years. The rates of profit range from 6.00% to 12.5% per annum with maturities from February 2004 to October 2013.

9.2.3 Federal Investment Bonds are for the periods of ten years. The rate of profit is 15% per annum with maturities ranging from September 2004 to October 2005.

9.2.4 This represents bonds issued by the Federal Government to settle the dues of Heavy Mechanical Complex at the rate of 12.775 % per annum redeemable on maturity in March, 2009.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.5 Investments in listed companies / funds include the following:

The par value of these shares/certificates/units is Rs. 10 except where stated.

2003	2002		2003	2002
No. of shares/ certificates/units			(Rupees in '000)	
MUTUAL FUNDS				
400,000	586,916	Pakistan Income Fund Units*	19,984	19,866
100,000	326,726	Pakistan Stock Market Fund Units*	6,081	29,324
50,000	-	Atlas Income Fund**	25,000	-
*The par value of these units is Rs. 50				
**The par value of these units is Rs. 500				
INVESTMENT COMPANIES & BANKS				
3,833,000	5,000,000	Askari Commercial Bank Limited	160,932	113,211
475,000	-	National Bank of Pakistan	25,641	-
998,500	-	Prime Commercial Bank Limited	13,570	-
MODARABAS				
1,814,000	-	First National Bank Modaraba	18,140	-
CEMENT				
950,000	-	Maple Leaf Cement Company	31,466	-
2,208,000	-	Fauji Cement Limited	28,461	-
7,004,000	-	D.G. Khan Cement Limited (Preference Shares)	77,185	-
FUEL & ENERGY				
6,475,500	9,221,000	Hub Power Company Limited	263,718	309,290
300,640	-	Oil & Gas Development Corporation Limited	9,623	-
173,800	-	Pakistan Oilfields Limited	40,584	-
1,258,000	1,900,000	Southern Electric Power Co. Limited	21,410	26,111
258,100	-	Attock Refinery Limited	27,496	-
5,902,500	2,450,000	Kohinoor Energy Limited	164,269	52,412
TRANSPORT & COMMUNICATION				
400,000	2,000,000	Pakistan Telecommunication Company Limited	14,512	46,492
CHEMICALS & PHARMACEUTICALS				
1,312,700	-	Fauji Fertilizer Company Limited	126,662	-
			1,074,734	596,706

9.2.6 Investment in unlisted companies

2003	2002		2003	2002
No. of shares/ certificates/units			(Rupees in '000)	
572,531	572,531	Pakistan Export Finance Guarantee Agency Limited Chief Executive : Mr. S.M. Zaem	5,725	5,725
5	-	Shares of SWIFT	631	-
			6,356	5,725

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.7□ Term Finance Certificates – Quoted, Secured

	2003	2002
	<i>(Rupees in '000)</i>	
Saudi Pak Leasing Company Limited		
NIL (2002: 15) certificates of Rs. 5,000 each		
NIL (2002:148) certificates of Rs. 100,000 each		
Mark-up: 18.25% per annum		
Redemption: Eight equal semi-annual installments commencing July 1998		
Maturity: January 2003	-	1,859
Dewan Salman Fibres Limited		
11,800 (2002: 11,800) certificates of Rs. 5,000 each		
Mark-up: 16% per annum		
Redemption: Eight equal quarterly installments commencing September 2003		
Maturity: June 2005	44,179	58,929
ICI Pakistan Limited		
12,000 (2002: 12,000) certificates of Rs. 5,000 each		
Mark-up: 3% above the last cut off yield of 5 year Pakistan Investment Bonds		
Redemption: Six equal semi-annual installments commencing February 2004;		
the issuer has a call option exercisable any time at par value plus a premium		
Maturity: August 2006	59,952	59,976
Engro Asahi Polymer & Chemical Limited		
10,000 (2002: 10,000) certificates of Rs. 5,000 each		
Mark-up: 1.5% above the weighted average of the last three cut-off yield of		
5 year Pakistan Investment Bonds with a floor of 13% per annum and a ceiling		
of 17% per annum		
Redemption: Four equal semi-annual installments commencing December		
2004; the issuer has a call option exercisable at par after June 2004		
Maturity: June 2006	49,950	49,970
Gulistan Textile Mills Limited		
6,000 (2002: 6,000) certificates of Rs. 5,000 each		
Mark-up: 2% above SBP discount rate with a floor of 14% per annum and a		
ceiling of 17.5% per annum		
Redemption: Six equal semi-annual installments commencing March 2004		
Maturity: September 2006	29,976	29,989
Pak-Arab Refinery Company Limited		
15,000 (2002: 15,000) certificates of Rs. 5,000 each		
Mark-up: 1.45% above the last cut-off yield of 3 year Pakistan Investment		
Bonds with a floor of 13% per annum and a ceiling of 15% per annum		
Redemption: Two equal semi-annual installments commencing June 2004		
Maturity: December 2004	74,940	74,970
Quetta Textile Mills Limited		
8,712 (2002: NIL) certificates of Rs. 5,000 each		
Mark-up: 2.5% above SBP discount rate with a floor of 13% per annum and		
a ceiling of 18% per annum		
Redemption: Six semi-annual installments commencing March 2005		
Maturity: September 2007	43,560	43,560
	302,557	319,253

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.8 □ Term Finance Certificates – Unquoted, Secured	2003	2002
	(Rupees in '000)	
<p>First International Investment Bank Limited 250 certificates of Rs. 100,000 each Mark-up: 17.50% per annum Redemption: Four equal annual installments commencing December 2000 Maturity: December 2003 Chief Executive Officer: Mr. A. Saeed Siddiqui</p>	-	12,475
<p>Al-Abbas Sugar Mills (Pvt.) Limited 10,000 certificates of Rs. 5,000 each Mark-up: Cut-off yield of the last successful SBP auction of the 3 month Treasury Bills + 3.25% per annum with a floor of 6% per annum and a cap of 13% per annum. Redemption: Nineteen equal quarterly installments commencing January 2004; the issuer has a call option exercisable any time after 2 years to repay in whole or in part on a coupon date at a three months notice and with a premium. Maturity: July 2008</p>	50,000	-
<p>Pakistan International Airlines Corporation 100,000 certificates of Rs. 5,000 each Mark-up: SBP discount rate + 0.5% per annum with a floor of 8% per annum and a cap of 12.50% per annum. Redemption: First four equal semi-annual installments commencing August 2003 amounting to Rs. 5,000 each. Next six equal semi-annual installments commencing August 2005 amounting to Rs. 12,499,500 each, subsequent six equal semi-annual installments commencing August 2008 amounting to Rs. 70,830,500 each; the issuer has a call option exercisable any time at 24th, 48th and 72nd month to redeem in full or part with a premium. Maturity: February 2011</p>	499,995	-
<p>Pakistan Mobile Communications (Pvt.) Limited 30,000 certificates of Rs. 5,000 each Mark-up: Simple average of last three 6-month Treasury Bills cut-off rate + 2.25% per annum with a floor of 6.00% per annum and a cap of 12% per annum. Redemption: Five equal semi-annual installments commencing September 2006; the issuer has a call option exercisable any time from the first principal repayment date (i.e. starting from the 36th month) onwards on a coupon date subject to 30 days notice period to repay in whole or in part. Maturity: September 2008</p>	150,000	-
	699,995	12,475

9.2.9 □ Particulars of Certificates of Investment are as follows:

	Tenor	Profit Rate (% per annum)	(Rupees in '000)
Pak Libya Holding Co. (Pvt.) Limited	3 years	5.25	300,000
Dawood Leasing Limited	6 months	5.50	50,000
Dawood Leasing Limited	1 year	5.00	50,000
			400,000

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

9.2.10 The investment includes PIBs having book value of Rs. 48,061,545 pledged with the National Bank of Pakistan as security to facilitate T.T. discounting facility. Further interest accrued on PIBs and FIBs have been reclassified to other assets from investment in the comparative year.

10. ADVANCES

		2003	2002
(Rupees in '000)			
Loans, cash credits, running finances, etc. in Pakistan		45,709,334	26,800,108
Net Investment in Finance Lease	10.2	1,517,397	88,327
Bills discounted and purchased (excluding treasury bills)		1,064,076	923,867
Payable in Pakistan		2,081,424	1,625,106
Payable outside Pakistan		3,145,500	2,548,973
		<u>50,372,231</u>	<u>29,437,408</u>
Provision for non-performing advances	10.4	(1,156,111)	(1,118,007)
		<u>49,216,120</u>	<u>28,319,401</u>
10.1 Particulars of advances			
10.1.1 In local currency		45,656,382	23,527,856
In foreign currencies		3,559,738	4,791,545
		<u>49,216,120</u>	<u>28,319,401</u>
10.1.2 Short term (for up to one year)		38,068,584	24,055,778
Long term (for over one year)		11,147,536	4,263,623
		<u>49,216,120</u>	<u>28,319,401</u>

10.2 Net Investment in Finance Leases

	2003			Total	2002
	Not later than one year	Later than one year & less than five years	Over five years		Total
(Rupees in '000)					
Lease rental receivable	238,287	1,172,014	113,853	1,524,154	92,107
Add: Residual value	-	200,082	5,000	205,082	14,423
Minimum lease payments	238,287	1,372,096	118,853	1,729,236	106,530
Financial charges for future period	(50,239)	(142,747)	(18,853)	(211,839)	(18,203)
Present value of minimum lease payments	<u>188,048</u>	<u>1,229,349</u>	<u>100,000</u>	<u>1,517,397</u>	<u>88,327</u>

10.3 Advances include Rs. 2.845 billion (2002: Rs. 1.537 billion) which have been placed under non-performing status as detailed below:

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Other assets especially mentioned	827,611	-	827,611	-	237
Substandard	595,256	-	595,256	4,912	4,916
Doubtful	78,733	-	78,733	27,678	27,934
Loss	1,343,750	-	1,343,750	969,836	973,128
	<u>2,845,350</u>	<u>-</u>	<u>2,845,350</u>	<u>1,002,426</u>	<u>1,006,215</u>

Classified advances include an amount of Rs. 1.355 billion fully covered through available liquid securities classified due to non-renewal of facilities.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

10.4 Particulars of provision against non-performing advances:

	2003			2002		
	Specific	General	Total	Specific	General	Total
	<i>(Rupees in '000)</i>					
Opening balance	1,055,135	62,872	1,118,007	1,076,903	11,192	1,088,095
Charge for the year	82,390	87,075	169,465	58,320	51,680	110,000
Reversals	(82,323)	(51)	(82,374)	(56,381)	-	(56,381)
	67	87,024	87,091	1,939	51,680	53,619
Amounts written-off <input type="checkbox"/> 10.5	(48,987)	-	(48,987)	(23,707)	-	(23,707)
Closing balance	<u>1,006,215</u>	<u>149,896</u>	<u>1,156,111</u>	<u>1,055,135</u>	<u>62,872</u>	<u>1,118,007</u>

10.5 Particulars of write-offs

		2003	2002
		<i>(Rupees in '000)</i>	
10.5.1 <input type="checkbox"/> Against provisions <input type="checkbox"/>	10.4	48,987	23,707
Directly charged to profit and loss account <input type="checkbox"/>		<u>418</u>	<u>1,447</u>
		<u>49,405</u>	<u>25,154</u>
10.5.2 <input type="checkbox"/> Write-offs of Rs. 500,000 and above <input type="checkbox"/>	10.6	46,973	24,189
Write-offs of below Rs. 500,000		<u>2,432</u>	<u>965</u>
		<u>49,405</u>	<u>25,154</u>

10.6 Details of loan write-off 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 persons during the year ended December 31, 2003 is given in Annexure-I.

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

	Balance as at December 31, 2003	Maximum total amount of advances including temporary advances granted during the year
	<i>(Rupees in '000)</i>	
Debts due by directors, executives or officers of the bank or <input type="checkbox"/> any of them either severally or jointly with any other <input type="checkbox"/> persons	350,304	477,162
Debts due by companies or firms in which the directors of <input type="checkbox"/> the bank are interested as directors, partners or in the case <input type="checkbox"/> of private companies as members	-	-
Debts due by subsidiary companies, controlled firms, <input type="checkbox"/> managed modarabas and other related parties	-	-
	<u>350,304</u>	<u>477,162</u>

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

11. OTHER ASSETS

		2003	2002
		<i>(Rupees in '000)</i>	
Income/mark-up accrued in local currency		857,194	786,445 □
Income/mark-up accrued in foreign currency		52,565	44,398 □
Advances, deposits, advance rent and other prepayments		482,035	361,225 □
Membership card		31,000	- □
Dividend Receivable		2,503	17,875 □
Unrealized gain on forward foreign exchange contracts		21,317	5,053 □
Prepaid exchange risk fee		7,778	13,195 □
Stationery and stamps on hands		21,783	16,363 □
Short term receivables		569	496 □
Asset acquired in satisfaction of claim		-	28,500 □
Receivable from brokers	11.1	268,135	37,176 □
Others	11.2	14,000	30,000 □
Pre-operating and other expenses	11.3	2,285	- □
		<u>1,761,164</u>	<u>1,340,726 □</u>
Less: □ Provision held against other assets □	11.4	(9,619)	(7,619) □
Mark-up held in suspense account		(164,655)	(124,177) □
		<u>1,586,890</u>	<u>1,208,930</u>

11.1 This represents amount receivable from brokers against sale of shares.

11.2 This includes Rs. 14 million being payment for Pre IPO Participation in Southern Networks Limited for 1.4 million ordinary shares at a price of Rs. 10 each.

11.3 Pre-operating and other expenses

		2003	2002
		<i>(Rupees in '000)</i>	
<i>Pre-incorporation expenses</i>			
Membership fee		100	- □
Registration charges		266	- □
Stamp charges		5	- □
		<u>371</u>	<u>- □</u>
Salaries and wages			
Auditors' remuneration		1,451	- □
Communication charges		48	- □
Travelling		83	- □
Professional charges		37	- □
Fees		200	- □
Stationary		20	- □
Insurance		12	- □
Depreciation		11	- □
Others		47	- □
		<u>5</u>	<u>- □</u>
		<u>2,285</u>	<u>-</u>

11.4 Provisions against other assets □

Opening balance □		7,619	7,619
Charge for the year □		2,000	-
Closing balance		<u>9,619</u>	<u>7,619</u>

12. OPERATING FIXED ASSETS □

Capital work-in-progress □	12.1	293,498	188,679
Property and equipment □	12.2	2,462,181	1,539,743
Intangible assets	12.3	37,031	32,352
		<u>2,792,710</u>	<u>1,760,774</u>

12.1 Capital work-in-progress □

Advances to suppliers and contractors		<u>293,498</u>	<u>188,679</u>
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CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

12.2 Property and equipment

Description	Cost and revaluation at January 1, 2003	Additions / (disposals)/ *adjustments	Revaluation surplus	Cost as at December 31, 2003	Accumulated depreciation at January 1, 2003	Depreciation for the year/ (on disposal)/ *adjustments	Depreciation release on revaluation	Accumulated depreciation at December 31, 2003	Net book value at December 31, 2003	Rate of depreciation per annum
(Rupees in '000)										
Office premises	376,086	315,316 (27,444) *21,874		685,832	98,439	10,745 (2,884)	(106,300)	-	685,832	1 - 5.5
Revaluation	830,950	243	307,606	1,138,799	77,167	25,729	(102,896)	-	1,138,799	1 - 5.5
Lease hold improvement	1,207,036 175,278	309,989 59,748 (257) *(23,578)	307,606 - -	1,824,631 211,191	175,606 24,409	33,590 34,059 - *(1,919)	(209,196) -	- 56,549	1,824,631 154,642	20
Furniture and fixtures	132,735	36,948 (2,492) *1,620	-	168,811	45,250	13,461 (1,983) *273	-	57,001	111,810	10 - 25
Office equipment	415,581	164,251 (18,706) *(1,916)	-	559,210	200,509	76,447 (17,562) *(148)	-	259,246	299,964	20
Vehicles	114,381	44,098 (8,346)	-	150,133	59,494	26,181 (6,676)	-	78,999	71,134	25
2003	2,045,011	620,604 (57,245) *(2,000)	307,606	2,913,976	505,268	186,622 (29,105) *(1,794)	(209,196)	451,795	2,462,181	
2002	1,691,769	362,692 (9,450)	-	2,045,011	370,752	141,235 (6,719)	-	505,268	1,539,743	

12.2.1 In included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 161.230 million.

12.2.2 The fair value of property and equipment as per management estimate is not materially different from the carrying amount.

12.2.3 Office premises have been revalued on 31 December 2003 on the basis of market value by Harvester Services (Private) Limited, engineers, surveyors, inspectors, valuers, loss assessors. Had there been no revaluation, the figures would have been as follows:

	Cost as at December 31, 2003	Accumulated depreciation as at December 31, 2003	Book value as at December 31, 2003
Office premises	685,832	106,300	579,532

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

12.2.4 The above balance of owned operating assets represents the value of assets subsequent to revaluation on December 30, 1999 and December 31, 2003 which had resulted in surplus of Rs. 830.950 million and Rs. 516.802 million respectively and additions thereafter at cost.

12.2.5 As at December 31, 2003, un-depreciated balance of revaluation surplus included in the carrying value of fixed assets, amounted to Rs. 1,138.799 million (2002: Rs. 753.783 million).

12.3 Intangible assets

Description	Cost			Depreciation			Net book value as at December 31, 2003	Rate of amortization % per annum
	As at January 1, 2003	Additions/ (deletions)	As at December 31, 2003	As at January 1, 2003	Amortization for the year	As at December 31, 2003		
	(Rupees in '000)							
Computer software	19,611	25,764	45,375	1,817	6,527	8,344	37,031	20%
Goodwill	15,440	-	15,440	882	14,558	15,440	-	
Total	35,051	25,764	60,815	2,699	21,085	23,784	37,031	
2002	10,279	24,772	35,051	801	1,898	2,699	32,352	

12.4 Details of disposal of fixed assets having cost more than Rs. 1,000,000 or net book value of Rs. 250,000 or above.

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Vehicle	924	616	308	725	Insurance claim	Adamjee Insurance Co. Ltd.
Vehicle	681	367	314	600	Insurance claim	Adamjee Insurance Co. Ltd.
Vehicle	765	374	391	284	Insurance claim	Adamjee Insurance Co. Ltd.

The disposal also includes premises having cost of Rs. 27.444 million and written down value of Rs. 24.56 million the bank have purchased these premises with the condition that if the vendor was not able to transfer and assign the valid and subsisting title in respect of the said premises up to March 15, 2003, the Bank would have the right to terminate the transaction by forfeiting the cash collateral placed with the Bank equivalent to purchase price paid. Since the valid title was not transferred by the due date the Bank terminated the transaction and has forfeited the collateral.

13. DEFERRED TAX (LIABILITIES) / ASSETS

	2003	2002
	(Rupees in '000)	
Deferred debits arising in respect of:		
Provision for doubtful debts	587,880	544,146
Provision for gratuity	-	17,931
Excess of Tax WDV over Accounting WDV of Fixed Assets	6,800	-
License fee charged off	14,630	-
	609,310	562,077
Deferred credits arising in respect of:		
Write offs/ reversals of provision for bad debts	(374,990)	(337,924)
Leasing operations	(16,720)	(253)
Excess of accounting net book value over tax written down value of fixed assets	-	(146)
Surplus on revaluation of fixed assets	(439,320)	(267,806)
Surplus on revaluation of securities	(101,290)	(1,142,449)
	(932,320)	(1,748,578)
	(323,010)	(1,186,501)

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

The income tax assessments of the Bank have been finalised up to and including tax year 2003. Matters of disagreement exist between the bank and tax authorities for various assessment years and are pending with the Commissioner of Income Tax (Appeals), Income Tax Appellate Tribunal (ITAT) and High Court of Sindh. □

The issues mainly relate to addition of mark-up in suspense to income, taxability of profit on government securities, bad debts written off and disallowances relating to profit and loss expenses. □

The Bank filed return of Income tax for the tax year 2003 where the same is deemed to be an assessment order. However, the Inspecting Appellate Commissioner of Income Tax has issued notice of demand under section 122(5A) of the Income Tax Ordinance, 2001, proposing modifications which if finalised will enhance the tax liability for the year by Rs. 126 million. However, adequate provision has been made in accounts in this respect. □

In respect of assessment year 2002-03, the Bank filed an appeal with the Commissioner of Income Tax (Appeals) on the issue of additional tax levied under section 183 of the Income Tax Ordinance, 1979 (repealed) for not paying full demand of tax resulting from the order under section 62 of the Income Tax Ordinance, 1979 (repealed). The hearing of appeals filed against penalty order, as the order under section 62, has been completed and appellate order is awaited.

14. BILLS PAYABLE

	2003	2002
	<i>(Rupees in '000)</i>	
In Pakistan	1,208,671	758,961 □
Outside Pakistan	-	- □
	<u>1,208,671</u>	<u>758,961</u>

15. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	12,798,678	5,542,370 □
Outside Pakistan	329,076	495,206 □
	<u>13,127,754</u>	<u>6,037,576</u>

15.1 Particulars of borrowings from financial institutions

In local currency	12,798,678	5,542,370 □
In foreign currencies	329,076	495,206 □
	<u>13,127,754</u>	<u>6,037,576</u>

15.2 Details of borrowings from financial institutions

Secured		
Borrowings from financial institutions		-
Borrowings from subsidiary companies, managed □ modarabas and associated undertakings		-
Borrowings from directors (including Chief Executive) of □ the Bank		-
Borrowings from State Bank of Pakistan □ under export refinance scheme	15.2.1	5,244,207
Repurchase agreement borrowings	15.2.2	6,304,471
		<u>11,548,678</u>
Unsecured		
Call borrowings	15.2.3	1,250,000
Overdrawn nostro accounts		329,076
		<u>1,579,076</u>
		<u>13,127,754</u>
		<u>6,037,576</u>

15.2.1 □ This represents borrowing from SBP under export refinance scheme at rates ranging from 4.50% to 1.50% per annum maturing within six months up to June, 2004. As per terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained with SBP.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

15.2.2 □ This represents repurchase agreement borrowings from other banks at rates ranging from 1.40% to 2.40% per annum maturing up to March 2004.

15.2.3 □ This represents call borrowing in interbank market at rates ranging from 1.70% to 2.50% per annum maturing in May 2004.

16. DEPOSITS AND OTHER ACCOUNTS

	2003	2002
	(Rupees in '000)	
Customers		
Fixed deposits	11,103,147	11,083,927 □
Savings deposits	44,625,779	30,154,251 □
Current accounts – Non-remunerative	18,611,765	8,539,944 □
Margin, call and sundry deposits	879,749	702,402 □
	<u>75,220,440</u>	<u>50,480,524 □</u>
Financial Institutions		
Remunerative deposits	1,444,483	1,204,460 □
Non-remunerative deposits	8,234	- □
	<u>1,452,717</u>	<u>1,204,460 □</u>
	<u>76,673,157</u>	<u>51,684,984</u>

16.1 These include deposits of Rs. 113.712 million (2002: Nil) of Islamic Banking Division.

16.2 Particulars of deposits

In local currency	69,134,334	45,464,501 □
In foreign currencies	7,538,823	6,220,483 □
	<u>76,673,157</u>	<u>51,684,984</u>

17. SUB-ORDINATED LOANS

Term Finance Certificates – Quoted, Unsecured	<u>649,740</u>	<u>650,000</u>
Mark-up □	1.35% above 5 year PIB yield; □ floor: 10% per annum; cap: 15% per annum	
Subordination □	The TFCs are subordinated to all other indebtedness □ of the Bank including deposits	
Rating □	A +	
Tenor □	Six years	
Redemption □	2 equal semi-annual installments commencing June 2008	
Maturity □	December 2008	

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

18. OTHER LIABILITIES

	2003	2002
	<i>(Rupees in '000)</i>	
Mark-up/return/interest payable in local currency	528,461	539,277 □
Mark-up/return/interest payable in foreign currencies	23,720	24,048 □
Unearned commission and income on bills discounted	55,978	12,154 □
Accrued expenses	150,458	37,779 □
Proposed Dividend	500,000	250,000 □
Branch adjustment account	196,229	45,500 □
Taxation	869,048	20,967 □
Lease security deposit	205,082	14,423 □
Payable to defined benefit plan	-	45,784 □
Exchange difference payable to SBP	4,997	- □
Payable to brokers	53,857	120,700 □
Others	98,955	85,710 □
	2,686,785	1,196,342

18.1 This represents amounts payable to brokers against purchase of shares.

19. SHARE CAPITAL

19.1 Authorized Capital

	2003	2002		2003	2002
	<u>200,000,000</u>			<u>2,000,000</u>	
	<u>200,000,000</u>	<u>200,000,000</u>	Ordinary shares of Rs. 10 each	<u>2,000,000</u>	<u>2,000,000</u>

19.2 Issued, subscribed and paid up

	2003	2002		2003	2002
	<u>75,000,000</u>	<u>75,000,000</u> □	Ordinary shares of Rs. 10 each fully paid in cash	<u>750,000</u>	<u>750,000</u> □
	<u>25,000,000</u>	<u>25,000,000</u> □	Bonus Shares	<u>250,000</u>	<u>250,000</u> □
	<u>100,000,000</u>	<u>-</u> □	Bonus Shares issued during the year	<u>1,000,000</u>	<u>-</u> □
	200,000,000	100,000,000		2,000,000	1,000,000

20. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of:

- fixed assets □	20.1	805,785	485,976 □
- securities	20.2	<u>199,047</u>	<u>1,550,914</u> □
		1,004,832	2,036,890

20.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets		1,347,752	830,950 □
Deficit reversed due to disposal		243	- □
Less: related deferred tax liability		<u>(468,999)</u>	<u>(286,168)</u> □
Transferred to retained earnings relating to incremental depreciation (net of tax)		(73,211)	(58,806) □
		805,785	485,976

20.2 Surplus on revaluation of securities

i) □ Government securities		222,359	2,583,246 □
ii) □ Quoted shares □		70,133	96,889 □
iii) □ Term Finance Certificates – quoted		<u>7,844</u>	<u>13,228</u> □
		300,336	2,693,363 □
Less: related deferred tax liability		<u>(101,289)</u>	<u>(1,142,449)</u> □
		199,047	1,550,914

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct Credit Substitutes

2003 2002
(Rupees in '000)

Contingent liability in respect of guarantees given favouring:

i) <input type="checkbox"/> Government	2,099,911	253,297 <input type="checkbox"/>
ii) <input type="checkbox"/> Banking companies and other financial institutions	99,836	32,457 <input type="checkbox"/>
iii) <input type="checkbox"/> Others	527,697	208,154 <input type="checkbox"/>
	<u>2,727,444</u>	<u>493,908</u>

21.2 Transaction-related Contingent Liabilities

Contingent liability in respect of performance bonds, bid bonds, shipping guarantees, standby letters of credit, etc. favouring:

i) <input type="checkbox"/> Government	4,411,462	4,324,541 <input type="checkbox"/>
ii) <input type="checkbox"/> Banking companies and other financial institutions	79,876	177,198 <input type="checkbox"/>
iii) <input type="checkbox"/> Others	2,274,302	595,114 <input type="checkbox"/>
	<u>6,765,640</u>	<u>5,096,853</u>

21.3 Trade-related Contingent Liabilities

Letters of credit	9,592,550	5,675,622 <input type="checkbox"/>
Acceptances	2,456,680	2,281,419

21.4 Other Contingencies

Claims against the Bank not acknowledged as debts	660,373	1,022,923
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21.5 Commitments in respect of forward lending

Commitments to extend credit	475,000	<input type="checkbox"/>
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21.6 Commitments in respect of forward exchange contracts

- Purchase	5,960,635	3,467,863 <input type="checkbox"/>
- Sale	4,027,393	5,102,912

21.7 Commitments for the acquisition of operating fixed assets and intangibles

	258,490	98,027
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21.8 Commitments in respect of repo transactions

- Repurchase	6,388,064	2,709,281 <input type="checkbox"/>
- Resale	6,807,219	4,092,740

21.9 Commitments in respect of equity investments

- Sale	274,157	<input type="checkbox"/> <input type="checkbox"/>
- Purchase	274,283	-

21.10 Other commitments

- For purchase of 25% equity in Shamil Bank of Bangladesh	77,851	77,851
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22. MARK-UP/RETURN/INTEREST EARNED

a) On loans and advances to: <input type="checkbox"/> i) <input type="checkbox"/> customers	2,600,923	2,627,302 <input type="checkbox"/>
<input type="checkbox"/> ii) <input type="checkbox"/> financial institutions	24,657	45,195 <input type="checkbox"/>
b) On investments in: <input type="checkbox"/> i) <input type="checkbox"/> available for sale securities	1,270,754	1,599,326 <input type="checkbox"/>
<input type="checkbox"/> ii) <input type="checkbox"/> held to maturity securities	38,751	116,925 <input type="checkbox"/>
c) On deposits with financial institutions	46,198	95,505 <input type="checkbox"/>
d) On securities purchased under resale agreements	52,097	67,076 <input type="checkbox"/>
	<u>4,033,380</u>	<u>4,551,329</u>

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

23. MARK-UP/RETURN/INTEREST EXPENSED

	2003	2002
(Rupees in '000)		
Deposits (including exchange risk fee)	1,694,997	2,522,700 □
Securities sold under repurchase agreements	168,958	356,056 □
Other short term borrowings	99,631	230,337 □
Term Finance Certificates	64,991	3,220 □
	<u>2,028,577</u>	<u>3,112,313</u>

24. OTHER INCOME

Postage, telex, service charges, etc.	213,348	139,240 □
Net profit on sale of property and equipment	6,903	2,568 □
Gain on sale of shares/ certificates/ units – net	362,550	79,165 □
Gain on sale of PIBs	2,190,702	- □
	<u>2,773,503</u>	<u>220,973</u>

25. ADMINISTRATIVE EXPENSES

Salaries, allowances, etc.		705,504	449,408 □
Charge for defined benefit plan – Gratuity		21,096	15,925 □
Contribution to defined contribution plan - Provident Fund		22,053	13,203 □
Brokerage and commissions		82,090	35,927 □
Rent, taxes, insurance, electricity, etc.		210,686	172,695 □
License fee		38,500	- □
Legal and professional charges		25,475	16,969 □
Communication		115,972	69,576 □
Repairs and maintenance		58,465	32,667 □
Stationery and printing		56,035	43,324 □
Advertisement and publicity		96,732	74,090 □
Donations □	25.1	3,600	2,668 □
Auditors' remuneration □	25.2	2,065	1,750 □
Depreciation □	12.2	186,574	141,235 □
Amortization of intangible assets □	12.3	21,085	1,898 □
Amortization of deferred cost		-	7,989 □
Entertainment, vehicle running expenses, □ travelling and subscription		93,848	56,082 □
Others		59,710	47,481 □
		<u>1,799,490</u>	<u>1,182,887</u>

25.1 Donations

Sheikh Zayed Hospital – Rahim Yar Khan		-	1,450 □
Rising Sun Institute – Lahore		2,000	1,000 □
Miss Ammara Jawed – Islamabad		-	218 □
Nishtar Hospital – Multan		100	- □
Pakistan Human Development Fund (PHFD)		1,500	- □
		<u>3,600</u>	<u>2,668</u>

None of the Directors or their spouses had any interest in the donees.

25.2 Auditors' remuneration

Audit fee		1,000	1,000 □
Fee for half yearly review		350	- □
Special certifications and sundry advisory services		365	430 □
Out-of-pocket expenses		350	320 □
		<u>2,065</u>	<u>1,750</u>

26. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		1,875	993
		<u>1,875</u>	<u>993</u>

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

27. TAXATION

	2003	2002
<i>(Rupees in '000)</i>		
For the year		
Current	1,364,723	407,752 □
Deferred	<u>(5,164)</u>	<u>(6,271) □</u>
	1,359,559	401,481 □
For prior year		
Current	22,887	(15,200) □
Deferred	-	62,693 □
	<u>22,887</u>	<u>47,493 □</u>
	<u>1,382,446</u>	<u>448,974</u>

27.1 Relationship between tax expense and accounting profit

Profit before tax	3,505,680	894,653 □
Tax at the applicable rate of 44% (2002: 47%)	1,542,499	420,486 □
Effect of:		
- change in tax rate	8,507	62,693 □
- income chargeable to tax at reduced rates	(39,314)	(23,924) □
- income exempt from tax	(159,577)	(37,212) □
- other differences	7,444	42,131 □
- prior year provision	22,887	(15,200) □
Tax expense for the year	<u>1,382,446</u>	<u>448,974</u>

28. BASIC EARNINGS PER SHARE

Profit for the year	2,123,234	445,679 □
Number of shares in thousand		
	2003	2002
Weighted average number of ordinary shares	<u>200,000</u>	<u>200,000</u>
Basic and diluted earnings per share	<u>Rs. 10.62</u>	<u>Rs. 2.23</u>

29. CASH AND CASH EQUIVALENTS

	2003	2002
<i>(Rupees in '000)</i>		
Cash and balances with treasury banks	8,423,399	4,540,486 □
Balances with other banks	626,917	232,728 □
Call lendings	650,000	550,000 □
	<u>9,700,316</u>	<u>5,323,214</u>

30. STAFF STRENGTH

	Number of employees	
	2003	2002
Total number of employees at the end of the year	<u>2,147</u>	<u>1,504</u>

31. DEFINED BENEFIT PLAN

31.1 Principal actuarial assumptions □

Discount factor used (% per annum compounded) □	7	8
Expected yield on investments (% per annum) □	9.15	8 – 10
Salary increase (% per annum) □	7	8
Normal retirement age	60 years	60 years

31.2 Reconciliation of payable to defined benefit plan □

	<i>(Rupees in '000)</i>	
Present value of defined benefit obligations □	135,457	93,901 □
Fair value of plan assets □	(86,303)	(15,300) □
Net actuarial losses not recognized □	(49,154)	(30,343) □
Unrecognized transitional obligation	-	(2,474) □
	<u>-</u>	<u>45,784</u>

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

31.3 Movement in payable to defined benefit plan

	2003	2002
<i>(Rupees in '000)</i>		
Opening balance	45,784	33,350 □
Liability for clerical staff	6,693	-
Charge for the year	21,096	15,925 □
Contribution to fund made during the year	(73,573)	(3,491) □
Closing balance	<u>-</u>	<u>45,784</u>

31.4 Charge for defined benefit plan

Current service cost	10,429	6,496 □
Interest cost	7,512	8,017 □
Expected return on plan assets	(1,224)	(2,035) □
Actuarial losses	1,905	971 □
Past service cost	-	-
Amortization of transitional obligation	2,474	2,476 □
	<u>21,096</u>	<u>15,925</u>

31.5 Actual return on plan assets

	<u>2,500</u>	<u>2,020</u>
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32. REMUNERATION OF DIRECTORS AND EXECUTIVES

	Chief Executive Officer		Executives	
	2003	2002	2003	2002
<i>(Rupees in '000)</i>				
Managerial remuneration	5,200	4,800	113,731	65,288
Gratuity	350	300	4,294	2,484
Provident fund	-	-	4,303	2,523
Rent and house maintenance	-	-	29,209	18,445
Utilities	-	-	-	1,285
Medical	147	68	-	-
Others	-	-	-	1,885
	<u>5,697</u>	<u>5,168</u>	<u>151,537</u>	<u>91,910</u>
Number of person	<u>1</u>	<u>1</u>	<u>65</u>	<u>40</u>

The Chief Executive and certain executives have been provided with the free use of cars and household equipment.

33. MATURITIES OF ASSETS AND LIABILITIES

	2003				
	Total	Up to three months	Over 3 months to one year	Over one year to five years	Over five years
<i>(Rupees in '000)</i>					
Assets					
Cash and balances with treasury banks	8,423,399	8,423,399	-	-	-
Balances with other banks	626,917	507,526	90,196	29,195	-
Lending to financial institutions	7,437,733	7,337,733	100,000	-	-
Investments	28,861,596	6,292,134	11,270,760	7,970,233	3,328,469 □
Advances	49,216,120	15,783,506	22,285,078	10,017,012	1,130,524 □
Other assets	1,586,890	1,111,830	192,487	177,851	104,722 □
Operating fixed assets	2,792,710	-	-	968,079	1,824,631 □
	<u>98,945,365</u>	<u>39,456,128</u>	<u>33,938,521</u>	<u>19,162,370</u>	<u>6,388,346</u>
Liabilities					
Bills payable	1,208,671	1,208,671	-	-	-
Borrowings from financial institutions	13,127,754	7,633,547	5,494,207	-	-
Deposits and other accounts*	76,673,157	21,165,220	3,886,101	2,775,787	48,846,049 □
Subordinated loans	649,740	-	260	1,040	648,440 □
Other liabilities	2,686,785	1,370,296	946,014	284,029	86,446 □
Deferred tax liabilities	323,010	-	118,701	-	204,309 □
	<u>94,669,117</u>	<u>31,377,734</u>	<u>10,445,283</u>	<u>3,060,856</u>	<u>49,785,244 □</u>
Net assets	<u>4,276,248</u>	<u>8,078,394</u>	<u>23,493,238</u>	<u>16,101,514</u>	<u>(43,396,898)</u>
Share capital	2,000,000				
Reserves	790,374				
Unappropriated profit	463,042				
Surplus on revaluation of assets	1,004,832				
Minority Interest	18,000				
	<u>4,276,248</u>				

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

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

33.1 Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Management Committee manages the liquidity position on a continuous basis. The Committee monitors the maintenance of balance sheet liquidity ratios, depositors' concentration both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits and liquidity contingency plans. Moreover, core retail deposits, (current accounts and saving accounts) form a considerable part of the Bank's overall funding therefore significant importance is attached to the stability and growth of these deposits.

34. YIELD / INTEREST RATE RISK

Effective yield/ interest rate %	Total	2003				Not exposed to yield/ interest
		Exposed to yield / interest risk				
		Up to three months	Over 3 months to one year	Over one year to five years	Over five years	
(Rupees in '000)						
On-balance sheet financial instruments						
Assets						
Cash and balances with treasury banks	0.720	8,423,399	1,107,929	-	-	7,315,470
Balances with other banks	2.581	626,917	19,534	90,196	29,195	487,992
Lending to financial institutions	3.742	7,437,733	7,337,733	100,000	-	-
Investments	3.651	28,861,596	5,187,092	11,270,760	7,970,233	1,105,042
Advances	6.874	49,216,120	15,783,506	22,285,078	10,017,012	1,130,524
Other assets		1,180,988	-	-	-	1,180,988
		95,746,753	29,435,794	33,746,034	18,016,440	4,458,993
Liabilities						
Bills payable		1,208,671	-	-	-	1,208,671
Borrowings from financial institutions	1.783	13,127,754	7,633,547	5,494,207	-	-
Deposits and other accounts	3.074	76,673,157	1,640,306	49,956,363	2,498,208	3,053,366
Subordinated loans	10.000	649,740	-	260	1,040	648,440
Liabilities against assets subject to finance lease		-	-	-	-	-
Other liabilities		1,461,611	-	-	-	1,461,611
		93,120,933	9,273,853	55,450,830	2,499,248	3,701,806
On-balance sheet gap		<u>2,625,820</u>	<u>20,161,941</u>	<u>(21,704,796)</u>	<u>15,517,192</u>	<u>757,187</u>
Cumulative yield/interest risk sensitivity gap			<u>20,161,941</u>	<u>(1,542,855)</u>	<u>13,974,337</u>	<u>14,731,524</u>

34.1 The interest rate risk arises from the fluctuation in the value of financial instrument consequent to the changes in market interest rates. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or are re-priced in a given period. In order to ensure that this risk is managed within acceptable limits, the Bank's Asset and Liability Management Committee monitors the re-pricing of the assets and liabilities on a regular basis.

The Bank's interest rate risk is limited since the majority of customers' deposits are retrospectively re-priced on a biannual basis on the profit and loss sharing principles. Hence Bank's exposure in three months to one-year time as mentioned above has no impact on Bank's results.

35. CURRENCY RISK

	2003			
	Assets	Liabilities	Off-balance sheet items*	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	89,483,277	85,229,314	(1,581,336)	2,672,627
United States Dollar	5,716,365	6,703,856	957,817	(29,674)
Great Britain Pound	161,798	725,264	547,320	(16,146)
Japanese Yen	34,772	-	(34,474)	298
Euro	336,440	461,407	115,757	(9,210)
Other currencies	14,101	1,092	(5,084)	7,925
	<u>95,746,753</u>	<u>93,120,933</u>	<u>-</u>	<u>2,625,820</u>

* The off-balance sheet items have been valued at year end rates.

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

- 35.1 Currency risk arises from the fluctuation in the value of financial instruments consequent to the changes in foreign exchange rates. The Bank manages this risk by setting and monitoring dealer, currency and counter-party limits for on and off-balance sheet financial instruments. □

Off-balance sheet financial instruments are contracts, the characteristics of which are derived from those of underlying assets. These include forwards and swaps in foreign exchange market. The Bank's exposure in these instruments represents forward foreign exchange contracts on behalf of customers in import and export transactions and forward sales and purchases on behalf of customers in the inter-bank market. The risks associated with forward exchange contracts are managed by matching the maturities and fixing counter-party, dealers' intra-day and overnight limits. □

The exposure of the Bank to currency risk is also restricted by the statutory limit on aggregate exposure enforced by the State Bank of Pakistan.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

	2003		2002	
	Book Value	Fair Value	Book Value	Fair Value
	<i>(Rupees in '000)</i>			
On-balance sheet financial instruments				
Assets				
Cash balances with treasury banks	8,423,399	8,423,399	4,540,486	4,540,486
Balances with other banks	626,917	626,917	232,728	232,728
Lendings to financial institutions	7,437,733	7,437,733	4,634,398	4,637,046
Investments	28,861,596	28,861,596	24,694,397	24,730,272
Advances	49,216,120	49,216,120	28,319,401	28,453,812
Other assets	1,180,988	1,180,988	686,811	686,811
	<u>95,746,753</u>	<u>95,746,753</u>	<u>63,108,221</u>	<u>63,281,155</u>
Liabilities				
Bills payable	1,208,671	1,208,671	758,961	758,961
Borrowings from financial institutions	13,127,754	13,127,754	6,037,576	6,044,743
Deposits and other accounts	76,673,157	76,673,157	51,684,984	51,684,984
Subordinated loan	649,740	649,740	650,000	650,000
Other liabilities	1,461,611	1,461,611	934,025	934,025
	<u>93,120,933</u>	<u>93,120,933</u>	<u>60,065,546</u>	<u>60,072,713</u>
Off-balance sheet financial instruments				
Forward purchase of foreign exchange	5,960,635	5,996,455	3,467,863	3,467,863
Forward sale of foreign exchange	4,027,393	4,041,896	5,102,912	5,102,912

37. CONCENTRATION OF CREDIT RISK □

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparts failed to perform as contracted. The Bank has built-up and maintained a sound loan portfolio in terms of well-defined Credit Policy approved by the Board of Directors. Its credit evaluation system comprises of well-designed credit appraisal, sanctioning and review procedures for the purpose of emphasizing prudence in its lending activities and ensuring quality of asset portfolio. Special attention is paid by the management in respect of non-performing loans. A separate Credit Monitoring Cell (CMC) is operational at the Head Office. A "watchlist" procedure is also functioning which identifies loans showing early warning signals of becoming non-performing. □

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

CONSOLIDATED NOTES TO THE ACCOUNTS

For the year ended December 31, 2003

37.1 Segment by class of business

	2003					
	Deposits		Advances		Contingencies and Commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical	875,015	1.14	499,533	1.01	882,038	4.09
Agribusiness	2,739,143	3.57	2,150,078	4.37	120,975	0.56
Textile Spinning	336,989	0.44	7,271,547	14.77	1,950,748	9.06
Textile Weaving	711,778	0.93	3,309,207	6.72	936,453	4.35
Textile Composite	2,152,950	2.81	3,524,397	7.16	454,602	2.11
Cement	171,518	0.22	169,602	0.34	111,873	0.52
Sugar	440,384	0.57	1,574,941	3.20	128,470	0.60
Shoes & Leather Garments	476,023	0.62	535,099	1.09	44,403	0.21
Automobile & Transportation Equipment	1,488,217	1.94	655,121	1.33	980,361	4.55
Financial	2,546,659	3.35	1,012,191	2.06	2,527,752	11.73
Insurance	639,250	0.83	7,592	0.02	1,261	0.01
Electronic & Electrical Appliances	510,743	0.67	534,254	1.09	1,314,346	6.10
Production & Transmission of Energy	13,187,512	17.19	473,574	0.96	3,449,800	16.01
Individuals	32,137,881	41.90	12,481,662	25.36	720,262	3.34
Others	18,259,095	23.82	15,017,322	30.52	7,918,970	36.76
	<u>76,673,157</u>	<u>100.00</u>	<u>49,216,120</u>	<u>100.00</u>	<u>21,542,314</u>	<u>100.00</u>

37.2 Segment by sector

Public / Government	10,169,113	13.26	1,075,920	2.20	3,137,891	14.57
Private	66,504,044	86.74	48,140,200	97.80	18,404,423	85.43
	<u>76,673,157</u>	<u>100.00</u>	<u>49,216,120</u>	<u>100.00</u>	<u>21,542,314</u>	<u>100.00</u>

38. GEOGRAPHICAL SEGMENT ANALYSIS □

These financial statements represent operations of the Bank in Pakistan only.

39. RELATED PARTY TRANSACTIONS

39.1 Current account/Borrowings

	2003	2002
	(Rupees in '000)	
Balance at beginning of the year	8,567	92,506 □
Net movement	(5,119)	(83,939) □
Balance at the end of the year	<u>3,448</u>	<u>8,567</u>

These accounts are of current nature which are subject to variations.

39.2 Deposits/Placements

Balance at beginning of the year	-	986,992 □
Placements during the year	-	18,568,187 □
Withdrawal during the year	-	(19,555,179) □
Balance at the end of the year	<u>-</u>	<u>-</u>

39.3 Mark-up / Interest earned

- 23,327 □

39.4 Mark-up / Interest expensed

- 55,877

39.5 There are no loans and advances to directors and related parties.

40. DATE OF AUTHORISATION FOR ISSUE □

These financial statements were authorised for issue on January 26, 2004 by the Board of Directors of the Bank.

41. Figures have been rounded off to the nearest thousand rupees except stated otherwise.

Chief Executive Officer

Director

Director

Chairman

STATEMENT SHOWING WRITTEN-OFF FINANCINGS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2003

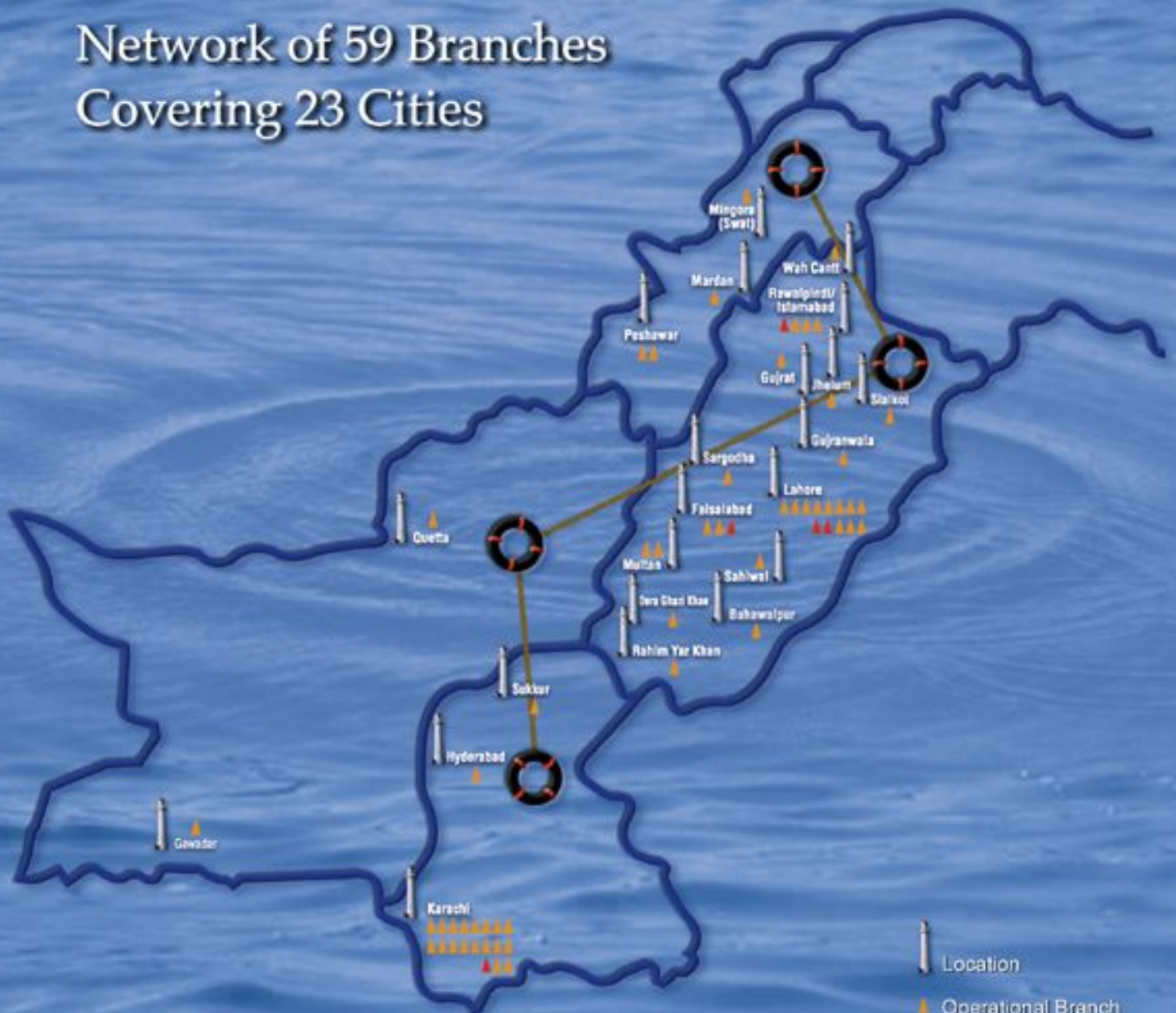
S. No.	Name and address of the borrower	Name of individuals/partners/directors with NIC No.	Father's/ Husband's Name*	Outstanding liabilities at January 1, 2003				Principal written-off	Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	J. Z. Enterprises 30 Dhedi Centre, 3rd Floor, New Neham Road, Cloth Market, Karachi.	Mr. Mohammad Zubair*	S/o Mr. Abdul Sattar	5,838	-	-	5,838	1,037	-	-	1,037
2	Pakistan Engineering Consultants A/15-A/1, Sunset Boulevard, DHA, Karachi.	Mr. Hideruddin Ahmed* Mr. Adil Ahmed* Ms. Ruqaya Ahmed* Mrs. Rukhsana Fikree* Ms. Farzana Ahmed*	S/o Late Kafiluddin Ahmed S/o Late Kafiluddin Ahmed D/o Late Kafiluddin Ahmed D/o Late Kafiluddin Ahmed	5,431	7,173	-	12,604	4,081	6,523	-	10,604
3	General Product Industries 239, Staff Lines, Fatima Jinnah Road, Karachi	Mr. M. Shabbir Ahmed* Mr. Rahula Amin* Mr. Khalique Ahmed Shamsi*	S/o Mr. H. Rashid Ahmed S/o Mr. H. Rashid Ahmed S/o Mr. H. Rashid Ahmed	562	46	-	608	562	46	-	608
4	Fine Food Industries Ltd. 5 B, East Avenue, Phase-1, DHA, Karachi	Mr. Saleem Ahmed Khan* Mrs. Cyra Sikander Khan* Mr. Yousof M. Khan* Mr. Mazhar Malik* Mr. K.M. Afzal*	S/o Mr. Karim Ahmed Khan W/o Mr. Sikander Mustafa Khan S/o Mr. Khan Bahadur A. Rauf Khan S/o Mr. Malik Fazle Haq S/o Mr. Nizamuddin	880	1,938	-	2,818	743	1,198	-	1,941
5	Nazneen Abid Ali 56-B, Shahbano Iqbal, F-8/2, Islamabad.	Mrs. Nazneen Abid Ali*	W/o Mr. S. Abid Ali	723	-	-	723	723	-	-	723
6	Paramount Marketing Services (Pvt) Ltd. 7-B/II, South Circular Avenue, DHA, Karachi.	Mr. Irshad Ali Siddiki* Mr. Imtiaz Ali Siddiki* Mr. Gul Mohammed Subhani*	S/o Mr. Mushtaq Ali S/o Mr. Mushtaq Ali S/o Heji Mohammed Siddique	1,664	-	-	1,664	1,464	-	-	1,464
7	Alam Shuttle Indus P.O Box 200, G.T Road, Gujranwala.	Mian Maqsood Ahmed* Mian Maqbool Ahmed*	S/o Mr. Mohammad Alam S/o Mr. Mohammad Alam	852	379	-	1,231	852	379	-	1,231
8	Gardee Wolloen Al-Faisal Town, Lahore Cantt-13, Lahore.	Mr. Rashid Ahmed Gardee* Mrs. Hajera Rasheed Gardee* Miss Rubina Rashid Khan* Mst. Aisar Sultana* Mr. Mohammad Khawajwa* Mr. Ebrahim Rashid* Mr. Zafar Iqbal*		1,415	10,194	-	11,609	1,415	9,293	-	10,708
9	SPRI Rehman 2/7-Gulberg Complex, Main Road Gulberg, Lahore.	Mr. Khalid Memon* Mrs. Saimaz Khalid* Mr. Tubasam Rashid*		1,721	-	-	1,721	1,573	-	-	1,573
10	Sheikh Mohammad Hussain	Mr. Sh. Mohammad Shafique* Mr. Sh. Saeed Ahmed* Mr. Sh. Abdul Rehman* Mrs. Parveen Akhtar* Mrs. Muddassar Arniit* Mr. S. M. Mehbub* Mr. Fazle Rahim Sabbir*	Mr. Sh. Mohammad Hussain Mr. Sh. Mohammad Hussain Mr. Sh. Taj Din Mr. Sh. Mohammad Shafique Mr. Sh. Saeed Ahmed Nominee By S.L.I.C Nominee By I.C.P	1,975	-	-	1,975	1,975	-	-	1,975
11	Skintrend Inr/1 112/A-1, Industrial Area, Kot Lakhpat, Township, Lahore.	Mr. Ishtiaq Ahmed* Mr. Mohammad Iqbal* Mr. Rustam Ali*		32,948	234	-	33,182	32,548	234	-	32,782
				54,009	19,964	-	73,973	46,973	17,673	-	64,646

* Not available in the records of the Bank.



*Getting something done is an accomplishment,
getting something done right is an achievement*

Network of 59 Branches Covering 23 Cities



- Location
- Operational Branch
- Islamic Banking Branch

BANK ALFALAH LIMITED

Form of Proxy (12th Annual General Meeting)

I/We _____ of _____ being a member of **BANK ALFALAH LIMITED** hereby appoint Mr. _____ of _____ (or failing him Mr. _____ of _____ or failing him Mr. _____ of _____) as my/our proxy, to vote for me/us on my/our behalf at the **Twelfth Annual General Meeting** of the Bank to be held on February 21, 2004 and at any adjournment thereof.

As witness my/our hand the _____ day of _____ 2004.

Signed by the said _____ in the presence of:

Mr. _____

BRANCH NETWORK

KARACHI

Main Branch:

B.A Building I.I. Chundrigar Road
Ph: (92-21) 2414030-39

Cloth Market Branch:

Cochinwala Market, Luxmidas Street
Ph: (92-21) 2401621-26

Karachi Stock Exchange Branch:

18-20, Karachi Stock Exchange Building,
Stock Exchange Road
Ph: (92-21) 2417515-19

Clifton Branch:

World Trade Centre,
Khayaban-e-Romi, Clifton
Ph: (92-21) 5833778-82

Shahrah-e-Faisal Branch:

Fortune Centre, Shahrah-e-Faisal
Ph: (92-21) 4313536-37

Bahadurabad Branch:

Prime Arcade, Shop No. 1-3,
Bahadur Shah Zafar Road
Ph: (92-21) 4128577-81

Jodia Bazar Branch:

Gulzar Manzil, Jodia Bazar
Ph: (92-21) 7532482-84

Korangi Industrial Area Branch:

Aiwan-e-Sanat, Plot No. St-4/2,
Sector 23, Korangi Industrial Area
Ph: (92-21) 5065701-2

M.A. Jinnah Road Branch:

Plot No. 23/1, Zelin Place
(Habib Bank Building),
M.A. Jinnah Road/Abdullah Haroon Road
Ph: (92-21) 7750627-30

S.I.T.E. Branch:

D-38, Near Siemens Chowrangi, S.I.T.E.
Ph: (92-21) 2581247

North Karachi Industrial Area Branch:

Plot No. SA-1 (ST-1/1), Sector 12-B,
North Karachi Industrial Area,
Opp. Police Station Gabol Town
Ph: (92-21) 6987644

Federal 'B' Area Branch:

C-28, Block-13, Federal 'B' Area
Ph: (92-21) 6803042

Paper Market Branch:

Plot No. S.R. 7/23,
Campbell Street, Paper Market
Ph: (92-21) 2211353-58

Gulshan-e-Iqbal Branch:

Plot No. SB-15, Block 13-B,
KDA Scheme No. 24,
University Road, Gulshan-e-Iqbal
Ph: (92-21) 4826696

North Napier Road Branch:

Ground Floor, Building at
Surv. No. 35/Sheet No. NP-10,
(Old Surv. No. A26/5), Napier Quarters
Ph: (92-21) 7540065-67-68

P.E.C.H.S. Branch:

Shop No. 3, 154-S, Block-2, P.E.C.H.S.
Ph: (92-21) 4535861-62

Timber Market Branch:

Ground Floor, Sur. No. 15,
Siddique Wahab Road,
Lawrence Quarters
Ph: (92-21) 7750635-39

Defence Housing Authority Branch:

Plot No. 40 & 42C,
26th Commercial Street, Phase V,
Defence Housing Authority
Ph: (92-21) 5871295

HYDERABAD

Plot No. 476/1 & 476/2,
Adjacent to Hotel Faran, Saddar
Ph: (92-221) 786020-22

LAHORE

LDA Plaza Branch:

LDA Plaza, Kashmir Road
Ph: (92-42) 6306201-6

Gulburg Branch:

125/E-1, Gulburg III, Main Boulevard
Ph: (92-42) 5877800-8

Defence Branch:

G-9, Commercial Area, Phase I,
LCCHS, Lahore Cantt.
Ph: (92-42) 5729772-76

Tufail Road Lahore Cantt. Branch:

50/3, Tufail Road, Lahore Cantt.
Ph: (92-42) 6689016-19

Circular Road Branch:

Opposite Mazar Hazrat Shah
Mohammad Ghous, Circular Road
Ph: (92-42) 7638256-58

Township Branch:

Akbar Chowk, PECO Road, Township
Ph: (92-42) 5152833-36

Badami Bagh Branch:

110-Grain Market, PECO Road,
Badami Bagh
Ph: (92-42) 7108294-95

Allama Iqbal Town Branch:

36, College Block, Allama Iqbal Town
Ph: (92-42) 5432961-63

Shah Alam Market Branch:

Hilal-e-Ahmar Health Complex,
Shah Alam Market
Ph: (92-42) 7673401-6

Shadman Market Branch:

Shop No. 2, Ground Floor,
Business Centre, Shadman Market
Ph: (92-42) 7538116-18

Stock Exchange Branch:

Basement Level-2,
Lahore Stock Exchange Building,
19, Khayaban-e-Iqbal
Ph: (92-42) 6307461-69

RAWALPINDI

The Mall Branch:

8, The Mall, Rawalpindi Cantt.
Ph: (92-51) 5566084-86

Satellite Town Branch:

B/20, North Star Plaza,
Satellite Town, Murree Road
Ph: (92-51) 4424080-86

ISLAMABAD

Awan Arcade, Jinnah Avenue,
Blue Area

Ph: (92-51) 2206986-87

SIALKOT

41/A, Paris Road

Ph: (92-432) 590098

MULTAN

Abdali Road Branch:

62-A, Abdali Road, Multan Cantt.
Ph: (92-61) 546792-96

Vehar Road Branch:

618/B, Vehari Road,
Ph: (92-61) 244492-95

FAISALABAD

Main Branch:

Ground Floor, State Life Building,
Liaquat Road
Ph: (92-41) 617436-39

Peoples Colony Branch:

237-B, Commercial Area,
D-Ground, Peoples Colony No. 1
Ph: (92-41) 722636-39

PESHAWAR

Peshawar Cantt. Branch:

6-B, Saddar Road, Peshawar Cantt.
Ph: (92-91) 287051-55

Peshawar City Branch:

Shoba Chowk, Park Inn Hotel Building,
Khyber Bazar
Ph: (92-91) 251794

GUJRANWALA

B XII-7S-145, Krishan Nagar, G.T. Road
Ph: (92-431) 299931-33

RAHIMYAR KHAN

City Centre Complex, Shahi Road
Ph: (92-731) 79881, 84771

SAHIWAL

183-Sarwar Shaheed Road
Ph: (92-441) 67691-95

SUKKUR

B-2823/B-2851, Frere Road, Sarafa Bazar
Ph: (92-71) 28173-75

QUETTA

Property No. 2-12(1), M.A. Jinnah Road
Ph: (92-81) 841057

SARGODHA

Block # 5, Liaquat Road,
Opp. Jamia Mosque Hamid Ali
Ph: (92-451) 724138-39

GUJRAT

15-231, Circular Road,
Opp. Rampiari Mahal
Ph: (92-433) 530219

MARDAN

C-929 to C-932 & C-662
Ex-Arif Hotel Building, Bank Road
Ph: (92-931) 73631-33

BAHAWALPUR

Ground Floor, Bldg. No. V/912,
Circular Road
Ph: (92-621) 889922-25

WAH CANTT.

4-1/100, Officers' Colony, The Mall
Ph: (92-596) 539426-28

DERA GHAZI KHAN

24-Block # 15, Liaquat Bazar
Ph: (92-641) 468105

MINGORA, SWAT

Khasra No. 95, Makan Bagh,
Saidu Sharif Road, Opp. PTCL Office
Ph: (92-936) 726745-46

JHELUM

Bungalow No. 67, Kazam Kamal Road,
Cantt.
Ph: (92-541) 610162

GAWADAR

Gawadar Palace Motel, Airport Road
Ph: (92-864) 210376, 211258

ISLAMIC BANKING BRANCHES

Uni Towers Karachi:

213 Uni Towers, I.I. Chundrigar Road
Ph: (92-21) 2417451

Main Branch Lahore:

66 Main Gulberg,
Main Boulevard, Gulberg
Ph: (92-42) 5715241-45

Y Block Branch Lahore:

93-Y, Commercial Area, Phase III,
Defence Housing Authority
Ph: (92-42) 5746191-95

Jinnah Avenue Islamabad:

REDCO Plaza, Jinnah Avenue, Blue Area
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